
**HEARING BEFORE THE HOUSE COMMITTEE ON
APPROPRIATIONS**

**SUBCOMMITTEE ON THE DEPARTMENTS OF
TRANSPORTATION AND TREASURY,
AND INDEPENDENT AGENCIES**

UNITED STATES HOUSE OF REPRESENTATIVES

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Mr. Chairman and members of the Subcommittee, thank you for the opportunity to appear today to discuss several forthcoming opportunities and challenges for the Treasury Inspector General for Tax Administration (TIGTA) and the Internal Revenue Service (IRS). A *New York Times* article reflected that, "The basic fact of today is the tremendous pace of change in human life." In the coming months, TIGTA may be preparing for significant changes resulting from the potential creation of a new, single Treasury Inspector General office and a new IRS executive leadership team. The IRS-specific changes coincide with the recent Department-wide changes resulting from the creation of the Department of Homeland Security and the confirmation of a new Secretary of the Treasury.

Consolidating Treasury's two Inspector General offices presents both opportunities and challenges. A consolidation should ultimately result in overhead savings by eliminating duplicate administrative and staff functions, and would broaden both offices' current responsibility and authority. Conversely, our concerns with creating a single office are primarily two-fold:

- will the effective date permit adequate time to implement the consolidation within current resource levels; and,
- will a consolidation dilute the vigorous oversight the Congress mandated in creating TIGTA in 1999 to protect and improve the nation's tax administration system, while appropriately addressing other Treasury activities?

With the appointment of a new Commissioner and the expected departures of key executives, the IRS is in the midst of tremendous leadership changes. During this transition, it is critical for the Commissioner to sustain the IRS' reinvention momentum in modernizing its computer systems, protecting taxpayer rights and privacy, and ensuring tax law compliance and enforcement while providing superior customer service. Although the IRS continues to address major management challenges, TIGTA's assessment of these challenges has not changed significantly from prior years. For example, modernizing technology has been an ongoing IRS challenge. Despite improvements, the major modernization projects continue to experience significant delays, cost increases, management difficulties, and reductions in deliverables. Considering the amount and sensitivity of the data the IRS is charged with protecting and the amount of revenue it collects, the IRS also should remain vigilant to all opportunities to enhance security of its employees, facilities, and information systems.

As I mentioned, the IRS needs to provide both effective tax enforcement and superior customer service. These concepts are not mutually exclusive; the challenge is to strike the appropriate balance. Recent compliance and collection levels have shown a slight reversal of a downward trend, and customer service continues to improve.

The IRS must also identify and implement solutions to other challenges. For example, the IRS has historically faced a large and growing inventory of delinquent tax accounts. IRS records indicate that from the end of FY 1996 through the end of FY 2002, gross accounts receivable due from unpaid taxes rose from \$216 billion to \$280 billion. Since the IRS has stated that it does not have enough financial and human resources to work all taxpayer accounts, it is exploring the collection of certain tax debts through the use of private collection agencies. While the IRS' preliminary planning approach for the use of private collection businesses has been good, it still needs to ensure taxpayer rights are protected; private data is adequately secured; projects are appropriately managed; and the backgrounds of contractor employees are adequately investigated.

Mr. Chairman, I began these remarks quoting a piece from the *New York Times*. Though it appeared 45 years ago, it seems equally applicable to our responsibilities today. I would be happy to answer any questions you may have at this time.

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