

# IRS Fact Sheet

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## Highlights from the IRS Report

FS-2013-7, June 2013

The report released by Principal Deputy Commissioner Danny Werfel reflects a number of important findings, aggressive actions and next steps to help the IRS make improvements. Highlights of the three major areas covered in “Charting a Path Forward at the IRS: Initial Assessment and Plan of Action” include:

**Accountability.** This covers the steps being taken to ensure accountability for the mismanagement described in last month’s Treasury Inspector General for Tax Administration (TIGTA) report:

- The report found significant management and judgment failures occurred, as outlined in the TIGTA report. These contributed to the inappropriate treatment of taxpayers applying for tax- exempt status.
- The IRS is identifying the individuals within the IRS who are responsible for the mismanagement identified in the TIGTA report, evaluating their role and determining the appropriate consequences for each individual.
- We have installed new leadership at all five levels of the senior executive managerial chain that had responsibility over the activities identified in the TIGTA report.
- The IRS is digging deeper into the facts to determine if there are instances of wrongdoing or inappropriate conduct beyond the mismanagement identified in the original TIGTA report. By extending our review beyond the scope of the original audit, we are ensuring a more comprehensive understanding of the facts and circumstances that led to these events.
- In addition, the IRS has empaneled an Accountability Review Board to provide recommendations within 60 days (and later as needed) on any additional personnel actions that should be taken.

**Fixing the Problems with the Review of Applications for Tax-Exempt Status.** This part covers several process improvements underway to ensure that taxpayers are treated appropriately and effectively in the review of applications for tax-exempt status:

- Suspended the use of any “be-on-the-lookout,” or BOLO lists in the application process for tax-exempt status.
- Started development of new guidance materials to allow IRS staff to operate without BOLO lists and under the reformed, more efficient process.
- Initiated an end-to-end overhaul of the business processes by which applications for tax-exempt status are fulfilled.
- Added technical and programmatic experts from across the IRS to assist the Exempt Organizations staff with the review of applications for tax- exempt status.
- Created a new voluntary process to help certain taxpayers who have been in our priority application backlog for more than 120 days to gain fast-track approval to operate as a 501(c)(4) tax-exempt entity. This self-certification process allows them a streamlined path to tax-exempt status if they agree they will operate within limits and thresholds of political and social welfare activities. These groups have the option of obtaining an approval if they self-certify that no more than 40 percent of their expenditures and volunteer time will go toward political campaign intervention activities and that at least 60 percent of their expenditures and volunteer time will go toward social welfare activities.
- Created a new “Advocacy Application Review Committee” to provide expertise from other parts of the IRS to review screening and determination decisions inside the Exempt Organizations area.
- Started the process to create a new check-and-balance mechanism, where IRS criteria and screening procedures will be reviewed on a systemic basis and report any material risks of inappropriate criteria immediately to the IRS Commissioner, the IRS Oversight Board, and the relevant tax committees of Congress.
- Worked with the Department of the Treasury regarding the need for greater clarity for certain terms relevant for 501(c)(4) tax-exempt organizations, with a commitment for inclusion in the next Treasury Priority Guidance Plan.
- Continued to make substantial progress on all TIGTA recommendations from their May report on Exempt Organizations.

**Review of IRS Operations and Risks.** The report identifies a series of actions to ensure taxpayers that selection criteria across the IRS are appropriate and that taxpayers are aware of how they can seek assistance if they have concerns about the IRS. The report further outlines steps underway to ensure that critical program or operational risks within the IRS are identified early, raised to the right decision-makers and shared timely with key stakeholders:

- Although there is no current evidence that selection criteria in other IRS business units is inappropriate, the nature of the problems identified in the tax-exempt application process warrants a review of certain process controls within the IRS. The IRS will initiate a comprehensive, agency-wide review of compliance selection criteria. Results

will be shared with the Department of the Treasury, the IRS Oversight Board, and the Chairpersons of the House Ways and Means Committee and the Senate Finance Committee.

- The IRS has been very successful in mission execution across its very broad portfolio for many years, collecting 92 percent of government receipts of about \$2.5 trillion in FY 2012. At the same time, the Service is challenged by many of the same concerns affecting other large organizations, both public and private sector, including budgetary concerns, human capital concerns, and overall programmatic execution concerns. The report outlines initial areas where challenges exist and actions are needed to position the IRS to successfully fulfill its mission.
- The report calls for establishing an Enterprise Risk Management Program to provide a common framework for capturing, reporting and addressing risk areas across the IRS. This will improve timeliness in bringing information to the attention of the Commissioner and other IRS leaders as well as stakeholders to help prevent future instances of inappropriate treatment or mismanagement.
- Initiate additional internal and external education and outreach about the role of the National Taxpayer Advocate, an independent voice inside the IRS, in assisting taxpayers in resolving problems with the IRS.
- Establish routine reporting on IRS operational risks with Congress and the IRS Oversight Board.