

UNITED STATES SENATOR • IOWA
CHUCK GRASSLEY
RANKING MEMBER • SENATE COMMITTEE ON FINANCE

<http://grassley.senate.gov>
press_office@grassley.senate.gov

Contact: Jill Kozeny, 202/224-1308
Jill Gerber, 202/224-6522

For Immediate Release

Tuesday, Jan. 8, 2002

Grassley Seeks Accountability for Lost IRS Computers

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, is asking the Office of Management and Budget to consider rejecting any funding increases for the Internal Revenue Service until the agency accounts for approximately 2,300 missing computers.

Following are:

- (1) Senator Grassley's letter this week to Mitch Daniels regarding the IRS' budget
- (2) the web address for the Treasury Inspector General for Tax Administration report Senator Grassley requested about the missing computers
- (3) some follow-up details from the Treasury Inspector General for Tax Administration

January 7, 2002

The Honorable Mitchell E. Daniels, Jr.
Director
Office of Management and Budget
725 17th St. NW
Washington, D.C. 20503

Dear Mr. Daniels:

As you put the final touches on the President's budget proposal for the coming year, I am writing to you regarding the budget for the Internal Revenue Service (IRS).

I recognize that you receive many letters from members of Congress asking for increases in the budgets of various federal agencies. Thus, I know it will be a welcome change of pace to receive a letter asking that you actually take a harder look in considering the funding for an agency.

A recent Treasury Inspector General for Tax Administration (TIGTA) report highlights for me what I believe is the trend at the IRS: historical poor management of money and personnel that justifies the administration scrutinizing the recent unquestioned budget increases given to the IRS year-in and year-out.

TIGTA recently concluded a report at my request regarding missing or stolen items of IRS inventory. The results are shocking: in just the last three years alone, the IRS is missing

approximately 2,300 computers.

Capitol Hill has heard a relentless call about the need for IRS modernization and the Congress has spent hundreds of millions of dollars in response. Now, we learn that the IRS is like the child who asks for a doll all year and then loses it the day after Christmas -- or in this case loses 2,300 dolls. Worse yet, the TIGTA report underscores what appears to be a carefree attitude by the IRS about losing computers purchased with taxpayer money -- the IRS doesn't even know how many of the computers are lost, stolen or damaged. Nor, does there appear to be any serious effort to hold accountable those responsible for the missing computers.

Let me be clear that the 2,300 missing computers covers only a three-year period. The problem of poor inventory control at the IRS has been around for much longer. The TIGTA report states that the IRS has reported a material weakness in inventory controls *every year* since 1983. In addition, the General Accounting Office (GAO) reported recently that serious weaknesses in the inventory control systems continue to prevent the IRS from having equipment information available for management purposes, and from having reasonable assurance that the assets are properly safeguarded. Finally, because of the lack of information it is unknown to what extent, if any, taxpayer information may be inappropriately released.

Sadly, all this from the IRS -- an agency that requires taxpayers to show every receipt -- can't find 2,300 computers. The IRS wouldn't accept from a taxpayer the non-answer it has given regarding the missing 2,300 computers. Just as a taxpayer would be held accountable for missing receipts, so must the IRS be held accountable for missing 2,300 computers. It is my view that serious consideration should be given to placing a limitation on the IRS' budget until there is real improvement -- not real promises -- in inventory management.

Cordially yours,

Charles E. Grassley
Ranking Member

cc: The Honorable Paul O'Neill
Secretary
Department of Treasury
The Honorable Charles Rossotti
Commissioner
Internal Revenue Service
The Honorable Larry Levitan
Chairman
IRS Oversight Board

The report is available here:

<http://www.ustreas.gov/tigta/2002reports/200210030fr.html>

These are some follow-up questions Senator Grassley had, and TIGTA's response:

In response to your questions of December 3, 2001, regarding our Management Advisory Report: *Review of Lost or Stolen Sensitive Items of Inventory at the Internal Revenue Service* (Reference Number: 2002-10-030; November 2001), we are providing the following comments. Please note that due to the short timeframe for our response, we did not provide IRS with an advance copy of this document, nor did we subject this document to our normal internal quality review processes.

1) As of September 30, 2001, the IRS reported that it had approximately 163,000 laptop computers, microcomputers, and micro servers in its inventory (page 6). Does this amount include/exclude the 2,332 missing laptop computers, microcomputers, and micro servers for the past three years? How many computers should the IRS have?

TIGTA Comment: The 163,000 (rounded) amount does include the 2,332 missing laptop computers, microcomputers, and micro servers. Since the IRS could not positively identify which computers were lost, stolen or damaged because of the coding situation, it decided to present a total inventory amount that was inclusive of all status codes. Using actual numbers, the IRS reported that it has 163,071 computers in inventory. Netting out the missing computers, results in a total accounted for of 160,639. The 2,332 missing computers is over a period of three years, and the 163,000 (rounded) is an inventory amount as of September 30, 2001.

We cannot provide a precise figure of how many computers the IRS should have, as many factors enter into systems requirements. However, for perspective, we are providing the following information. The IRS' Data Book 2000 reported 96,092 employees at the close of Fiscal Year 2000. Adding seasonal employees brings this total to 113,001. The IRS informed us that most IRS employees have a personal computer, and that most employees who have a laptop computer also maintain a desktop computer. The IRS reported that its inventory records show 121,236 desktop computers, 38,726 laptop computers, and 3,109 computers that function as systems servers. Also, some of these computers are dedicated to specific IRS systems, such as the Integrated Data Retrieval System (IDRS), the Integrated Collection System (ICS), and the Automated Underreporter System (AUR).

2) Similarly (page 9), "As of September 30, 2001, the CI function reported that it had approximately 5,500 firearms in its inventory." Does this amount include/exclude the (missing) firearms and other sensitive items? How many firearms/sensitive items should the IRS have?

TIGTA Comment: The 5,500 amount does not include the 5 stolen firearms and 1 lost firearm. As above, the 6 missing firearms are over a period of three years, and the 5,500 is an inventory amount as of September 30, 2001.

The IRS' Data Book 2000 reported 2,746 special agents at the close of Fiscal Year 2000. Each special agent is assigned a firearm. A breakdown of the 5,500 amount (5,479 non-rounded) is as follows: 4,242 pistols, 963 shotguns, and 274 revolvers. Although we were unable to obtain information from CI on such short notice, we will continue our efforts to follow-up with CI management for their perspective on firearms requirements, and report to you later on any significant matters.

3) For the past 3 years, IRS reported 2,332 missing computers, 5 lost or stolen firearms, and "502 other investigative items that were lost or stolen" to include 50 communications devices, 40

identification badges, and 15 electronic surveillance devices that could compromise the public's safety or ongoing investigations (see page 7). Do these amounts represent total losses during a 3-year time frame? Otherwise stated, does this 3-year window apply to all items/amounts?

TIGTA Comment: The 3 year time frame applies to all items/amounts, except for the CI offices that did not provide complete information on the number of lost or stolen firearms and sensitive investigative items of inventory. Also, these numbers are exclusive of any losses pertaining to the events of September 11, 2001.

4) "On April 26, 1999, a Special Agent was involved in a boating accident and his firearm sank to the bottom of the ocean and could not be recovered. The incident was not reported to TIGTA (page 8)." Was the Special Agent on duty? Was the Special Agent disciplined in any way?

TIGTA Comment: The CI investigative file indicated that the special agent was not on duty at the time and, due to the circumstances surrounding the incident, the special agent was not disciplined. The CI investigation disclosed that the accident was the fault of another boater who was found liable for the loss and reimbursed the government for the cost of the special agent's gear, including the firearm. Further, the file indicated that the agent believed that the gear would be safer on board the boat than if left in his vehicle.

5) Is this a fair statement: The amount of lost or stolen firearms could be higher since three CI offices did not provide records, and the fiscal years associated with the three offices only provided records for FY 2001.

TIGTA Comment: It is true that the numbers could be higher, but without reviewing the records that determination cannot be made. We believe the risk of the number being significantly higher is low, especially concerning any additional missing firearms. We will work with CI to obtain the outstanding documentation to identify any additional items of sensitive inventory and report on our results to the committee.

6) Of the 2,332 missing computers, IRS only reported that 1,597 were forwarded to TIGTA for investigation (page 9). Is this a problem? Is IRS required to report all to TIGTA?

TIGTA Comment: We do not believe this is a significant problem. The IRS, as a matter of practice, reports lost or stolen computers to TIGTA when their own internal investigation results in a situation that requires an independent investigation. We believe that this practice is not clearly presented in the IRS' procedural manual, which was the impetus for our recommendation in the report that the manual be updated to clearly reflect this procedure.

Additional Question: IRS reports that 2,332 missing computers: 1,236 lost/theft/damaged, 427 "Reserved for Facilities Management," and 669 Pending Resolution. What do these categories mean (in plain language): "Reserved for Facilities Management" and "Pending Resolution"?

TIGTA Comment: The "Reserved for Facilities Management" status is a relatively new code. The IRS informed us that this code was used to classify items of inventory that were on the books, but that could not be located during physical inventories. Further, these missing items were mostly obsolete items and were most likely disposed of in previous years, but the proper paper work was never processed to remove the items from the inventory. The IRS, in its response, chose to include these in the missing category, since it was unable to specifically identify the items' status.

The "Pending Resolution" status is used when an item is first identified as missing. The item retains this status until it is either located or an investigation is completed. We were informed by the IRS that, at times, items are given this status code and no follow-up actions are ever performed; therefore, we recommended in our report that items in this status be periodically reviewed to ensure that prompt and accurate action on these items is taken.