

JUN 28 2013



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

June 27, 2013

The Honorable Darrell Issa
Chairman
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Issa:

I write in response to your recent letter to Secretary Lew regarding the review by the House Committees on Oversight and Government Reform and Ways and Means of how the Internal Revenue Service (IRS) evaluated applications for tax-exempt status under section 501(c)(4) of the Internal Revenue Code. The Department of the Treasury (Treasury) believes that the tax code must be administered to the highest of standards and without bias. In addition, we are committed to working with Congress as it performs its oversight role. For these reasons, I wanted to provide you with an update on actions taken by Treasury in response to the audit report issued on May 14 by the Treasury Inspector General for Tax Administration (TIGTA).

Treasury oversees the IRS with respect to matters of broad management and tax policy. Treasury's longstanding practice, spanning administrations of both political parties, is not to be involved in the details of tax administration and enforcement. Last month, the President appointed Daniel Werfel, a career public servant, to lead the IRS. On Mr. Werfel's first day on the job, Secretary Lew asked Mr. Werfel to implement, fully and promptly, all nine of the recommendations in the TIGTA report. Secretary Lew also directed Mr. Werfel to report to him on progress made in three areas: (1) ensuring staff that acted inappropriately are held accountable; (2) examining and correcting any failures in the processing of applications for tax-exempt status; and (3) taking a forward-looking systemic view at the IRS's organization.

This past Monday, Mr. Werfel responded to that directive and delivered a detailed written report to Secretary Lew. Mr. Werfel has taken quick action to implement the recommendations included in TIGTA's report. In addition, Mr. Werfel reported on his progress in each of the three areas outlined by Secretary Lew. First, the IRS now has new leadership in place at all five levels of management responsible for tax-exempt applications. Mr. Werfel has also created a new Accountability Review Board to help sort through the evidence and produce recommendations for personnel action on a case-by-case basis. Second, Mr. Werfel has taken action to address the backlog of applicants waiting for tax-exempt status. Third, Mr. Werfel has implemented programs designed to identify critical program or operational risks within the IRS early, raise those risks to the right decision-makers, and share those risks with outside stakeholders in a timely fashion. Moreover, Mr. Werfel has taken additional steps, beyond the recommendations set forth in the TIGTA report (including suspending the use of any "Be On the Lookout" lists),

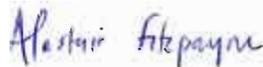
that further the important goal of ensuring that the IRS administers the tax code to the highest of standards and without bias.

Mr. Werfel's 30-day review found no evidence of intentional wrongdoing at the IRS. In addition, Mr. Werfel's review found no evidence of involvement from anyone outside of the IRS in the behavior described in the TIGTA report. Finally, Mr. Werfel's review found no evidence of the use of inappropriate criteria in other IRS business unit operations. In sum, Treasury believes that, while more work remains, the assessments and actions outlined in Mr. Werfel's report have charted a path that will improve performance and accountability at the IRS. I note, however, that a series of independent reviews, including the investigation by your Committees, are still ongoing.

Your letter seeks documents from Treasury in certain broad, wide-ranging categories, including a number of categories relating to the evaluation of applications for tax-exempt status. Treasury is not involved in the details of tax administration and enforcement. We understand you have made similar requests to the IRS and that the IRS has begun producing documents to your Committees, which will include documents responsive to your request to Treasury. Furthermore, your requests encompass over four years of materials and are not limited to particular Treasury employees. Given the broad nature of your requests, it would take significant time and resources to conduct searches for responsive documents. Nonetheless, consistent with Treasury's continuing cooperation with the Committees, we have identified and enclosed a set of materials responsive to the Committees' inquiries.

Thank you for your letter. We are firmly committed to cooperating with the Committees' review and will work with you and your staffs to get to you additional information you may need.

Sincerely,



Alastair M. Fitzpayne
Assistant Secretary for Legislative Affairs

Enclosures

Identical letters sent to:

The Honorable Dave Camp
The Honorable Jim Jordan
The Honorable Charles Boustany, Jr.

cc: The Honorable Elijah Cummings
The Honorable Sander Levin
The Honorable Matthew Cartwright
The Honorable John Lewis

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

June 27, 2013

The Honorable Jim Jordan
Chairman
Subcommittee on Economic Growth, Job Creation
and Regulatory Affairs
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Jordan:

I write in response to your recent letter to Secretary Lew regarding the review by the House Committees on Oversight and Government Reform and Ways and Means of how the Internal Revenue Service (IRS) evaluated applications for tax-exempt status under section 501(c)(4) of the Internal Revenue Code. The Department of the Treasury (Treasury) believes that the tax code must be administered to the highest of standards and without bias. In addition, we are committed to working with Congress as it performs its oversight role. For these reasons, I wanted to provide you with an update on actions taken by Treasury in response to the audit report issued on May 14 by the Treasury Inspector General for Tax Administration (TIGTA).

Treasury oversees the IRS with respect to matters of broad management and tax policy. Treasury's longstanding practice, spanning administrations of both political parties, is not to be involved in the details of tax administration and enforcement. Last month, the President appointed Daniel Werfel, a career public servant, to lead the IRS. On Mr. Werfel's first day on the job, Secretary Lew asked Mr. Werfel to implement, fully and promptly, all nine of the recommendations in the TIGTA report. Secretary Lew also directed Mr. Werfel to report to him on progress made in three areas: (1) ensuring staff that acted inappropriately are held accountable; (2) examining and correcting any failures in the processing of applications for tax-exempt status; and (3) taking a forward-looking systemic view at the IRS's organization.

This past Monday, Mr. Werfel responded to that directive and delivered a detailed written report to Secretary Lew. Mr. Werfel has taken quick action to implement the recommendations included in TIGTA's report. In addition, Mr. Werfel reported on his progress in each of the three areas outlined by Secretary Lew. First, the IRS now has new leadership in place at all five levels of management responsible for tax-exempt applications. Mr. Werfel has also created a new Accountability Review Board to help sort through the evidence and produce recommendations for personnel action on a case-by-case basis. Second, Mr. Werfel has taken action to address the backlog of applicants waiting for tax-exempt status. Third, Mr. Werfel has implemented programs designed to identify critical program or operational risks within the IRS early, raise those risks to the right decision-makers, and share those risks with outside stakeholders in a

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timely fashion. Moreover, Mr. Werfel has taken additional steps, beyond the recommendations set forth in the TIGTA report (including suspending the use of any "Be On the Lookout" lists), that further the important goal of ensuring that the IRS administers the tax code to the highest of standards and without bias.

Mr. Werfel's 30-day review found no evidence of intentional wrongdoing at the IRS. In addition, Mr. Werfel's review found no evidence of involvement from anyone outside of the IRS in the behavior described in the TIGTA report. Finally, Mr. Werfel's review found no evidence of the use of inappropriate criteria in other IRS business unit operations. In sum, Treasury believes that, while more work remains, the assessments and actions outlined in Mr. Werfel's report have charted a path that will improve performance and accountability at the IRS. I note, however, that a series of independent reviews, including the investigation by your Committees, are still ongoing.

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Sincerely,



Alastair M. Fitzpayne
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