



GAO

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

October 21, 2002

The Honorable Max Baucus
Chairman
The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate

Subject: *IRS and Terrorist-Related Information Sharing*

Events preceding and following the attacks of September 11, 2001, spotlighted ineffective information sharing, particularly related to intelligence and law enforcement activities, as a serious weakness. Poor information sharing hinders effectively identifying vulnerabilities and coordinating efforts to detect attacks.

As agreed with your offices, as part of our response to your request to monitor the Internal Revenue Service's (IRS) efforts to enhance the security of the tax filing process,¹ we studied how terrorist-related threat information is shared with IRS. More specifically, one of this report's objectives is to describe the process the Federal Bureau of Investigation (FBI) uses to share this kind of information with the Treasury Inspector General for Tax Administration (TIGTA) and the process TIGTA uses to share information with IRS. Another objective is to describe TIGTA and IRS officials' views on the procedures for sharing information.

We included the FBI in our work because it is responsible for ensuring a coordinated and vigorous response to terrorist acts and needs to share information to carry out its responsibility. We included TIGTA because even though it is separate from IRS, it is responsible for investigating threats against IRS facilities and employees and is the conduit to IRS for FBI information related to IRS.

Results in Brief

The FBI uses task forces and electronic means to share terrorist-related threat information with TIGTA. More specifically, it shares information through its involvement with TIGTA and others in Joint Terrorism Task Forces (JTTFs) and through electronic arrangements such as the National Threat Warning System. For its part, TIGTA uses formal communications to disseminate threat information to IRS.

¹We issued interim and final "limited official use only" reports to you on IRS mail security in February and August 2002.

TIGTA and IRS officials were satisfied with the FBI's and TIGTA's information-sharing procedures, respectively. We are making no recommendations.

After reviewing a draft of this report, the FBI had no comments, and TIGTA and IRS agreed with our findings. However, TIGTA noted that receiving no additional funding for its enhanced participation in JTTFs made TIGTA's information-sharing efforts especially challenging, and that, in this context, continuing its efforts to improve the process raised concerns about endangering other program initiatives.

How the FBI Shares Information with TIGTA

According to FBI officials, the FBI shares information with TIGTA and many other agencies through FBI-chaired JTTFs. Composed of various federal, state, and local agencies, JTTFs aim to prevent, preempt, deter, and investigate terrorism and related activities affecting the United States and to apprehend terrorists. According to an FBI official, the FBI had a JTTF in each of its 56 field offices by July 2002, and a TIGTA official said that TIGTA would be involved in a full-time, part-time, or liaison capacity in almost all the JTTFs. According to FBI officials, full-time JTTF members share information by working side by side in the same space every day, and JTTF meetings include discussions of casework, intelligence information, administrative matters, available training, and other JTTF-related issues. According to a TIGTA official, when TIGTA works with a JTTF in a liaison or part-time capacity, the FBI agrees to notify TIGTA of anything of interest to TIGTA that arises in a TIGTA representative's absence. Another TIGTA official cautioned, however, that TIGTA's absence means that the FBI has to recognize a risk to IRS that TIGTA would otherwise recognize. FBI officials told us that in a liaison capacity, JTTF members participate through regular meetings, conferences, and telephone calls. At a different level, TIGTA also participates in a national JTTF, which allows for information sharing on a national basis among federal, state, and local groups, and it was trying to hire someone to participate full-time.

Because the FBI requires that a memorandum of understanding be executed with all agencies participating full-time in the JTTFs, it finalized one with TIGTA in September 2001. Lasting until TIGTA withdraws from JTTFs, the memorandum governs how TIGTA employees are detailed or otherwise assigned to work at the FBI as part of JTTFs. According to a TIGTA official, TIGTA's role with the JTTFs evolved from an earlier FBI/TIGTA relationship.

In addition to sharing information through JTTFs, the FBI shares information with TIGTA electronically. TIGTA receives FBI information through the National Threat Warning System over secure teletype; the National Law Enforcement Telecommunications System, which provides for interagency exchange of unclassified criminal justice information; and the National Infrastructure Protection Center, which is the national focal point for information on threats to critical infrastructures, such as telecommunications and banking and finance systems. Similarly, TIGTA has access to the FBI's National Crime Information Center database,

which has a terrorism subfile. The purpose of this database is to share biographical information on people of interest to the FBI who should be treated with caution.

How TIGTA and IRS Share Information

According to TIGTA officials, TIGTA is the primary conduit through which terrorist-related threat information flows both ways between the FBI and IRS. When IRS reports a threat to TIGTA, TIGTA determines its validity and passes it on to the FBI, if warranted.

Similarly, through its involvement in individual JTTFs, according to TIGTA officials, TIGTA becomes aware of information, such as militia or antitax activity, and decides whether it should be passed on to IRS. In May 2001, TIGTA formed its own counterterrorism group, which is the centralized point where threat information related to IRS, including information received from TIGTA representatives on the JTTFs, is analyzed. The group is charged with coordinating TIGTA's investigations of terrorism threats directed against IRS or its employees.

TIGTA formally disseminates some terrorist-related threat information to IRS's Agencywide Shared Services through threat advisories.² The purpose of the advisories is to advise TIGTA and IRS management of significant anti-government activity that may affect the safety of IRS personnel and facilities. According to a TIGTA official, the decision to disseminate advisories is a collaborative effort using years of law enforcement experience to assess threats.

The information in the advisories we examined came from many sources, including the FBI, other federal agencies, and the media. Many of the advisories warned TIGTA agents of developments relating to fighting terrorism, but others warned IRS of situations threatening federal agencies and others in general. Very seldom did an advisory mention anything specific to IRS or the federal tax system.

TIGTA and IRS Officials Are Satisfied with Information-Sharing Procedures

The TIGTA and IRS officials we interviewed were satisfied with the procedures used for sharing information. A TIGTA Assistant Special Agent-in-Charge told us that the FBI shared terrorist-related threat information with TIGTA in a way that was timely and responsive to IRS's needs. Similarly, IRS officials responsible for security policymaking and implementation told us that they were satisfied with the job TIGTA was doing. According to the Director of the Office of IRS-Wide Security, TIGTA represented IRS's interests well, explaining to others why IRS had to have certain knowledge. According to officials in IRS's Agencywide Shared Services responsible for distributing threat information throughout IRS, TIGTA shared information alerts as they occurred, and IRS received everything it needed to complete its job.

²Agencywide Shared Services is the IRS organization responsible for distributing threat information throughout IRS.

Agency Comments

We provided a draft of this report to the Attorney General, the Acting Treasury Inspector General for Tax Administration, and the Commissioner of Internal Revenue for comment. On October 8, 2002, the Department of Justice's Audit Liaison Office orally told us that the FBI had no comments. Also in oral comments, the Director of the Office of IRS-Wide Security said on September 26, 2002, that IRS agreed with our findings.

In providing written comments on our draft, TIGTA's Deputy Inspector General for Investigations also agreed with our findings. He added that TIGTA's not receiving any additional funding to support its enhanced participation in JTTFs made TIGTA's information-sharing efforts especially challenging. In this context, he also expressed concern that TIGTA's continued efforts to improve its process would imperil other program initiatives. We did not address TIGTA's funding in our report because it was beyond our scope. The full text of the Deputy Inspector General's comments is reprinted in the enclosure.

Scope and Methodology

To obtain information on processes used to share terrorist-related threat information and officials' views of those processes, we reviewed our reports and testimonies³ and other materials on information-sharing procedures and coordination among federal agencies; interviewed FBI, TIGTA, and IRS officials responsible for counterterrorism, information dissemination, threat assessment, and IRS security policymaking and implementation; reviewed the memorandum of understanding between the FBI and TIGTA; and obtained information on TIGTA threat advisories issued from March 2001 through June 2002. We did not test the FBI's or TIGTA's information-sharing procedures. We did our work in the Washington, D.C. area from February through July 2002 in accordance with generally accepted government auditing standards.

- - - - -

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this report. At that time, we will send copies of this report to the Attorney General, the Treasury Inspector General for Tax Administration, the Commissioner of Internal Revenue, and other interested parties. We also will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

³For instance, U.S. General Accounting Office, *FBI Reorganization: Initial Steps Encouraging but Broad Transformation Needed*, GAO-02-865T (Washington, D.C.: June 21, 2002). In this testimony, we said that communication problems significantly hampered the FBI's ability to share information internally and with other intelligence and law enforcement agencies. We also testified that the FBI's recent steps toward greater information sharing, improving analytical capacity, and establishing a central unit to make sense of gathered information seemed to be rational ones.

If you or your staff have any questions about this report, please contact David Attianese or me on (202) 512-9110. Key contributors to this report were Chan My J. Battcher and Lawrence M. Korb.

James R. White
Director, Tax Issues

Enclosure



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 10, 2002

James White,
Director, Tax Issues
U.S. General Accounting Office

Dear Mr. White,

We have reviewed the report regarding the most important topic of, *IRS and Terrorist-Related Information Sharing (GAO-03-50R)* and appreciate the opportunity to comment on the audit and associated report.

We appreciate the efforts of your staff and concur in the findings that TIGTA has been successful in establishing procedures that ensure effective information sharing between the FBI, IRS and TIGTA. Our primary vehicle for obtaining this information is through our participation in the Joint Terrorism Task Forces (JTTF) throughout the nation and in interacting with the IRS to insure timely notification of critical information. We find this assignment especially challenging in light of the fact we have not received any additional funding from which to support our enhanced participation with the fifty-six JTTFs throughout the country. We will continue to refine our efforts to improve this process, but are concerned that it will ultimately come at the peril of other program initiatives.

Again let me express my appreciation for you, Mr. Korb and his team for the work done in this area and the reaffirmation of the success of our program.

A handwritten signature in black ink, appearing to read "R. J. Cortesi".

(for) Robert J. Cortesi
Deputy Inspector General for Investigations

(440134)