



For immediate release  
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## **IRS OVERSIGHT BOARD CALLS FOR QUICK CONFIRMATION OF IRS LEADER AT “CRITICAL TIME”**

(Washington, DC) The IRS Oversight Board urges the U.S. Senate to confirm the nomination of Mark W. Everson before April 15<sup>th</sup>, the last day of the 2002 filing season.

“The IRS requires leadership at this critical time,” said Board Chair Nancy Killefer. “Acting Commissioner Bob Wenzel is to be commended for his service since Commissioner Charles O. Rossotti’s five-year term ended in November. However, the IRS has awaited a new commissioner for four months; it needs direction to ensure it stays the course set by the IRS Restructuring and Reform Act.”

At its March 18-19, 2003 meeting, the Board discussed issues that underscore the need for long-term, strategic direction:

### ***Continuing Budget Strains***

IRS Chief Financial Officer Todd Grams described IRS’ efforts to fund key operations in FY2003 in the wake of a \$64 million across-the-board cut and \$195 million of additional costs since the budget was initially formulated last summer. More than half of those costs were incurred by covering unfunded pay raises and hiring 700 additional compliance personnel. Work is underway to reduce spending in other areas throughout the agency to meet the close to \$260 million in unfunded requirements. The Board is concerned that cuts made now will become permanent, further limiting compliance efforts and reducing customer service.

### ***Closing the Compliance Gap***

The Board continues to focus on efforts to close the growing compliance gap and believes the IRS must find effective ways to make the most of its enforcement resources. It discussed several ongoing initiatives designed to ensure fair treatment for all taxpayers. One program discussed was the Offshore Voluntary Compliance Initiative, which is aimed at bringing taxpayers who used offshore payment cards to hide their income into compliance with the tax law. Another program reviewed was the Limited Issue Focused Examination (LIFE), which provides a streamlined audit process for qualified large and mid-sized businesses.

### ***Investing in People Resources***

At the same time as the IRS modernizes its business processes and information technology, it faces the loss of institutional knowledge as more IRS employees become eligible to retire. The Board views strategic human resource management, including hiring, retaining, training, and recruiting employees, as an important, continuing effort for the IRS to operate effectively. The IRS must invest in its people resources. This focus will require long-term agency-wide attention and investment, much like modernization and compliance. The Board reviewed the Small Business/Self-Employed (SB/SE) Operating Division Technology Enabled Learning program, which uses technology to train IRS SB/SE employees, expressed support for this effort and asked that it be reviewed as an agency-wide program.

### ***Updating Facilities***

The average age of the campuses housing IRS operations is over 35 years old. The Board reviewed the IRS Campus Modernization Strategy, a long-term plan by IRS and the General Services Administration (GSA) to improve and update the campuses by aligning them with the IRS' new, modern business processes. The plan's first step is to provide new facilities in Kansas City and Philadelphia. The IRS requested the Board's support to include \$72 million in FY2005 budget for these facilities. The Board recognizes the condition of some of the IRS' campuses, but noted that budget restraints will require trade-offs in the future, and that decisions must be placed in that context. The Board requested a more detailed cost analysis for the Campus Modernization Strategy which will be considered by the Board during the FY2005 budget formulation.

### ***Funding Technology***

There is increased recognition of the growing system costs as the IRS continues to maintain its existing "legacy" computer systems while bringing modernized systems on line. The Board recognizes that operating legacy and modernized systems parallel is absolutely necessary to reduce the risk of disruptions in tax administration. The Board believes that any delays in the modernization program, due to inconsistent funding or poor performance by IRS managers, will only add to costs, since the longer it takes to develop the new systems, the longer the legacy systems must be maintained. The IRS must now focus on the real cost of maintaining the legacy system while supporting new modernization, and factor it into its budget.

"The IRS, the Administration, and Congress must make a concerted effort to focus on the long-term regarding the nation's tax administration system," said Chair Nancy Killefer. "This is a trying time for our nation. The Board believes we must all give greater thought in setting our priorities as we make decisions. Short-term savings may grow into much larger challenges in the future. The cost will ultimately be borne by American taxpayers."

The IRS Oversight Board will hold its next meeting in Washington, DC on June 23-24, 2003. The Board is also planning an open meeting to be held in Des Moines, Iowa on July 29-30, 2003. Details on the meeting will be made available in the future.

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