



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

February 19, 2010

The Honorable Mark Pryor
United States Senate
Washington, DC 20510

Dear Senator Pryor:

This is in response to your January 26, 2010, letter requesting information regarding how the Treasury Inspector General for Tax Administration (TIGTA) provides oversight of American Recovery and Reinvestment Act Recovery Act funds within its jurisdiction. As it relates to the Recovery Act, TIGTA provides oversight of the Internal Revenue Service's (IRS) implementation of the tax provisions contained in Division B of the Recovery Act.

The following information is provided in response to your questions.

Answer 1 - You have asked what actions TIGTA has taken with regard to the four referrals received from the Recovery Accountability and Transparency Board (Board). Each referral was reviewed to determine if TIGTA was the proper oversight entity and/or whether the referral was Recovery Act-related. Two referrals were determined to be under the jurisdiction of other entities and were closed by TIGTA. TIGTA's review of the remaining two referrals is on-going. One referral is associated with the Making Work Pay tax credit and one referral is related to the Recovery Act.

Answer 2 - In addition to the four Board referrals, TIGTA has received or developed seven allegations. Four allegations involve the First-Time Homebuyer Credit. Three allegations are associated with the Recovery Act. Of these seven allegations, four are on-going and three have been referred to the IRS. Federal confidentiality statutes, including, 26 U.S.C. § 6103, preclude us from disclosing further information about these matters.

Answer 3 - The Board referrals and TIGTA-initiated investigations have focused on the First-Time Homebuyer's Credit, Making Work Pay, and general Recovery Act provisions.

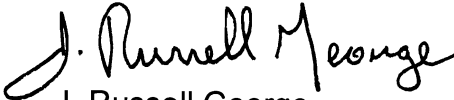
Answer 4 - Enclosed is list of all completed reports and our FY 2010 planned work. All audit reports, program plans, and monthly activity reports are available on our Web site: <http://www.treas.gov/tigta/>.

TIGTA has issued four Recovery Act reports with a total of eight recommendations. IRS disagreed with one recommendation in the Making Working Pay Credit report that the Commissioner, Wage and Investment Division, should immediately work with the Department of the Treasury to allow pension administrators to use the withholding tables that were in place prior to the enactment of the Recovery Act, thereby eliminating the complexity of the current adjustment.

Answer 5 - TIGTA received \$7 million, available until September 30, 2013, for the oversight and audits of the "administration of the making work pay tax credit and economic recovery payments." TIGTA is using a combination of new hires and experienced staff to conduct Recovery Act work. We anticipate spending approximately \$2.6 million in both FY 2010 and 2011 for oversight work.

David Holmgren, Deputy Inspector General for Inspections and Evaluations, is the accountable official for TIGTA's Recovery Act work. Please contact me should you have any questions regarding this matter, or have your staff contact Mr. Holmgren at (202) 622-6500.

Sincerely,


J. Russell George
Inspector General

Enclosure

Completed TIGTA Reports:

Observations About Annual Dollar Limits for American Recovery and Reinvestment Act of 2009 Bonds - Reference Number 2010-11-016
Evaluation of the Internal Revenue Service's Capability to Ensure Proper Use of Recovery Act Funds - Reference Number 2010-41-011
Millions of Taxpayers May Be Negatively Affected by the Reduced Withholding Associated With the Making Work Pay Credit - Reference Number 2010-41-002
The Internal Revenue Service Faces Significant Challenges in Verifying Eligibility for the First-Time Homebuyer Credit - Reference Number 2010-41-144

Ongoing and Planned TIGTA Audits and Inspections:

Review of Processing of Net Operating Loss Carrybacks
Review of the Making Work Pay Credit
(Project Completed – is 1 of 4 final reports)
Review of IRS Efforts to Identify Improper Claims for the First-Time Homebuyer Credit
(Project Completed – is 1 of 4 final reports)
Review of the 2009 Filing Season
Review of the Health Care Tax Credit System Upgrade
Efforts to Ensure Proper Use of Recovery Funds
(Project Completed – is 1 of 4 final reports)
Low Income Housing and Energy Grants in Lieu of Tax Credits
Survey and Report on Enhanced Health Coverage Tax Credit Program
Health Coverage Tax Credit Payment Processing
Use of External Data to Validate Earned Income Tax Credits
Residential Energy Credits
Deductions Associated with the Purchase of Qualified Motor Vehicles
Controls Over Plug-In Electric Vehicle Credit
Process to Administer the First-Time Homebuyer Credit
Process to Ensure Repayment of the First-Time Homebuyer Credit
2010 Interim Filing Season
2010 Filing Season Implementation
IRS' Readiness to Procure Goods and Services under the American Recovery and Reinvestment Act (ARRA)
ARRA Observations on a Decade of Procurement Audit Coverage at IRS
Observations about Contractor Officer's Technical Representative Effectiveness and ARRA
Post-Award Compliance of FY 2009 Procurement Actions with ARRA
Observations about State Volume Cap Compliance and ARRA
(Project Completed – is 1 of 4 final reports)
Tax Exempt Bonds Office's Readiness for ARRA Bonds (Guidance)
Tax Exempt Bonds Office's Readiness for ARRA Bonds (Pre-Payment Compliance)

Ongoing and Planned TIGTA Audits and Inspections (continued):

Tax Exempt Bonds Office's Readiness for ARRA Bonds (Post-Issuance Compliance Workload Selection)

Program Controls to Effectively Process Build America Bonds, Recovery Zone Bonds, and Qualified Energy Conservation Bonds

Health Coverage Tax Credit System Upgrades for Fiscal Year 2010

ARRA OMB Guidelines