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Congress of the United States

House of Representatives

COMMITTEE ON WAYS AND MEANS

WASHINGTON, DC 20515

SUBCOMMITTEE ON OVERSIGHT

August 13, 2013

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro:

I am writing to request that the GAO conduct a top to bottom assessment of how the IRS selects existing exempt organizations for examination. The Treasury Inspector General for Tax Administration May 14, 2013 audit report, "Inappropriate Criteria Were Used to Identify Tax-Exempt Applications for Review," showed that right-leaning applicants for exempt status were treated differently on the basis of their beliefs. It is imperative that sunshine also be brought to bear on the policies and practices the IRS uses in its Exempt Organizations (EO) examinations unit.

The GAO assessment should cover all the significant types of reviews done by EO, including:

1. Describe the standards the IRS has established for EO audit selection and audit practices, and whether such criteria meet various objectives such as impartiality, objectivity, tax law compliance and minimizing taxpayer burden. The description of standards should cover the audit selection phase, any automated or discretionary selection processes, and the examination process. Examine whether and to what extent reviews are initiated by referrals or complaints received outside of the EO examinations unit, for example from another IRS unit or outside the IRS altogether.
2. Describe the IRS's controls, such as management reviews and regular updates, for assuring that its standards for examinations, determinations and other reviews in EO are sufficient for achieving the above objectives.
3. Describe the IRS's controls for assuring that its standards are known to staff and actually followed in practice by all staff throughout EO. The controls could include training, monitoring, and quality assessments.

4. Assess whether the standards and controls are followed in practice in EO. The assessment should include how often IRS finds EO staff not following the standards and the corrective action taken by IRS management.
5. Assess whether the existing standards and controls provide reasonable assurance that EO's examination, determination and other review processes meet the IRS's objectives including impartiality, objectivity, compliance and minimizing taxpayer burden.

By separate cover the Chairman of the Committee on Ways and Means will write to authorize the GAO, under section 6103(f)(4)(A) of the Internal Revenue Code, to conduct necessary work and report to the Committee. He expects that your representatives will have access to all relevant IRS files, records, and tax returns for these purposes and comply with all of the restrictions that protect taxpayer information.

As GAO carries out its work, the subcommittee would like periodic briefings on progress. For that purpose, GAO should work with the Oversight Subcommittee staff. Thank you for your assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "CW Boustany".

CHARLES BOUSTANY Jr., M.D.
Chairman
Subcommittee on Oversight