

MEMORANDUM

To: Reporters and Editors

Re: GAO report on improved IRS whistleblower office

Da: Friday, Sept. 9, 2011

Sen. Chuck Grassley of Iowa wrote the 2006 law improving the IRS whistleblower office to encourage people with information about big-dollar tax fraud to come forward and lead to the substantial recovery of tax dollars for the U.S. Treasury. He modeled the whistleblower improvements after the successful 1986 whistleblower amendments to the federal False Claims Act. Grassley was the Senate author of the False Claims Act whistleblower amendments, which since 1986 have brought back more than \$27 billion to the federal treasury and deterred even more fraudulent activity. The False Claims Act whistleblower provisions have been very effective against defense and health care fraud, but there was no strong incentive to expose big-dollar tax fraud until Grassley's work in 2006. Grassley has been monitoring the progress of the new, improved whistleblower office. In April, an in-house accountant who raised a red flag about a tax lapse that his employer then ignored, leading him to tip off the IRS, received \$4.5 million in the first whistleblower award under the new, improved IRS whistleblower office, with a recovery for the taxpayers of a net \$20 million in taxes and interest from the financial services firm. Grassley made the following comment on a report released today from the Government Accountability Office, GAO-11-683, "Tax Whistleblowers: Incomplete Data Hinders IRS's Ability to Manage Claim Processing Time and Enhance External Communication."

"The report makes clear that the whistleblower program has been a success in providing good information to the IRS about big-dollar tax cheating. The statistics show the IRS views a significant number of the whistleblower claims as having merit. The IRS has received tips on more than 9,500 taxpayers from 1,400 whistleblowers in just five years. The IRS has acted or is acting on almost 8,300 of these claims, so only about 1,300 tips have been rejected so far.

"Now the challenge is for the IRS and Treasury to make the changes needed to provide assurance to existing and future whistleblowers so they're not discouraged by the time needed to process their claims. With the nation facing massive deficits, Treasury and IRS officials need to do all they can to ensure the success of what's clearly one of the best tools available to go after tax fraud. The vast majority of taxpayers are honest. They're

the ones who benefit from a successful whistleblower program. More tax compliance means more fairness for hardworking families who pay what they owe.

“The report has good recommendations that the IRS needs to implement tomorrow. The IRS needs to do a better job of communicating with whistleblowers. Silence between the IRS and the whistleblowers only helps the tax cheats. I’m concerned that the IRS management still might have too many opportunities to say ‘no’ to a whistleblower, even when the whistleblower office believes a claim has merit. The IRS commissioner has to make it clear that he expects the director of the IRS whistleblower office to speak up if it thinks an IRS office is foot-dragging on a good whistleblower claim. The law I wrote gives the IRS whistleblower office the power to investigate claims on its own. The IRS commissioner should make that clear to all of his managers and provide the necessary resources so that valid whistleblower claims aren’t forgotten. We can’t let the next Madoff get a free pass just because someone doesn’t want to be bothered. Going through whistleblower claims is work but it’s worth it.

“The GAO report says the IRS is short on resources but also is doing nothing to take advantage of the resources of the whistleblower and his attorneys. This has to stop. A key provision of the whistleblower law, and a big part of the success of the False Claims Act provisions that I co-wrote, is to allow the government to leverage the whistleblower’s resources. It’s worrisome that the IRS hasn’t taken advantage of this provision even once. The tax cheats shouldn’t be the only ones who can take advantage of outside legal talent. The IRS can’t ask for more resources while ignoring the free resources available.

“The GAO has done a good service by providing a road map for how to improve the IRS whistleblower program and go after big-dollar tax cheating. For the benefit of honest taxpayers, I intend to ensure that the IRS follows that map.”