

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Reporting on the Use of Coronavirus Response Funding Could Be Enhanced

September 22, 2022

Report Number: 2022-16-069

HIGHLIGHTS: Reporting on the Use of Coronavirus Response Funding Could Be Enhanced

Final Audit Report issued on September 22, 2022

Report Number 2022-16-069

Why TIGTA Did This Audit

This audit is one in a series of audits being conducted by TIGTA as part of our oversight of the IRS's response to the coronavirus pandemic. The overall objective of this audit was to evaluate controls implemented by the IRS to ensure that the \$3.1 billion in appropriated funds received for its coronavirus response efforts is adequately tracked and used only for its specified purpose.

TIGTA previously issued an interim audit report that addressed the status of the IRS's coronavirus response funding as of September 30, 2020. This report provides updated information through September 30, 2021.

Impact on Tax Administration

The IRS received \$3.1 billion for its coronavirus response efforts. Key components of the response include issuing Economic Impact Payments to provide Americans with economic relief and funding IRS programs that focus on helping taxpayers understand and meet their tax obligations.

What TIGTA Found

As of September 30, 2021, the IRS has spent \$1.7 billion of the \$3.1 billion in appropriated funds it received for its coronavirus response efforts, with \$1.4 billion still available for use.



Our review identified several areas in which reporting over coronavirus response funding could be enhanced. Specifically, TIGTA found that quarterly updates were not routinely provided to Congress, as required, on how the IRS spent Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Consolidated Appropriations Act, 2021 funding. In addition, updates that were provided contained limited information and did not allow for a comparison of budgeted amounts to actual spending by requirement area. The updates also contained inconsistent information on staffing needs.

TIGTA's review of 93 procurement actions using coronavirus response funds found that generally the funds were used for their specified purpose. Each of the four enacted appropriations that provided the IRS a total of \$3.1 billion to address coronavirus response efforts specified the amount of supplemental funding provided, the period of availability, and the intended purpose of the funding. Additionally, because the funding from the Consolidated Appropriations Act, 2021 and a portion of the CARES Act were supplemental appropriations to the IRS's regular annual appropriations accounts, these supplemental funds are available for any purpose for which the regular appropriations are available.

What TIGTA Recommended

TIGTA recommended that the Chief Financial Officer evaluate the feasibility of expanding the information captured in the IRS's financial tracking system to include tracking budgeted and dedicated staffing by spend plan requirement area for future sources of supplemental funding.

The IRS agreed with this recommendation and plans to develop a plan for tracking and reporting on budget, spending, and staffing associated with future sources of supplemental funding.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20024

September 22, 2022

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM:

Heather Hill

Heather M. Hill
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Reporting on the Use of Coronavirus Response
Funding Could Be Enhanced (Audit # 202110624)

This report presents the results of our review to evaluate controls implemented by the Internal Revenue Service (IRS) to ensure that the \$3.1 billion in appropriated funds received for its coronavirus response efforts is adequately tracked and used only for its specified purpose.

The Treasury Inspector General for Tax Administration previously issued an interim audit report that addressed the status of the IRS's coronavirus response funding as of September 30, 2020. This report provides updated information through September 30, 2021. This review is part of our Fiscal Year 2022 Annual Audit Plan and addresses the major management and performance challenge of *Administration of Tax Law Changes and Pandemic Relief Benefits*.

Management's complete response to the draft report is included as Appendix IV

Copies of this report are also being sent to the IRS managers affected by the report recommendation. If you have any questions, please contact me or Bryce Kisler, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations).

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Background

In Fiscal Year (FY) 2020, as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Title II and Title V, the Internal Revenue Service (IRS) received \$750.7 million in appropriated funds for spending related to its coronavirus response efforts.¹ The IRS received an additional \$15 million as part of emergency supplemental appropriations for FY 2020 under the Families First Coronavirus Response Act (FFCRA), for a total of \$765.7 million.² The IRS had the option of using any of the CARES Act funds in either FY 2020 or FY 2021, while the FFCRA funds can be spent through FY 2022.

In December 2020, as part of the Consolidated Appropriations Act, 2021 the IRS received further appropriated funding of \$509 million to carry out the recovery rebates, also referred to as Economic Impact Payments (EIP), and to address coronavirus-related tax administration issues.³ The Consolidated Appropriations Act, 2021 funds were to remain available until the end of FY 2021.

Both the CARES Act and the Consolidated Appropriations Act, 2021 include a reporting requirement that 1) a spend plan must be submitted to Congress detailing the expected use of the coronavirus response funding and 2) quarterly reports are required to be submitted to Congress detailing the actual expenditure of coronavirus response funding.⁴ In addition, transfers of funding between appropriations require advance congressional notification.

In March 2021, as part of the American Rescue Plan Act of 2021 (ARPA), the IRS received \$1.8 billion for the administration of the advance payments of the Child Tax Credit (CTC), the provision of taxpayer assistance, and the furtherance of integrated, modernized, and secure IRS systems.⁵ Unlike the other appropriated funding, the ARPA did not outline specific reporting requirements relating to this supplemental funding. However, all coronavirus response funding the IRS received was included in its reports that the Department of the Treasury (hereafter referred to as the Treasury) provided to Congress.

Figure 1 illustrates the process used in reporting on the \$3.1 billion in appropriated funding the IRS received during FYs 2020 and 2021 for the coronavirus response efforts.

¹ Pub. L. No. 116-136, 134 Stat. 281 (codified as amended in scattered sections of 2, 5, 12, 15, 20, 21, 29, 42, and 45 U.S.C.). Funding designated for Taxpayer Services, Enforcement, Operations Support, and an Administrative Provision. Funds will remain available until September 30, 2021.

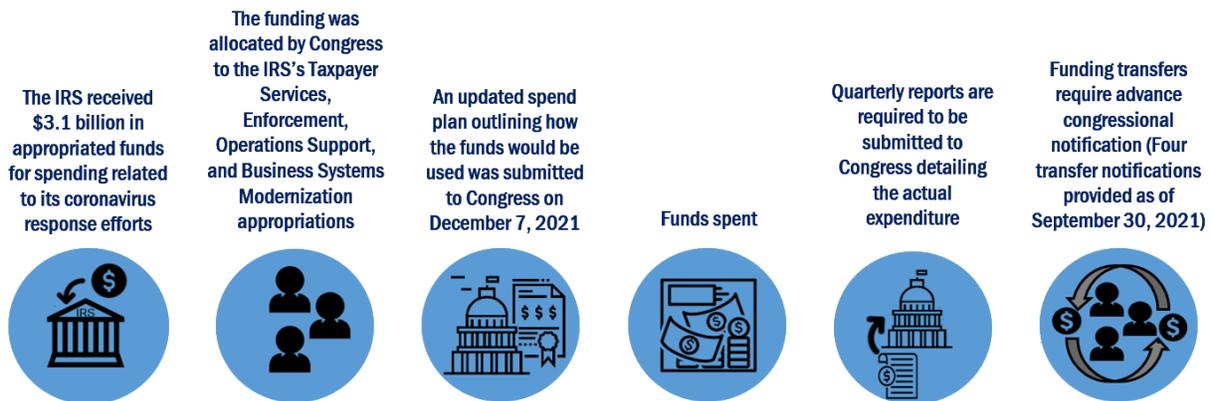
² Pub. L. No. 116-127, 134 Stat. 178 (codified in scattered sections of 7, 26, 29, and 41 U.S.C.). Funds will remain available until September 30, 2022.

³ Pub. L. No. 116-260, 132 Stat. 1182 (2020). Funds will remain available until September 30, 2021.

⁴ The Secretary of the Treasury is responsible for this reporting.

⁵ Pub. L. No. 117-2, 135 Stat. 4 (codified in scattered sections of 7, 12, 15, 19, 20, 26, 29, 42, and 45 U.S.C.). Funds of \$1,464,500,000 will remain available until September 30, 2023, for necessary expenses for the IRS's administration of the advance payments of the CTC, the provision of taxpayer assistance, and the furtherance of integrated, modernized, and secure IRS systems. Funds of \$397,200,000 will remain available until September 30, 2022, for necessary expenses for the IRS to carry out advance payments of the CTC.

Figure 1: Process Used in Reporting on Coronavirus Response Funding



Source: Treasury Inspector General for Tax Administration (TIGTA) analysis of the CARES Act; the FFCRA; the Consolidated Appropriations Act, 2021; and the ARPA.

TIGTA previously issued an interim audit report that addressed the status of the IRS's coronavirus response funding as of September 30, 2020.⁶ This report provides updated information through September 30, 2021.

Results of Review

As of September 30, 2021, the IRS has spent approximately 55 percent of its coronavirus response funds. Our review identified several areas in which reporting over coronavirus response funding could be enhanced. Specifically, we found that Congress was not routinely provided quarterly updates, as required, on how the IRS spent CARES Act and the Consolidated Appropriations Act, 2021 funding. In addition, updates that were provided contained only limited information and did not allow for a comparison of budgeted amounts to actual spending by requirement area.

Status of Coronavirus Response Funding

As of September 30, 2021, the IRS has spent \$1.7 billion (55 percent) of the \$3.1 billion in appropriated funds it received for its coronavirus response efforts, with \$1.4 billion still available for use. Specifically, the IRS has spent:

- \$750,119,312, or 99.9 percent, of the CARES Act funding by its FY 2021 deadline.
- \$502,124,498, or 98.6 percent, of the Consolidated Appropriations Act, 2021 funding by its FY 2021 deadline.
- \$14,988,400, or 99.9 percent, of the FFCRA funding and has until the end of FY 2022 to spend the remaining \$11,600.

⁶ TIGTA, Report No. 2021-16-026, *Interim Report – Status of Coronavirus Response Funding* (May 2021).

Reporting on the Use of Coronavirus Response Funding Could Be Enhanced

- \$453,224, 311, or 24.3 percent, of the ARPA funding and has until the end of FY 2022 to spend \$206,306,864 and the end of FY 2023 to spend the remaining \$1,202,168,825.

Figure 2 provides a status of the IRS's coronavirus response funding received, funds obligated, and funds remaining as of September 30, 2021.

Figure 2: Status of IRS Coronavirus Response Spending

<p>The IRS has spent 55% of its budget as of September 30, 2021</p> 			<p>Total Funding \$3.1B</p> <p>Total Funding Spent \$1.7B</p> <p>Total Funding Remaining \$1.4B</p>		
Legislation	Funding Availability	Account	Total Funding	Total Obligations	Unobligated Balance
CARES Act	FY 2021	Enforcement	\$62,703,000	\$62,642,247	\$60,753
CARES Act	FY 2021	Operations Support	\$327,206,000	\$326,686,561	\$519,439
CARES Act	FY 2021	Taxpayer Services	\$360,791,000	\$360,790,504	\$496
FFCRA	FY 2022	Operations Support	\$15,000,000	\$14,988,400	\$11,600
Consolidated Appropriations Act, 2021	FY 2021	Taxpayer Services	\$196,435,000	\$196,385,000	\$50,000
Consolidated Appropriations Act, 2021	FY 2021	Operations Support	\$312,565,000	\$305,739,498	\$6,825,502
ARPA	FY 2022	Operations Support CTC	\$190,900,000	\$106,008,611	\$84,891,389
ARPA	FY 2022	Taxpayer Services CTC	\$206,300,000	\$84,884,525	\$121,415,475
ARPA	FY 2023	Taxpayer Services EIP3	\$215,825,000	\$58,229,417	\$157,595,583
ARPA	FY 2023	Operations Support EIP3	\$248,675,000	\$105,490,806	\$143,184,194
ARPA	FY 2023	Operations Support Modernization	\$500,000,000	\$12,764,371	\$487,235,629
ARPA	FY 2023	Business Systems Modernization	\$500,000,000	\$85,846,581	\$414,153,419
TOTAL Funding			\$3,136,400,000	\$1,720,456,521	\$1,415,943,479

Source: IRS Coronavirus Response Funding Report to the Office of Management and Budget through September 30, 2021. (Note: EIP3 refers to the third round of Economic Impact Payments.)

In our interim audit report, we stated that a spend plan was submitted to Congress describing the IRS's planned use of the \$765.7 million in coronavirus response funding it received in

FY 2020. On December 7, 2021, Congress was provided updated coronavirus response funding spend plans as of September 30, 2021. These spend plans identified all coronavirus-related funding received through the CARES Act; the FFCRA; the Consolidated Appropriations Act, 2021; and the ARPA. The spend plans specified the intended use of the funding by requirement area and provided an estimated cost for each area. Appendix III outlines the major requirement areas listed in the IRS's spend plans.

Timely and Comprehensive Information on Planned and Actual Coronavirus Response Spending Was Not Routinely Provided to Congress

In our interim report, we noted that updates were not routinely provided to Congress, as required, on how the coronavirus response funding that the IRS received through the CARES Act and the Consolidated Appropriations Act, 2021 was spent. We also found that Congress was not provided a quarterly report of the IRS's actual coronavirus response funding expenditures (hereafter referred to as a "spending report") through June 30, 2020, as required. The first quarterly spending report was provided to Congress in December 2020 for expenditures through September 30, 2020.

Our subsequent work found that Congress was again not routinely provided quarterly updates, as required, on how the CARES Act and the Consolidated Appropriations Act, 2021 funding that the IRS received was spent.⁷ The IRS provides coronavirus spending information to the Treasury, which in turn provides the spending reports to Congress. The Treasury Office of Budget acknowledged that quarterly reports were not always provided to Congress when required. However, the Treasury Office of Budget informed us that the Treasury had frequent meetings with congressional stakeholders as well as provided weekly coronavirus response funding obligation and outlay reports to the Office of Management and Budget. Figure 3 indicates the timing of the IRS spending reports issued to Congress.

⁷ The FFCRA and the ARPA did not specifically include a quarterly reporting requirement.

Figure 3: Analysis of IRS Quarterly Coronavirus Spending Reports Issued to Congress

IRS Quarterly Coronavirus Spending Reports Submitted to Congress		
Reporting Quarter	CARES Act Spending Report and Date Submitted	Consolidated Appropriations Act, 2021 Spending Report and Date Submitted
1 st Quarter 2021 (Through December 30, 2020)	Report not submitted	N/A
2 nd Quarter 2021 (Through March 30, 2021)	Report not submitted	Report not submitted
Realignment/Updated Spending Information for the CARES Act and the FFCRA as of June 10, 2021	Report submitted June 23, 2021	N/A
3 rd Quarter 2021 (Through June 30, 2021)	Report not submitted	Report not submitted
Realignment/Updated Spending Information as of August 13, 2021	Report submitted September 10, 2021	Report submitted September 10, 2021
4 th Quarter 2021 (Through September 30, 2021)	Report submitted December 7, 2021	Report submitted December 7, 2021

Source: TIGTA analysis of IRS quarterly coronavirus spending reports.

The Treasury Office of Budget further advised us that it provided coronavirus response funding information through various channels in addition to the quarterly spending reports. For example, the Treasury Office of Budget periodically provided Treasury-wide coronavirus response spending reports to Congress. Our review of these reports indicated that they were at a very high level and included only total coronavirus funding and spending by appropriation but did not include a breakdown of funding or spending specifically for the CARES Act and the Consolidated Appropriations Act, 2021.

Coronavirus spending reports did not allow for a comparison of budgeted amounts to the actual spending and contained inconsistent information on staffing needs

The IRS is not reporting actual expenditures or staffing needs by requirement area. Our interim report identified that, in developing its various coronavirus response spend plans, the IRS identified requirement areas in which the funds would be used and included a cost estimate for each requirement. Specifically, the September 30, 2020, updated CARES Act and FFCRA spend plan identified 18 requirement areas. We previously reported that the IRS should consider reporting actual expenditures by requirement area as well to provide IRS management and Congress with complete information to compare budgeted amounts to actual spending at the requirement area level. However, our subsequent work identified that the actual expenditures for the Consolidated Appropriations Act, 2021 and the ARPA were again only reported at the appropriation level.

Our interim report also noted that, although the IRS included an estimate of the full-time equivalent (FTE) employees needed for its coronavirus response efforts in its May 27, 2020,

spend plan, the FTEs needed to accomplish each requirement area and information on the FTEs budgeted and realized by requirement area were not included in any of its subsequent budget updates. We reported that the IRS should consider improving its coronavirus response funding reporting by including information on FTEs (budgeted and dedicated) by requirement area in its quarterly spending reports. This additional tracking would allow IRS management and Congress to better validate the reliability of FTE estimates. Our subsequent work identified that the IRS reported no information on FTEs needed or utilized by requirement area on its spend plans or spending reports submitted after our interim review.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* notes that management needs to have quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks.⁸ It further defines quality information as information that is complete, reliable, and provided on a timely basis.

Because the IRS does not track either coronavirus response funding and spending or FTEs (budgeted and dedicated) by the requirement areas outlined in the coronavirus spend plan in its financial tracking system, it requires significant effort to gather and report this type of information. The IRS also noted that the congressional reporting requirements for coronavirus response funding do not specify a reporting format.

The lack of timely and comprehensive information on planned and actual spending of coronavirus response funding reduces the ability of stakeholders to meet their oversight responsibilities. In addition, by not tracking actual expenditures by requirement area, neither the IRS nor external stakeholders are able to validate the reliability of estimates, quickly identify requirement areas with potential shortages or surpluses of funds, or timely reallocate funds as needed.

Recommendation 1: The Chief Financial Officer should evaluate the feasibility of expanding the information captured in the IRS's financial tracking system to include tracking budgeted and dedicated staffing by spend plan requirement area for future sources of supplemental funding.

Management's Response: The IRS agreed with this recommendation and plans to develop a plan for tracking and reporting on budget, spending, and FTE associated with future sources of supplemental funding. This will include development of a financial coding structure that will allow for reports to be pulled directly from the financial system. The IRS will evaluate the feasibility of this process with the Inflation Reduction Act.

However, IRS management disagreed that they did not routinely provide timely and comprehensive information to Congress. IRS management stated that, in most cases when the Treasury did not provide a quarterly report to Congress in the form of the spend plan, it was because it provided coronavirus obligation updates to Congress through different channels on or around the same time that a quarterly report was due. Additionally, IRS management did not agree with TIGTA's concerns that the level of detail included in the reports to Congress was insufficient and stated that the level of detail required for coronavirus spending reports was never prescribed by Congress.

⁸ Government Accountability Office, GAO-14-704G, *Standards for Internal Control in the Federal Government* (Sept. 2014).

Office of Audit Comment: We recognize that the IRS and the Treasury provided periodic information on coronavirus spending information to Congress through various channels and responded to ad hoc requests for information on spending. However, we do not believe these actions negated the IRS and the Treasury's responsibility to provide legislatively mandated quarterly reporting on the CARES Act and the Consolidated Appropriations Act, 2021 spending in a consistent manner.

For example, although the Treasury Office of Budget did periodically provide Treasury-wide coronavirus response spending reports to Congress, our review of these reports indicated that they were at a very high level and included only total coronavirus funding and spending by program. The reports did not include a breakdown of funding or spending specifically for the CARES Act and the Consolidated Appropriations Act, 2021 as is contained in the mandated quarterly reports we reviewed.

Coronavirus Response Funds Reviewed Were Generally Used for Their Specified Purpose

Our review of a judgmental sample⁹ of 93 procurement actions from the population of procurement actions awarded between April 1, 2020, and September 30, 2021, found that coronavirus response funds were generally used for their specified purpose. Each of the four enacted appropriations that provided the IRS a total of \$3.1 billion to address coronavirus response efforts specified the amount of supplemental funding provided, the period of availability, and the intended purpose of the funding. Additionally, because the funding from the Consolidated Appropriations Act, 2021 and a portion of the CARES Act were supplemental appropriations to the IRS's regular annual appropriations accounts, these supplemental funds are available for any purpose for which the regular appropriations are available. Appendix II lists the specified purpose for each enacted appropriation.

During our review, we identified purchases totaling \$29 million that were made in September 2021 for almost 13,000 laptops, various peripherals, and contractor support related to the IRS's planned FY 2022 new hire initiative. We raised concerns to IRS management regarding the timing of these purchases occurring near the end of the period of availability for funds expiring in FY 2021.

After notifying the IRS of our concern, IRS management provided further documentation related to these purchases. However, due to the timing, we were unable to properly evaluate it. The IRS has agreed to further evaluate the timing of these purchases and to take action to resolve any issues that may arise. We will continue to monitor the IRS's use of coronavirus-related funding.

⁹ A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population. Our judgmental sample was comprised of an initial sample of 50 procurement actions from a population of 1,474 procurement actions awarded between April 1, 2020, and June 30, 2021, and a follow-up judgmental sample of 23 procurement actions from a population of 1,402 procurement actions awarded between April 1, 2021, and September 30, 2021.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to evaluate controls implemented by the IRS to ensure that the \$3.1 billion in appropriated funds received for its coronavirus response efforts is adequately tracked and used only for its specified purpose. To accomplish our objective, we:

- Identified and reviewed relevant policies and procedures over the tracking and reporting of coronavirus response funding by the IRS.
- Analyzed the methodology used by the IRS in 1) developing its coronavirus response funding spend plan and 2) monitoring the plan's execution.
- Reviewed any guidance provided by the Chief Financial Officer on developing estimates for the coronavirus response spend plan.
- Evaluated the status of the IRS's coronavirus response funding as of September 30, 2021.
- Reviewed the use of coronavirus response funding and determined whether the funds were used for their specified purpose and spending was directly related to the IRS's coronavirus response efforts and consistent with the IRS coronavirus response spend plan.
 - Sample 1 – Selected a judgmental sample of 50 procurement actions with a modification amount greater than \$0, from a population of 1,474 procurement actions awarded between April 1, 2020, and June 30, 2021, using coronavirus response funding totaling \$443 million. The 50 cases were randomly selected.
 - Sample 2 – Selected a follow-up judgmental sample of 23 procurement actions with a modification amount greater than \$0, from a population of 1,402 procurement actions awarded between April 1, 2021, and September 30, 2021, using coronavirus response funding totaling \$378 million. We selected all procurement actions identified as having Facilities Management as the cost center and chairs/seating/furniture and flooring in the procurement.
 - Sample 3 – Selected a judgmental sample of 20 procurement actions, from a population of 397 procurement actions awarded between September 1, 2021, and September 30, 2021, using the CARES Act and the Consolidated Appropriations Act, 2021 appropriated funding totaling \$75 million. These funds were only available through FY 2021. We identified all procurement-funded programs with a total \$5 million or more in total modifications occurring during our sample period and then selected all individual procurement actions greater than \$1 million in those programs for review.
 - Other Sample Information: We utilized judgmental sampling because we wanted to identify procurement areas with indications of improper use of coronavirus response funding. We expanded our sampling to follow up on select areas. We also focused on high-dollar transactions occurring at the end of FY 2021 using the CARES Act and the Consolidated Appropriations Act, 2021 appropriated funding. We did not include any actions with a \$0 modification in the

populations identified for our samples. We compared the procurement actions selected in our samples and ensured that there was no overlap.

Performance of This Review

This review was performed with information obtained from the Office of the Chief Financial Officer located in Washington, D.C., during the period May 2021 through May 2022. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Bryce Kisler, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations); LaToya George, Director; Anthony Choma, Audit Manager; Kanika Kals, Lead Auditor; and Carolyn deGuzman, Auditor.

Validity and Reliability of Data From Computer-Based Systems

We performed tests to assess the reliability of the data from the Integrated Financial System. We evaluated the data by 1) performing electronic testing of required data elements, 2) reviewing existing information about the data and the system that produced them, and 3) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for purposes of this report.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the IRS's policies and procedures for estimating program costs related to its coronavirus response efforts, tracking coronavirus response funding, and reporting to stakeholders on its coronavirus response spending. We evaluated these controls by interviewing IRS management, analyzing statutory reporting requirements, and reviewing documentation supporting the process used to estimate and track coronavirus response spending through FY 2021.

Appendix II

IRS Coronavirus Response Funding

This appendix presents the specified supplemental funding provided, the period of availability, and the intended purposes of the funding for each of the four acts that provided the IRS a total of \$3.1 billion to address its coronavirus response efforts.

- \$750.7 million from the CARES Act, Title II and Title V, available through FY 2021.
 - \$500.7 million for the purpose of carrying out rebates to taxpayers (Title II funding).
 - \$250 million for the purpose of administrative costs such as programming, applications, and systems and service calls/taxpayer support (Title V funding).
- \$15 million from the FFCRA, available through FY 2022.
 - \$15 million intended for the continuity of operations, including initiatives to “telework enable” customer service representatives.
- \$509 million from the Consolidated Appropriations Act, 2021 available through FY 2021.
 - \$175.3 million intended for costs relevant to EIP2 and tax law changes.¹
 - \$333.7 million intended for costs relevant to business resumption, such as taxpayer digital communications and information technology requirements to address the impact of the coronavirus pandemic.
- \$1.8 billion from the ARPA, with over \$397 million available through FY 2022 and over \$1.4 billion available through FY 2023.
 - \$1 billion from the appropriated amount intended for the costs relevant to integrate, modernize, and secure IRS systems.
 - \$464.5 million intended for costs relevant to EIP3, such as EIP-related taxpayer services and printing/postage/information notices.²
 - \$397.2 million intended for costs relevant to the Tax Year 2021 Advance CTC, such as CTC-related taxpayer services and information technology requirements to implement the Advance CTC.

¹ EIP2 refers to the second round of Economic Impact Payments.

² EIP3 refers to the third round of Economic Impact Payments.

Appendix III

Coronavirus Response Funding Spend Plan Requirement Areas

This appendix presents the major requirement areas listed in the IRS's spend plans for each act:¹

- CARES Act and FFCRA Spend Plan – 16 total requirement areas, including:
 - \$220 million for Service Calls and Taxpayer Support
 - \$149 million for Programming, Applications, and Systems
 - \$104 million for Printing/Postage/Information Notices Stimulus Rebate
 - \$91 million for Stimulus Return Processing
 - \$61 million for Verification and Collection
 - \$38 million for Paper Check Issuance
 - \$31 million for Other Needs Including Ensuring Facilities Are Safe for Employees
 - \$22 million for Continuity of Operations – CARES Act
 - \$15 million for Continuity of Operations – FFCRA
 - \$8 million for Special Act/Retention Incentive Awards and Overtime
 - \$8 million for Information Technology Additional Labor Needs
 - \$7 million for Expanded Fraud and Identity Theft Detection
- Consolidated Appropriations Act, 2021 Spend Plan – 12 total requirement areas, including:
 - \$154 million for Information Technology Requirements to Address the Coronavirus Pandemic
 - \$144 million for Resolving the Return and Correspondence Backlog
 - \$76 million for Printing/Postage/Information Notices
 - \$59 million for EIP2 Telephone Service
 - \$20 million for Paper Check Issuance
 - \$20 million for Information Technology Systems Update
 - \$15 million for Wage and Investment Process Improvements
 - \$11 million for Electronic Personnel Folders Support
 - \$6 million for Space Alterations for Business Resumption

¹ We listed the spend plan requirement areas as of September 30, 2021, with greater than \$5 million in total funding budgeted.

- ARPA CTC – eight total requirement areas, including:
 - \$148 million for CTC-Related Taxpayer Services
 - \$100 million for Information Technology Requirements to Implement the Advance CTC
 - \$57 million for Secure Access Digital Identity
 - \$48 million for Printing/Postage/Information Notices
 - \$18 million for Printing/Postage for Postcards to Promote Understanding
 - \$14 million for Paper Check Issuance
 - \$9 million for Human Capital Office Support for Expanded Workforce
- ARPA EIP3 – six total requirement areas, including:
 - \$191 million for EIP3-Related Taxpayer Services
 - \$121 million for Information Technology Requirements to Address Advance EIP3
 - \$105 million for Printing/Postage/Information Notices
 - \$23 million for Paper Check Issuance
 - \$20 million for Social Security Administration Support
- ARPA Integrate, Modernize and Secure IRS Systems – five total requirement areas, including:
 - \$260 million for Enhanced Taxpayer/Customer Experience
 - \$230 million for Data Integration
 - \$205 million for Systems Security
 - \$205 million for Legacy Systems Modernization
 - \$100 million for Infrastructure

Management's Response to the Draft Report



CHIEF FINANCIAL OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

September 12, 2022

MEMORANDUM FOR HEATHER M. HILL
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Teresa R. Hunter
Chief Financial Officer

Teresa R. Hunter
Digitally signed by Teresa R. Hunter
Date: 2022.09.12 10:20:10 -04'00'

SUBJECT: Response to Draft Audit Report – Reporting on the Use of Coronavirus Response Funding Could Be Enhanced (Audit # 202110624)

Thank you for the opportunity to review and comment on your draft audit report entitled Reporting on the Use of Coronavirus Response Funding Could Be Enhanced. This audit reviewed controls implemented by the IRS to ensure that the \$3.1 billion in appropriated funds received for coronavirus response efforts were adequately tracked and used only for their specified purpose.

During the unprecedented pandemic of the last two years, IRS played an important role in providing economic relief to Americans, while also fulfilling our regular responsibilities for tax administration. IRS implemented major provisions of the Coronavirus Aid, Relief, and Economic Security Act, American Rescue Plan Act, and other Coronavirus-related relief legislation. This work included delivering more than \$800 billion in three rounds of Economic Impact Payments to help Americans cope with the financial effects of the COVID-19 pandemic and more than 200 million advance payments of the Child Tax Credit totaling \$93 billion.

We take our obligation to be good stewards of all sources of funding, including coronavirus response funding, very seriously. IRS and Treasury established controls to ensure the appropriate use of coronavirus response funds. We appreciate your acknowledgement that coronavirus response funds were used for their specified purpose.

We do not agree with your finding that timely and comprehensive information on planned and actual coronavirus response spending was not routinely provided to Congress. As you noted, IRS provided quarterly spending data to Treasury, which then provided reports to Congress. In most cases, when Treasury did not provide a quarterly report in the form of the spend plan, it was because they had provided coronavirus obligation updates to Congress through different channels on or around

the same time that a quarterly report was due. Treasury responded timely to numerous ad hoc requests for coronavirus obligation status updates from Congressional Appropriations staff. Additionally, Treasury provided Congress with consolidated Treasury coronavirus obligation reports, which included IRS coronavirus obligations. In calendar year 2021, Treasury provided five such reports. This audit also raises concerns that the level of detail included in reports to Congress was insufficient. However, the level of detail required for coronavirus spending reports was never prescribed by Congress. Treasury sent numerous reports to Congress and never received any request to provide additional detail in the reports.

This audit includes a recommendation to evaluate the feasibility of expanding the information captured in the IRS's financial tracking system to include tracking budgeted and dedicated staffing by spend plan requirement area, for future sources of supplemental funding. IRS agrees with this recommendation and plans to develop a process to enable more detailed tracking of any future supplemental funds, including those recently appropriated in the Inflation Reduction Act.

We appreciate your office's conscientious evaluation of our coronavirus spending and your working with us to improve this report and to improve our financial tracking. If you have any questions, please contact me at 202-317-4147, or a member of your staff may contact Todd Egaas, associate chief financial officer for Corporate Budget, at 202-317-3987.

RECOMMENDATION 1:

The Chief Financial Officer should evaluate the feasibility of expanding the information captured in the IRS's financial tracking system to include tracking budgeted and dedicated staffing by spend plan requirement area, for future sources of supplemental funding.

CORRECTIVE ACTION:

We will develop a plan for tracking and reporting on budget, spending, and FTE associated with future sources of supplemental funding. This will include development of financial coding structure that will allow for reports to be pulled directly from the financial system. We will evaluate the feasibility of this process with the Inflation Reduction Act.

IMPLEMENTATION DATE:

February 28, 2023

RESPONSIBLE OFFICIAL:

Associate Chief Financial Officer for Corporate Budget

CORRECTIVE ACTION MONITORING PLAN:

IRS will monitor this corrective action as part of our internal management system of controls.

Abbreviations

ARPA	American Rescue Plan Act of 2021
CARES	Coronavirus Aid, Relief, and Economic Security
CTC	Child Tax Credit
EIP	Economic Impact Payment
FFCRA	Families First Coronavirus Response Act
FTE	Full-Time Equivalent
FY	Fiscal Year
IRS	Internal Revenue Service
TIGTA	Treasury Inspector General for Tax Administration



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