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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

July 12, 2006

KOLAN DAVIS, STAFF DIRECTOR AND CHIEF COUNSEL
RUSSELL SULLIVAN, DEMOCRATIC STAFF DIRECTOR

The Honorable Mark W. Everson
Internal Revenue Service
1111 Constitution NW
Washington, DC 20224

Dear Commissioner Everson:

The IRS's Headquarters building in Washington, D.C. is closed because of extensive damage due to recent flooding. The subbasement that holds all of the building's electrical and maintenance equipment was submerged in more than 20 feet of water and the equipment appears to be 95 percent damaged or destroyed. While the IRS has made progress in clean-up and decontamination, the building may be closed until next year. The costs of remediation are expected to run in the tens of millions of dollars.

This incident underscores the importance of a comprehensive IRS continuity of operations plan to ensure that our nation's tax system will be able to operate effectively in the event of a natural disaster or terrorist act. The 2,400 employees who work at the building have been relocated to other IRS-occupied buildings in the metro area or into temporary space, and some are telecommuting. Although the IRS has reported that all business units have extensive business resumption plans that have been executed, the Committee has learned that many workers do not have access to the necessary equipment or data to carry out their official duties. The disruption of headquarters operations raises important questions about the adequacy of IRS's contingency plans.

I am requesting that you provide a report on the incident and keep the Committee apprised of the IRS's progress to repair the damage and return to normal operations. Specifically, the report should include 1) a list of repairs/replacements that will be made; 2) the projected cost and the source of funds to pay for the remediation; 3) the timetable for repairs and resumption of normal operations; 4) the IRS's plans to oversee the contractors to ensure the IRS is receiving what it is paying for on a timely basis; 5) a discussion of the problems encountered and lessons learned while implementing contingency plans; and, 6) the impact on tax administration resulting from the disruption.

I am also writing to the Government Accountability Office to request a review of the IRS's Continuity of Operations Plan and the Treasury Inspector General for Tax Administration to determine to what extent IRS operations have been impacted and the costs and challenges associated with this incident.

Sincerely,



Max Baucus
Ranking Member