Separate and Unequal Standards Of Performance and Integrity

By David Cay Johnston

The $17,000 that the IRS spent on a happiness consultant who drew images of celebrities raises some broader questions. How much does the IRS spend on consultants? What do they do? To what standards are they held? And what kinds of controls does the IRS have on taxpayer information handled by consultants like Booz Allen Hamilton?

After all, Booz Allen employed Edward Snowden, the programmer who blew the whistle on the collection of phone call and e-mail metadata.

You might think that the IRS could tell you right off how much is spent on consultants. It can’t. At least not within a week’s time, although it seems certain that some IRS manager somewhere has a file if for no other purpose than to prepare annual budget requests. The problem seems to be that the IRS, its budget far from sufficient to do the work Congress mandates, no longer has enough staff to get the numbers and pass them on in a timely manner.

You might think of one of its major consultants, say Booz Allen, would proudly say how much it is getting paid to help the IRS. It won’t. So you might think you could just look up the contracts, their contracts, and how much they get paid for what. It turns out that is something you can do — sort of. Just don’t try it at home unless you have an industrial-strength computer.

The spreadsheet on IRS contractors at an official government website, usaspending.gov, has 175,292 lines of data, each with 161 cells.

The whole IRS contractor data file comes to 147 megabytes. That’s the equivalent of about 2,400 copies of this column in a single file. Even my oversized processor choked. And why is this pile of information delivered in a spreadsheet instead of a searchable database?

Add up the column for the value of contracts and the figure comes to more than $5 trillion, which is absurd. That is well above a year’s spending for the entire federal government. The data are not for a single year. They go back to the late 1990s, but the cost is the equivalent of roughly 500 years of IRS budgets. In other words, the figure is nonsense.

On top of this, much of the data is in codes meaningful only to the IRS and its contractors, while basic information that any taxpayer, policy wonk, or researcher would want is not there, as the Project on Government Oversight, or POGO, explains at its website (http://www.pogo.org/blog/2010/07/errors-continue-to-plague-usaspendinggov.html).

Now compare the patently unreliable, and missing, information at usaspending.gov to the finely detailed work that the IRS Statistics of Income staff does. The SOI division generates a vast array of tables and reports each year, for which it is rewarded with a shrinking staff. The numbers in SOI tables always add up. That meticulous work goes unheralded.

The difference is that career IRS employees, statisticians, and economists produce the SOI reports under strict accountability rules, while contractors rake in big bucks and make sure they get little scrutiny, but healthy profits.

It doesn’t hurt that Booz Allen, an arm of the Carlyle Group that is top-heavy with politicians and former high-level federal appointees, includes on its board a high-tech business executive named Charles O. Rossotti, who was the IRS commissioner under President Clinton. Rossotti would not even take my calls, even to discuss IRS issues on background.

Congress holds IRS employees to exceptionally high standards compared with contractors. Were Booz Allen Hamilton the name of an IRS employee, he would have been thrown off the payroll long ago.

Consider this disclosure statement by Booz Allen:

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The Internal Revenue Service, or IRS, is completing its examination of the Company’s income tax returns for fiscal 2006, 2005, and 2004. As of March 31, 2011, the IRS has proposed certain adjustments to the Company’s claim on research credits.

Booz Allen set aside more than $100 million in reserves because the IRS was challenging its tax returns. To put that figure in perspective, it was greater than the company’s 2011 pretax profits.

Now consider what happens to an IRS employee who is due a large refund but files her spotless tax return a few days late. She is guaranteed a thorough grilling from both the Treasury Inspector General for Tax Administration’s staff and IRS management. Her job will be threatened every inch of the way. I have reviewed cases in which employees faced extraordinary circumstances but were still treated like criminals when they asked for refunds.

No such grilling, though, for Booz Allen, which ranks 16th among the 100 federal contractors with the most reports of misconduct in the POGO database. Booz Allen has been the subject of recent disbarment proceedings for its San Antonio office because of accusations it systematically cheated on an Air Force contract. It settled, allowing it to keep on working for tax dollars.

Then there are the multiple entries in the POGO database that tracks alleged contractor misconduct, including this:

On December 22, 2005, Booz Allen Hamilton, Inc. settled a lawsuit “concerning false claims allegedly submitted to various agencies of the United States in connection with travel reimbursement.” The company was alleged to have received secret rebates from preferred providers in the travel industry while billing the government for the full face value. The complaint had been filed by the U.S. Attorney’s Office under the False Claims Act, 31 U.S.C. section 3729-3733 et. seq. Booz Allen agreed to pay $3,365,664 to settle this matter. The government pursued a recommendation for debarment, which was denied in November 2006.

Somewhere that $3.4 million payment did not catch the eye of Senate Finance Committee member Chuck Grassley, R-Iowa, who complains now and then about petty misuse of government credit cards by IRS workers. It isn’t that abuse should be overlooked; it’s a matter of proportion. Congress in general, and Grassley in particular, demonstrates a fine eye for gnats while missing the elephants.

There are other complaints of dishonesty, cover-ups, and harassment against Booz Allen, some resolved and others pending. One still open involves accusations that it fired a whistleblower who complained internally that taxpayers were being cheated by the company. In each case, the public record shows boilerplate assertions in which Booz Allen denies any wrongdoing or blames misconduct on people it fired.

I would tell you more about Booz Allen’s side of these and other matters, except that its chief spokesman, James Fisher, basically would not provide any information. Fisher is part of a growing cadre of company spokesmen who are paid not to speak. Fisher gets paid to not even send links, apparently in the hope this will minimize any journalism examining the company’s conduct.

The issue here is not Booz Allen alone, which I focused on because of its size and long-running role as an IRS contractor. It is the whole use of contractors. They are not held to the same standards as employees. They often do shoddy work and accomplish little to nothing.

Back in 2004, Tax Analysts reported on a move to tighten up back-shop operations at the IRS to save money in one of innumerable reorganizations. “Is Booz Allen still on the IRS payroll?” former IRS Commissioner Donald C. Alexander was quoted as saying, “Consultants would find this to be the greatest thing since Swiss cheese, but I’m not sure if consultants know the minds of the IRS agent.”

Contractors are not cheap by any measure. Paul C. Light, the New York University professor who wrote a terrific book titled The True Size of Government, has shown that contractors cost roughly twice as much per person as civil servants. That should not surprise anyone. The contractors pay higher wages to hire away the best-trained government staffers, pay executives far more than the government, and bring in enough extra money for lobbyists to make sure the contracting rules don’t subject them to additional scrutiny.

Here is a suggestion for Grassley and House Oversight and Government Reform Committee Chair Darrell Issa, R-Calif., who has been looking into the conduct of the IRS exempt organizations determinations unit in Cincinnati: If you want an investigation with a high potential to show inefficiency in government, as well as those three famous words “fraud, waste, and abuse,” try looking at IRS contractors.

Lawmakers should start with a simple question: Are taxpayers getting their money’s worth? Then they should tell their staffs not to look at stupid $17,000 expenditures for happiness consultants, but at multimillion-dollar contracts and just what benefits taxpayers got in the end.