



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, DC 20220

March 21, 2024

The Honorable Elizabeth Warren  
United States Senate  
Washington, DC 20510

The Honorable Pramila Jayapal  
United States House of Representatives  
Washington, DC 20515

Re: Inquiry on Revolving Door Between the Largest Accounting Firms and the  
Department of the Treasury (OIG-CA-24-015)

Dear Senator Warren and Representative Jayapal:

This responds to your letter dated February 18, 2022, which requested that the Deputy Inspector General for the Department of the Treasury and the Inspector General for the Treasury Inspector General for Tax Administration (TIGTA) conduct an inquiry on what you described as a "revolving door" pattern (see appendix 1). It was alleged that large public accounting firms were sending employees to the Department of the Treasury (Treasury) to fill tax administration and tax policy positions, where those employees would help develop rules and policies favorable to those firms and their clients. These employees would then return to those firms into more senior and influential positions. The letter listed specific topics you wanted addressed in an inquiry including:

- 1) The extent to which large accounting firms and their employees are taking advantage of the revolving door between their firms and government service at Treasury and the Internal Revenue Service (IRS).
- 2) The role that these officials play when they enter government service and the rewards they reap upon their return to the private sector.
- 3) The extent to which these accounting firms, via the employees placed at Treasury and IRS, may have an untoward influence over department and agency policies or may obtain information or influence that provides their clients with an untoward advantage.

- 4) The policies in place at Treasury and IRS to protect department and agency policies from being unduly influenced by these employees' potential conflicts of interest.
- 5) Whether the firms' codes of conduct and ethics policies are effective at preventing the abuse of the revolving door and preventing and addressing conflicts of interest.

Our inquiry focused on the fourth topic regarding the policies in place at Treasury to protect the department and agency tax policies and revenue rulings from being unduly influenced by employees with potential conflicts of interest. We did not address the other topics of your request because our jurisdiction is limited to the Office of Tax Policy (OTP) and does not extend to the IRS or the accounting firms. TIGTA has jurisdiction over the IRS and issued a report in response to your request in August 2023.<sup>1</sup>

In conducting our inquiry, we (1) coordinated with TIGTA personnel; (2) reviewed Federal laws, regulations, guidance,<sup>2</sup> and Treasury's policies and procedures; and (3) reviewed key documentation provided by Treasury's Office of the Assistant General Counsel for General Law, Ethics and Regulation (GLER) related to policies and procedures, ethics, and conflicts of interest.<sup>3</sup> We also interviewed OTP officials to gain an understanding of (a) OTP's roles and responsibilities regarding ethics and conflicts of interest when onboarding and off-boarding OTP's employees, and (b) OTP's role in the development and approval process of tax guidance.

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<sup>1</sup> TIGTA issued its response to your request, *Processes Are in Place to Identify and Address Potential Conflicts of Interest in Large Corporate Tax Administration*, on August 24, 2023.

The report assessed IRS processes and procedures to identify and address potential conflicts of interest regarding tax administration matters involving large corporations.

<sup>2</sup> The Federal laws, regulations, and guidance included, but were not limited to, 18 U.S.C § 203, *Compensation to Members of Congress, Officers, and Others in Matters Affecting the Government*; 18 U.S.C § 205, *Activities of Officers and Employees in Claims Against and Other Matters Affecting the Government*; 18 U.S.C § 207, *Restrictions on Former Officers, Employees and Elected Officials of the Executive And Legislative Branches*; 18 U.S.C § 208, *Acts Affecting a Personal Financial Interest*; 18 U.S.C § 209, *Salary of Government Officials and Employees Payable Only by United States*; 5 Code of Federal Regulations (CFR) Part 2634, *Executive Branch Financial Disclosure, Qualified Trusts, and Certificates of Divestiture*; 5 CFR Part 2635, *Standards of Ethical Conduct for Employees of the Executive Branch*; and 5 CFR Part 2638, *Executive Branch Ethics Program*.

<sup>3</sup> Treasury Order 107-01, *Appointment of Designated Agency Ethics Official and Alternate Designated Agency Ethics Official* (January 22, 2008), appoints the Assistant General Counsel for General Law, Ethics and Regulation as Treasury's Designated Agency Ethics Official and the Deputy Assistant General Counsel for Ethics as Treasury's Alternate Designated Agency Ethics Official.

The scope of our inquiry included policies and procedures related to ethics and conflicts of interest in place from 2020 through 2023. We performed our inquiry from October 2022 through December 2023 in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General* standards of independence, due professional care, and quality assurance. Please note, we did not perform testing of the implementation and operating effectiveness of Treasury's policies and procedures.

In brief, Treasury has policies and procedures in place to protect Treasury and its tax policies and revenue rulings from undue influence by employees with potential conflicts of interest. Specifically, Treasury's tax guidance process includes numerous stages of review and approval of tax guidance before publication. The process is coordinated with multiple individuals and offices within IRS and Treasury from the tax guidance development's earliest stages. The general distribution list of a tax guidance circulation draft could include more than a dozen individuals and offices, including members of the Office of Tax Analysis as well as Deputy Assistant Secretaries of the Treasury within OTP. Also, the general clearance chain for a tax guidance signature package could include more than ten individuals and offices, including IRS Chief Counsel, the IRS Commissioner, and the Assistant Secretary of the Treasury (Tax Policy).

The approval process for tax regulations, which excludes sub-regulatory guidance,<sup>4</sup> includes the Assistant Secretary of the Treasury (Tax Policy), Treasury's General Counsel, and the Treasury Executive Secretariat<sup>5</sup> before publication in the Federal Register. Sub-regulatory guidance must be approved by the IRS Chief Counsel, the IRS Commissioner, and as appropriate, Treasury's Office of Benefits Tax Counsel, Treasury's Office of International Tax Counsel, and Treasury's Office of Tax Legislative Counsel (Tax Counsels). Due to the various levels of review and segregation of duties, absent collusion, the risk that tax guidance could be influenced by an employee with potential conflicts of interest is low.

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<sup>4</sup> Treasury Policy Statement on the Tax Regulatory Process (March 2019), defines sub-regulatory guidance as regulatory guidance published in the Internal Revenue Bulletin, including revenue rulings, revenue procedures, notices, and announcements. Sub-regulatory guidance is not intended to affect taxpayer rights or obligations independent from underlying statutes or regulations. Unlike statutes and regulations, sub-regulatory guidance does not have the force and effect of law.

<sup>5</sup> Treasury Directive 25-03, *Filing Documents for Publication with the Office of the Federal Register*, appoints the Executive Secretariat for Departmental Offices to file regulation documents directly with the Office of the Federal Register after approval.

During our review, we did not identify any Treasury policies and procedures related to ethics and conflicts of interest that did not comply with applicable ethics laws and regulations. Treasury relies primarily on employees self-reporting, which includes disclosures of potential conflicts of interest in work assignments either through an employee's annual reporting or elevation of a concern to their manager or GLER. Treasury policies and procedures to ensure compliance with applicable ethics laws and regulations include:

- 1) an ethics education program to educate employees on how to identify government issues and obtain assistance in complying with government ethics laws and regulations;
- 2) a pre-employment vetting process for senior officials<sup>6</sup> and political appointees<sup>7</sup> to ensure any conflicts of interest can be proactively identified and resolved;
- 3) the implementation of the public and confidential financial disclosure requirements, which serves to identify and resolve conflicts of interest; and
- 4) the issuance of the Treasury Ethics Handbook (hereinafter referred to as the Ethics Handbook)<sup>8</sup> and distribution of ethics newsletters, which provide periodic ethics guidance.

GLER also maintains a record for every Treasury Departmental Office (DO)<sup>9</sup> employee with basic information relevant to ethics regulatory and program requirements in an ethics database, referred to as the "Ethics Tracker," to help track advice provided to employees. We did not perform a review of the information in the Ethics Tracker or the ethics advice provided. As such, we did not test for or identify deficiencies within the database. However, in reviewing GLER's policies and procedures related to ethics and conflicts of interest, we determined that the tracking process for providing advice and counsel could be enhanced.

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<sup>6</sup> Senior officials refer to the Senior Executive Service, which includes most managerial, supervisory, and policy positions classified above General Schedule grade 15 or equivalent positions in the Executive Branch of the Federal Government.

<sup>7</sup> The term "political appointee" means an individual who is: (a) employed in a position described under sections 5312 through 5316 of title 5, U.S.C., (relating to the Executive Schedule); (b) a limited term appointee, limited emergency appointee, or noncareer appointee in the Senior Executive Service, as defined under paragraphs (5), (6), and (7), respectively, of section 3132(a) of title 5; or (c) employed in a position of a confidential or policy-determining character under schedule C of subpart C of part 213 of title 5, CFR, or successor regulation.

<sup>8</sup> Department of the Treasury Ethics Handbook (April 2020); updated August 2023

<sup>9</sup> DO is Treasury's headquarters bureau responsible for providing leadership in economic and financial policy, financial intelligence and enforcement, and general management. The offices within DO are composed of divisions headed by Assistant Secretaries and Under Secretaries who are primarily responsible for policy formulation and the overall management of Treasury.

While the Ethics Tracker is a valuable tool, ethics officials are not required to use the Ethics Tracker. Substantive advice and counsel provided is not consistently tracked from request to resolution in the Ethics Tracker database. Given the potential usefulness of enhancing the ethics program through more consistent use of this tool, we recommend that the General Counsel ensure that GLER: (1) develops and implements standard operating procedures, including monitoring, to ensure ethics officials fully utilize the Ethics Tracker database to track requests, advice and counsel provided, as well as documentation of final resolution of issues; and (2) considers completing a cost-benefit analysis to determine if a fully integrated and automated tracking system would benefit GLER with its ethics responsibilities.

In a written response, which is included in its entirety as appendix 2, Treasury management concurred with our finding and recommendations, and outlined planned corrective actions. Treasury management stated that they will develop and implement standard operating procedures to enhance the consistency of tracking advice and counsel provided in the Ethics Tracker. In addition, Treasury management stated that they will analyze the cost and benefits of creating or acquiring an automated and integrated tracking system to assist GLER in executing its program responsibilities. Treasury management will need to record an estimated completion date for these actions in the Joint Audit Management Enterprise System (JAMES), Treasury's audit recommendation tracking system. Management's planned corrective actions meet the intent of our recommendations.

## **Background**

OTP's responsibilities include assisting the Secretary of the Treasury in developing and implementing tax policies and programs and reviewing regulations and rulings to administer the Internal Revenue Code. OTP works with the IRS to develop and implement regulations, and sub-regulatory guidance (also referred to as tax guidance) drafted by IRS. Sub-regulatory guidance includes announcements, notices, revenue procedures, and revenue rulings. Revenue rulings are official interpretations by IRS of the Internal Revenue Code, related statutes, tax treaties, and regulations. They are IRS's conclusion on how the law is applied to a specific set of facts. While both OTP and IRS are involved in the review and approval process of revenue rulings, only IRS is involved in the review and approval process for private letter rulings. Private letter rulings are written statements issued to a taxpayer that interpret and apply tax laws to the taxpayer's specific set of facts. They are issued to establish with certainty the

federal tax consequences of a particular transaction before the transaction is completed or before the taxpayer's return is filed.

GLER manages Treasury DO ethics services, including OTP. GLER's responsibilities include administering Treasury's ethics program by ensuring effective implementation of ethics and conflicts of interest requirements across all Treasury offices. Education is GLER's primary tool to raise awareness among employees about the ethics and conflicts of interest laws and rules and the availability of agency ethics officials to provide ethics counseling. GLER maintains a record for each DO employee with basic information relevant to ethics regulatory and program requirements, including completion of ethics training, in an Ethics Tracker database. Each ethics official who provides substantive advice to an employee is responsible for adding the ethics advice provided and any related attachments in the Ethics Tracker database.

## **Inquiry Results**

We reviewed Treasury's policies and procedures related to ethics and conflicts of interest described below. Treasury's policies and procedures in place to protect Treasury and its tax policies and rulings from undue influence by employees with potential conflicts of interest include a tax guidance process with numerous stages of review and approval before publication. Treasury also has: (1) an ethics education program that includes ethics training provided to all employees and other tools such as the Ethics Handbook and ethics newsletters, which provide periodic ethics guidance to employees; (2) an ethics program overseen by the United States Office of Government Ethics (OGE) designed to prevent and resolve conflicts of interest; (3) a pre-employment vetting process for prospective senior officials and political appointees; (4) public and confidential financial disclosure systems; and (5) established procedures related to employees seeking and negotiating for future employment, including post-employment restrictions.

Treasury's policies and procedures related to ethics and conflicts of interest complied with applicable ethics laws and regulations. Treasury's existing policies and procedures are comprehensive, but in many cases rely on employee self-reporting. Self-reporting includes: (1) a pre-employment vetting checklist completed by prospective senior officials and political appointees and an ethics questionnaire completed by all new hires, with answers to various questions to assist GLER in proactively addressing potential ethics concerns regarding prior employment, financial interests, and outside activities; (2) request for approval of outside employment or business activities by all employees, and the

submission of a negotiating for future employment form by public filers;<sup>10</sup> and (3) disclosures of potential conflicts of interest in work assignments either through employees' annual financial disclosure reporting or through elevating concerns to their respective supervisor or GLER.

Because much of the ethics and conflict of interest policies rely on self-reporting, it is critical that Treasury's tax guidance process is robust and includes multiple levels of review and segregation of duties.

### ***Tax Guidance Process***

Treasury has policies and procedures in place to protect Treasury's tax policies and revenue rulings from being unduly influenced by employees with potential conflicts of interest. IRS issued the *Chief Counsel Directives Manual*,<sup>11</sup> which OTP and IRS Offices of Associate Chief Counsel are required to follow when drafting and preparing tax guidance. The *Chief Counsel Directives Manual* requires that tax guidance goes through various levels of review and be approved prior to publication by the following IRS and Treasury officials and offices: an IRS Associate Chief Counsel, the IRS Chief Counsel, the IRS Commissioner, and, as appropriate, Treasury's Office of Benefits Tax Counsel, Treasury's Office of International Tax Counsel, and Treasury's Office of Tax Legislative Counsel (Tax Counsels); and the Assistant Secretary of the Treasury (Tax Policy).

The process for developing tax guidance is initiated by the IRS Offices of Associate Chief Counsel submitting their proposals for tax guidance in the Priority Guidance Plan process. Every summer, each of the IRS Offices of Associate Chief Counsel are required to identify and describe two or more priority tax guidance projects from the Priority Guidance Plan that the office expects to issue during the fiscal year. The combined list is reviewed by the IRS Office of Chief Counsel, which selects and prioritizes the proposed IRS list. The IRS list is then reviewed and agreed to by various Treasury officials, including OTP Attorney-Advisors, OTP Deputy Tax Counsels, OTP Tax Counsels, and the Deputy Assistant Secretary for Tax Policy, before it is approved by the Secretary

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<sup>10</sup> 5 CFR § 2634.202, *Public filer defined*, defines public filers as officers or employees such as those with Presidential appointment or Presidential appointment with Senate confirmation; Senior Executive Service members; Senior-Level positions; and certain employees in confidential positions, unless excluded by virtue of a determination under 5 CFR § 2634.203. 5 CFR § 2634.904, *Confidential filer defined*, defines confidential filers as officers and employees under each supervising ethics office jurisdiction that may be required to file confidential financial disclosure reports (OGE Form 450) by the supervising ethics office.

<sup>11</sup> Internal Revenue Manual, Part 32, *Chief Counsel Directives Manual - Published Guidance and Other Guidance to Taxpayers*

of the Treasury. All tax guidance projects are initiated and tracked in the Technical Management Information System (TECHMIS).<sup>12</sup> A tax guidance project may be initiated only with the approval of an IRS Associate Chief Counsel and the appropriate Treasury Tax Counsel.

In the drafting phase of potential tax guidance, a drafting team is established by the IRS Office of Associate Chief Counsel having jurisdiction over the tax guidance project. The drafting team consists of a branch attorney and a reviewer from the IRS Office of Associate Chief Counsel with jurisdiction. The drafting team is responsible for complying with the requirements for processing and publishing tax guidance, which includes the coordination of all tax guidance projects for reviews and approvals with various individuals and offices within IRS and Treasury. Also, during the drafting phase, OTP assigns a Treasury Attorney-Advisor who participates in working group meetings with the drafting team and reviews tax guidance drafts. The Treasury Attorney-Advisor also ensures proper coordination and review in OTP and, in the case of regulations, the Treasury Office of the General Counsel. Depending on the complexity and significance of the tax guidance project, one or more OTP attorneys may review tax guidance drafts.

During the development of the tax guidance, various individuals review the tax guidance drafts. Within 30 days after the opening of the tax guidance project in TECHMIS, the drafting team coordinates with: (1) each of the IRS Office of Chief Counsel's Division Counsels, and the IRS Operating Division offices; (2) each of the IRS Offices of Associate Chief Counsel, and the Counsel for the National Taxpayer Advocate; and (3) the branch reviewer from the IRS Office of Chief Counsel, Publications and Regulations Branch. The branch reviewer from the IRS Office of Chief Counsel is responsible for approving the first working draft before it can be further circulated.

Upon approval of the working draft, the drafting team coordinates the approved draft among members of the drafting team. The approved working draft is now referred to as the pre-circulation draft. The pre-circulation draft is first reviewed by the IRS Federal Register Liaison and then by the IRS Offices of Associate Chief Counsel and the OTP Attorney-Advisors. However, depending on the complexity and significance of the issues, the OTP Attorney-Advisors may begin participation or review early in the drafting phase. The initiating IRS Office of Associate Chief Counsel is responsible for reviewing and approving all pre-circulation drafts before they can be circulated to other IRS Chief Counsel and IRS offices that have been involved in the project or will be affected by it.

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<sup>12</sup> TECHMIS is a system used by IRS Chief Counsel that provides users with tools to efficiently track work products.

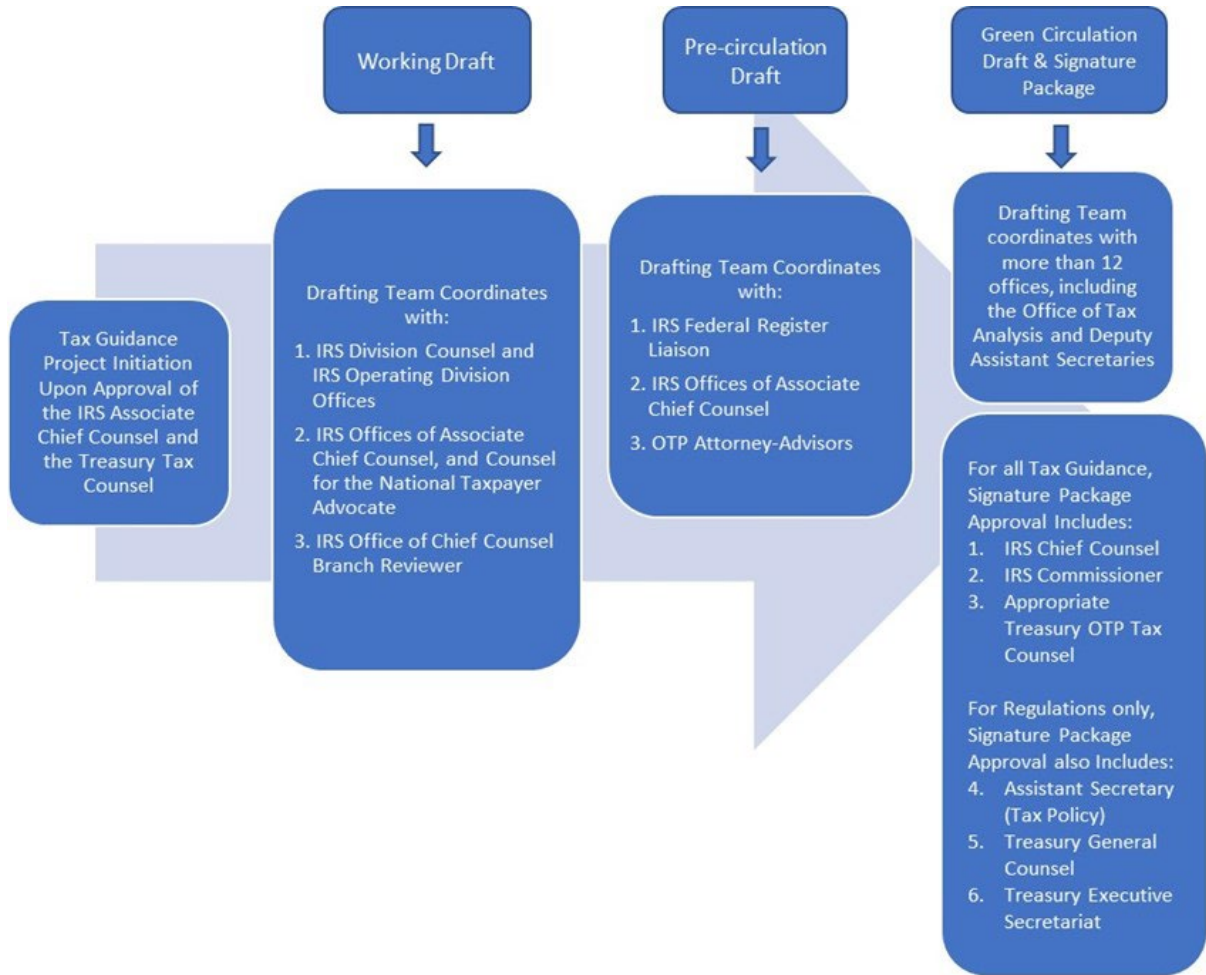


Upon approval of the pre-circulation draft, the drafting team distributes the approved draft for general comments to other IRS Chief Counsel and IRS offices that have been involved in the project or will be affected by it. The approved pre-circulation draft is now referred to as the green circulation draft. Although the distribution list for a green circulation draft may vary by tax guidance, the general distribution list could include more than a dozen individuals and offices, including members of the Office of Tax Analysis and Deputy Assistant Secretaries of the Treasury within OTP.

Once the drafting team incorporates the comments received from the green circulation draft, the drafting team prepares a signature package. Although the clearance chain for a signature package may also vary by tax guidance and by IRS Offices of Associate Chief Counsel, the general clearance chain could include more than ten individuals and offices. All regulations, which excludes sub-regulatory guidance, must be approved by the IRS Chief Counsel, the IRS Commissioner, and the Assistant Secretary of the Treasury (Tax Policy). After the Assistant Secretary's approval, the regulation must be cleared by Treasury's General Counsel and the Treasury Executive Secretariat before publication in the Federal Register. Sub-regulatory guidance must be approved by the IRS Chief Counsel, the IRS Commissioner, and the appropriate Treasury OTP Tax Counsel.

Due to the various levels of review and segregation of duties, absent collusion, the risk that tax guidance could be influenced by an employee with potential conflicts of interest is low. Figure 1 illustrates the tax guidance process flow for Treasury, excluding private letter rulings.

**Figure 1: Tax Guidance Process Flow**



Source: Treasury Office of Inspector General analysis

### ***Ethics Education and Training***

Treasury carries out a government education program to educate employees on how to identify issues and obtain assistance in complying with government ethics laws and regulations, as required by 5 CFR Part 2638, subpart C. GLER issues the Ethics Handbook, which establishes procedures and guidance related to ethics and conflicts of interest to all Treasury employees. New employees receive a copy of the Ethics Handbook during the new employee orientation. The Ethics Handbook assists Treasury employees with sorting through ethics questions and is updated by GLER when its content changes significantly. We noted that the Ethics Handbook includes, among other things, summaries of the criminal conflict of interest laws, the Executive Branch Standards of Ethical Conduct, and Treasury’s supplemental ethics regulations. In addition, the Ethics

Handbook includes a list of Treasury ethics officials, the ethics website, and instructions for contacting ethics officials for guidance.

Treasury's ethics training program includes notice for prospective employees and newly appointed supervisors regarding their ethics-related obligations; briefings for certain employees with Presidential appointment with Senate confirmation, and senior leaders; initial ethics training for new employees; and annual ethics training for public and confidential financial disclosure report filers and certain other employees,<sup>13</sup> as required by Federal regulations.<sup>14</sup> We noted that the training met applicable content and format requirements.

GLER provides additional information to employees with Presidential appointment with Senate confirmation and senior leaders regarding laws and topics such as the Stop Trading on Congressional Knowledge Act (STOCK Act),<sup>15</sup> Anti Lobbying Act,<sup>16</sup> and Federal Advisory Committee Act,<sup>17</sup> among others. We also noted that although regulations required the initial ethics training to new employees to be completed in the first 90 days of employment, Treasury requires new employees to complete the training within two weeks of their hiring, or as soon as employees have access to the Integrated Talent Management system.<sup>18</sup> In addition, Treasury requires all new hires to complete an ethics questionnaire that

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<sup>13</sup> 5 CFR § 2638.307, *Annual ethics training for confidential filers and certain other employees*, refers to "other employees" as employees designated by the head of the agency other than each employee who is required to file an annual confidential financial disclosure report; employees appointed by the President and employees of the Executive Office of the President; and contracting officers.

<sup>14</sup> 5 CFR 2638, *Subpart C – Government Ethics Education*

<sup>15</sup> The STOCK Act, Pub L. 112-105, 126 STAT.291 (2012), prohibits public financial disclosure filers from using nonpublic information derived from their official position for personal benefit, including insider trading. The act also requires public financial disclosure filers to notify their ethics official of any negotiation for or agreement regarding future employment or compensation with a non-federal entity within 3 business days after commencement of the negotiation or agreement and to execute a necessary recusal statement for any entity that creates, or appears to create, a conflict of interest.

<sup>16</sup> The Anti Lobbying Act, 18 U.S.C. §1913, prohibits substantial lobbying campaigns of telegrams, letters, and other private forms of communication designed to encourage members of the public to influence members of Congress to support Administration or Department legislative or appropriations proposals.

<sup>17</sup> The Federal Advisory Committee Act, Pub. L. 92-463, 86 STAT.770 (1972), authorizes the establishment of a system governing the creation and operation of advisory committees in the executive branch of the Federal government. Pub. L. 117-286, 136 STAT.4196 (2022), amends the Federal Advisory Committee Act references.

<sup>18</sup> The Integrated Talent Management is a system that offers a full range of talent management-related activities including learning management, competency management, performance management, compensation management, succession planning and workforce planning.

allows GLER to proactively identify and discuss any potential ethics concerns with the prospective employee.

### ***Ethics Program Review***

OGE conducted an ethics program review of Treasury DO for the scope period of October 2021 through August 2022. In its review, OGE did not identify deficiencies in Treasury's ethics program administration; education and training; advice and counseling to prospective and current employees; agency-specific ethics rules (supplemental regulations); conflict remedies; and enforcement on disciplinary actions. However, OGE found that: (1) certifications of a significant number of the public financial disclosure reports did not occur within 60 days;<sup>19</sup> (2) a significant number of new entrant confidential financial disclosure reports were not timely filed;<sup>20</sup> and (3) none of the confidential financial disclosure reports had a signature in the final reviewer box of the form indicating that the final certification had occurred.

Specific to the late certification of public financial disclosure reports, Treasury attributed the delay to an overall increase in workload for many public filers who were directly involved in the Coronavirus Aid, Relief, and Economic Security Act; the American Rescue Plan Act; and other pressing Treasury initiatives and programs. Specific to the timeliness of new entrant confidential financial disclosure reports, Treasury officials noted that the confidential reports for new employees that appeared to have been filed late in their *Confidential Financial Disclosure Report* (OGE Form 450) electronic filing program were filed timely. The appointment date on some of the confidential reports were incorrect and listed the new employee hire date, instead of the appointment date they acquired the duties that required them to be designated as confidential filers. Treasury explained that it has improved its OGE Form 450 supervisor designation process to ensure that filers' positions were promptly designated by the supervisors and that confidential financial disclosure reports were filed within 30 days of an employee's appointment date.

These improvements include: (1) reminding supervisors about the filing criteria and the need to potentially designate new employees if new duties warrant filing the OGE Form 450; (2) ensuring that initial filing date by the filer is retained on

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<sup>19</sup> 5 CFR § 2634.605, *Executive Branch Financial Disclosure, Qualified Trusts, and Certificates of Divestiture, Review of reports*, section (a), requires the reviewing official to review all public financial disclosure reports within 60 days after the date of filing.

<sup>20</sup> 5 CFR § 2634.903, *Executive Branch Financial Disclosure, Qualified Trusts, and Certificates of Divestiture, General requirements, filing dates, and extensions*, section (b), requires a confidential filer to file confidential reports no later than 30 days after assuming a new position.

the form if the supervisor returns the report to the filer for editing; (3) updating the database to ensure filing extensions are noted on the report in the comments section, if required; and (4) imparting more specific guidelines to the staff assistant who notifies supervisors and filers regarding the OGE Form 450 and ensures that position appointment dates are accurately reflected on the form and in their records.

Specific to the final certification date of confidential financial disclosure reports, Treasury explained that it enhanced its database and supervisors now have the ability to sign the OGE 450 forms in the final signature block upon completion of their review. We were told that this enhancement was available prior to the 2023 OGE 450 filing cycle. We did not verify Treasury's implementation of these corrective actions.

### ***Pre-Employment Vetting of Interest and Completion of Ethics Forms***

The pre-employment vetting process includes vetting senior officials and political appointees. Prior to onboarding, GLER receives the information regarding incoming senior officials from OTP or Treasury's Human Resources Office, and information regarding incoming political appointees from a White House Liaison. GLER requests senior officials and political appointees to complete a pre-employment vetting checklist prior to coming on board.

GLER vets non-political General Schedule (GS) employees<sup>21</sup> if it is informed of potential financial or conflicts of interest concerns by a manager once the employee is on board or by the prospective employee prior to onboarding. In addition, GLER requires that non-political GS employees complete an ethics questionnaire within weeks of their hire date to assist ethics officials in understanding the employees' financial and other interests, and to ensure conflicts can be resolved.

The pre-employment vetting checklist and the ethics questionnaire include questions related to prior employment, financial interests, and outside activities, among other questions. Depending on the responses to certain questions, GLER provides additional guidance to the new employee to address any ethics concerns. If GLER finds potential or actual conflicts, remedies would include recusal, divestiture, reassignment of duties, and, in rare cases, granting a waiver under 18 U.S.C. 208(b)(1), after coordination with OGE.

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<sup>21</sup> The GS classification and pay system covers most civilian, white-collar Federal employees in professional, technical, administrative, and clerical positions. GS employees have positions designated by "GS" for supervisory and non-supervisory positions and include levels from GS-1 through GS-15. GS positions are usually non-political positions.

## ***Disclosure Systems***

Treasury has established policies and procedures for the implementation of the public and confidential financial disclosure report filing requirements.<sup>22</sup> During the new employee orientation, each incoming employee who is required to file either a public or confidential financial report receives guidance to complete the reports electronically. GLER administers Treasury's financial disclosure systems as required by Federal statute and regulation.<sup>23</sup>

Treasury requires all public filers to complete the *Executive Branch Personnel Public Financial Disclosure Report* OGE Form 278e and any required *Supplemental Periodic Transaction Report* OGE Form 278-T electronically through the OGE's Integrity system website. Treasury's directive regarding public financial disclosure reporting requirements includes information related to filing notifications and filing method; unfiled, incomplete, or false public financial disclosure reports or periodic transaction reports; processing and review of public financial disclosure reports and periodic transaction reports; and custody and disclosure of public financial disclosure and periodic transaction reports. The public filers are required to electronically sign under penalty of perjury.

As part of the public filers review process, GLER's designated Ethics Reviewing Official performs the initial review before it is sent to GLER's designated Certifying Official. If there is a question about whether an asset or outside position would create a conflict, GLER would communicate directly with the public filer regarding the question. GLER may also contact the public filer's immediate supervisor for clarification.

Treasury requires confidential filers to complete the OGE Form 450 and to electronically sign the form under penalty of perjury. We noted that Treasury's directive regarding confidential financial disclosure reporting requirements include information related to filing determinations; report due dates; reporting periods and exceptions; failure to submit a timely and accurate OGE Form 450; collection and review of reports; confidentiality and retention of employee records; and additional bureau-specific reporting requirements.

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<sup>22</sup> Treasury Directive 61-01, *Implementation of the Public Financial Disclosure and Periodic Transaction Report Requirements of the Ethics in Government Act* (January 19, 2017); and Treasury Directive 61-02, *Implementation of the Confidential Financial Disclosure Report Filing Requirements* (January 23, 2017)

<sup>23</sup> Title 5, U.S.C., chapter 131, *Ethics in Government*; 5 CFR Part 2635, *Standards of Ethical Conduct for Employees of the Executive Branch*

As part of the confidential filers review process, first-line supervisors are required to review and certify the OGE Form 450 for their immediate subordinates. We noted that GLER provides additional guidance to all supervisors within DO regarding those duties. GLER also advises first-line supervisors to follow up with GLER or confidential filers directly if they have questions about reviewing the OGE Form 450, or anything reported on the forms.

### ***Employees Seeking and Negotiating Employment***

Treasury has established procedures<sup>24</sup> for obtaining approval of outside employment or business activities of its employees, as required by 5 U.S.C. 3101.104<sup>25</sup> and requires all employees to obtain written supervisory approval prior to engaging in outside employment or business activities, unless the employment or activity falls within a listed exemption. Treasury requires all employees seeking approval of outside employment to submit a signed copy of the *Outside Employment or Business Activity Request for Departmental Offices Employees* DO Form 611.1 to his or her immediate supervisor for approval. If approved, GLER performs the final review of the DO Form 611.1 to verify the outside activity does not create a prohibited conflict of interest. GLER then forwards a copy to the Bureau of the Fiscal Service for inclusion in the employee's official personnel file. GLER advises supervisors to contact them if employees or supervisors have questions about a potential outside activity.

Attorneys in the Legal Division<sup>26</sup> seeking approval of outside employment are also required to request permission in writing and obtain a written decision from the determining official prior to beginning the activity. For attorneys within Treasury Office of the General Counsel, the determining officials are Treasury's General Counsel or one of Treasury's Deputy General Counsel. For attorneys within IRS Chief Counsel and IRS Legal Counsel, the determining officials are the appropriate IRS Chief Counsel or IRS Deputy Chief Counsel.

Treasury also requires public filers to submit a *Negotiating for Future Employment* form within 3 business days of starting negotiations when seeking outside employment, as required by the STOCK Act. Once public filers submit

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<sup>24</sup> Treasury General Counsel Directive No. 6, *Outside Employment of Attorneys* (January 19, 2001); and Treasury Directive DO-611, *Outside Employment or Business Activity* (June 11, 2001)

<sup>25</sup> 5 U.S.C. 3101.104, *Supplemental Standards of Ethical Conduct for Employees of the Department of the Treasury – Outside Employment*

<sup>26</sup> Treasury Legal Division is a separate bureau within Treasury, headed by Treasury's General Counsel, that includes all legal counsels of Treasury and their staff, except for the Office of the Comptroller of the Currency and the Offices of Inspector General.

the form, they generally receive an email notification from GLER reminding them about recusal obligations. GLER also sends out monthly reminders, highlighting the required reporting of certain transactions, recusal obligations, and reporting the status of outside employment negotiations. GLER strongly advises public filers to contact them when seeking outside employment.

Furthermore, GLER issues newsletters that cover a variety of ethics matters, which include outside activities, and employees seeking and negotiating employment, among other matters. GLER also maintains a general email inbox to receive inquiries from any employee regarding ethics or conflicts of interests.

### ***Post-Employment Restrictions***

GLER has established procedures and provides guidance to all employees regarding post-employment restrictions as required by Federal regulations.<sup>27</sup> GLER provides the restrictions guidance to all employees through the Ethics Handbook, which includes restrictions applying to all former employees, restrictions applying only to senior employees, and additional restrictions affecting post-employment activity. For public financial disclosure filers, GLER provides an in-person or telephonic briefing upon their departure and emails the filers guidance on the restrictions. For all other employees, GLER emails them written guidance and the ethics official contact information regarding the restrictions. We noted that the guidance provided in the emails includes a summary of post-employment restrictions, OGE's "Introduction to the Primary Post-Government Employment Restrictions" (Q&A), the current list of Treasury ethics officials, and an off-boarding checklist. In addition, all employees, even those that have left government, are encouraged by GLER to contact an ethics official with questions.

### ***GLER Ethics Tracking Process for Advice and Counsel Could be Enhanced***

GLER maintains a record for every DO employee with basic information relevant to ethics regulatory and program requirements, including completion of ethics training, in an Ethics Tracker database. The Ethics Tracker is an internal job aid implemented to assist GLER team members in tracking advice provided to employees. Each ethics official is encouraged to add the substantive ethics advice provided and any related attachments to the employee's advice record. A GLER official stated that the Ethics Tracker database records can be searched by employee and by issue to see if advice has been previously provided on a topic to ensure consistency. However, another GLER official stated that while GLER tries to ensure the Ethics Tracker database captures all substantive advice

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<sup>27</sup> 5 CFR § 2638.104(c)(4)



provided to employees, the Ethics Tracker is not consistently used by ethics officials to track advice and counsel issues from receipt to resolution. The GLER official further stated that ethics officials are not required to document all advice given in the database, as there is no law or OGE policy requiring GLER to use a database to track advice and counsel given. Instead, GLER provides oral direction encouraging ethics officials to document advice given in the Ethics Tracker. This official also added that an issue may be addressed and recorded via email or other written means without a record necessarily being generated in the Ethics Tracker database.

The Government Accountability Office's Standards for Internal Control in the Federal Government,<sup>28</sup> states:

*Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.*

Because there is no policy or procedure requiring consistent input of requests and substantive advice and counsel provided, the Ethics Tracker may not contain complete records of that information. As the system is currently used, reports run by ethics officials may not include the resolution of all issues, and information searches performed on the database may not include a complete record of previous advice and counsel provided. We did not perform a review of the information in the Ethics Tracker database or the ethics advice provided, and thus, noted no deficiencies related to specific records. However, based on the stated procedures in place, to further enhance its ethics program, we believe that GLER should develop and implement policies and procedures to ensure that requests, substantive advice given, comments, resolutions, and related attachments are added to the Ethics Tracker database. These procedures should include periodic monitoring of requests from receipt to resolution to further ensure the completeness of the Ethics Tracker database. GLER should also consider completing a cost-benefit analysis to determine if a fully integrated and automated tracking system would benefit GLER with its ethics responsibilities.

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<sup>28</sup> GAO, *Standards for Internal Control in the Federal Government, Principle 16 – Perform Monitoring Activities*, GAO-14-704G (September 2014)

### **Recommendation**

We recommend that the General Counsel ensures that GLER: (1) develops and implements standard operating procedures, including monitoring, to ensure ethics officials fully utilize the Ethics Tracker database to track requests, substantive advice and counsel provided, as well as documentation of final resolution of issues; and (2) considers completing a cost-benefit analysis to determine if a fully integrated and automated tracking system would benefit GLER with its ethics responsibilities.

### **Management Response**

Treasury concurs and will develop and implement standard operating procedures to enhance the consistency of tracking advice and counsel provided in the Ethics Tracker. Treasury management will also analyze the cost and benefits of creating or acquiring an automated and integrated tracking system to assist GLER in executing its program responsibilities.

### **OIG Comment**

Management's response and planned corrective actions meet the intent of our recommendations. Management will need to record the dates for completing its planned corrective actions in JAMES.

We are available to brief you or members of your staff on this response or any other work under our jurisdiction.

Sincerely,



Richard K. Delmar  
Acting Inspector General  
Department of the Treasury

## Appendix 1: Congressional Inquiry

**Congress of the United States**  
Washington, DC 20510

February 18, 2022

Richard K. Delmar  
Deputy Inspector General  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

J. Russell George  
Treasury Inspector General for Tax Administration  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

Dear Deputy Inspector General Delmar and Inspector General George:

We write regarding disturbing reports about the corrupt revolving door between the world's largest accounting firms and the Treasury Department—and the extent to which this “remarkably effective behind-the-scenes system” “help[s] the world’s biggest companies avoid taxes.”<sup>1</sup> On September 19, 2021, the *New York Times* exposed how large accounting firms send their lawyers into high-ranking positions in the federal government to create new tax loopholes for their clients, and then reward the same lawyers with bigger paychecks and promotions upon their return. Following our own investigation that has corroborated these allegations and raised new concerns about the accounting giants that take advantage of these revolving-door schemes, we urge you to immediately open an inquiry into this matter.

Accounting giants are abusing the public trust and taking advantage of the revolving door between public service and private profit. The *Times* report revealed that, in the last four presidential administrations, dozens of lawyers have left the top accounting firms for tax-policy positions in the Treasury Department and the Internal Revenue Service (IRS)—where they have rewritten America’s tax laws for the benefit of their former clients. Once they return after their stints in government to work for those same clients, they receive promotions and massive salary increases in exchange for their “public service.”<sup>2</sup> In one instance, Deloitte and PricewaterhouseCoopers (PwC) designed a lucrative new tax shelter for multinational corporations, which was placed at risk when the Treasury Department issued a warning notice to shut down the scheme. But several years later, a former Deloitte attorney entered the Treasury Department, and his office issued new regulations to ease the path for companies shifting their

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<sup>1</sup> New York Times, “How Accounting Giants Craft Favorable Tax Rules From Inside Government,” Jesse Drucker and Danny Hakim, September 19, 2021, <https://www.nytimes.com/2021/09/19/business/accounting-firms-tax-loopholes-government.html>

<sup>2</sup> *Id.*

## Appendix 1: Congressional Inquiry

profits offshore to avoid U.S. taxes. The attorney soon returned to Deloitte and was immediately promoted to partner.<sup>3</sup>

In response to these revelations, we wrote to the Treasury Department<sup>4</sup> and America's five biggest accounting firms<sup>5</sup>—Deloitte, Ernst & Young, KPMG, PwC, and RSM—to better understand the scope of these corrupt schemes. The responses were disappointing, with none of the firms providing full and complete information about the roles of their employees in government service or the rewards that the firms, their clients, and their employees obtained from this service.

Firms offered a number of excuses for their failure to provide information. One indicated that they “do[] not track this information in the normal course of ... business” and told us that they were “precluded by legal, confidentiality, and privacy considerations from sharing data regarding specific personnel, clients, and compensation.”<sup>6</sup> Another indicated that they “treat[] as confidential client information and the nature of our client representations.”<sup>7</sup> Others gave no explanation whatsoever for their refusal to provide information necessary to determine if key tax policies were affected by their employees' conflicts of interest.<sup>8</sup>

Collectively, the five firms did tell us that, since January 1, 2001, at least 24 employees left their companies to take tax-policy positions in the federal government and returned to the companies afterward, with many receiving promotions, raises, or both upon their return.<sup>9</sup> These disclosures corroborate the *Times*'s reporting. The firms indicated that their staff who revolved into the Treasury Department served in high-level positions, including individuals who served as International Tax Counsel, Deputy Assistant Secretary, and Assistant Secretary for Tax Policy. The firms also confirmed that many of the individuals who went through the revolving door and returned to the private sector received significant promotions: for example, one left as a Senior Manager and returned as a Managing Director; another left as a Managing Director and returned as a Principal; and another left as a leader of the firm's Washington Tax Team and returned as a Partner.<sup>10</sup>

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<sup>3</sup> *Id.*

<sup>4</sup> Questions for the record on file with the Office of Senator Warren.

<sup>5</sup> Letter from Senator Elizabeth Warren and Representative Pramila Jayapal to Accounting Firms, October 5, 2021, <https://www.warren.senate.gov/imo/media/doc/2021.10.5%20Letters%20to%20Accounting%20Firms%20on%20Revolving%20Door.pdf>.

<sup>6</sup> Letter from PwC to Senator Elizabeth Warren and Representative Pramila Jayapal, October 19, 2021, [https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses\\_Redacted.pdf](https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses_Redacted.pdf).

<sup>7</sup> Letter from KPMG to Senator Elizabeth Warren and Representative Pramila Jayapal, October 19, 2021, [https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses\\_Redacted.pdf](https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses_Redacted.pdf).

<sup>8</sup> Letter from EY to Senator Elizabeth Warren and Representative Pramila Jayapal, October 19, 2021, [https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses\\_Redacted.pdf](https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses_Redacted.pdf).

<sup>9</sup> Information on file with the Office of Senator Warren.

<sup>10</sup> Letter from KPMG to Senator Elizabeth Warren and Representative Pramila Jayapal, October 19, 2021, [https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses\\_Redacted.pdf](https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses_Redacted.pdf); Letter from KPMG to Senator Elizabeth Warren and Representative Pramila Jayapal, October 22, 2021, [https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses\\_Redacted.pdf](https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses_Redacted.pdf); Letter from RSM to Senator Elizabeth Warren and Representative Pramila Jayapal, October 19, 2021, [https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses\\_Redacted.pdf](https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses_Redacted.pdf).

## Appendix 1: Congressional Inquiry

But these disclosures only reveal the tip of the iceberg. Neither the firms nor the Treasury Department provided meaningful information about their employees' responsibilities and clients, either at the firms or while in government.<sup>11</sup> Firms cited "employee privacy, regulatory compliance considerations, [and] applicable professional standards," and the Treasury Department wrote that it "would be a tremendously difficult task to construct such records for all such Treasury and IRS employees."<sup>12</sup> Without this information, it is impossible to fully understand or address any potential conflicts of interest or ethics violations as reported by the *Times*.

The firms and the Treasury Department also provided information about their ethics policies that are designed to protect against conflicts of interest from the sojourns of firm employees into and out of government service. As disclosed, these policies were simply insufficient and failed to provide adequate standards to protect the public interest from corrosive revolving-door activity into and out of the federal government by accounting firm staff. In general, these policies did the bare minimum: requiring that employees adhere to federal ethics law.<sup>13</sup> Some required that "individuals act with integrity and deliver services in accordance with [company] policies [and] relevant technical and professional standards" or noted that employees "adhere[] to regulatory and professional ethical responsibilities with the utmost care and responsibility."<sup>14</sup>

But none of these policies appeared to have any effective enforcement mechanism to require that employees and firms eliminate conflicts of interest. For instance, PwC's Code of Conduct asserts: "Our business judgment is free from bias, conflicts of interest or undue influence of others. We follow processes and procedures to identify and address any actual or potential conflicts of interests." However, the policy itself provides no clear guidance at all—requiring only that employees "consult" others regarding conflicts—and explicitly states that, even when conflicts exist, staff may still "do the work," provided that they "consider how to manage the potential conflict or any perceived client sensitivities."<sup>15</sup>

Given the troubling nature of the companies' responses, their weak policies and lack of transparency, and the ongoing risk to the public interest from this behavior, we write to urge you to open an investigation into this revolving-door scheme. We have introduced the *Anti-Corruption and Public Integrity Act* to outlaw such schemes and to ensure that government officials work for the people and not the wealthiest corporations and their clients.<sup>16</sup> And Sen. Warren's *Corporate Profits Minimum Tax*, included in the *Build Back Better Act*, would limit

<sup>11</sup> Information on file with the Office of Senator Warren.

<sup>12</sup> Letter from Deloitte to Senator Elizabeth Warren and Representative Pramila Jayapal, October 19, 2021, [https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses\\_Redacted.pdf](https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses_Redacted.pdf); information on file with the Office of Senator Warren.

<sup>13</sup> Letters from Accounting Firms to Senator Elizabeth Warren and Representative Pramila Jayapal, October 19, 2021, [https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses\\_Redacted.pdf](https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses_Redacted.pdf).

<sup>14</sup> Letter from RSM to Senator Elizabeth Warren and Representative Pramila Jayapal, October 19, 2021, [https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses\\_Redacted.pdf](https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses_Redacted.pdf); Letter from Deloitte to Senator Elizabeth Warren and Representative Pramila Jayapal, October 19, 2021, [https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses\\_Redacted.pdf](https://www.warren.senate.gov/imo/media/doc/Accounting%20Firm%20Responses_Redacted.pdf).

<sup>15</sup> PwC, "PwC's Code of Conduct," <https://www.pwc.com/gx/en/ethics-business-conduct/pdf/pwc-code-of-conduct-april-2021-v2.pdf>.

<sup>16</sup> Anti-Corruption and Public Integrity Act, S. 5070, <https://www.congress.gov/bills/116th-congress/senate-bill/5070>.

## Appendix 1: Congressional Inquiry

how much giant corporations can exploit tax loopholes, reducing the payoff from these unethical practices and the incentives to engage in them.<sup>17</sup> However, as Acting Treasury Inspector General and Treasury Inspector General for Tax Administration, you each already have the statutory power and responsibility to investigate allegations of misconduct with respect to the administration of programs at the Treasury Department and the IRS, including through access to any relevant records and subpoena power.<sup>18</sup> The questions raised by giant accounting firms' use of the revolving door to benefit their clients falls squarely within your missions to "promote economy, efficiency and effectiveness" and "prevent and detect fraud and abuse" in the programs and operations of the Treasury Department and IRS.<sup>19</sup>

For these reasons, we request that you use your authorities to open an inquiry into the revolving door between the country's top accounting firms and the federal government and to inform Congress and the public about your findings without delay. In particular, we ask that you investigate the following topics in your review:

1. The extent to which large accounting firms and their employees are taking advantage of the revolving door between their firms and government service at the Treasury Department and IRS.
2. The role that these officials play when they enter government service and the rewards they reap upon their return to the private sector.
3. The extent to which these accounting firms, via the employees placed at the Treasury Department and IRS, may have an untoward influence over department and agency policies or may obtain information or influence that provides their clients with an untoward advantage.
4. The policies in place at the Treasury Department and IRS to protect department and agency policies from being unduly influenced by these employees' potential conflicts of interest.
5. Whether the firms' codes of conduct and ethics policies are effective at preventing the abuse of the revolving door and preventing and addressing conflicts of interest.

Thank you for your attention to this important matter.

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<sup>17</sup> Senator Elizabeth Warren, "Senators Warren, King, and Wyden Announce Updated Proposal To Prevent The Biggest And Most Profitable Corporations From Paying Nothing In Federal Taxes," press release, October 26, 2021, <https://www.warren.senate.gov/newsroom/press-releases/senators-warren-king-and-wyden-announce-updated-proposal-to-prevent-the-biggest-and-most-profitable-corporations-from-paying-nothing-in-federal-taxes>; Build Back Better Act, H.R. 5376, <https://www.congress.gov/bills/117th-congress/house-bill/5376>.


<sup>18</sup> 5 U.S.C. App. § 6(a) & (c).

<sup>19</sup> U.S. Department of the Treasury, "Inspectors General," <https://home.treasury.gov/services/report-fraud-waste-and-abuse/inspectors-general>.

Appendix 1: Congressional Inquiry

Sincerely,

  
Elizabeth Warren  
United States Senator

  
Pramila Jayapal  
Member of Congress

## Appendix 2: Management Response



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

March 18, 2024

Deborah L. Harker  
Assistant Inspector General for Audit  
Department of the Treasury – Office of Inspector General  
1500 Pennsylvania Avenue  
Washington, DC 20220

Dear Ms. Harker:

We write regarding the Office of Inspector General's (OIG) draft memorandum entitled *Inquiry on Revolving Door Between the Largest Accounting Firms and the Department of the Treasury* (Draft Memorandum). Treasury appreciates OIG's efforts to address the concerns raised by Sen. Elizabeth Warren and Rep. Pramila Jayapal in their joint letter dated February 18, 2022, concerning a perception of large accounting firms having undue influence on the regulation and administration of tax policy.

We agree with your conclusion that Treasury has policies and procedures in place to protect Treasury and its tax policies and guidance from undue influence by employees with potential conflicts of interest. Pursuant to its responsibilities and authorities under the Ethics in Government Act (EIGA), Treasury rigorously works to ensure its employees uphold the highest standards of ethical conduct and make decisions affecting Treasury's programs and operations free from any conflicts of interest. This includes performing a pre-hire screening of all senior employees and political appointees, as well as maintaining robust ethics training and financial disclosure programs that exceed the requirements under EIGA and its implementing regulations. In addition, the Ethics Office staff provides advice and counsel to employees of all levels whenever requested and through affirmative outreach. Regarding the recommendation to formalize the process to ensure substantive ethics advice is more consistently recorded in the centralized Ethics Tracker, Treasury recognizes the importance and benefits of maintaining thorough and complete records. To this end, Treasury agrees to develop and implement standard operating procedures that enhance the consistency to which substantive ethics advice and counsel that is rendered to employees gets reflected in Ethics Tracker entries. Furthermore, Treasury will analyze the cost and benefits of creating or acquiring an automated and integrated case management/tracking system to assist the Ethics Office in executing its program responsibilities.



## Appendix 2: Management Response

We appreciate the opportunity to comment on the Draft Report, and we look forward to continuing to work with you to ensure the public maintains its trust in the integrity of Treasury's programs and operations.

Sincerely,

**Shelley d.  
Leonard**

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Shelley Leonard  
Acting Deputy Assistant Secretary  
Office of Tax Policy

**Brian J. Sonfield**

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Brian J. Sonfield  
Assistant General Counsel and  
Designated Agency Ethics Official