



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

April 22, 2024

The Honorable Jim Jordan  
Chairman  
Committee on the Judiciary  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Jordan:

Thank you for your letter of March 20, 2024, regarding the Department of the Treasury's uses of artificial intelligence (AI).<sup>1</sup> Treasury has leveraged AI to improve government services and is committed to using AI responsibly in ways that benefit the public and increase mission effectiveness. These technologies enhance Treasury's ability to timely analyze and process the data that it possesses, allowing Treasury to strengthen its cybersecurity posture and better detect and prevent fraud, while also improving customer service and staff efficiencies.

As described in more detail below, Treasury's uses of these technologies are being undertaken with structured governance and oversight from data, privacy, technology, and legal teams from across Treasury. These technologies do not alter Treasury's existing authorities with respect to the collection, maintenance, and use of data. Treasury continues to abide by all applicable privacy restrictions under federal statute and regulation, including restrictions on the use of federal tax information or personal financial information. Recent suggestions, for example, that the Internal Revenue Service uses AI to surveil individual Americans' bank account records are false.

In keeping with President Biden's Executive Order 14110 (EO) on the development and use of AI, Treasury is focused on ensuring that AI is used safely and securely. Even prior to the issuance of the EO, Treasury established an AI Governance Steering Board in May 2023 to analyze Departmental AI uses and help ensure compliance with applicable laws and regulations. Consistent with recent OMB guidance, Treasury also has established a Chief Artificial Intelligence Officer position and is revising the existing AI Governance Steering Board to align with requirements in the OMB guidance, including ensuring that it includes stakeholders from legal, privacy, technology, equity, and risk management domains from across Treasury. The OMB guidance serves to solidify the governance effort Treasury already had established.

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<sup>1</sup>As you may know, there is no single definition of "artificial intelligence," and even experts may disagree on whether a particular technology constitutes AI. At Treasury, we use the definition set forth in Executive Order 14110 and 15 U.S.C. 9401(3): "a machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments." See <https://www.whitehouse.gov/briefing-room/presidential-actions/2023/10/30/executive-order-on-the-safe-secure-and-trustworthy-development-and-use-of-artificial-intelligence/>.

Your letter referenced a Treasury press release regarding the use of machine learning technologies by Treasury’s Bureau of the Fiscal Service (BFS) for fraud detection purposes. As you may know, BFS is responsible for distributing approximately 88% of all federal payments, amounting to over 1.3 *billion* payments totaling over \$5.4 *trillion* in FY 2023. Specifically, BFS enhanced its fraud detection programs with machine learning technology to help prevent unscrupulous actors from diverting federal payments and to save taxpayer dollars. Treasury noted in its announcement that it has recovered more than \$375 million through this effort, which builds upon existing technologies to compare check-issued information for Treasury checks to the information that appears on the check as returned through the banking system, and examines whether the two sets of data correspond. To be clear, this technology leverages information about the payment itself and does not utilize any personal financial data. Moreover, the machine learning tools do not make decisions as to whether fraud has occurred. Instead, these tools flag suspicious items for further review by human analysts, who then determine whether potentially fraudulent activity is occurring. In this way, the machine learning tools supplement and enhance the already existing check reconciliation and post-payment analyses performed by BFS to identify and prevent check fraud.

The IRS also has taken steps to leverage new technologies, including AI, to expand and improve its enforcement efforts related to high-income individuals, large corporations, and complex partnerships who do not pay the taxes they owe. The IRS has long used data and analytics to help identify noncompliance, and incorporating AI into these workstreams is important to ongoing efforts to address the tax gap. For example, as part of the IRS’s Large Partnership Compliance Program (LPC), the IRS is now utilizing machine learning to help identify potential compliance risk in the areas of partnership tax, general income tax and accounting, and international tax in a taxpayer segment that historically has been subject to limited examination coverage. While a human—not a machine—makes the ultimate decision on whether to open a compliance audit or investigation, this technology helps the IRS minimize the burden on compliant taxpayers and focus its resources on the highest-risk cases. On average, partnerships selected for audit in the LPC Program have more than \$10 billion in assets.

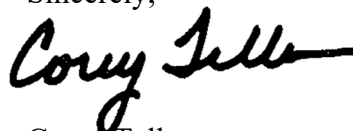
The IRS does not use AI or any other means to conduct any blanket “surveillance” or “monitoring” of individual Americans’ bank account information. The IRS respects all applicable privacy laws and only accesses individual Americans’ bank account information pursuant to lawful processes under statute and regulation, including by obtaining judicial warrant when required. The statements you reference of a former line-level IRS employee appear inaccurate and do not accurately describe the IRS’s use of AI technologies. Contrary to information in the video to which your letter referred, the individual did not work in the Criminal Investigation division at the IRS. Further, the individual, who was at the IRS for less than a year, was not part of the legal or governance review teams responsible for reviewing AI use cases for the IRS and would not have had any in-depth insight into or knowledge of how the IRS uses AI technologies and data to identify potential civil or criminal tax evasion.

Lastly, as the Sector Risk Management Agency for the financial sector, Treasury also remains committed to ensuring that the financial sector leverages AI in a safe and responsible manner. On March 27, 2024, Treasury released a comprehensive report, *Managing Artificial*

*Intelligence-Specific Cybersecurity Risks in the Financial Services Sector*,<sup>2</sup> on the use of AI across financial services with a focus on cybersecurity and fraud applications. As part of its research, Treasury conducted in-depth interviews with 42 financial services sector and technology related companies. Financial firms of all sizes, from global systemically important financial institutions to local banks and credit unions, provided input on how AI is used within their organizations. Additional stakeholders included major technology companies and data providers, financial sector trade associations, cybersecurity and anti-fraud service providers, and regulatory agencies. Treasury's report provides an extensive overview of current AI use cases for cybersecurity and fraud prevention, as well as best practices and recommendations for AI use and adoption. In the coming months, Treasury will work with the private sector, other federal agencies, federal and state financial sector regulators, and international partners on key initiatives to address the challenges surrounding AI in the financial sector.

If the Committee on the Judiciary would like a briefing on how Treasury is using AI to improve government operations, or on Treasury's March 27, 2024, report, the Office of Legislative Affairs can arrange a briefing with an appropriate, knowledgeable subject-matter expert. To schedule a briefing or if you have any additional questions, please contact Treasury's Office of Legislative Affairs.

Sincerely,



Corey Tellez  
Acting Assistant Secretary  
Office of Legislative Affairs

cc: The Honorable Harriet M. Hageman  
The Honorable Jerrold L. Nadler

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<sup>2</sup> <https://home.treasury.gov/news/press-releases/jy2212>.