Does Accountability Run Both Ways?

Testing the Big Claims About Holding the Government Responsible

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How This Works

Part 1 laid out the facts: what the IRS can do when you owe, what exists to hold the government accountable, and the legal walls that make the two sides different. This document takes the claims people make about government accountability — from every side — and tests them against those facts.

The method is the same one PFRG used in *Testing the Big Claims About Taxes and Inflation*: state the strongest, most reasonable version of each claim first. Check it against the law, government data, and what has actually happened. Then say plainly whether it held up.

Some of these claims defend the current system. Some criticize it. We tested both the same way.

One fact from Part 1 shapes everything below: **a government agency has no money of its own.** Every dollar it has came from taxpayers. So when we ask whether the government "faces consequences," we have to ask who actually feels them.

Claim 1: "The government faces consequences for financial mistakes, the way taxpayers do"

The reasonable version: the government isn't above the rules. Agencies must report their errors, get audited every year, and fix what auditors find. That's a real system of consequences, even if it looks different from what taxpayers face.

What we checked: what actually happens after a mistake is found, on each side.

Where the evidence supports the claim: the processes are real and they are required by law. Every major agency's financial statements are audited every year. Agencies must estimate and publicly report improper payments and file plans to reduce them. And the audit system works for most of the government: of the 24 major agencies, the Department of Defense is the only one that has never received a passing audit opinion. Every other major agency has passed at least once.

Where the claim fails: none of those processes is attached to a penalty.

When a taxpayer underpays — even by honest mistake — interest starts immediately, penalties can reach 25% or more, and the IRS can eventually take the money directly from wages or bank accounts without going to court. A taxpayer who cannot document a deduction loses the deduction, and failing to keep adequate records is itself a form of negligence under IRS regulations, which can trigger the 20% accuracy penalty (26 C.F.R. § 1.6662-3(b)(1)).

When an agency makes improper payments, it must report them and submit a plan to reduce them. In fiscal year 2025, agencies reported an estimated $186 billion in improper payments. No law attaches a penalty to that total.

A real-world example: the Department of Defense audit. The Department of Defense has failed eight annual audits in a row — every audit since full audits began in 2018. Auditors found 26 material weaknesses in the most recent one. A 2023 law requires a clean audit opinion by December 31, 2028. We found no law that attaches a consequence to a failed audit or to missing that deadline: the department's budget is not reduced, and no official is penalized.

Congress has considered changing that. In July 2026, the House adopted an amendment to the annual defense bill that would require any Defense Department component that fails its audit to return 0.5% of its discretionary budget to the Treasury, with military personnel and health accounts exempt and a presidential national-security waiver. The House passed the full defense bill containing it on July 22, 2026. As of September 2026, according to the Congressional Research Service, that bill had not been enacted, so the provision is not law. Similar bills have been introduced in earlier years.

Verdict: Doesn't hold up

The government's side has auditing, reporting, and corrective plans, and most agencies pass their audits. But no penalty is attached to failing any of them. On the taxpayer's side, the same kind of failure — undocumented deductions, or money owed and not paid — carries interest and penalties by law. One distinction worth noting: a financial penalty paid by an agency would come from taxpayer money, but a budget reduction like the one the House adopted would return money to the Treasury rather than draw more from it.

Claim 2: "Oversight bodies have real power to hold the government accountable"

The reasonable version: the government has built-in watchdogs — GAO, the Inspectors General, congressional committees. Their findings get published, and public pressure plus congressional action forces fixes.

What we checked: GAO's own records on what happens to its recommendations.

This claim holds up better than many critics assume. Federal agencies typically implement over 75% of GAO's recommendations, and GAO credits that with $1.51 trillion in financial benefits since 2002. That is a real result.

But the record splits sharply depending on who receives the recommendation. Of the recommendations GAO makes directly to Congress, 277 remained open as of April 2026. GAO estimates that acting on all of its open recommendations could produce $132 billion to $251 billion in future financial benefits.

And no watchdog can compel anything. GAO and the Inspectors General can investigate, publish, and recommend. Whether anything happens is up to the agency or to Congress.

Verdict: Partly true

Oversight works reasonably well when agencies choose to follow it. The weak link is Congress — which is both the body that receives the oversight findings and the body that controls the money. When Congress doesn't act, nothing in the system makes it act.

Claim 3: "Officials who misuse public money face personal consequences"

The reasonable version: the law already covers this. The Antideficiency Act makes it a crime for federal officials to knowingly spend money Congress didn't approve, with fines and prison time. Officials who break the rules can be disciplined or fired.

What we checked: the law as written, and the law as used.

As written, the Antideficiency Act allows administrative discipline up to removal from office, and for knowing and willful violations, a fine of up to $5,000, up to two years in prison, or both.

As used: violations are reported to Congress and GAO regularly, and some officials have been suspended or removed. But we found no record of any criminal prosecution under the law. Reference sources describe prosecutions as rare or nonexistent; we could not find a primary Justice Department record confirming "never," so we state it as no known prosecutions.

Notice also how the penalty is built. The maximum fine is a flat $5,000, whether the unauthorized spending was $10,000 or $10 billion. Taxpayer penalties scale with the amount owed.

The civil route is mostly closed too. The main way to sue an individual federal official for money — a lawsuit for violating someone's constitutional rights — has been sharply limited by the Supreme Court. In *Egbert v. Boule* (2022), the Court held that courts generally should not create these damages remedies at all; only Congress can. (Notably, the facts of that case included a federal agent who allegedly retaliated against a citizen by prompting an IRS audit of him.) We found no general law that lets a citizen sue an individual official personally for misusing public funds.

Verdict: Doesn't hold up in practice

The personal penalties exist on paper. They are the only kind of penalty on the government's side that would actually land on a decision-maker rather than on the public — and they are the kind that goes unused.

Claim 4: "Taxpayers can hold the IRS accountable when it's wrong"

The reasonable version: Congress has given taxpayers real tools against the IRS: hearings before collection, Tax Court, an independent advocate, and the right to sue for damages when IRS employees break the rules.

What we checked: what each tool actually does.

These protections are real, and this claim deserves credit for that:

- **Collection Due Process hearings** let taxpayers challenge a levy or lien before it happens, with review by Tax Court.
- **Tax Court** lets taxpayers dispute what they owe before paying.
- **The National Taxpayer Advocate** helps taxpayers with problems and reports IRS failures to Congress every year.

- **IRS employees must be fired** if found to have committed any of ten specific acts of misconduct, under Section 1203 of the 1998 IRS reform law — including seizing property without required approval, lying under oath, falsifying records, or harassing taxpayers. Only the Commissioner personally can reduce the penalty.
- **Section 7433** lets taxpayers sue for damages when IRS employees recklessly, intentionally, or negligently break the rules in collecting.

But look at who pays when a taxpayer wins a Section 7433 lawsuit. Damages are capped at $1,000,000 ($100,000 for negligence), the taxpayer must first exhaust the IRS's internal process, and the award is paid from the Judgment Fund — which is taxpayer money. The person harmed is compensated with public funds. The IRS's budget isn't touched, and even if it were, that budget is public money too.

Verdict: Partly true — the strongest result for the current system

Of everything we tested, protections against the IRS come closest to real two-way accountability. A taxpayer can stop a collection, win in court, and recover damages. The compensation is paid by the public — but Section 1203 is different. It is a mandatory, personal consequence that lands on the individual employee, not on the Treasury. It is the only provision we found on the government side that imposes a mandatory consequence on an individual.

Claim 5: "Holding individual officials accountable can be done without amending the Constitution"

The reasonable version: the obstacle isn't the Constitution. The laws that could hold officials personally accountable already exist or could be passed. What's missing is enforcement.

What we checked: whether any constitutional barrier stands in the way of personal accountability for officials.

Part 1 identified two constitutional walls: sovereign immunity, and the Appropriations Clause, which bars courts from ordering payments Congress didn't authorize. Both walls protect **the Treasury.** Neither protects **individual officials** from criminal law. Nothing in the Constitution prevents the Justice Department from prosecuting a knowing, willful Antideficiency Act violation today.

> **There is also working proof that Congress can do this by ordinary law.** Section 1203 of the 1998 IRS reform law already imposes mandatory firing on individual IRS employees for specific misconduct. Congress passed it without a constitutional amendment, and it has been in force since 1998. It simply applies to one agency's employees, and to misconduct toward taxpayers — not to officials who misspend public money.

Several changes would be legally possible through ordinary legislation, without a constitutional amendment. These are listed as options, not recommendations:

- Scaling the Antideficiency Act's fine to the amount misspent, instead of a flat $5,000.
- Requiring a formal referral and a public, written prosecution decision for every reported knowing violation.
- Giving an independent body — rather than the executive branch's own Justice Department — authority to bring these cases.

- Tying personnel consequences to repeated audit failures or unresolved findings.

Each of these would face real questions — about fairness to employees making good-faith errors, about separation of powers, and about whether the executive branch can be made to prosecute itself. But those are policy and political obstacles, not constitutional ones.

Verdict: Holds up

The Constitution protects the government's money from being taken by courts. It does not protect officials from the penalties Congress has already written. The gap between the two sides of the ledger is an enforcement gap, not a constitutional one.

Putting It All Together

Claim	Verdict
The government faces consequences for financial mistakes	No — audits and reporting are required, but no penalty is attached to failing them
Oversight bodies have real power	Partly — agencies follow most GAO recommendations; Congress often doesn't, and no one can compel it
Officials face personal consequences	No — penalties exist on paper; no known prosecutions
Taxpayers can hold the IRS accountable	Partly — real protections, but compensation is paid by the public
Individual accountability is possible without a constitutional amendment	Yes — the barrier is enforcement, not the Constitution

The pattern across all five: **accountability on the government's side either lands on the public or doesn't land at all.** Fines against agencies, damages paid from the Judgment Fund, and reimbursements from agency budgets all come from taxpayers. The only form of accountability that would reach the people making the decisions — personal penalties for officials — already exists in law and goes unenforced. And Congress has already built a working version of mandatory personal accountability — for IRS employees, and no one else we could find.

None of this tells you how the government should be run, which officials should be prosecuted, or how large any penalty should be. Those are judgments this project isn't in the business of making. What it does show is where the two sets of rules actually differ — and that the difference is mostly a matter of what gets enforced, not what the law allows.

Sources

- All sources listed in Part 1
- 26 C.F.R. § 1.6662-3(b)(1) (negligence includes failure to keep adequate records)
- H.R. 7555, Audit the Pentagon Act of 2026 (119th Congress)
- House adoption of the defense-audit budget amendment to H.R. 8800, the FY2027 National Defense Authorization Act, July 2026 (reported by *The Hill*)
- Congressional Research Service, *FY2027 NDAA: Status of Legislative Activity* (IN12704)

- 31 U.S.C. § 1350 (Antideficiency Act criminal penalty)
- *Egbert v. Boule*, 596 U.S. 482 (2022)
- IRS Restructuring and Reform Act of 1998, Pub. L. 105-206, § 1203 (mandatory termination provisions)
- Keith Fogg, "Revisiting the Ten Deadly Sins Created in the IRS Restructuring and Reform Act," *Pittsburgh Tax Review*, Vol. 20 (2022)
- GAO-26-108896, *Recommendations for Congress* (May 12, 2026)
- Department of Defense, *Agency Financial Report, Fiscal Year 2025*, Independent Auditor's Report (December 2025)
- National Defense Authorization Act for Fiscal Year 2024 (clean-opinion deadline of December 31, 2028)