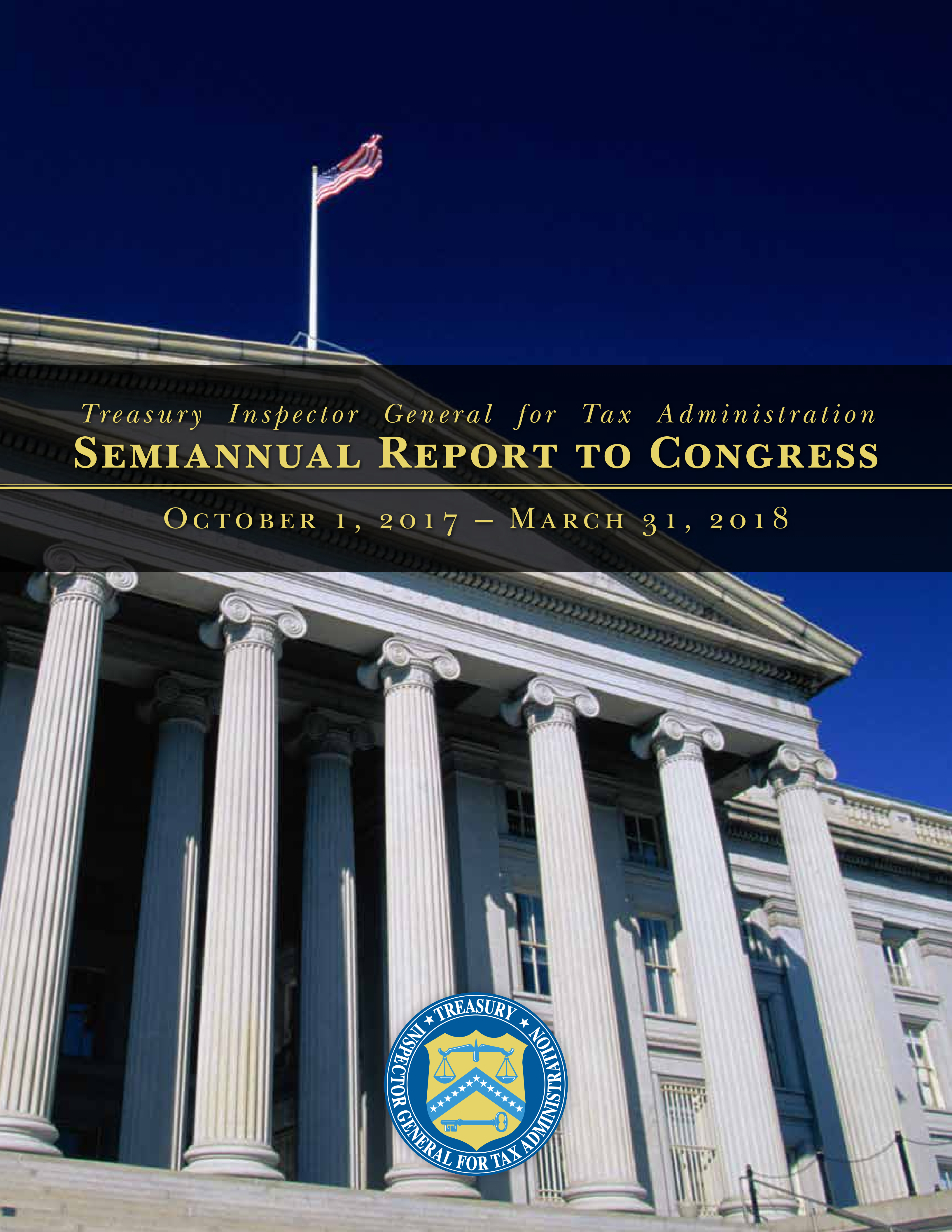
Treasury Inspector General for Tax Administration

Semiannual Report to Congress

October 1, 2017 – March 31, 2018



Treasury Inspector General for Tax Administration (TIGTA)

TIGTA's Vision

Maintain a highly skilled, proactive, and diverse Inspector General organization dedicated to working in a collaborative environment with key stakeholders to foster and promote fair tax administration.

TIGTA's Mission

Provide quality professional audit, investigative, and inspection and evaluation services that promote integrity, economy, and efficiency in the administration of the Nation's tax system.

TIGTA's Core Values

Integrity – Maintain the highest professional standards of integrity, personal responsibility, independence, objectivity, and operational excellence in pursuit of TIGTA's mission.

Organizational Innovation – Model innovative practices in organizational structure, operational programs and processes, audit, investigative, and inspection and evaluation methodologies, and the application of advanced information technology.

Communication – Achieve effective organizational approaches and solutions by encouraging open, honest, and respectful communication among TIGTA's executives, employees, offices, and functions, as well as between TIGTA and its external stakeholders.

Value Employees – Respect the dignity, contributions, and work-life balance of our employees, and recognize diversity as fundamental to the strength of our organization.

Commitment to Collaboration – Establish and maintain collaborative and professional relationships with other Government and non-Government stakeholders.

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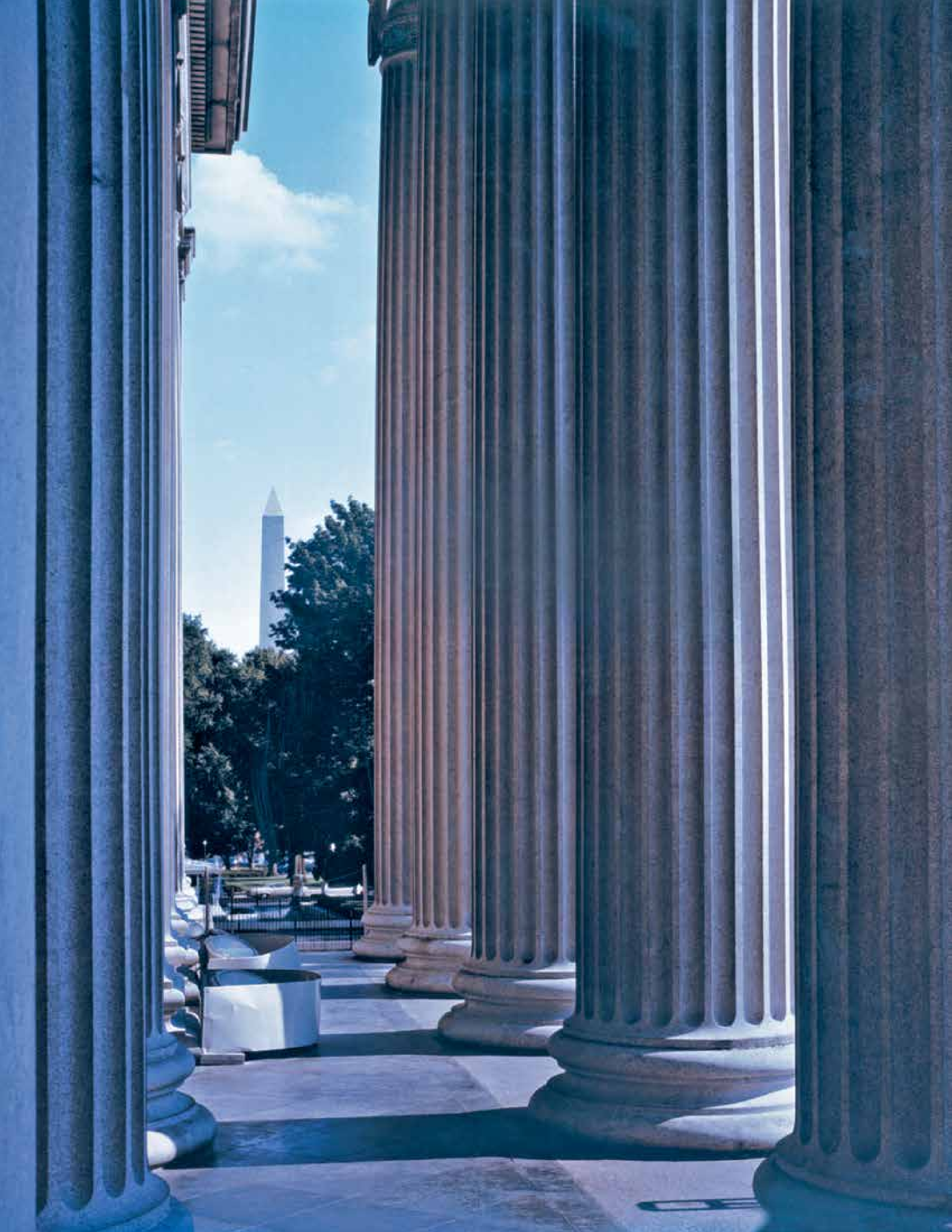


Inspector General's Message to Congress

I am pleased to submit this Semiannual Report to Congress, highlighting the many accomplishments of the Treasury Inspector General for Tax Administration (TIGTA) during this reporting period in promoting its mission to provide oversight of the Internal Revenue Service (IRS) and protect the integrity of Federal tax administration. The many noteworthy audits, investigations, inspections, and evaluations summarized in this report are representative of TIGTA's achievements for the period of October 1, 2017 to March 31, 2018.

During this reporting period, TIGTA's Office of Audit completed 22 audits, and its Office of Investigations completed 1,288 investigations. In addition, TIGTA's combined audit and investigative efforts have resulted in the recovery, protection, and identification of monetary benefits totaling approximately $7.4 billion.

Cybersecurity is now one of the most critical challenges confronting the IRS and TIGTA. The IRS relies extensively on its computer systems to support both its financial and mission-related operations. These computer systems collect and process large amounts of sensitive taxpayer data. Because this information is extremely valuable, the IRS is increasingly becoming a target of cybercriminals and identity thieves. Rapidly growing numbers of unscrupulous individuals are seeking to attack and invade these systems in their unlawful pursuit of monetary gain.

Consequently, during this reporting period, TIGTA's Office of Audit initiated an audit to evaluate whether the IRS has properly implemented secure electronic authentication in accordance with Federal standards for public access to IRS online systems and whether it has effectively resolved identified control weaknesses. In our audit, we found that electronic authentication process controls have been improved, but have not yet been fully implemented.

Cybersecurity is also an important focus of TIGTA's Office of Investigations. In the culmination of a case jointly investigated by TIGTA special agents and other Federal law enforcement agencies, a court in Oregon sentenced a man to seven years in prison for his role in a sophisticated scheme that used stolen identities to defraud the IRS. The man and his coconspirators had obtained, by unauthorized means, the names and other confidential information of more than 250,000 U.S. taxpayers without their knowledge or consent. The conspirators used the stolen taxpayer information to gain unauthorized access to information stored in IRS computer systems, which they in turn used to file more than 2,900 false Federal income tax returns seeking more than $25 million in fraudulent refunds.

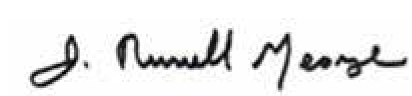
TIGTA is also concerned about the hardware failure that disrupted processing on the last day of this year's filing season. We have initiated audit work to evaluate this problem and identify corrective actions needed to prevent such disruptions.

Tax-related identity theft also continues to have a significant impact on the tax administration system. It is particularly troubling when IRS employees who are entrusted with taxpayers' sensitive personal and financial information misuse their positions to commit identity theft or other fraud. While most IRS employees are honest public servants, even rare instances of IRS employee dishonesty can have a highly destructive impact on the public's confidence in tax administration. For that reason, TIGTA is charged with investigating identity theft committed by IRS employees. You will see examples of our work in this regard in the following pages.

Finally, the largest and most pervasive IRS impersonation scam in the history of this agency continues to rank near the top of the IRS's "Dirty Dozen" tax scams. As of March 31, 2018, more than 13,162 victims have reported that they have paid IRS impersonators a total of more than $65.6 million. However, I am pleased to report that, as of March 31, 2018, because of TIGTA's relentless commitment to protecting taxpayers, a total of 111 individuals have been charged in Federal court for their roles in this nationwide scam. We remain determined to be just as aggressive and relentless as these criminals in our commitment to bringing everyone involved in this fraud to justice.

In continuing dedication to TIGTA's mission, I look forward to working with Congress, the Administration, the IRS, and all of TIGTA's employees to fulfill our important responsibility to serve the American people by working to ensure the integrity, fairness, and efficiency of Federal tax administration.

Sincerely,



J. Russell George
Inspector General

Table of Contents

TIGTA's Profile

The Treasury Inspector General for Tax Administration (TIGTA) provides independent oversight of matters of the Department of the Treasury (Treasury Department or Department) involving activities of the Internal Revenue Service (IRS), the IRS Oversight Board, and the IRS Office of Chief Counsel. Although TIGTA is placed organizationally within the Treasury Department and reports to the Secretary of the Treasury and to Congress, it functions independently from all other offices and bureaus within the Department.

TIGTA oversees all aspects of activity related to the Federal tax system as administered by the IRS. TIGTA protects the public's confidence in the tax system by identifying and recommending strategies for addressing the IRS's management challenges and implementing the priorities of the Treasury Department.

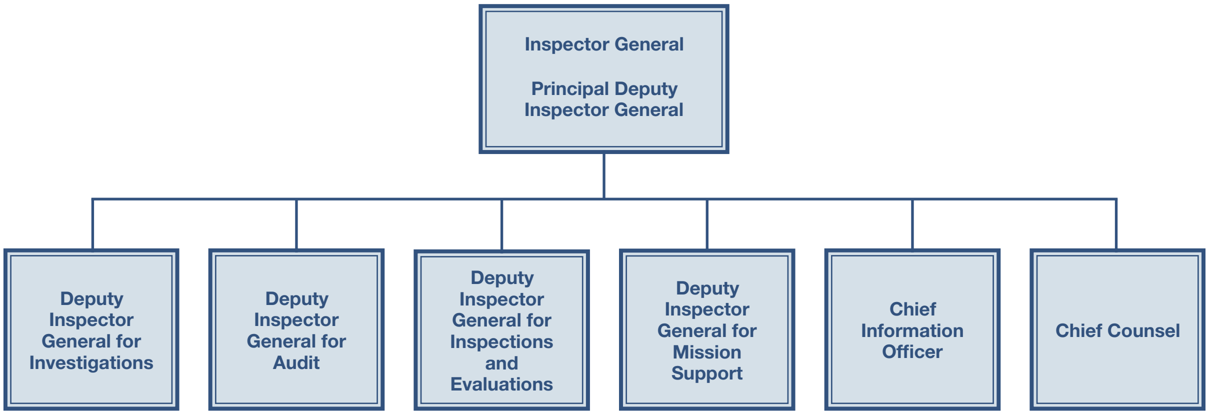
TIGTA's organizational structure is comprised of the Office of the Inspector General and six functional offices: the Office of Investigations; the Office of Audit; the Office of Inspections and Evaluations; the Office of Mission Support; the Office of Information Technology; and the Office of Chief Counsel (see Organizational Structure Chart on the following page).

TIGTA provides audit, investigative, inspection, and evaluation services that promote economy, efficiency, and integrity in the administration of the Internal Revenue laws.

Statutory Mandate

- **Protect** against IRS employee improprieties and external attempts to corrupt or threaten IRS employees.
- **Provide** policy direction and conduct, supervise, and coordinate audits and investigations related to IRS programs and operations.
- **Review** existing and proposed legislation and regulations related to IRS programs and operations and make recommendations concerning the impact of such legislation or regulations.
- **Promote** economy and efficiency in the administration of tax laws.
- **Prevent** and detect waste, fraud, and abuse in IRS programs and operations.
- **Inform** the Secretary of the Treasury and Congress of problems and deficiencies identified and of the progress made in resolving them.

Organizational Structure



Authorities

TIGTA has all of the authorities granted under the Inspector General Act of 1978, as amended (Inspector General Act).[1] In addition to the standard authorities granted to Inspectors General, TIGTA has access to tax information in the performance of its tax administration responsibilities. TIGTA also reports potential criminal violations directly to the Department of Justice when TIGTA deems it appropriate to do so. TIGTA and the Commissioner of Internal Revenue (Commissioner or IRS Commissioner) have established policies and procedures delineating responsibilities to investigate potential criminal offenses under the Internal Revenue laws. In addition, the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98)[2] amended the Inspector General Act to give TIGTA the statutory authority to carry firearms, execute search and arrest warrants, serve subpoenas and summonses, and make arrests as set forth in Internal Revenue Code (I.R.C.) § 7608(b)(2).

1 5 U.S.C. app. (2012 & Supp. IV 2017).

2 Pub. L. No. 105-206,112 Stat. 685 (codified as amended in scattered sections of the U.S. Code).

TIGTA's Highlights

Examples of High-Profile Cases by the Office of Investigations[3]

Nigerian Man Sentenced to Seven Years in Prison for Role in Sophisticated Scheme Using Stolen Identities to Defraud the IRS

On November 8, 2017, Michael Oluwasegun Kazeem was sentenced in the District of Oregon for conspiracy to commit mail fraud, mail fraud, and aggravated identity theft. Kazeem was initially indicted for the offenses on February 4, 2016, and arrested on February 17, 2016, in Atlanta, Georgia, by TIGTA special agents and other Federal law enforcement agencies. Kazeem pled guilty on April 24, 2017.

According to the indictment, beginning as early as Tax Year (TY) 2012 and continuing until May 2015, Kazeem knowingly conspired with others to commit mail fraud, to defraud the IRS and obtain money through false and fraudulent representations, and to use the means of identification of others without lawful authority.

It was the object of the conspiracy to obtain stolen Personally Identifiable Information (PII) and use that information, coupled with information illegally obtained from IRS data systems, for the purpose of preparing and electronically filing fraudulent tax returns with the IRS to claim fraudulent refunds.

Kazeem and his coconspirators obtained, by unauthorized means, the names and other PII of more than 250,000 U.S. taxpayers without their knowledge or consent. In furtherance of their conspiracy, Kazeem and his coconspirators then used the stolen PII for unauthorized access to the IRS transcript system, which was available online through the "Get Transcript" application, in order to obtain more than 1,200 taxpayer transcripts for subsequent use in filing fraudulent returns in those taxpayers' names. An IRS transcript shows the taxpayer's tax return information, including line items from the return, income information, and basic data such as marital status, adjusted gross income, and taxable income.

The coconspirators used the stolen names and other PII, along with any IRS transcript information acquired, to create fraudulent income tax returns and false Forms W-2, *Wage and Tax Statement*. The coconspirators also used the stolen PII to obtain Electronic Filing Personal Identification Numbers (PIN) in the names of the victims. An Electronic Filing PIN is a five-digit personal identification number required for electronically filed tax returns when the filer does not have certain items

3 The facts in the summarized case narratives come from court documents of the respective jurisdictions and other publicly available records.

of information from the previous year. Kazeem sent communications to his brother containing more than 4,000 fraudulently obtained Electronic Filing PINs and stolen taxpayer PII.

In total, Kazeem and his coconspirators used the stolen PII to file more than 2,900 false Federal income tax returns seeking more than $25 million in fraudulent refunds. The actual loss from tax returns accepted for payment by the IRS exceeded $4.7 million.

Kazeem was sentenced to a total of 84 months' imprisonment followed by three years of supervised release. He was further ordered to pay $4,298,860 in restitution and may face deportation.

California Psychiatrist Sentenced to Prison for Bribing an Internal Revenue Agent

On November 3, 2017, in the Central District of California, Harshad Shah, a licensed psychiatrist practicing in Long Beach, California, was sentenced to 51 months in Federal prison for bribery of a public official. A jury found that Shah paid a $30,000 cash bribe to an IRS revenue agent during an IRS audit to make his $410,000 tax liability go away. At the end of the sentencing, Shah was remanded into custody.

On or about January 12, 2010, Shah corruptly gave a revenue agent $30,000 in cash with the intent to influence an IRS audit. Specifically, Shah asked the revenue agent to fraudulently conclude the IRS audit by falsely recording in IRS records that there was no income tax due and owing by him for TYs 2006, 2007, and 2008, when, in fact, a substantial income tax was due and owing by Shah for each of those tax years. On April 7, 2010, Shah was charged with bribery of a public official, and on October 31, 2016, a jury found him guilty of the offense.

Examples of High-Profile Reports by the Office of Audit

Employer Noncompliance With Wage Reporting Requirements Significantly Reduces the Ability to Verify Refundable Tax Credit Claims Before Refunds Are Paid

In December 2015, Congress enacted the Protecting Americans From Tax Hikes Act of 2015 (PATH Act),[4] which contains a number of integrity provisions intended to reduce improper Earned Income Tax Credit (EITC), Child Tax Credit (CTC), Additional Child Tax Credit (ACTC), and American Opportunity Tax Credit (AOTC) claims. These provisions are projected to save approximately $7 billion over 10 years by reducing fraud, abuse, and improper payments in refundable credit programs. This audit was initiated to evaluate the IRS's efforts to implement some of these integrity provisions.

TIGTA found that processes do not prevent the issuance of EITC and ACTC claims to taxpayers whose income is not supported. TIGTA identified 1.4 million tax returns with a discrepancy between wages reported on the tax return and wages reported on third-party Forms W-2 that were not reviewed by the IRS prior to its release of refunds on February 15, 2017. These taxpayers received approximately $8.2 billion in refunds, which included $4.3 billion in EITC refunds and $1.7 billion in ACTC refunds. For 660,141 of these returns, the IRS received no third-party Forms W-2 prior to releasing the refunds. These returns claimed refunds totaling almost $3.7 billion. IRS management indicated that the agency did not review these returns due to limited resources.

In addition, the IRS did not disallow almost $9.8 million in refundable credits associated with 4,509 tax returns claiming a retroactive refundable credit. The credits were incorrectly allowed because the Taxpayer Identification Number (TIN) assignment date was not available when some of these tax returns were processed, and also due to tax examiner error during the review of retroactive claims.

Finally, for the 2017 Filing Season, the IRS did not program the Modernized e-File system to systemically verify the TIN issuance date for electronically filed prior-year refundable credit claims. Instead, all electronically filed prior-year tax returns were sent to the Error Resolution System function for employees to manually revalidate the TIN, at a total estimated cost of $400,570.

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4 Pub. L. No. 114-113, Div. Q, 129 Stat. 2242, 3040-128 (codified as amended in scattered sections of the I.R.C.).

TIGTA recommended that the IRS:

- Review the tax returns for which the IRS incorrectly allowed and denied the CTC, the ACTC, the EITC, and/or the AOTC;
- Program the Modernized e-File system to verify the TIN issuance date on prior-year tax returns and reject retroactive claims;
- Correct programming errors that resulted in incorrect calculations of Individual Taxpayer Identification Number issuance dates; and
- Ensure that IRS systems are updated with correct TIN issuance dates.

The IRS agreed with most of the recommendations, but only partially agreed with one of them. With respect to the partially agreed-to recommendation, IRS management noted that limitations associated with the Modernized e-File system's ability to identify extensions of time to file could result in rejecting possible allowable claims. TIGTA agrees that without the ability to systemically identify an extension that changes the due date of the return, the IRS could in fact reject allowable claims. Consequently, TIGTA agrees with the IRS's alternative process of identifying claims and sending them for additional review to determine whether they are erroneous.
Reference No. 2018-40-015

Results of the 2017 Filing Season

The filing season, generally defined as the period from approximately January 1 through mid-April, is critical for the IRS because it is during this time that most individuals file their income tax returns and contact the IRS if they have questions about specific laws or filing procedures. As of May 5, 2017, the IRS had received 138.9 million tax returns (with 88.7 percent electronically filed) and issued more than 101.6 million refunds totaling almost $282 billion.

The purpose of this review was to evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2017 Filing Season. The Office of Audit found that the IRS generally developed processes to implement key tax provisions affecting the 2017 Filing Season. The IRS began accepting and processing individual tax returns on January 23, 2017, as scheduled.

The IRS processed 5.1 million tax returns that reported nearly $23.9 billion in Premium Tax Credits that were either received in advance or claimed at the time of filing. Taxpayers received $5.8 billion in Advance Premium Tax Credits to which they were not entitled, of which $3.5 billion was not required by law to be repaid. In addition, as of May 4, 2017, more than 2.5 million taxpayers had filed a return that contained no indication of health care coverage.

The IRS held all refunds that included the EITC and ACTC until February 15, 2017, as required by law. In addition, most tax return preparers complied with the expanded due diligence requirements for the CTC, ACTC, and AOTC. As of May 4, 2017, 441,071 (93.5 percent) of the 471,518 tax return preparers who had filed at least one claim for these credits included Form 8867, *Paid Preparer's Due Diligence Checklist*, as required. However, IRS processes do not ensure that all noncompliant preparers are notified.

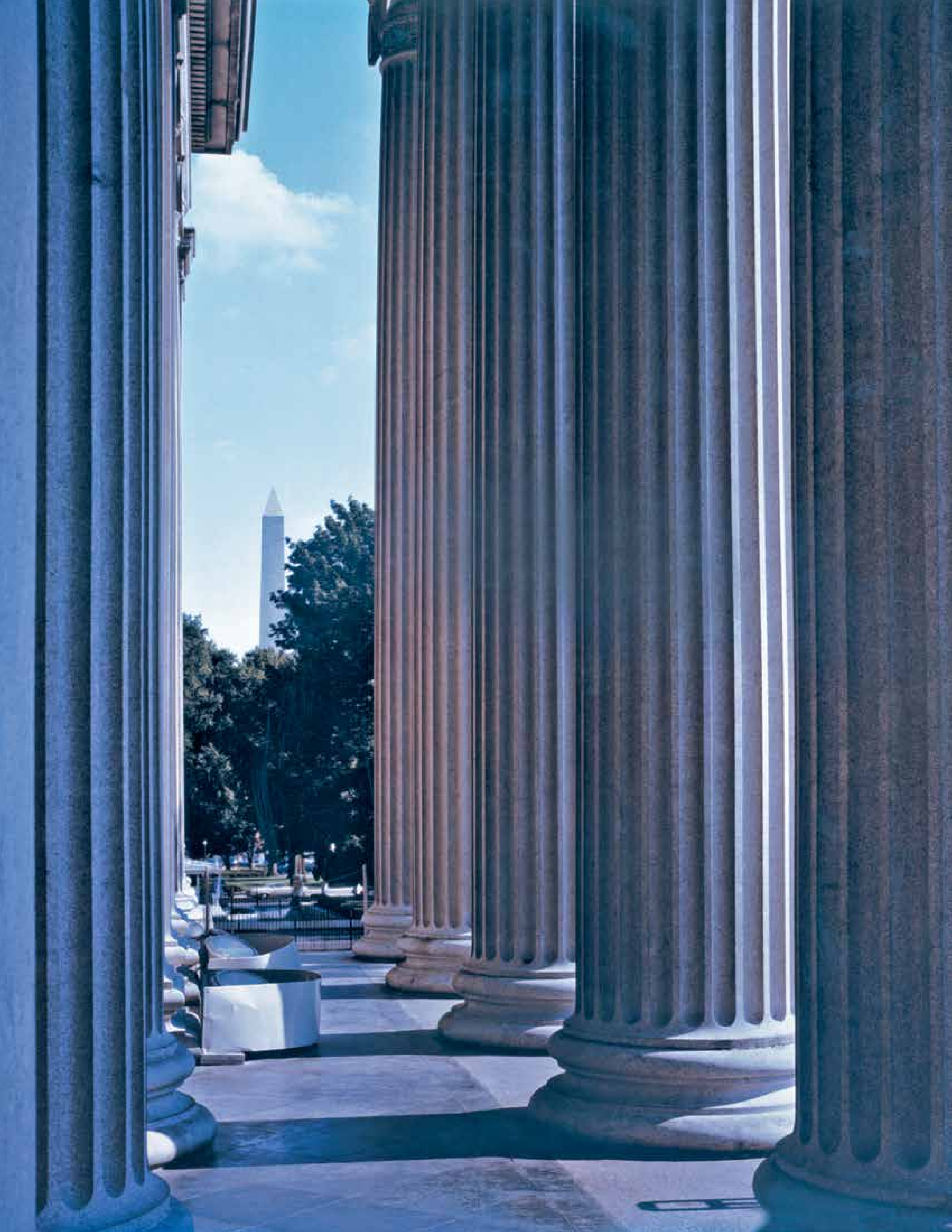
The IRS continues to pay the AOTC for some ineligible students. TIGTA estimates that the IRS erroneously paid $2.8 billion in AOTCs on more than 1.7 million TY 2016 returns for which no educational institution Employer Identification Number (EIN) was provided as required, or for which the student received the AOTC beyond the four-year limit.

The IRS had inappropriately denied approximately $1 million in Residential Energy Efficient Property Credits to 494 taxpayers as of May 4, 2017. In addition, IRS processes did not effectively determine whether taxpayers who elected to file as Married Filing Separately and who claimed the Child and Dependent Care Credit were eligible for those credits, under an exception in the law, before the IRS denied the credit. Married Filing Separately taxpayers filed 12,057 claims totaling $7.4 million for the Child and Dependent Care Credit, all of which were denied by the IRS.

TIGTA made seven recommendations, including:

- Revising procedures to notify all tax preparers filing a CTC claim in the event they do not comply with the due diligence requirements;
- Developing math error procedures to deny AOTC claims when the educational institution EIN is not provided;
- Modifying Form 2441, *Child and Dependent Care Expenses*, to allow Married Filing Separately taxpayers to attest that they meet the exception for eligibility; and
- Reviewing the potentially erroneous returns that the IRS identified to ensure that taxpayers receive the benefits to which they are entitled and that the IRS recovers benefits paid in error.

The IRS agreed with all of TIGTA's recommendations.
Reference No. 2018-40-012



Promote the Economy, Efficiency, and Effectiveness of Tax Administration

TIGTA's Office of Audit strives to promote the economy, efficiency, and effectiveness of tax administration. TIGTA provides recommendations to improve IRS systems and operations and to ensure the fair and equitable treatment of taxpayers. TIGTA's comprehensive and independent performance and financial audits of the IRS's programs and operations primarily address statutorily mandated reviews and high-risk challenges the IRS faces.

The IRS's implementation of audit recommendations results in:

- Cost savings;
- Increased or protected revenue;
- Protection of taxpayers' rights and entitlements; and
- More efficient use of resources.

Each year, TIGTA identifies and addresses the IRS's major management and performance challenges. The Office of Audit places audit emphasis on statutory coverage required by RRA 98 and other laws, as well as areas of concern to Congress, the Secretary of the Treasury, the IRS Commissioner, and other key stakeholders.

The following summaries highlight significant audits completed in each area of emphasis during this six-month reporting period:

Audit Emphasis Areas for October 2017 Through March 2018

- Security Over Taxpayer Data and Protection of IRS Resources
- Providing Quality Taxpayer Service and Expanding Online Services
- Upgrading Tax Systems
- Improving Tax Compliance
- Reducing Fraudulent Claims and Improper Payments
- Achieving Program Efficiencies and Cost Savings

Security Over Taxpayer Data and Protection of IRS Resources

The IRS relies extensively on its computer systems to support both its financial and mission-related operations. These computer systems collect and process large amounts of taxpayer data. However, the threat landscape continues to evolve, and bad actors are persistent in their pursuit of identity information for monetary gain. Recent cyber events involving the IRS have illustrated that these bad actors are constantly seeking new ways to attack and exploit IRS systems and processes in order to access tax information for the purpose of stealing identities and filing fraudulent tax returns.

Electronic Authentication Process Controls Have Been Improved, but Have Not Yet Been Fully Implemented

As part of its Future State[5] initiative, the IRS continues to enhance its existing online applications and self-help tools by increasing the amount of tax information and services available to taxpayers on **IRS.gov**. These online applications may process and store PII and tax return data for millions of taxpayers. Because this information is considered extremely valuable, the IRS has become a target of cybercriminals and identity thieves. Proper electronic authentication controls are needed to prevent identity thieves from successfully impersonating taxpayers and gaining improper access to tax records.

This audit was initiated to evaluate whether the IRS has properly implemented secure electronic authentication in accordance with Federal standards for public access to IRS online systems and effectively resolved identified control weaknesses.

The IRS has made progress in improving its electronic authentication controls. It has deployed a more rigorous electronic authentication process that provides two-factor authentication via a security code sent to text-enabled mobile phones. It has also completed or updated electronic authentication risk assessments for 28 of its online applications to determine appropriate levels of authentication assurance and has enhanced its network monitoring and audit log analysis capabilities.

However, the network monitoring tools that the IRS purchased to improve the prevention and detection of automated attacks were not fully implemented due to issues related to resources, incompatibility, and higher priorities. In addition, controls to prevent a fraudulent user from improperly creating profiles have not been fully implemented. Further, the IRS is not fulfilling requirements for monitoring audit logs for suspicious activity, due to inadequate processes for generating and reviewing audit log reports, and is not ensuring that reports are useful for investigating and responding to suspicious activities.

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5 Preparing the IRS to adapt to the changing needs of taxpayers is described generally as the IRS Future State initiative. A key part of this effort is for taxpayers to have a more complete online experience for their IRS interactions.

TIGTA recommended that the IRS:

- Prepare a plan of action and milestones to ensure that remaining issues preventing full implementation of the two network monitoring tools are addressed;
- Establish a process to adequately test and subsequently monitor enhancements made to application controls until it can be confirmed that the controls are effective;
- Ensure that electronic authentication audit logs capture adequate data to allow for tracking and analysis of user activity; and
- Ensure that IRS policy is met regarding audit log report generation and review, and that reports are useful for investigating and responding to suspicious activities.

The IRS agreed with all of TIGTA's recommendations.
Reference No. 2018-20-007

Providing Quality Taxpayer Service and Expanding Online Services

Providing taxpayers with quality customer service is a key component of the IRS's mission. Ensuring that taxpayers understand and meet their tax responsibilities is crucial to encourage voluntary compliance with the tax laws. Resolving questions before tax returns are filed helps taxpayers avoid unintentional errors and noncompliance, and also reduces the burden on both taxpayers and the IRS that results from the issuance of notices and correspondence. Successfully addressing and resolving taxpayer inquiries through a quality customer service process allows the IRS to direct its limited resources more efficiently. In addition, the IRS's Future State initiative, which includes expanding online tools available to taxpayers, will play a significant part in the IRS's effort to modernize the taxpayer experience and allow its limited staff to better serve taxpayers who require one-on-one assistance.

Most Employment Identity-Theft Victims Have Not Been Notified That Their Identities Are Being Used by Others for Employment

Employment-related identity theft (hereafter referred to as employment identity theft) occurs when an identity thief uses another person's identity to gain employment. Employment identity theft can create a significant burden on innocent taxpayers, including the incorrect computation of taxes based on income that does not belong to them.

This audit was initiated to assess the IRS's processes to notify employment identity-theft victims in Processing Year (PY) 2017. This includes assessing the impact of the IRS's decision to notify only newly identified victims.

TIGTA found that most identified victims remain unaware that their identities are being used by other individuals for employment. A programming error limited the IRS's notifications to only those victims who had not been identified in prior years. As a result, the IRS did not notify 458,658 repeat victims of employment identity theft that it had identified in PY 2017 or on a tax return processed prior to PY 2017. On September 27, 2017, the IRS prepared an information technology request to correct this programming error.

In addition, the IRS plans to evaluate the results of its notice program after the first year of implementation and determine an appropriate course of action with respect to previously identified potential victims of employment identity theft who were not victims in PY 2017.

TIGTA also identified that 15,168 (13.5 percent) of the 112,445 employment identity-theft notices were erroneously sent to taxpayers who were not employment identity-theft victims. In most instances, these taxpayers were the spouses of taxpayers who had filed legitimate tax returns reporting the spouses' wages and Social Security Numbers (SSN). The IRS erroneously placed an employment identity-theft marker on the spouses' tax accounts, which then generated the notices.

As a result, TIGTA recommended that the IRS:

- Send the employment identity-theft notice to the 458,658 victims identified in PY 2017, informing them that their SSNs had been used by another person to obtain employment;
- Reverse the employment identity-theft marker on the 15,168 taxpayers' accounts and notify them that the notice was sent to them in error;
- Revise programming to ensure that the employment identity-theft marker is not erroneously placed on taxpayers' accounts; and
- Identify instances prior to PY 2017 in which the IRS erroneously placed employment identity-theft markers on taxpayers' accounts.

The IRS agreed with all of TIGTA's recommendations.
Reference No. 2018-40-016

Upgrading Tax Systems

Successful modernization of IRS systems and the development and implementation of new information technology applications are critical to meeting the IRS's evolving business needs and to enhancing services provided to taxpayers. The IRS's reliance on legacy systems and its use of outdated programming languages pose significant risks to the IRS's ability to fulfill its mission.

System Changes Resulted in Successfully Processed Third-Party Income Documents, but Processes for Using the Information Need Improvement

Section 201 of the PATH Act modifies the due dates of Form W-2 and Form 1099-MISC, *Miscellaneous Income*. It requires returns and statements related to employee wage information and nonemployee compensation to be filed on or before January 31. It also specifies that no credit or refund can be made before February 15 to taxpayers who claim the EITC or ACTC. The intent is to provide the IRS sufficient time to effectively match tax returns and return information before issuing refunds.

This audit was initiated to ensure that the IRS was in compliance with the filing requirement changes in § 201 of the PATH Act. The overall objective was to evaluate the IRS's coordination and implementation of changes in support of the Act.

TIGTA found that the Filing Information Returns Electronically System was compliant with filing season readiness requirements. According to IRS management, the IRS used the Systemic Verification tool within the Return Review Program to verify income between Forms W-2 and income tax returns before issuing EITC and ACTC refunds during the 2017 Filing Season. The IRS did not make programming modifications regarding Form 1099-MISC processing because Wage and Investment Division management did not request that changes be made. The amount of nonemployee compensation reported on Forms 1099-MISC for the 2017 Filing Season was $1.58 trillion.

Additionally, Wage and Investment Division management did not request elimination of the automatic extension to file Form 1099-MISC. If automatic extensions for filing Form 1099-MISC with nonemployee compensation had been eliminated, it would have provided a significant benefit by improving the ability to match income reported before refunds were paid.

TIGTA recommended that the IRS:

- Submit a request for programming modifications regarding Form 1099-MISC processing; and

- Work with the Department of the Treasury's Office of Tax Policy to determine the feasibility of eliminating automatic extensions to file Form 1099-MISC in order to improve the IRS's ability to verify income and reduce fraud.

The IRS agreed to work with the Department of the Treasury to eliminate automatic extensions for Forms 1099-MISC that report nonemployee compensation, but it disagreed with the recommendation to make programming modifications.
Reference No. 2018-20-019

Improving Tax Compliance

Despite the IRS's efforts to reduce it, the Tax Gap remains a serious and persistent challenge. The Tax Gap is defined as the difference between the estimated amount taxpayers owe and the amount they voluntarily and timely pay for a tax year. In an effort to shrink the Tax Gap, the IRS identifies questionable tax returns to determine if any adjustments to the information reported on the tax returns are needed. In addition, the IRS issues notices and contacts taxpayers to collect delinquent taxes. If necessary, the IRS takes enforcement action, such as filing liens and seizing assets, to collect the taxes.

The Uncertain Tax Position Statement Does Not Contain Sufficient Information to Be Useful in Compliance Efforts

The passage of the Sarbanes-Oxley Act of 2002[6] and the development of specific accounting standards, known as Financial Accounting Standards Board Interpretation No. 48,[7] require companies with a Securities and Exchange Commission filing requirement to reserve for, and report, tax uncertainties. The IRS recognized an opportunity to use this newly available information and, beginning in TY 2010, created Schedule UTP, *Uncertain Tax Position Statement*, for Form 1120, *U.S. Corporation Income Tax Return*, filers.[8] Schedule UTP was established to achieve certainty regarding a taxpayer's tax obligations, consistent treatment for all taxpayers, and an efficient use of Government and taxpayer resources by focusing on issues and taxpayers that pose the greatest risk of noncompliance.

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6 Pub. L. No. 107-204, 116 Stat. 745.

7 Financial Accounting Standards Board, FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109* (June 2006).

8 The Large and Mid-Size Business Division initiated Schedule UTP; however, on October 1, 2010, the division was subsequently realigned and renamed the Large Business and International Division.

This audit was initiated to determine whether the IRS had incorporated Schedule UTP into the examination process and was using Schedule UTP information to improve return selection and examination results.

TIGTA found that Schedule UTP did not contain sufficient information to allow the IRS to achieve the original goals of its use. The lack of detail and specifics related to the concise description of the reported tax position provided little more than a confirmation that certain issues existed. The weaknesses in the form resulted in limited use by examiners and group managers in the field and by Large Business and International Division management and executives to strategically use the form during inventory identification and delivery. Without changes expanding the details reported on the form, such as requiring more detailed descriptions of the reported tax position or dollar amounts of disclosed positions, the expectations and goals of implementing Schedule UTP will not be realized.

As a result, TIGTA recommended that the IRS, in coordination with the Treasury's Office of Tax Policy, consider the feasibility of either modifying Schedule UTP to include information needed to be useful for its intended purpose or removing the Schedule UTP filing requirement.

The IRS, in coordination with the Treasury's Office of Tax Policy, plans to consider the feasibility of modifying Schedule UTP to include information needed to be more useful for its intended purpose.
Reference No. 2018-30-023

Reducing Fraudulent Claims and Improper Payments

The Office of Management and Budget (OMB) describes an improper payment as any payment that should not have been made, was made in an incorrect amount, or was made to an ineligible recipient. The Improper Payment Information Act of 2002[9] requires Federal agencies, including the IRS, to estimate the amount of their improper payments and report to Congress annually on the causes of, and the steps taken to reduce, such improper payments. The Improper Payment Elimination and Recovery Act of 2010[10] amended the 2002 Act by strengthening agency reporting requirements and redefining what constitutes "significant" improper payments.

9 Pub. L. No. 107-300, 116 Stat. 2350.

10 Pub. L. No. 111-204, 124 Stat. 2224.

Transcript Delivery System Authentication and Authorization Processes Do Not Adequately Protect Against Unauthorized Release of Tax Information

The Transcript Delivery System (TDS) allows external third-party customers to view and obtain tax information of both individuals and businesses. Tax transcripts cannot be obtained using the TDS unless a requester successfully registers for e-Services and participates in electronic filing, or is a participant in the Income and Verification Express Services (IVES) Program. During Calendar Years (CY) 2014 through 2016, a total of more than 168 million tax transcripts were requested.

In June 2016, TIGTA was notified of a potential refund fraud scheme affecting corporations and involving tax transcript information. As a result, this audit was initiated to evaluate the IRS's controls for verifying and validating tax transcript requests through the TDS.

TIGTA found that processes and procedures to authenticate e-Services users, including those users accessing the TDS application, did not comply with Federal Government information security standards. The IRS has continued to use single-factor authentication to authenticate users, even though a risk assessment in both CYs 2011 and 2015 rated e-Services as requiring multifactor authentication. In an effort to improve authentication, in November 2016, the IRS implemented an interim process that requires existing e-Services TDS users to re-authenticate their identity.

However, management did not ensure that e-Services TDS users who failed to complete the required interim authentication had their privileges revoked. TIGTA's analysis of tax transcript request logs from October 1, 2015 to March 31, 2017 identified 4,022 e-Services TDS users who had requested tax transcripts and were not sent a letter to notify them of the new interim authentication requirements. As a result, 1,507 of the 4,022 users continued to request a total of 96,639 tax transcripts without being required to re-authenticate in compliance with the interim requirements.

In addition, tax transcript request processes and procedures did not minimize the risk of unauthorized release of tax transcript information. TIGTA's review of the TDS audit logs of tax transcript requests made between January 1, 2014 and December 31, 2016, identified anomalies that could have been either misuse of the system or suspicious activity.

The IRS had ineffective processes and procedures to ensure that legitimate taxpayers in fact authorized the release of their tax transcript information to IVES Program participants or their clients. IVES Program participants frequently are intermediaries in the transcript request process as they obtain the tax transcripts from the IRS and provide them to associated client businesses. IRS management was aware of the risk associated with the unauthorized release of taxpayer information via the IVES Program. However, management took little action to address these risks, and when actions were ultimately taken, they were not always effective.

TIGTA recommended that the IRS implement multifactor authentication and implement procedures to ensure that legitimate taxpayers authorize the release of their tax transcripts, and redact sensitive information from tax transcripts. TIGTA also made six other recommendations to improve controls for requesting tax transcript information.

The IRS agreed with only four of the recommendations, and it took actions to address the underlying concerns of another two. However, for the remaining three, the IRS did not agree or adequately address the recommendations. The IRS did not agree to implement additional procedures to ensure that legitimate taxpayers authorize the release of their tax transcripts and to improve controls for requesting tax transcript information.
Reference No. 2018-40-014

Achieving Program Efficiencies and Cost Savings

The achievement of program efficiencies and cost savings is imperative, as the IRS must continue to carry out its mission with a significantly reduced budget. The IRS must continue to identify and implement innovative cost-saving strategies to enforce the law with integrity and fairness and provide America's taxpayers with top quality service by helping them understand and meet their tax responsibilities.

The Internal Revenue Service Has Implemented Some Screening Procedures, but Employees With Recent Tax and Conduct Issues Continue to Receive Awards

In Fiscal Year (FY) 2016 and the first quarter of FY 2017 (hereafter referred to as FY 2017), the IRS issued more than $141 million in cash and time-off awards to its employees. These awards are designed to recognize and reward employees for their performance. Oversight of the awards program is important to ensure proper stewardship of Government funds and the integrity of the IRS.

This audit was a follow-up review of the TIGTA report, *The Awards Program Complied With Federal Regulations, but Some Employees With Tax and Conduct Issues Received Awards*, dated March 21, 2014.[11] The overall objectives of the follow-up audit were to determine whether any employees had received an award within 12 months of being

11 TIGTA Ref. No. 2014-10-007, *The Awards Program Complies With Federal Regulations, but Some Employees With Tax and Conduct Issues Received Awards* (Mar. 2014).

disciplined for a conduct or Federal tax compliance issue and to evaluate whether employee conduct and Federal tax compliance were considered when issuing awards.

In FY 2017, the IRS prevented 1,048 employees with conduct and tax issues from receiving awards. Increased screening procedures for awards resulted in the IRS denying almost 80 percent of awards to screened employees with identified conduct and tax issues, such as willful tax violations, criminal misconduct, substance abuse, and unauthorized access to tax return information. The vast majority of IRS employees receiving awards do not have conduct or tax issues.

However, the improved processes did not ensure that all employees with conduct and tax compliance issues were screened, as required by Treasury policy[12] and Federal law. Specifically, 26 employees with §1203(b)[13] violations, including willful tax noncompliance, received awards. In addition, TIGTA found that in FY 2016 and FY 2017, the IRS issued more than $1.7 million in awards to 1,962 employees who had received a disciplinary[14] or adverse action[15] during the 12 months prior to receiving their award. Some of these employees were guilty of serious misconduct, such as unauthorized access to tax return information, substance abuse, and sexual misconduct.

Further, TIGTA found that IRS screening processes do not look for or identify employees with tax compliance issues unless those issues have resulted in disciplinary action. Specifically, TIGTA identified a judgmental sample of employees in a noncompliant tax status at the time of award who were not included in the screening process because they had not been disciplined. These employees had Federal tax liens or were in failure-to-pay status or currently-not-collectible status, which all indicate significant tax problems. Providing awards to employees with conduct issues, especially those who fail to pay Federal taxes, appears to conflict with the IRS's charge of ensuring the integrity of the system of tax administration.

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12 The Department of the Treasury, Office of the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer, Transmittal Number TN-15-006, *Monetary Recognition and Employee Misconduct (Non-SES)* (Dec. 2014).

13 Section 1203 of RRA 98 states that the IRS shall terminate the employment of any IRS employee if there is a final determination that the employee committed certain acts of misconduct, including willful violations of tax law. Section 1203 also states that this penalty may only be mitigated at the discretion of the IRS Commissioner, and his decision on mitigation may not be appealed. Section 1203(b) describes 10 specific acts or omissions for which IRS employees are required to be removed; two of the 10 acts relate to IRS employee tax compliance.

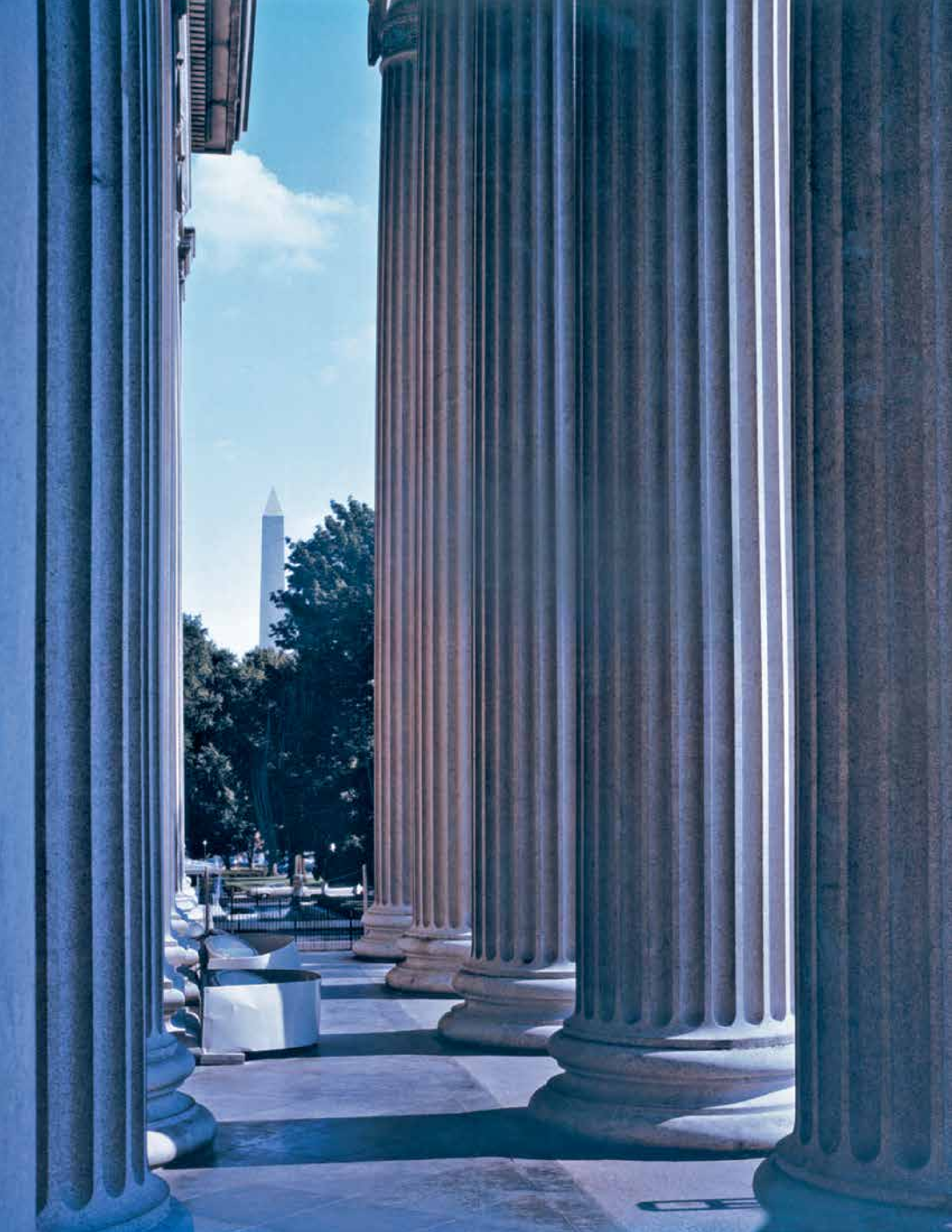
14 Disciplinary actions include admonishment, written reprimand, and suspension of 14 calendar days or less.

15 Adverse actions include furlough of 30 calendar days or less, reduction in grade, reduction in pay, reduction in grade and pay, suspension of more than 14 calendar days, indefinite suspension, and removal.

Therefore, TIGTA recommended that the IRS:

- Expand misconduct screening to consider employees with any level of disciplinary action prior to issuing awards;
- Examine the Federal tax compliance status of all employees before issuing awards; and
- Comply with Treasury Department reporting requirements for awards.

The IRS agreed with all of the recommendations.
Reference No. 2018-10-005



Protect the Integrity of Tax Administration

TIGTA is statutorily mandated to protect the integrity of Federal tax administration. TIGTA accomplishes its mission through the investigative work conducted by the Office of Investigations (OI). Through its investigative programs, OI protects the integrity of the IRS and its ability to collect revenue owed to the Federal Government by investigating violations of criminal and civil law that adversely impact Federal tax administration, as well as administrative misconduct by IRS employees, all of which undermine the integrity of the Nation's voluntary tax system.

The Performance Model

The Office of Investigations accomplishes its mission through the hard work of its employees, whose efforts are guided by a performance model that focuses on three primary areas of investigative responsibility:

- Employee integrity;
- Employee and infrastructure security; and
- External attempts to corrupt tax administration.

The Office of Investigations has adopted performance measures that identify results derived from those investigative activities that most accurately align with the strategic goals of the organization and that provide the greatest impact on the protection of the integrity of Federal tax administration.

IRS employee misconduct undermines the IRS's ability to deliver taxpayer service, to enforce tax laws effectively, and to collect taxes owed to the Federal Government. External threats against the IRS impede its ability to fairly, efficiently, and safely carry out its role as the Nation's revenue collector. Individuals who attempt to corrupt or otherwise interfere with the IRS through various schemes and frauds adversely impact the IRS's ability to collect revenue.

TIGTA investigates these serious offenses and refers them to IRS management when they involve IRS employee misconduct. When appropriate, TIGTA also refers its investigations to the Department of Justice for prosecution.

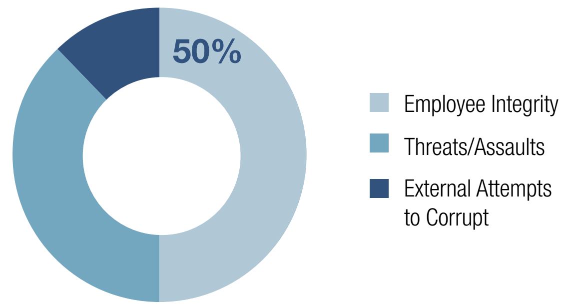
Performance Area: Employee Integrity

In order for the country's tax system to succeed, taxpayers must have confidence in the fair and impartial administration of the Federal tax laws and regulations. IRS employee misconduct, whether real or perceived, can erode the public's trust and impede the IRS's ability to effectively enforce tax laws.

Employee misconduct can take many forms, such as: the misuse of IRS resources or authority; theft; fraud; extortion; taxpayer abuse; unauthorized access to, and disclosure of, tax return information; and identity theft.

During this reporting period, employee integrity investigations accounted for half of OI's work.

Employee Integrity Investigations



Employee integrity investigations represented half of TIGTA's investigative work.

Identity Theft and the Insider Threat

It is particularly troubling when IRS employees, who are entrusted with the sensitive personal and financial information of taxpayers, misuse their positions to commit identity theft and other fraud. This breach of trust negatively impacts our Nation's voluntary tax system and erodes confidence in the IRS. TIGTA proactively reviews the activities of IRS employees who access taxpayer accounts for any indication of unauthorized accesses that may be part of a larger fraud scheme.

The following cases are representative of OI's efforts to investigate identity theft committed by IRS employees during this six-month reporting period:[16]

Former IRS Employee Pleads Guilty to Stealing Taxpayer's Identity

On January 5, 2018, in the Western District of Arkansas, former IRS employee Ryan Payne pled guilty to aggravated identity theft and false representation of an SSN. Payne was indicted for the offenses in July 2017.

Payne was employed as a revenue agent at the IRS in Fayetteville, Arkansas, until January 2015, when he resigned. According to the indictment, in April 2015 and in August 2015, Payne, knowingly and with the intent to deceive, falsely represented two SSNs to be his own while applying separately for a loan and a bank account, when in fact neither of the SSNs was assigned to him.

Payne admitted that one of these SSNs was obtained during his employment with the IRS. Specifically, as part of his duties as a revenue agent, Payne conducted an audit of the victim's business. During the audit, the victim provided Payne with a flash drive

16 The facts in the summarized case narratives come from court documents of the respective jurisdictions and other publicly available records.

containing business records and PII. Payne admitted that he kept the flash drive after his resignation from the IRS and later retrieved the personal information from it.

The victim was notified by CreditSecure that his identity had been compromised and multiple credit accounts had been established using his name, date of birth, and SSN. For example, Payne had set up an account at Synchrony Bank using the victim's SSN, but a business name and billing address associated with himself.

Payne could face a maximum sentence of five years' imprisonment for misuse of the SSN, plus a mandatory consecutive term of imprisonment of two years for aggravated identity theft. His sentencing is scheduled for May 1, 2018.

Former IRS Revenue Agent Sentenced for False Statements and Aggravated Identity Theft

On November 7, 2017, in the District of New Mexico, former IRS employee Joan Mobley was sentenced on charges of making false statements and of aggravated identity theft. Mobley was initially charged with the offenses in December 2014, in a 28-count indictment. She pled guilty on March 13, 2017.

According to the court documents, Mobley was previously employed as a revenue agent by the IRS and in that capacity was responsible for conducting audits of small businesses. The indictment charged that between about December 2010 and December 2011, Mobley willfully and knowingly made materially false, fictitious, and fraudulent statements in matters within the jurisdiction of the IRS and knowingly transferred, possessed, and used the means of identification of another person without lawful authority.

Specifically, the indictment alleged that Mobley made false statements and representations to the IRS concerning seven taxpayers. She falsely stated and represented to the IRS that the taxpayers had consented to the extension of time to assess employment taxes and/or had agreed to the assessment and collection of additional tax. In fact, none of these taxpayers had consented or agreed to these terms. Additionally, Mobley unlawfully used the identification of these seven taxpayers in connection with her false statements to the IRS.

In her plea agreement, Mobley admitted that while she was a revenue agent she was assigned to conduct an audit of a business based in Yuba City, California. She acknowledged that she did not complete the audit as assigned, and instead falsified official records incorrectly showing that she had completed the audit. In doing so, Mobley signed the name of the company president to the records, knowing that she did not have permission from the president or any other company representative to do so, or to act on behalf of the business in any way, including with respect to taxes.

Mobley further admitted that she falsified the SS-10, *Consent to Extend the Time to Assess Employment Taxes,* to falsely represent that an authorized representative of the business had agreed to an extension of time to assess employment taxes, knowing this was not true. Mobley also falsified a Form 2504, *Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment (Excise or Employment Tax),* to state that the company had agreed to the assessment and collection of additional taxes. Again, Mobley knew at the time she falsified the form that no representative of the business had consented to the assessment and collection of additional taxes.

Mobley was sentenced to a period of 27 months in prison followed by three years of supervised release. Mobley was also ordered to pay restitution in the amount of $39,738.32 and a $4,000 fine. In addition, Mobley was ordered to participate in a 500-hour drug treatment program.

Employee Integrity

The following cases are representative of OI's efforts to ensure employee integrity during this six-month reporting period:[17]

Two Former IRS Employees Sentenced for Preparing and Filing Fraudulent Tax Returns While Employed by the IRS

On November 13, 2017, in the Eastern District of California, former IRS employees Della Ornelas and Randall Ruff were each sentenced for aiding and assisting in the preparation of fraudulent income tax returns and for making fraudulent tax returns while an employee of the United States. Ornelas and Ruff were initially charged with the offenses in a 38-count indictment in April 2016 and were subsequently arrested by TIGTA special agents. They each pled guilty in August 2017.

According to the court documents, at all times relevant to the charges, Ornelas and Ruff were both IRS employees working in Fresno, California. Ruff had been employed by the IRS for approximately 31 years, and Ornelas for approximately 25 years. The two have been married since 2012 and lived together for approximately 20 years prior to that time.

Between 2005 and 2013, Ornelas and Ruff prepared and filed, or caused to be filed, numerous fraudulent Federal income tax returns for themselves, their family

17 The facts in the summarized case narratives come from court documents of the respective jurisdictions and other publicly available records.

members, their friends, and others. Specifically, Ornelas willfully aided in the preparation and presentation of 20 Forms 1040, *U.S. Individual Income Tax Return*, all of which contained fraudulent information resulting in higher tax refunds for the taxpayers. Additionally, Ruff willfully aided in the preparation and filing of 14 Forms 1040, all containing similar types of fraudulent information.

In addition to the charges related to the fraudulent returns of others, Ornelas, as an employee of the IRS and in connection with a U.S. revenue law, knowingly made and signed her own Federal income tax return for TY 2009 making false claims. Ruff made the same false claims on three of his own tax returns for TYs 2009, 2010, and 2011.

As a result of their fraudulent conduct, Ornelas and Ruff caused a total tax loss to the IRS of $130,124.

Ornelas and Ruff were each sentenced to six months in prison followed by three years of supervised release, six months of which will be monitored with location monitoring technology. Ornelas was ordered to pay restitution to the IRS in the amount of $76,897. Ruff was ordered to pay $53,227 in restitution.

IRS Attorney Pleads Guilty to Conspiracy to Distribute Methamphetamine

On December 15, 2017, in the Eastern District of New York, IRS employee Jack Vitayanon pled guilty to conspiracy to distribute and possess with intent to distribute methamphetamine. TIGTA and Homeland Security Investigations (HSI) special agents arrested Vitayanon in early February 2017. Vitayanon was subsequently indicted for the offense on February 14, 2017.

According to the court documents, from about September 2014 through January 2017, Vitayanon, an attorney advisor with the IRS's Office of Professional Responsibility, knowingly conspired with another to distribute a controlled substance. This offense involved 500 grams or more of a substance containing methamphetamine, a Schedule II controlled substance.

According to a Department of Justice press release, Vitayanon negotiated and consummated the sales of distribution quantities of methamphetamine to undercover HSI special agents in Long Island, New York. The negotiations occurred via recorded Internet-based video chats and text messages, and Vitayanon shipped the methamphetamine from his apartment in Washington, D.C., to Long Island, New York, via FedEx. During a video chat, Vitayanon was also observed smoking what appeared to be methamphetamine from a glass pipe.

A subsequent search of Vitayanon's Washington, D.C. apartment, executed pursuant to a court-authorized search warrant, led to the seizure of additional quantities of suspected methamphetamine, drug paraphernalia, packaging materials, and drug ledgers.

On December 18, 2017, Vitayanon consented to the entry of a forfeiture money judgment in the amount of $125,000. Sentencing is scheduled for April 13, 2018.

Employee Integrity Projects

As part of its Employee Integrity focus, TIGTA conducts proactive investigative initiatives to detect misconduct in the administration of IRS programs. During this reporting period, TIGTA initiated seven proactive projects to detect systemic weaknesses or potential IRS program vulnerabilities. TIGTA's most successful integrity project involves the detection of IRS employees who abuse their access to taxpayer information in order to commit identity theft and other crimes.

Performance Area: Employee and Infrastructure Security

Collecting taxes is a critical function of the Federal Government. Threats and assaults directed at IRS employees, facilities, and infrastructure impede the effective and safe administration of the Federal tax system and the IRS's ability to collect tax revenue. Through its investigations of threats directed toward the IRS, TIGTA also ensures a safe environment for taxpayers to conduct business with the IRS. All reports of threats, assaults, and forcible interference against IRS employees in the course of performing their official duties are referred to OI. During this six-month reporting period, OI responded to 701 threat-related incidents.

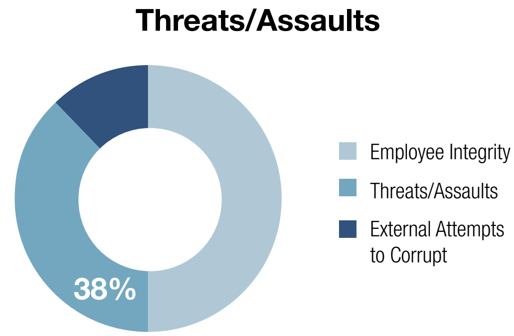
Contact with the IRS can be stressful and emotional for taxpayers. While the majority of taxpayer contacts are routine, some may become confrontational and even violent. TIGTA's special agents are statutorily mandated to provide physical security, known as "armed escorts," to IRS employees who have face-to-face contact with a taxpayer who may pose a danger to the employee, and to ensure that IRS employees have a secure environment in which to perform their critical tax administration functions. During this six-month reporting period, OI provided 19 armed escorts for IRS employees.

The Office of Investigations undertakes investigative initiatives to identify individuals who could commit violence against, or otherwise pose a threat to, IRS employees, facilities, or infrastructure. It also provides intelligence to IRS officials to assist them in making proactive operational decisions about potential violence or other activities that could pose a threat to IRS systems, operations, and employees.

The investigative information sharing between OI and the IRS's Office of Employee Protection (OEP) to identify "potentially dangerous" taxpayers is one example of

TIGTA's commitment to protecting IRS employees. Taxpayers who meet OEP criteria are designated as potentially dangerous. Five years after this designation has been made, TIGTA conducts a follow-up assessment of the taxpayer so that OEP can determine if the taxpayer still poses a danger to IRS employees.

During this six-month reporting period, threat and assault investigations accounted for 38 percent of OI's work.



During this six-month reporting period, threat and assault investigations accounted for 38 percent of OI's work.

The following cases are representative of OI's efforts to ensure the safety of IRS employees during the reporting period:[18]

California Man Sentenced for Threatening Federal Officials at IRS Office

On October 11, 2017, in the Northern District of California, Hung Ha was sentenced for threatening a Federal law enforcement officer or official. A jury found Ha guilty of the offense in July 2017.

According to the court records, Ha threatened to assault and murder at least five Federal employees working at the IRS Taxpayer Assistance Center (TAC) located in San Jose, California. He did so with the intent to impede, intimidate, and retaliate against these individuals on account of the performance of their official duties.

Ha had requested a tax refund from the IRS for TYs 2007 and 2008. After his request was denied, Ha visited the TAC seeking reconsideration of his claim. His case was then assigned to the IRS Taxpayer Advocate Service. On multiple occasions between October 2014 and April 2015, both by telephone and in-person visits to the TAC, Ha made threatening statements to Federal officials and behaved in a threatening manner. IRS employees at the facility feared for their safety and indicated that Ha's conduct had become louder, angrier, and more hostile and aggressive with each visit to the IRS office.

Ha was sentenced to 36 months' imprisonment followed by three years of supervised release. During his supervised release, Ha is forbidden from any contact with the victims and is prohibited from being in the vicinity of the IRS TAC in San Jose,

18 The facts in the summarized case narratives come from court documents of the respective jurisdictions and other publicly available records.

California, without the approval of his probation officer. Additionally, upon his release from confinement, Ha is to reside in a residential re-entry center for up to 12 months and participate in a mental health treatment program.

Mississippi Woman Sentenced for Assault on a Special Agent During Course of Fraudulent Schemes

On October 19, 2017, in the Northern District of Mississippi, Veronica Lloyd was sentenced for impeding/intimidating an officer of the United States, illegal use of a U.S. Treasury tax refund check, and wire fraud. Lloyd had pled guilty to these offenses in June 2017.

According to the court documents, Lloyd was indicted in 2015 for a number of offenses, including forcible interference with the Internal Revenue laws, theft of Government funds, fraud in connection with access devices, and impersonation of a public official. In 2016, a second superseding indictment was filed, additionally charging, in part, that between January 2014 and April 2014, Lloyd and Brittany Kimble conspired with each other to effect transactions with access devices issued to others, *e.g.*, tax refund debit cards, and to steal and convert to their own use U.S. Treasury tax refund checks.

As part of the conspiracy, Lloyd would prepare tax returns for individuals in the Tallahatchie County, Mississippi, area and would list return mailing addresses of mailboxes to which Lloyd or Kimble had personal access, instead of having the tax monies sent to the rightful recipients. Lloyd would then conceal the receipt of tax refund monies from the rightful recipients and direct Kimble to cash the refund checks.

Additionally, in connection with her scheme and in an attempt to conceal her conversion of funds, Lloyd falsely pretended to be an officer or employee of the United States. On three occasions, Lloyd composed letters purporting to be from the IRS and sent them to the victims, sometimes sending them prior to her conversion of their refund monies and with the intent of preventing the victims from contacting the IRS about their tax refunds. Furthermore, she called a victim's spouse using a blocked telephone number and posed as an IRS agent, urging the individual to relinquish possession of his refund check to her in order to resolve a purported overpayment issue.

Subsequent to these activities, Lloyd knowingly and intentionally, by force and by threats of force, endeavored to intimidate and impede an officer of the United States who was acting in an official capacity. Specifically, Lloyd assaulted and attempted to assault a Department of the Treasury special agent by charging at her with a dangerous weapon, *i.e.,* a shovel, and verbally accosting the special agent while she was engaged in the performance of her official duties.

In April 2017, a separate indictment relating to other fraudulent schemes was filed charging Lloyd with wire fraud. From about May 2014 and continuing until about April 2016, Lloyd devised a scheme to defraud First Heritage Credit, Republic Finance, and Life of the South Insurance Company, and to obtain money through false representations.

Lloyd was sentenced in a combined judgment to a total term of 33 months' imprisonment followed by three years of supervised release. She was further ordered to pay $52,341.67 in restitution.

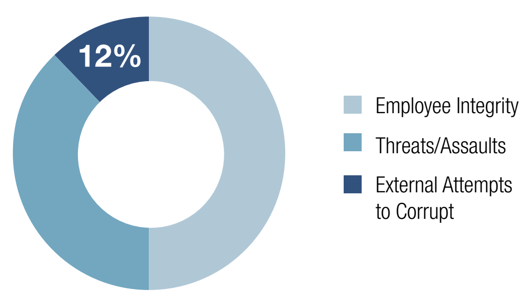
Performance Area: External Attempts to Corrupt Tax Administration

TIGTA also investigates external attempts to corrupt or impede tax administration. Taxpayers may interfere with the IRS's ability to collect revenue for the United States in many ways, for instance by: impersonating IRS employees or misusing IRS seals and symbols; filing false or frivolous documents against IRS employees; using fraudulent IRS documentation to perpetrate criminal activity; offering bribes to IRS employees to influence their tax cases; or committing fraud in contracts awarded by the IRS to contractors. These attempts to corrupt or otherwise interfere with tax administration not only inhibit the IRS's ability to collect revenue, but also undermine the public's confidence in fair and effective tax administration.

Individuals may also impersonate IRS employees to obtain PII from unsuspecting taxpayers or to steal their money. Such individuals may claim to be IRS employees on the telephone or may misuse IRS logos, seals, or symbols to create official-looking letters and e-mails. The taxpayers are often told that they owe money to the IRS that must be paid through a preloaded debit card, wire transfer, or gift cards from iTunes®, Walmart, or Target. Sometimes taxpayers are tricked into providing their PII, which the impersonator then uses to commit identity theft.

TIGTA aggressively investigates these criminal activities to ensure that taxpayers maintain confidence in the integrity of Federal tax administration.

External Attempts to Corrupt



During this reporting period, investigations into attempts to corrupt or impede tax administration accounted for 12 percent of OI's work.

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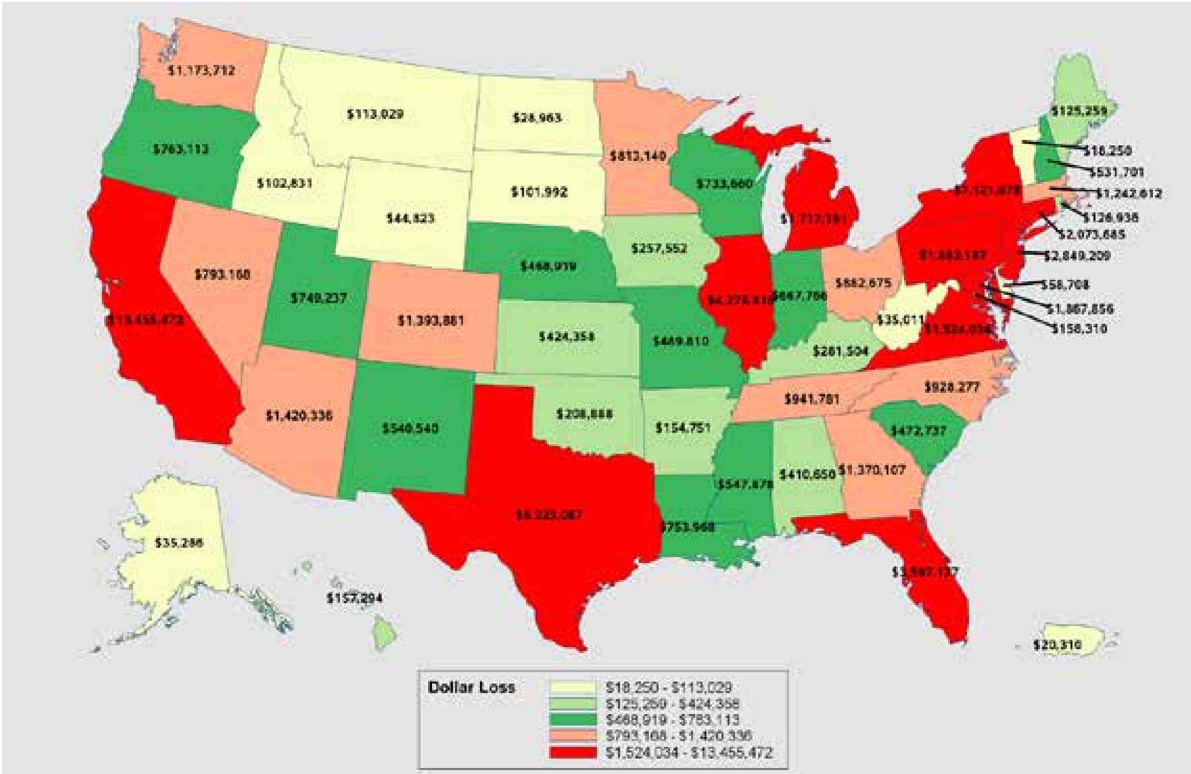
Scams and Schemes

For more than 10 years, the IRS has provided the public with information on its website about what it calls the "Dirty Dozen" list of tax scams. The list, which is compiled annually, features a variety of common scams that taxpayers may encounter. Many of these scams peak during the filing season, as people prepare their returns or utilize the services of paid preparers. The IRS telephone impersonation scam is, once again, included in the IRS's 2018 "Dirty Dozen" list.

Between October 2013 and March 2018, TIGTA logged more than 2.2 million contacts from taxpayers who reported they had received telephone calls from individuals who claimed to be IRS employees. The impersonators told the victims they owed additional tax and that if they did not immediately pay, they would be arrested, lose their driver's license, or face other adverse consequences. As of March 31, 2018, more than 13,162 victims reported they had paid the impersonators a total of more than $65.6 million. As a result of TIGTA's relentless commitment to protecting taxpayers, as of March 31, 2018, a total of 111 individuals have been charged in Federal court for their roles in IRS impersonation scams.

Because of their complexity, scams such as these are not typically resolved quickly. The impersonation scam has claimed victims in every State. The top five States by number of victims who have suffered financial losses are: California, New York, Texas, Illinois, and Florida.

Financial Losses by State



Source: TIGTA's Office of Investigations

In addition to its investigative efforts, TIGTA has taken numerous other steps to combat the IRS impersonation scam and protect taxpayers from being victimized. Specifically, OI created a three-pronged "Advise and Disrupt" strategy. The first part of this strategy involves analyzing the telephone numbers reported to TIGTA. If a number is confirmed to be part of the scam, OI identifies the telephone carrier and requests that the carrier take the number down.

The second part of the strategy is to post scam-related telephone numbers on the Internet, which allows potential victims to determine if the call they received was a part of the scam.

The final part of the strategy is to deploy a TIGTA auto-dialer to call back the impersonators with a message ordering them to cease and desist their criminal activity, while also occupying the impersonators' time and telephone lines. This has resulted in more than 168,201 auto-dialed calls back to the scammers.

As of March 31, 2018, more than 1,327 telephone numbers associated with the scam have been identified using the Advise and Disrupt strategy, and 97 percent of them have been successfully shut down, in some cases within a week.

Tax-related identity theft and IRS impersonation telephone scams cause a strain upon limited IRS and TIGTA resources and challenge the integrity of Federal tax administration.

> "Recent cyber events against the IRS have illustrated that bad actors are continually seeking new ways to attack and exploit IRS systems and processes in order to access tax information for the purpose of committing identity theft and filing fraudulent tax refunds. Bringing these bad actors to justice is a top priority for the IRS and for TIGTA, as we seek to protect all aspects of the system, particularly the confidentiality of taxpayer information."
>
> *– J. Russell George*
> *Treasury Inspector General for Tax Administration*
> *TIGTA Press Release, TIGTA-2017-29*
> *December 27, 2017*

TIGTA is also dedicated to educating the public about identity theft and IRS impersonation scams in its efforts to prevent fraud against the IRS and to protect U.S. taxpayers from falling prey to these scams. TIGTA has been working closely with the IRS, the Federal Trade Commission (FTC), the Federal Communications Commission (FCC), the Consumer Financial Protection Bureau, the Department of Veterans Affairs (VA), the Department of Justice Elder Justice Initiative, the Offices of the U.S. Attorneys, and a variety of State and local governments, as well as media outlets, to publish press releases, warnings, and other public awareness announcements to alert taxpayers to this current scam.

TIGTA urges taxpayers to remain on "high alert" and continues to conduct outreach efforts to prevent them from falling victim to criminals who impersonate IRS and Treasury Department employees. This expanded outreach includes public service announcements, available on **YouTube.com** in English and Spanish, that warn taxpayers about the scam.

The Office of Investigations is also working with its partners in the public and private sectors to help get the word out, both through traditional law enforcement channels and through direct outreach to associations, nongovernmental organizations, and the media.

As part of its continuing collaboration with the FTC and the FCC, OI has, over the past two years, been working with the USTelecom Consortium and the RoboCall Task Force to identify how technology might be used to stop the spoofed calls that are being placed by call centers located outside of the United States. In one successful pilot program, TIGTA and the Department of Homeland Security worked with Verizon Communications, Inc. to block almost two million calls that had been spoofed to appear as though the calls originated from the IRS.

As the impersonation scam progressed, OI worked with the private sector companies who were caught in the middle of this massive fraud. The companies whose services or products were used by the impersonators to monetize the scam cooperated by using techniques to help warn consumers. For example, when a prepaid debit card is purchased, there is a fraud warning that now appears on the signature screen. Likewise, MoneyGram® has placed banners on its kiosks advising customers that if they have been told to pay their taxes by MoneyGram, it is a scam and they should not proceed with the transaction.

Since Apple Inc.'s iTunes cards were being used 70 to 80 percent of the time by the impersonators as a means of cashing in on the fraud, Apple worked with TIGTA to create an audio message to help protect consumers. Apple also agreed to fund the nationwide distribution of this message at grocery and convenience stores, which reached more than 46 million shoppers. Further, Walmart has agreed to train its employees on how to recognize the fraud, post warning placards, and place fraud warning messages on cash envelopes.

Impersonation Scams

The following cases are representative of OI's efforts to investigate impersonation scams during this six-month reporting period:[19]

Connecticut Woman Sentenced to Five Years in Prison for Role in IRS Impersonation Scam

On December 4, 2017, Nancy Frye was sentenced in the District of Connecticut for conspiracy to commit wire fraud. A criminal complaint had previously been filed on September 13, 2016, charging Frye and her accomplice Douglas Martin with the offense in connection with an IRS impersonation scheme. Frye and Martin were subsequently arrested by TIGTA special agents on September 15, 2016.

The scheme to defraud in this matter involved individuals who misrepresented themselves as employees of the IRS when making unsolicited telephone calls to intended victims. During the calls, the impersonator told the victims that they had an outstanding debt to the IRS and that they had to wire funds for payment immediately.

19 The facts in the summarized case narratives come from court documents of the respective jurisdictions and other publicly available records.

According to the criminal complaint, in October 2015, Frye received telephone calls and text messages from individuals who successfully recruited her to pick up money that was wired through MoneyGram and Western Union® and to deposit the money into specific bank accounts. Frye, in turn, recruited Martin and others to assist her in picking up the wired funds from various locations in Connecticut. Between October 2015 and May 2016, Frye and others working at her direction received approximately $547,000 in wired funds.

Martin had previously been sentenced to a total of 41 months' imprisonment followed by three years of supervised release. He had also been ordered to pay restitution in the amount of $279,881.13. Frye was sentenced to a total of 60 months' imprisonment followed by three years of supervised release. Frye was also ordered to pay $588,221.01 in restitution.

Woman Sentenced in Scheme Using Fictitious IRS Tax Liability

On January 5, 2018, in the Southern District of Florida, Doris Ortega was sentenced for wire fraud in connection with a scheme involving the impersonation of the IRS. Ortega had initially been indicted for the offense in June 2017 and pled guilty in October 2017.

According to the court documents, Ortega knowingly devised a scheme to defraud and obtain money by means of materially false and fraudulent pretenses in order to unjustly enrich herself by inducing victims to make payments for fictitious debts.

As part of the scheme, Ortega contacted the victims in person and falsely represented that they would have to make mortgage payments to her to avoid foreclosure on a home and tax payments to the IRS to avoid criminal prosecution.

Ortega informed the victims that the bank requested approximately $60,000 related to the foreclosure and directed one victim to sell a home in Guatemala in order to pay his debt. Unable to sell the home, the victim obtained an equity line of credit on the property in the amount of $20,000 and wired the funds to the United States as instructed by Ortega. Prior to the victim's return from Guatemala, Ortega advised that he would be arrested upon attempting to reenter the United States because of an IRS tax liability of around $28,000. A different victim later provided Ortega with $7,000, which Ortega said would be enough for her to obtain clearance to allow the victim in Guatemala back into the United States.

Ortega later informed the victim that the remaining IRS tax liability of about $21,000 needed to be paid. Ortega supposedly applied two installments, one in the amount of $10,938 and the other in the amount of $10,928, to the tax balance and sent a text message each time, purportedly from the IRS, stating that the victim's payment had been received. In reality, Ortega did not forward any of the funds to the IRS, but rather retained the money for herself. Two of the victims eventually visited an IRS office and learned that they had never had a tax liability, and that the text messages provided by Ortega had not come from the IRS.

Ortega was sentenced to 18 months' imprisonment, to be served consecutively with the undischarged terms of imprisonment in several State cases. Upon release from imprisonment, Ortega will be on supervised release for three years. Additionally, she was ordered to pay $37,928.47 in restitution.

Man From Jamaica Sentenced in Lottery Scheme Targeting the Elderly

On November 16, 2017, in the District of New Jersey, Ricardo Reid was sentenced for defrauding elderly victims through a false and fictitious Jamaican lottery scheme. Reid was initially indicted in April 2016 and pled guilty in November 2016.

According to the court documents, at all times relevant to the charges, Reid was a resident of Jamaica. From about 2011 through about February 2016, Reid knowingly and intentionally conspired with others in a scheme to obtain money by means of false and fraudulent pretenses. The conspirators sought to enrich themselves by obtaining money from elderly and vulnerable individuals in the United States and Canada by tricking the victims into believing that they had won millions of dollars in a lottery or sweepstakes.

Reid and his coconspirators would purchase "client lists" of elderly and vulnerable individuals from brokers specializing in such information. Reid and his coconspirators would then initiate contact with the victims by telephone and falsely represent themselves to be IRS agents, lottery officials, or bankers. They advised the victims that, in order to redeem their winnings from the lottery or sweepstakes, they had to pay registration or other fees and taxes. Victims were directed by several methods to pay the bogus fees and taxes, which were ultimately transferred to Jamaica.

In furtherance of the conspiracy, Reid and his coconspirators generally directed the victims to make repeated payments until either the victims' funds were depleted or they realized they had been scammed and refused to make additional payments. One victim, an 88-year old from Arkansas, sent approximately $111,000; another, a 57-year old from New Jersey, paid a total of approximately $249,000.

Reid was sentenced to 63 months' imprisonment followed by three years of supervised release, and was further ordered to pay $577,703.78 in restitution.

Corrupt Interference

The following cases are representative of OI's efforts to address and deter external attempts to corrupt tax administration during this six-month reporting period:[20]

Delaware Restaurant Owner Pleads Guilty to Attempting to Bribe an IRS Employee

On January 16, 2018, in the District of Delaware, Domenico Procope pled guilty to attempting to bribe a public official. Procope was initially charged in June 2016 for knowingly and corruptly offering and promising something of value to an employee of the IRS with the intent to influence official acts.

According to the court documents, Procope is a Delaware resident who owns and operates several restaurant establishments in the State. Procope had accumulated significant business-related and personal income tax liabilities, which, as of February 2016, had grown to a total of approximately $531,000. Of that amount, Procope's personal liability was approximately $434,000.

An IRS revenue officer assigned to resolve Procope's tax liabilities issued a Notice of Levy on Procope's retirement account after he failed to provide the requested documentation. As a result, approximately $16,000 was turned over to the IRS from the retirement account. In February 2016, prompted by the levy on his retirement account, Procope communicated with the revenue officer several times by telephone and in person and offered to pay her a sum of money in exchange for reducing or eliminating his income tax liabilities. Specifically, Procope told the revenue officer he wanted "this to go away," and offered the revenue officer $70,000 to make that happen.

Immediately after the departure of Procope's accountant from a meeting at Procope's place of business in Bear, Delaware, Procope reiterated that he had $70,000 to resolve his tax debt. Procope proposed to pay $40,000 to the Government and $30,000 in cash to the revenue officer. Procope said the cash payment would be in exchange for a reduction in his IRS tax liabilities and indicated that he expected the revenue officer, in her official capacity, to cause the IRS to issue a letter stating that he had satisfied his personal liability of approximately $434,000.

The following day, Procope gave the revenue officer a check in the amount of $40,000, made payable to the IRS, with the memo of "paid in full" written on the

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20 The facts in the summarized case narratives come from court documents of the respective jurisdictions and other publicly available records.

check. Additionally, he gave the revenue officer $30,000 in cash. Procope's sentencing is scheduled for April 25, 2018.

South Florida Man Sentenced for Theft of Federal Tax Refunds

On March 2, 2018, in the Southern District of Florida, Carl Andre Guillaume was sentenced for the theft of Federal tax refunds. Guillaume had been indicted for the offense in October 2017, after TIGTA special agents had arrested him on September 27, 2017. Guillaume pled guilty to the offense in December 2017.

According to the indictment, from about June 17, 2017 through September 27, 2017, Guillaume and another person knowingly and willfully conspired to receive, conceal, and retain a U.S. Treasury tax refund check, with the purpose of unjustly enriching themselves. They did so knowing the check had been stolen.

As part of the conspiracy, on June 20, 2017, Guillaume opened three Bank of America accounts under the name "K.B. Trust." When opening the accounts, Guillaume presented documents which had been filed with the State of Florida and had listed him as the registered agent/officer for K.B. Trust. Three days after opening the accounts, Guillaume deposited into one of them a U.S. Treasury check in the amount of $133,008, which had been issued to K.B. Trust as a tax refund. He and an alleged coconspirator then began writing and cashing checks payable to themselves, drawn on the same account.

The Treasury check was confirmed to be a genuine trust fund income tax refund check. The trustee for K.B. Trust was identified and interviewed, and confirmed that he/she had not received an anticipated Federal tax refund check in the amount of $133,008, that he/she did not authorize anyone else to open a bank account in the name of K.B. Trust at Bank of America, and that he/she did not authorize or endorse the check to anyone else for deposit.

Guillaume was sentenced to five years of probation, including a period of six months in the Home Detention Electronic Monitoring Program. He was further ordered to pay a total of $78,832.63 in restitution to the IRS.

Tax Preparer Outreach

In addition to promoting employee integrity, TIGTA is also committed to educating tax preparers on integrity. Tax preparers play an important role in ensuring the integrity of tax administration because of their frequent contact with the IRS. During this semiannual reporting period, TIGTA special agents provided 20 integrity presentations to tax preparers at various locations nationwide.

The presentations generally informed tax preparers of TIGTA's role in protecting the integrity of tax administration, the differences between the respective jurisdictions of TIGTA and the IRS, how to identify various forms of preparer misconduct, and common IRS impersonation scams.

These outreach efforts are important due to the influence that tax preparers have on tax compliance or noncompliance. Tax preparers can either assist in the enforcement of tax administration, by ensuring that taxpayers comply with Internal Revenue laws, or they can impede it.

The following cases are representative of OI's efforts to protect tax administration from unscrupulous tax preparers during this six-month reporting period:[21]

Tax Preparer Sentenced in Scheme Defrauding the IRS and the VA

On November 14, 2017, in the District of Massachusetts, Glenn Pearson was sentenced in a scheme to defraud beneficiaries of the VA and the IRS. Pearson pled guilty in May 2017 to wire fraud, misappropriation of veterans benefits by a fiduciary, aiding and assisting in the preparation of a false income tax return, and corruptly endeavoring to impede and impair the IRS.

According to the court documents, Pearson, a resident of Whitman, Massachusetts, was previously employed as a police officer for the Whitman Police Department for approximately 11 years. He later attended law school but was never admitted to the bar. In about November 2007, Pearson applied to become a fiduciary for a disabled veteran. Between 2008 and 2012, Pearson became the fiduciary for at least seven additional veteran beneficiaries.

From approximately November 2007 through at least September 2012, Pearson devised a scheme to defraud and obtain money by means of materially false and fraudulent representations with regard to funds issued by the VA. Pearson enriched himself by improperly taking for himself monies issued by the VA to the beneficiaries for whom he was acting as fiduciary. He also provided false reports to the VA accounting for the funds.

Around 2012, Pearson launched a tax preparation business under the business name of FTS Tax Services (FTS). Pearson owned and operated the business while still serving as a fiduciary for various VA beneficiaries. Through FTS, Pearson prepared Federal and State individual income tax returns, as well as amended tax returns.

21 The facts in the summarized case narratives come from court documents of the respective jurisdictions and other publicly available records.

From about 2012 through about July 2016, Pearson corruptly endeavored to obstruct and impede the due administration of the Internal Revenue laws. Pearson used a false Preparer Tax Identification Number (PTIN) at times, while at other times he substituted an illegible signature in the paid preparer section of the tax returns he prepared, rather than reporting a PTIN. Pearson submitted false Forms 2848, *Power of Attorney and Declaration of Representation,* to the IRS in an effort to represent clients during audits and made false statements to the IRS regarding his status. He submitted false letters and documents to the IRS during audits on behalf of clients and prepared false returns. From about January 2012 through about July 2016, Pearson prepared false Federal tax returns and amended tax returns for clients, overstating or fabricating deductions, expenses, and credits, that resulted in claims for substantial refunds to which the clients were not entitled. Additionally, for TYs 2010 through 2014, Pearson submitted false Federal tax returns for himself.

Pearson was sentenced to 48 months' imprisonment followed by three years of supervised release. He is prohibited from engaging in an occupation, business, or profession that would require or enable him to prepare taxes. Pearson was further ordered to pay $1,079,857.57 in restitution, $826,865 of which is to the IRS.

California Tax Preparer Sentenced in Scheme Involving False Tax Returns and Forged Treasury Refund Checks

On January 8, 2018, in the Central District of California, Frankie Cruz, Jr. was sentenced for conspiracy to defraud the Government and passing forged U.S. Treasury checks. Cruz was initially charged with, and pled guilty to, the offenses in August 2017.

According to the criminal information filed in this case, at all times relevant to the charges, Cruz was a resident of Los Angeles, California, and operated a tax preparation business through a store called "The Spot." Cruz knowingly conspired with others to defraud the United States by obtaining the payment of fraudulent and fictitious claims in the form of income tax refunds from the IRS.

Cruz and his coconspirators prepared and filed individual income tax returns falsely claiming dependents, expenses, and credits to which the named taxpayers were not entitled, in order to fraudulently increase the amount of the claimed refunds. In some instances, Cruz filed returns claiming refunds without the knowledge or authorization of the named taxpayers and without having received any information from the taxpayers. Cruz took possession of all or part of the fraudulently claimed refunds.

On at least one of the fraudulent returns filed, Cruz falsely stated that the return had been prepared by another individual, and he provided the PTIN uniquely assigned to that individual without his/her authorization. Additionally, Cruz, with intent to defraud, negotiated a U.S. Treasury check made payable to another taxpayer, but bearing a forged endorsement.

Cruz was sentenced to 15 months' imprisonment followed by three years of supervised release. He was further ordered to pay $1,284,628 in restitution and is barred from preparing, advising, or assisting in the preparation of any Federal or State tax returns, other than for himself and his spouse.

Advancing Oversight of America's Tax System

TIGTA's Office of Inspections and Evaluations (I&E) identifies opportunities for improvement in IRS and TIGTA programs by performing inspections and evaluations that report timely, useful, and reliable information to decisionmakers and stakeholders.

This function has two primary product lines: inspections and evaluations.

Inspections are intended to:

- Provide factual and analytical information;
- Monitor compliance;
- Measure performance;
- Assess the effectiveness and efficiency of programs and operations;
- Share best practices; and
- Inquire into allegations of waste, fraud, abuse, and mismanagement.

Evaluations are intended to:

- Provide in-depth reviews of specific management issues, policies, or programs;
- Address Governmentwide or multi-agency issues; and
- Develop recommendations to streamline operations, enhance data quality, and minimize inefficient and ineffective procedures.

The following report highlights some of the important work performed by I&E during this six-month reporting period:

Additional Actions Are Needed to Make the Worker Misclassification Initiative With the Department of Labor a Success

The IRS and the U.S. Department of Labor (DOL) share concerns about the estimated millions of workers misclassified as independent contractors instead of employees. The significance of such misclassifications from a tax perspective is that employers are avoiding the payment of payroll taxes, which are used to fund important programs such as Medicare and Social Security. In September 2011, the IRS signed a Memorandum of Understanding (MOU) with the DOL in order to share information and other materials as part of a joint initiative to reduce employee misclassification.

TIGTA found that, overall, the IRS has not effectively implemented the worker misclassification MOU. The IRS cited staff turnover, resource limitations, and other competing priorities as reasons why the MOU had not been prioritized. As a result, the IRS and DOL have not developed the type of robust information exchange envisioned by the MOU. The following shows the implementation status of IRS MOU responsibilities.

IRS MOU Responsibilities and Implementation Status
Implemented
Evaluate and classify DOL referrals and conduct examinations to determine compliance with employment tax laws.
Share DOL referrals with the State and municipal agencies that are authorized to receive tax return information under approved agreements with the IRS.
Participate in joint outreach events with the DOL to the extent possible.
Not Implemented
Provide the DOL with information (other than taxpayer return information) that may constitute a violation of any Federal criminal law that the DOL enforces.
Annually provide the DOL with aggregate data relating to trends in misclassification.
Review the MOU annually to evaluate whether provisions require amendment or revision.
Partially Implemented
Meet on a regular basis as the DOL-IRS team to discuss issues of concern.
Provide annual reports to the DOL summarizing the results achieved by using DOL referrals.
Share employment tax training materials and opportunities with the DOL to the extent possible.

Moreover, DOL referrals were less productive than worker classification examinations that originated from other sources. In FYs 2015 and 2016, DOL referrals resulted in approximately $800,000 in adjustments. However, DOL referrals produced approximately $4,000 in adjustments per return — substantially less than other worker classification returns, which resulted in approximately $12,000 in adjustments per return. One possible cause of the large difference in results is that DOL referrals often did not provide key pieces of information needed by the IRS, such as the number of potentially misclassified workers or the materiality of the wages potentially misclassified. Finally, IRS officials acknowledge difficulties in developing metrics to assess the MOU's effectiveness due to a lack of available data and the small scope of MOU activities.

TIGTA recommended that the Commissioner, Small Business/Self-Employed Division, consider whether provisions of the MOU require amendment, revision, or termination, and ensure that the duties and responsibilities of the IRS, as outlined in the MOU, are executed as required. In addition, the IRS should work with the DOL to design a standardized referral form. Finally, the IRS should develop performance measures in order to monitor the effectiveness of the MOU.

IRS management agreed with TIGTA's recommendations.
Reference No. 2018-IE-R002

Congressional Testimony

On October 4, Danny Verneuille, Assistant Inspector General for Audit, testified before the House Ways and Means Subcommittee on Oversight at a hearing titled "IRS Reform: Challenges to Modernizing IT Infrastructure."

Successful modernization of IRS systems and the development and implementation of new information technology applications are critical to meeting the IRS's evolving business needs and to enhancing services provided to taxpayers. The IRS's reliance on legacy, *i.e.,* older, systems and aged hardware, as well as its use of outdated programming languages pose significant risks to the IRS's ability to deliver its mission. Modernizing the IRS's computer systems has been a persistent challenge for many years and will likely remain a challenge for the foreseeable future.

One of the IRS's top-priority information technology investments is the Customer Account Data Engine 2 (CADE 2). The IRS began developing CADE 2 in 2009 as a replacement for the outdated Individual Master File (IMF).[22]

In 2013, TIGTA reported that the CADE 2 database could not be trusted as a reliable source for downstream systems due to the 2.4 million data corrections that had to be applied to the database and to the IRS's inability to evaluate 431 CADE 2 database columns of data for accuracy.

In a September 2014 follow-up audit, TIGTA reported that the IRS had appropriately completed its data validation efforts. According to the IRS, the CADE 2 release plan is currently being adjusted to reflect the impact of staffing challenges and various possible budget scenarios. The loss of key IMF expertise is causing the reprioritization of CADE 2 goals to focus on IMF reengineering, the suspension of projects, and the potential deferral of planned functionality to be delivered. There is no scheduled or planned completion date for CADE 2 development.

In addition to CADE 2, the IRS replaced its Electronic Fraud Detection System (EFDS) with the Return Review Program (RRP), which enhanced its capabilities to prevent, detect, and resolve criminal and civil noncompliance. The RRP is an important development in the IRS's efforts to keep pace with increasing levels of fraud and in serving the organization's evolving compliance needs.

In a September 2017 report, TIGTA reviewed the RRP to determine if the system could identify all fraud currently identified by other existing fraud detection systems, and assessed the EFDS retirement plans. TIGTA concluded that the RRP better

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22 The IRS database that maintains transactions or records of individual tax accounts.

meets the IRS business objectives of delivering greater fraud detection at a lower false detection rate than the EFDS.

In addition to modernization efforts to replace legacy systems, the IRS is developing and implementing new information technology to modernize its operations, applications, and e-mail system to provide more sophisticated tools to taxpayers and IRS employees. TIGTA has identified several areas where the IRS can improve its efforts to upgrade or enhance its information technology systems.

These include the IRS's:

- Plans to implement and use cloud technologies and services;
- Efforts to establish information technology capabilities to manage temporary and permanent e-mail records; and
- Plans to update its significant levels of "aged" hardware.

On October 25, 2017, Inspector General J. Russell George testified at a hearing titled "Ongoing Management Challenges at IRS" before a joint hearing of the House Committee on Oversight and Government Reform, Subcommittee on Health Care, Benefits and Administrative Rules, and the Subcommittee On Government Operations.

At this hearing, the Inspector General testified regarding TIGTA's findings and recommendations to the IRS to solve various management challenges. The testimony focused on:

- The IRS's continued rehiring of former employees with tax compliance or conduct issues;
- The cybersecurity challenges facing the IRS;
- The IRS's efforts to modernize its aging information technology infrastructure; and
- The IRS's use of critical pay authority.

TIGTA issued two audit reports on the IRS's rehiring of former employees despite tax compliance and conduct issues. A December 2014 TIGTA report found that, although the IRS appropriately applied Office of Personnel Management (OPM) suitability standards, 11.5 percent of former IRS employees rehired between January 1, 2010 and September 30, 2013, had prior substantiated conduct or performance issues.

In a July 2017 follow-up audit, TIGTA found that the IRS has not effectively updated or implemented hiring policies to fully consider past IRS conduct and performance issues prior to making a tentative decision to rehire former employees. Although the IRS may have valid reasons to rehire former employees with conduct or performance issues, TIGTA continues to have concerns about the IRS's decision to rehire certain employees. TIGTA recommended that the IRS Human Capital Officer provide records of former employee conduct and performance issues to selecting officials. The IRS responded positively to this recommendation and noted its intent to update current practices and policies.

The Inspector General also testified that, as it has been pointed out elsewhere in this Semiannual Report, recent cyber events against the IRS have illustrated that bad actors are seeking new ways to exploit the IRS's systems in order to access taxpayer information for the purposes of stealing identities and filing fraudulent tax returns. TIGTA has assessed the IRS's electronic authentication platforms and has made recommendations to meet Government Information Security Standards.[23] The IRS has also made strides in updating its security, including the implementation of two-factor authentication and the strengthening of application and network controls.

TIGTA has identified several areas where the IRS can improve its efforts to upgrade its information technology systems. In a 2013 report, TIGTA stated that the IRS's CADE 2 database could not be trusted as a reliable source for downstream systems. The IRS has developed and implemented a new data validation testing methodology to address TIGTA's concerns with CADE 2. The IRS requested that TIGTA evaluate the system after the updates. In a September 2014 follow-up audit, TIGTA reported that the IRS had appropriately addressed its concerns.

TIGTA determined that IRS policies are not compliant with Federal electronic records requirements and regulations. In particular, TIGTA found that the IRS's e-mail system did not ensure that e-mail records were automatically archived. TIGTA also determined that 41 percent of requirements related to e-mail management remained underdeveloped. The IRS had developed a Future State e-mail system, which it planned to implement by September 30, 2017, in order to address the IRS's e-mail archiving problem.

The IRS's percentage of aged information technology hardware has increased from 40 percent at the beginning of FY 2013 to 64 percent at the beginning of FY 2017. TIGTA has reported that the IRS has not yet achieved its stated objective of reducing the percentage of its aged information technology hardware to an acceptable level of 20 to 25 percent.

TIGTA reported that the IRS has not used Critical Position Pay Authority (CPPA), which allows agencies to seek approval to pay higher annual salaries to employees who are considered to be well-qualified for the position. Congress provided the IRS with

23 OMB, M-04-04, e-Authentication for Federal Agencies (Dec. 2003); National Institute of Standards and Technology (NIST), NIST-SP-800-63-2, Electronic Authentication Guideline (Aug. 2013).

a program similar to CPPA, called Streamlined Critical Pay Authority, which expired on September 30, 2013. TIGTA found that CPPA is not widely used with other Federal Government agencies, meaning the IRS is not an outlier. The IRS intends to seek approval from the OPM and OMB to use CPPA to hire three Information Technology executives.

Audit Statistical Reports

Reports With Questioned Costs

TIGTA issued no audit reports with questioned costs during this semiannual reporting period. The phrase "questioned costs" means costs that are questioned because of:

- An alleged violation of a provision of law, a regulation, a contract, or other requirement governing the expenditure of funds;
- A finding, at the time of the audit, that such cost is not supported by adequate documentation (an unsupported cost); or
- A finding that expenditure of funds for the intended purpose is unnecessary or unreasonable.

The phrase "disallowed cost" means a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.

Reports With Questioned Costs

Report Category	Number	Questioned Costs[24] (in thousands)	Unsupported Costs (in thousands)
1. Reports with no management decision at the beginning of the reporting period	8	$44,747	$0
2. Reports issued during the reporting period	0	$0	$0
3. Subtotals (Item 1 plus Item 2)	**8**	**$44,747**	**$0**
4. Reports for which a management decision was made during the reporting period			
a. Value of disallowed costs	4	$42,784	$0
b. Value of costs not disallowed	0	$0	$0
5. Reports with no management decision at the end of the reporting period (Item 3 minus Item 4)	**4**	**$1,963**	**$0**
6. Reports with no management decision within six months of issuance	4	$1,963	$0

24 "Questioned costs" includes "unsupported costs."

Reports With Recommendations That Funds Be Put to Better Use

TIGTA issued three audit reports during this semiannual reporting period with the recommendation that funds be put to better use.[25] The phrase "recommendation that funds be put to better use" means funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

- Reductions in outlays;
- Deobligations of funds from programs or operations;
- Costs not incurred by implementing recommended improvements related to operations;
- Avoidance of unnecessary expenditures noted in pre-award reviews of contract agreements;
- Prevention of erroneous payment of refundable credits, *e.g.*, EITC; or
- Any other savings that are specifically identified.

The phrase "management decision" means the evaluation by management of the findings and recommendations included in an audit report, and the issuance of a final decision concerning its response to such findings and recommendations, including actions deemed necessary.

Reports With Recommendations That Funds Be Put to Better Use

Report Category	Number	Amount (in thousands)
1. Reports with no management decision at the beginning of the reporting period	0	$0
2. Reports issued during the reporting period	3	$3,309,324
3. Subtotals (Item 1 plus Item 2)	**3**	**$3,309,324**
4. Reports for which a management decision was made during the reporting period		
a. Value of recommendations to which management agreed		
i. Based on proposed management action	3	$1,114,961
ii. Based on proposed legislative action	1	$2,194,363
b. Value of recommendations to which management did not agree	0	$0
5. Reports with no management decision at the end of the reporting period (Item 3 minus Item 4)	**0**	**$0**
6. Reports with no management decision within six months of issuance	0	$0

25 Report Reference Nos. 2018-40-011, 2018-40-012, and 2018-40-015.

Reports With Additional Quantifiable Impact on Tax Administration

In addition to questioned costs and funds put to better use, the Office of Audit has identified measures that demonstrate the value of audit recommendations to tax administration and business operations. These issues are of interest to executives at the IRS and the Department of the Treasury, Members of Congress, and the taxpaying public, and are expressed in quantifiable terms to provide further insight into the value and potential impact of the Office of Audit's products and services. Including this information also promotes adherence to the intent and spirit of the Government Performance and Results Act of 1993.[26]

Definitions of these additional measures are:

Increased Revenue: Assessment or collection of additional taxes.

Revenue Protection: Ensuring the accuracy of the total tax, penalties, and interest paid to the Federal Government.

Reduction of Burden on Taxpayers: Decreases by individuals or businesses in the need for, frequency of, or time spent on communication, recordkeeping, preparation, or costs to comply with tax laws, regulations, and IRS policies and procedures.

Taxpayer Rights and Entitlements at Risk: The protection of due process (rights) granted to taxpayers by law, regulation, or IRS policies and procedures. These rights most commonly arise when filing tax returns, paying delinquent taxes, and examining the accuracy of tax liabilities. The acceptance of claims for and issuance of refunds (entitlements) are also included in this category, such as when taxpayers legitimately assert that they overpaid their taxes.

Taxpayer Privacy and Security: Protection of taxpayer financial and account information (privacy). Processes and programs that provide protection of tax administration, account information, and organizational assets (security).

Inefficient Use of Resources: Value of efficiencies gained from recommendations to reduce cost while maintaining or improving the effectiveness of specific programs; resources saved would be available for other IRS programs. Also, the value of internal control weaknesses that resulted in an unrecoverable expenditure of funds with no tangible or useful benefit in return.

Reliability of Management Information: Ensuring the accuracy, validity, relevance, and integrity of data, including the sources of data and the applications and processing thereof, used by the organization to plan, monitor, and report on its

26 Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of the U.S Code).

financial and operational activities. This measure will often be expressed as an absolute value, *i.e.*, without regard to whether a number is positive or negative, of overstatements or understatements of amounts recorded on the organization's documents or systems.

Protection of Resources: Safeguarding human and capital assets, used by or in the custody of the organization, from accidental or malicious injury, theft, destruction, loss, misuse, overpayment, or degradation.

The number of taxpayer accounts and dollar values shown in the following chart were derived from analyses of historical data, and are thus considered potential barometers of the impact of audit recommendations. Actual results will vary depending on the timing and extent of management's implementation of the corresponding corrective actions, and the number of accounts or subsequent business activities affected as of the dates of implementation. Also, a report may have issues that affect more than one outcome measure category.

Reports With Additional Quantifiable Impact on Tax Administration

Outcome Measure Category	Number of Reports[27]	Number of Taxpayer Accounts	Dollar Value (in thousands)
Increased Revenue	3	0	$117,615
Revenue Protection	5	868,654	$3,948,998
Reduction of Burden on Taxpayers	5	20,107	$0
Taxpayer Rights and Entitlements at Risk	3	459,441	$1,551
Taxpayer Privacy and Security	1	17,792	$0
Inefficient Use of Resources	2	0	$2,156
Reliability of Management Information	8	0	$0
Protection of Resources	0	0	$0

Management did not agree with the outcome measures in the following reports:

- Increased Revenue: Reference Number 2018-43-022;
- Inefficient Use of Resources: Reference Numbers 2018-40-011 and 2018-10-005; and
- Reliability of Management Information: Reference Number 2018-40-003.

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27 The following reports have quantifiable outcome measures: 2018-40-003, 2018-10-004, 2018-10-005, 2018-10-006, 2018-40-010, 2018-40-011, 2018-40-012, 2018-40-013, 2018-40-014, 2018-40-015, 2018-40-016, 2018-43-022, 2018-40-024, and 2018-40-025.

The following reports contained quantifiable impacts other than the number of taxpayer accounts and dollar value:

- Revenue Protection: Reference Number 2018-40-011;
- Reduction of Burden on Taxpayers: Reference Number 2018-40-011; and
- Reliability of Information: Reference Numbers 2018-10-004, 2018-10-006, 2018-40-003, 2018-40-010, 2018-40-011, 2018-40-013, 2018-40-015, and 2018-40-014.

Investigations Statistical Reports[28]

Significant Investigative Achievements

(October 1, 2017 – March 31, 2018)

Complaints/Allegations Received by TIGTA	
Complaints Against IRS Employees	2,120
Complaints Against Non-Employees	2,626
Total Complaints/Allegations	**4,746**
Status of Complaints/Allegations Received by TIGTA	
Investigations Initiated	759
In Process Within TIGTA29	622
Referred to IRS for Action	495
Referred to IRS for Information Only	941
Referred to a Non-IRS Entity30	0
Closed With No Referral	649
Closed Associated With Prior Investigation	1,086
Closed With All Actions Completed	194
Total Complaints	**4,746**
Investigations Opened and Closed	
Total Investigations Opened	1,254
Total Investigations Closed	1,288
Financial Accomplishments	
Embezzlement/Theft Funds Recovered	$24,005
Contract Fraud and Overpayments Recovered	$7,481
Court-Ordered Fines, Penalties, and Restitution	$13,312,541
Out-of-Court Settlements	$0
Potentially Compromised by Bribery	$0
Tax Liability of Taxpayers Who Threaten and/or Assault IRS Employees	$2,816,292
IRS Assets and Resources Protected Against Malicious Loss	$24,586
Total Financial Accomplishments	**$16,184,905**

28 Includes the reporting requirements under the Inspector General Empowerment Act of 2016, Pub. L. No. 114-317, 130 Stat. 1595.

29 Complaints for which final determination had not been made at the end of the reporting period.

30 The term "non-IRS entity" includes other law enforcement entities and Federal agencies.

Status of Closed Criminal Investigations

Criminal Referral	Employee	Non-Employee	Total
Referred – Accepted for Prosecution	14	26	**40**
Referred – Declined for Prosecution	199	107	**306**
Referred – Pending Prosecutorial Decision	15	50	**65**
Total Criminal Referrals[31]	**228**	**183**	**411**
No Referral	**348**	**463**	**811**

Criminal Dispositions[32]

Criminal Disposition	Employee	Non-Employee	Total
Guilty	8	39	47
Nolo Contendere (no contest)	1	4	5
Pretrial Diversion	0	0	0
Deferred Prosecution[33]	0	1	1
Not Guilty	0	0	0
Dismissed	1	5	6
Total Criminal Dispositions	**10**	**49**	**59**

Administrative Dispositions on Closed Investigations[34]

Administrative Disposition	Total
Removed/Terminated	37
Suspended/Reduction in Grade	68
Resigned/Retired/Separated Prior to Adjudication	118
Oral or Written Reprimand/Admonishment	132
Clearance Letter/Closed, No Action Taken	114
Alternative Discipline/Letter With Cautionary Statement/Other	138
Non-Employee Actions[35]	284
Total Administrative Dispositions	**891**

31 Criminal referrals include both Federal and State dispositions.

32 Final criminal dispositions during the reporting period. These data may pertain to investigations referred criminally in prior reporting periods and do not necessarily relate to the investigations referred criminally in the Status of Closed Criminal Investigations table above.

33 Generally, in a deferred prosecution, the defendant accepts responsibility for his/her actions and complies with certain conditions imposed by the court. Upon the defendant's completion of the conditions, the court dismisses the case. If the defendant fails to fully comply, the court reinstates prosecution of the charge.

34 Final administrative dispositions during the reporting period. These data may pertain to investigations referred administratively in prior reporting periods and do not necessarily relate to the investigations closed in the Investigations Opened and Closed table. These data, as reported, reflect a change in the way administrative dispositions were previously categorized.

35 Administrative actions taken by the IRS against non-IRS employees.

Summary of Investigative Reports and Criminal Referrals

Criminal Referral Breakdown (October 1, 2017 – March 31, 2018)	
Number of Investigative Reports Issued	**412**
Referred to the Department of Justice for Criminal Prosecution	395
Referred to State/Local Prosecuting Authorities	17
Number of Indictments and Criminal Informations	**24**
Indictments	18
Criminal Informations	6

The above statistical table was generated as a result of a query of TIGTA OI's case tracking system, Criminal Results Management System.

Interference

During the reporting period, there were no attempts by the IRS to interfere with the independence of TIGTA. Additionally, the IRS did not resist, object to oversight activities, or significantly delay access to information.

Instances of Whistleblower Retaliation

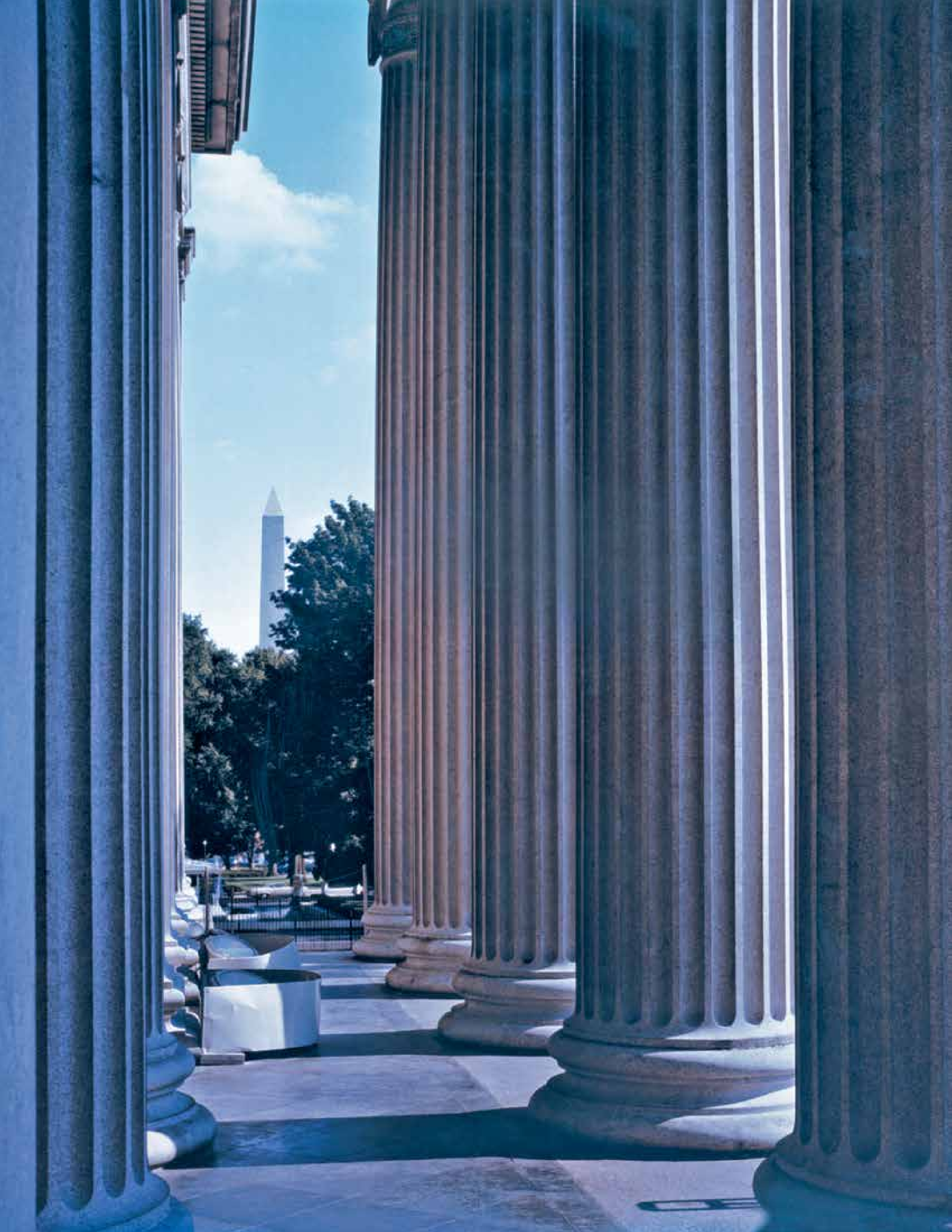
During the reporting period there was one investigation regarding whistleblower retaliation. It was determined that the complaint was unfounded.

Closed[36] Investigations Involving Internal Revenue Service Senior Government Employees[37]

Detailed Description of the Facts and Circumstances of the Investigation:	Result:	Disposition:	Criminal Status:	Date Referred:	If Declined, Date of Declination:
A senior Government employee was alleged to have pressured the IRS to hire his/her son.	Not Substantiated	Separated during investigation	No referral made	N/A	N/A
A senior Government employee was alleged to have retaliated against an employee for reporting misconduct and possessing a conflict of interest in relation to taking disciplinary action against the reporting employee.	Not Substantiated	Closed without action letter	No referral made	N/A	N/A
A senior Government employee was alleged to have misused his/her position to engage in discussions related to obtaining post-retirement employment with service providers utilized by the IRS.	Substantiated	Resigned before adjudication	Declined	09/16/16	09/16/16
A senior Government employee was alleged to have misused his/her position by communicating with an IRS contractor for the purpose of securing personal business opportunities with a firm for which the employee is a managing member.	Substantiated	Suspension	Declined	10/05/16	10/05/16
A senior Government employee was alleged to have conducted "abusive audit practices," to include falsifying records, retaliation, violation of the taxpayer's bill of rights, and targeting a taxpayer based upon ethnicity.	Not Substantiated	Clearance letter	No referral made	N/A	N/A
A senior Government employee was alleged to have engaged in prohibited personnel practices by fraudulently using the Schedule A hiring authority to hire relatives and close acquaintances, some of whom were directly managed by him/her.	Substantiated	Resigned in lieu of termination/ disciplinary action	Declined	10/29/15	10/29/15
Three senior Government employees were alleged to have expressed bias, discrimination, favoritism, retaliation, and to have exhibited poor management practices.	Not Substantiated	Two closed without action letters; and one clearance letter	No referral made	N/A	N/A
A senior Government employee was arrested and charged with aggravated harassment in the second degree.	Substantiated	Oral/written counseling	No referral made	N/A	N/A
A senior Government employee was alleged to have engaged in an extramarital affair with another senior Government employee, which was alleged to have resulted in preferential treatment.	Not Substantiated	Closed without action letter	Declined	10/02/17	10/02/17
A senior Government employee was alleged to have engaged in an extramarital affair with an individual who was within his/her chain-of-command.	Not Substantiated	Closed without action letter	No referral made	N/A	N/A

36 When TIGTA refers an IRS employee investigation to the IRS, the investigation remains open until all actions are completed, including any penalty imposed upon the employee by the IRS. TIGTA closes an employee investigation after receiving notice from the IRS of the administrative action taken in response to that investigation.

37 For this report, a "senior Government employee" refers to an officer or employee in the Executive branch who occupies a position classified at or above GS–15 of the General Schedule. 5 U.S.C. app. § 5(f)(7).



Appendix I
Statistical Reports – Other

Reports With Unimplemented Corrective Actions[38]

The Inspector General Act, as amended, requires the identification of any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations described in previous semiannual reports for which corrective actions have not been completed. The following list is based on information obtained from the Department of the Treasury's Joint Audit Management Enterprise System.[39,40]

Reports With Unimplemented Corrective Actions

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2007-10-068	May 2007		INEFFICIENCIES IN PROCESSING OPERATIONS ASSISTANCE REQUESTS CAUSED TAXPAYERS UNNECESSARY DELAYS
		6/30/18	F-3, R-1: Revise Form 12412, Operations Assistance Request, to allow Requests to be closed as completed or as misrouted only if they had been sent to the wrong Operations liaison.
2008-10-142	July 2008		IMPROVED CONTROLS OVER GRANTS PROVIDED TO LOW INCOME TAXPAYER CLINICS WOULD LOWER THE RISK OF THE INAPPROPRIATE USE OF FEDERAL GOVERNMENT FUNDS
		6/30/18	F-2, R-1: Develop and implement a process to conduct periodic random onsite financial reviews of a sample of clinics. The financial reviews should include the verification of a sample of reported expenditures with source documents, such as invoices and receipts.
2008-20-176	September 2008		THE OFFICE OF RESEARCH, ANALYSIS, AND STATISTICS NEEDS TO ADDRESS COMPUTER SECURITY WEAKNESSES
		9/30/18	F-1, R-5: Ensure that audit and accountability controls are sufficient by requiring audit logs to be maintained a minimum of six years and to be periodically reviewed by the security officer.

38 Acronyms used in this report are defined in the table titled "Acronyms Used Exclusively in Appendices."

39 This data summary does not include reports that are specifically prohibited from disclosure by any provision of law, such as 26 U.S.C. § 6103 protecting tax returns and return information, or that are specifically required by Executive order to be protected from disclosure in the interest of national defense or national security or in the conduct of foreign affairs.

40 The Office of Audit has previously designated one report with unimplemented recommendations as "Sensitive But Unclassified (SBU)." This SBU report concerns subject matter that might create a risk of circumvention of the law if publicly released. There are no potential cost savings associated with any unimplemented recommendations from this report.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2011-10-067	July 2011		THE TAXPAYER ADVOCATE SERVICE CAN MORE EFFECTIVELY ENSURE LOW INCOME TAXPAYER CLINICS ARE APPROPRIATELY USING GRANT FUNDS
		6/30/18	F-1, R-2: Require that all clinics capture and maintain a minimum level of information to support income and controversy determinations. Taxpayer Advocate Service (TAS) personnel should review applicable documentation during site visitations to ensure clinics are providing assistance to the low income taxpayers intended by Congress.
2012-10-052	June 2012		THE TAXPAYER ADVOCATE SERVICE'S ASK-TAS1 TOLL-FREE LINE HAS EVOLVED OVER TIME, BUT ADDITIONAL STEPS ARE NECESSARY TO EVALUATE ITS IMPACT
		6/30/18	F-1, R-3: Ensure a process is implemented to periodically analyze the call statistics captured by the Wage and Investment Division for the new process to determine whether TAS personnel are answering incoming and transferred calls to the ASK-TAS1 toll-free line in an efficient manner.
2012-1C-079	August 2012		FISCAL YEAR 2011 COMPLIANCE WITH REQUIREMENTS OF OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133 APPLICABLE TO RESEARCH AND DEVELOPMENT
		9/15/18	F-1, R-1: Use the Defense Contract Audit Agency (DCAA) report in administering and closing out contracts.
			Potential Cost Savings: $1,477,659
2014-1C-019	May 2014		INDEPENDENT AUDIT OF THE CONTRACTOR'S ASSET MANAGEMENT'S INCURRED COSTS FOR FISCAL YEAR ENDED DECEMBER 31, 2005
		5/29/19	F-1, R-1: Use the DCAA report in administering and closing out contracts.
			Potential Cost Savings: $8,431
2014-10-033	June 2014		THE TAXPAYER ADVOCATE SERVICE CAN IMPROVE THE PROCESSING OF SYSTEMIC BURDEN CASES
		11/30/18	F-1, R-1: Reissue guidance to explain the requirement to only contact authorized representatives when applicable, and emphasize this in future training.
		11/30/18	F-1, R-3: Review the results of sample findings and incorporate lessons learned into future training.
2014-20-083	September 2014		THE INTERNAL REVENUE SERVICE SHOULD IMPLEMENT AN EFFICIENT INTERNAL INFORMATION SECURITY CONTINUOUS MONITORING PROGRAM THAT MEETS ITS SECURITY NEEDS
		5/15/18	F-1, R-1: Select and implement an integrated dashboard of the security scanning tools to allow stakeholders and decisionmakers to make well-informed, risk-based decisions.
2014-40-084	September 2014		A SERVICE-WIDE STRATEGY IS NEEDED TO INCREASE BUSINESS TAX RETURN ELECTRONIC FILING
		12/15/20	F-2, R-1: Develop a less burdensome electronic signature process for businesses e-filing employment tax returns using the Modernized e-File system.
2014-20-085	September 2014		INCREASED SUPPORT IS NEEDED TO ENSURE THE EFFECTIVENESS OF THE FINAL INTEGRATION TEST
		10/15/18	F-3, R-1: To ensure that the Final Integration Test (FIT) program's environment simulates the filing season environment as closely as possible, implement the environment comparison and synchronization process between the FIT program's environment and the filing season environment.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2015-1C-040	July 2015		PROPOSED AMOUNTS ON UNSETTLED FLEXIBLY PRICED CONTRACTS FOR FISCAL YEAR 2008
		2/11/19	F-1, R-1: Use the DCAA report in administering and closing out contracts.
			Potential Cost Savings: $461,653
2015-30-052	July 2015		IMPROVEMENT IS NEEDED IN COMPLIANCE EFFORTS TO IDENTIFY UNSUPPORTED CLAIMS FOR FOREIGN TAX CREDITS
		9/28/18	F-2, R-1: Develop a compliance strategy to address the risks identified with the Foreign Tax Credit (FTC), including the issues of taxpayers receiving both the credit and the deduction for the same foreign tax payments, and taxpayers claiming the FTC without the proper third-party information return documentation.
			Potential Increased Revenue: $40,000,000
2016-40-008	December 2015		CONTINUED REFINEMENT OF THE RETURN REVIEW PROGRAM IDENTITY THEFT DETECTION MODELS IS NEEDED TO INCREASE DETECTION
		On Hold[41]	F-2, R-2: Ensure that tax examiners reverse the fraudulent tax return data entries from the taxpayer's account and place an identity theft indicator on the taxpayer's account for an undelivered check when the taxpayer has not satisfactorily resolved the issue after 30 calendar days.
2016-40-009	December 2015		PROCESSES ARE NEEDED TO ENSURE RELIABILITY OF FEDERAL UNEMPLOYMENT TAX CERTIFICATION FILES AND TO WORK MULTI-STATE CASES
		On Hold	F-1, R-1: Develop a process to identify errors in key data fields, i.e., State wage fields, State unemployment tax rate fields, and the State payment fields, used to calculate allowed Federal Unemployment Tax Act (FUTA) tax credit as part of the IRS's upfront data validation process for State FUTA Certification Data Files. For those errors that materially affect the calculation of allowed FUTA tax credit, request corrected files.
			Potential Increased Revenue: $19,700,000
2016-40-028	March 2016		REVISING TAX DEBT IDENTIFICATION PROGRAMMING AND CORRECTING PROCEDURAL ERRORS COULD IMPROVE THE TAX REFUND OFFSET PROGRAM
		On Hold	F-1, R-1: Revise identification processes to include sole proprietor information from Form SS-4, Application for Employer Identification Number, to identify individual tax refunds to offset business tax debt.
		On Hold	F-2, R-4: Revise computer programming to ensure that credit elects are offset to any associated tax debt on the Non-Master File.
		On Hold	F-3, R-1: Revise computer programming to use the Limited Liability Company (LLC) indicator on the business tax account to ensure that individual tax refunds are not offset to the associated LLC's business tax debt.
2016-43-033	March 2016		AFFORDABLE CARE ACT: INTERNAL REVENUE SERVICE VERIFICATION OF PREMIUM TAX CREDIT CLAIMS DURING THE 2015 FILING SEASON
		On Hold	F-2, R-1: Modify the Income and Family Size Verification processes to use the most current data available at the time a request is received from an Exchange when determining if a taxpayer has reconciled Advance Premium Tax Credit received in the prior calendar year.

41 Except for one report, recommendations designated as "On Hold" were agreed to by the IRS, but action was deferred pending the availability of funds. For report 2017-40-085, F-3, R-1 was agreed to by the IRS, but was placed on hold because it awaits input from another agency.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2016-30-030	June 2016		IMPROVEMENTS ARE NEEDED IN OFFSHORE VOLUNTARY DISCLOSURE COMPLIANCE AND PROCESSING EFFORTS
		On Hold	F-2, R-2: Establish one mailing address for taxpayers to use for submitting their offshore voluntary disclosure requests and related documentation.
2016-10-038	June 2016		ACCESS TO GOVERNMENT FACILITIES AND COMPUTERS IS NOT ALWAYS REMOVED WHEN EMPLOYEES SEPARATE
		6/15/18	F-1, R-1: Review and update the current Separating Employee Clearance policies, procedures, and controls, including the Internal Revenue Manual, and provide comprehensive training on the updated procedures to managers and security personnel. This should include periodic reminders and highlights of the risk of Separating Employee Clearance procedures not being followed.
2016-10-057	August 2016		IMPROVED CONTROLS ARE NEEDED TO ACCOUNT FOR THE ISSUANCE AND RETURN OF CONTRACTOR EMPLOYEE LAPTOP COMPUTERS
		4/15/18	F-1, R-1: Strengthen management oversight by updating appropriate checklists (or the appropriate contract administration process) and conduct training to provide reasonable assurance that barcodes are documented in contract administration documentation for the issuance of laptop computers to contractor employees and the return of laptop computers from contractor employees.
		4/15/18	F-1, R-2: Develop a process to review and compare contract administration documentation to computer inventory records to provide reasonable assurance that barcodes are documented correctly in contract administration files for the issuance and return of laptop computers to contractor employees.
2016-40-078	September 2016		DUE TO THE LACK OF ENFORCEMENT, TAXPAYERS ARE AVOIDING BILLIONS OF DOLLARS IN BACKUP WITHHOLDING
		9/15/18	F-2, R-1: Evaluate and document the criteria used to exclude information returns with missing or incorrect Taxpayer Identification Numbers (TIN) from payer notification.
		11/15/18	F-3, R-1: Update payer identification and notification processes to include Forms 1099-G, Certain Government Payments, with missing or incorrect payee TINs.
2016-30-083	September 2016		AS THE USE OF VIRTUAL CURRENCIES IN TAXABLE TRANSACTIONS BECOMES MORE COMMON, ADDITIONAL ACTIONS ARE NEEDED TO ENSURE TAXPAYER COMPLIANCE
		9/28/18	F-1, R-1: Develop a coordinated virtual currency strategy that includes outcome goals, a description of how the agency intends to achieve those goals, and an action plan with a timeline for implementation. In addition, the strategy should use the tools available to the IRS and identify how the IRS is going to meet its Bank Secrecy Act, criminal investigation, and tax enforcement obligations as related to virtual currencies as well as identify how actions will be monitored and the methodologies used to measure the actions taken.
2016-30-089	September 2016		THE LARGE BUSINESS AND INTERNATIONAL DIVISION'S STRATEGIC SHIFT TO ISSUE-FOCUSED EXAMINATIONS WOULD BENEFIT FROM RELIABLE INFORMATION ON COMPLIANCE RESULTS
		10/15/18	F-2, R-1: Develop and implement plans to streamline the Uniform Issue List (UIL) codes available to examiners, provide additional guidance for the appropriate use of UIL codes, and include UIL code accuracy in program and evaluative quality reviews.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2016-30-090	September 2016		BARRIERS EXIST TO PROPERLY EVALUATING TRANSFER PRICING ISSUES
		9/15/18	F-1, R-1: Ensure that employees follow the Roadmap and include this as an attribute of the quality review process.
		9/15/18	F-1, R-2: Ensure that taxpayers undergoing examinations with a transfer pricing issue have a clear understanding of the Roadmap. This should include providing them a copy of the Roadmap prior to the beginning of the examination engagement and requiring employees to be consistent in its use.
		9/15/18	F-2, R-1: Ensure that Transfer Pricing Practice (TPP) employees have full access to the SRS and that they work collaboratively with the International Business Compliance (IBC) function to ensure that transfer pricing issues are consistently identified and directed for specialized review.
		9/15/18	F-2, R-3: Ensure that adequate transfer pricing training is provided. The Large Business and International (LB&I) Division should require mandatory transfer pricing specific training for TPP and IBC function employees and managers. The LB&I and Small Business/Self-Employed (SB/SE) Divisions should ensure that LB&I (Domestic) and SB/SE Divisions' Examination function employees and managers with potential exposure to transfer pricing issues be adequately trained to identify, refer (as necessary), and work transfer pricing issues appropriately. Detailed training plans should be implemented and include documentation and tracking of all employees' successful completion of the mandatory training.
		9/15/18	F-3, R-1: Develop a comprehensive transfer pricing strategy that includes outcome-related strategic goals, a description of how the LB&I Division intends to achieve those goals, and an action plan with a timeline for implementation. This strategy should measure the success and productivity of the examinations of transfer pricing issues. This should include, but is not limited to, the amount of the examination adjustments and the taxes ultimately assessed.
2017-30-010	October 2016		EMPLOYEES SOMETIMES DID NOT ADHERE TO E-MAIL POLICIES WHICH INCREASED THE RISK OF IMPROPER DISCLOSURE OF TAXPAYER INFORMATION
		10/15/20	F-3, R-1: Update the EEFax[42] system to allow encrypted messages to be sent to the EEFax system server.
2017-40-011	November 2016		ACTIONS CAN BE TAKEN TO IMPROVE PROCESSES OF A NEWLY DEVELOPED PROGRAM THAT ENABLES VICTIMS OF IDENTITY THEFT TO REQUEST COPIES OF FRAUDULENT TAX RETURNS
		On Hold	F-1, R-2: Implement an automated process to redact PII on copies of fraudulent returns provided to identity theft victims.
2017-10-018	March 2017		STATUS OF DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT IMPLEMENTATION EFFORTS
		4/15/19	F-1, R-2: Pursue methods of automating the capture of data for 10 procurement-related elements required by the Digital Accountability and Transparency Act (DATA Act) reporting in its successor procurement system.
2017-10-019	March 2017		RESOLUTION OF DEFENSE CONTRACT AUDIT AGENCY FINDINGS OF QUESTIONED CONTRACTOR COSTS NEED SIGNIFICANT IMPROVEMENT
		4/15/18	F-1, R-2: Ensure that findings of questioned costs identified in audits of contractor incurred costs are addressed in conformance with requirements of Treasury Directive 40-03 and the Office of Management and Budget Circular No. A-50, which establishes 11 standards that must be met to assure the prompt and proper resolution of audit findings and implementation of audit recommendations.
		4/15/18	F-3, R-1: Develop procedures that require the inclusion of cognizant contractor audit representatives on negotiation teams lead by IRS contracting officers.

42 Automated system that allows all IRS employees to send facsimiles (Fax) to any recipient from their IRS computer.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2017-10-020	March 2017		CONTINUITY PLANNING AND EMERGENCY PREPAREDNESS FOLLOW-UP AUDIT
		8/31/18	F-1, R-2: Improve the process of tracking compliance with required training for continuity positions by developing and maintaining an accurate list of active personnel and monitoring this list for training compliance.
2017-43-022	March 2017		AFFORDABLE CARE ACT: VERIFICATION OF PREMIUM TAX CREDIT CLAIMS DURING THE 2016 FILING SEASON
		On Hold	F-5, R-1: Modify nonfiler identification processes to use the most current data available at the time notices are sent to ensure that resources are not wasted alerting individuals of nonfiling when in fact a return or request for an extension has been received.
			Potential Cost Savings: $7,676
2017-40-026	March 2017		INCONSISTENT PROCESSES AND PROCEDURES RESULT IN MANY VICTIMS OF IDENTITY THEFT NOT RECEIVING IDENTITY PROTECTION PERSONAL IDENTIFICATION NUMBERS
		2/15/19	F-2, R-1: Ensure that all functions have consistent procedures for adding identity theft markers that create an Identity Protection Personal Identification Number for all confirmed victims of identity theft whose current address cannot be confirmed.
		10/15/18	F-4, R-2: Develop an outreach strategy to increase taxpayer awareness in identified locations of the Opt-In Program.
2017-40-031	June 2017		THE NUMBER OF EMPLOYMENT-RELATED IDENTITY THEFT VICTIMS IS SIGNIFICANTLY GREATER THAN IDENTIFIED
		On Hold	F-1, R-2: Correct programming as needed to ensure that the employment identity theft marker is placed on all victims' tax account for Individual TIN (ITIN)/SSN mismatches on e-filed tax returns.
		On Hold	F-2, R-3: Develop processes and procedures to identify ITIN/SSN mismatches on ITIN paper tax returns with a Form W-2, Wage and Tax Statement, attached and add an employment identity theft marker to the valid SSN owners' tax accounts.
		7/15/18	F-4, R-2: Develop a process to send a Form 9409, IRS/SSA Wage Worksheet, to the Social Security Administration (SSA) when ITIN/SSN mismatches are identified during tax return processing and the mismatch involves an ITIN holder using a victim's SSN and full or partial name to commit employment identity theft.
2017-40-038	July 2017		CASE SELECTION PROCESSES RESULT IN BILLIONS OF DOLLARS IN POTENTIAL EMPLOYER UNDERREPORTED TAX NOT BEING ADDRESSED
		9/15/18	F-1, R-1: Evaluate the current agreement and workload processes with the SSA, as required, and ensure that the IRS is expending resources to work the most productive SSA-Combined Annual Wage Reporting (CAWR) cases.
		5/15/18 On Hold	F-2, R-1: Revise the case selection process to include auto-generated cases with the highest potential tax assessment and expand discrepancy case selection to include cases currently excluded from the systemic selection process.
		9/15/18	F-3, R-1: Establish a systemic process to match data fields to perfect unpostable Forms W-3, Transmittal of Wage and Tax Statements.
		6/15/18	F-3, R-2: Update internal guidelines to include specific procedures for employees to follow on how to research and perfect CAWR unpostable cases.
			F-3, R-3: Ensure that managerial reviews are performed as required to ensure that CAWR unpostable cases are properly researched and perfected.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2017-40-041	July 2017		ACTIONS NEED TO BE TAKEN TO ENSURE COMPLIANCE WITH PRISONER REPORTING REQUIREMENTS AND IMPROVE IDENTIFICATION OF PRISONER RETURNS
		5/15/18	F-1, R-1: Develop a master list of prison institutions nationwide for use in verifying Federal Bureau of Prisons and State Departments of Corrections compliance with legislative reporting requirements.
		5/15/18	F-4, R-1: Expand the communication strategy for the Blue Bag Program to ensure that all Federal Bureau of Prisons and State Departments of Corrections institutions are made aware of the program.
		5/15/18	F-5, R-1: Include information in the annual report to Congress on all tax returns, including identity theft tax returns, the IRS identifies through its fraud detection processes as being filed using a prisoner SSN.
2017-40-042	July 2017		PROCESSES DO NOT MAXIMIZE THE USE OF THIRD-PARTY INCOME DOCUMENTS TO IDENTIFY POTENTIALLY IMPROPER REFUNDABLE CREDIT CLAIMS
		6/15/18	F-1, R-1: Take steps to recover the more than $34.8 million in EITCs, CTCs, ACTCs, and AOTCs erroneously paid to the 15,744 filers with retroactive claims that TIGTA identified.
		9/15/18	F-2, R-2: Conduct a study to quantify the number of EITC and ACTC claims that the IRS identifies with unreported, underreported, and overreported income.
		9/15/18	F-3, R-1: Evaluate the use of nonwork SSN data the IRS currently has available for use in its systemic processes to identify potentially erroneous EITC claims.
2017-30-048	August 2017		ADDITIONAL CONTROLS ARE NEEDED TO HELP ENSURE THAT NONRESIDENT ALIEN INDIVIDUAL PROPERTY OWNERS COMPLY WITH TAX LAWS
		On Hold	F-1, R-1: Request that a revision be made to Form 1040NR, U.S. Nonresident Alien Income Tax Return, to enable nonresident aliens to make an election under I.R.C. § 871(d) and revise processing procedures to ensure that the IRS records the election.
		10/15/18	F-2, R-1: Develop a compliance initiative addressing nonresident aliens who do not report rental income generated by real property they own in the United States.
2017-20-057	September 2017		WHILE RELEASE 1.0 OF THE WEB APPLICATIONS SYSTEM WAS SUCCESSFULLY DEPLOYED, SEVERAL FACTORS CONTRIBUTED TO IMPLEMENTATION DELAYS
		10/15/18	F-1, R-2: Streamline the current Unified Work Request process by incorporating processes that support the needs of the Agile development methodology.
2017-20-062	September 2017		THE INTERNAL REVENUE SERVICE IS NOT IN COMPLIANCE WITH FEDERAL REQUIREMENTS FOR SOFTWARE ASSET MANAGEMENT
		9/15/18	F-1, R-1: Establish executive governance for Software Asset Management (SAM) within the IRS which acts as a centralized group to ensure that effective and knowledgeable decisions are being made timely by authorized personnel.
		11/15/18	F-1, R-2: Establish a SAM framework using Federal requirements and industry best practices as guidelines.
		11/15/18	F-1, R-3: Assess current SAM practices to identify gaps within the IRS's management of software licenses and take necessary corrective actions to resolve issues using the SAM framework.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2017-10-068	September 2017		BETTER DOCMENTATION IS NEEDED TO SUPPORT OFFICE OF APPEALS' DECISIONS ON INTERNATIONAL CASES
		8/15/18	F-1, R-1: Reinforce to personnel that Appeals Case Memoranda for cases settled under the hazards of litigation should be documented to include the weighted hazards of both the taxpayer's and the Government's positions and show how settlement amounts or percentages were determined, as required by IRS guidance.
		3/15/18	F-2, R-1: Secure the unlocated case files, determine the reason(s) the files were not locatable, and implement controls to ensure accessibility of case files.
2017-30-078	September 2017		A SIGNIFICANTLY REDUCED AUTOMATED SUBSTITUTE FOR RETURN PROGRAM NEGATIVELY AFFECTED COLLECTION AND FILING COMPLIANCE
		6/15/18	F-1, R-2: Revise the Automated Substitute for Return (ASFR) case selection strategy to prioritize more high-net tax due and repeat nonfilter cases, both of which constitute a significant tax compliance risk.
		6/15/18	F-1, R-3: Reverse the policy of working only the most current tax year for high-net- tax due cases to working all delinquent tax years.
		10/15/18	F-3, R-1: Incorporate prior filing information, including allowable exemptions, deductions, and credits, into the nonfilter case creation process for ASFR inventory selection purposes.
		10/15/18	F-3, R-2: Monitor abatement and refund cases regularly to determine if any additional criteria can be added to the case creation process to eliminate these cases for ASFR inventory selection purposes.
		10/15/18	F-4, R-1: Track and measure the ASFR closure results for abatement rates, refund rates, and collection rates and categorize the results by types of closures, including Refund Hold and high-net tax due, to better measure ASFR productivity.
2017-30-083	September 2017		THE INTERNAL REVENUE SERVICE IS UNDERUTILIZING FORM 1099-K DATA TO IDENTIFY TAX RETURNS FOR AUDIT
		10/15/18	F-1, R-1: Consider implementing compliance projects to test the use of Form 1099-K, Payment Card and Third Party Network Transactions, data to identify certain types of tax returns for audit.
		10/15/18	F-2, R-1: Identify and address the reasons tax returns with large discrepancies between income reported on tax returns and the amounts reported on Form 1099-K were not selected for audit or other treatment.
2017-40-085	September 2017		FURTHER ACTIONS ARE NEEDED TO REDUCE THE RISK OF EMPLOYMENT TAX FRAUD TO BUSINESSES THAT USE THE SERVICES OF PROFESSIONAL EMPLOYER ORGANIZATIONS
		9/15/18	F-1, R-1: Consider a legislative proposal to require noncertified Professional Employer Organizations (PEO) to register with the IRS, similar to requiring tax return preparers to obtain a PTIN, and require the noncertified PEOs to file a Schedule R, Allocation Schedule for Aggregate Form 941 Filers, with their Form 941, Employers' QUARTERLY Federal Tax Return.
		12/15/18	F-2, R-1: Establish timeliness standards for reviewing applications.
		On Hold	F-3, R-1: Establish processes and procedures to reduce unnecessary resources expended notifying employers of an address change when programming incorrectly identifies an address change resulting from minor formatting revisions.
		On Hold	F-3, R-2: Ensure that programming is updated to include Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, in the criteria to generate CP148 notices when an address is changed.
		On Hold	F-3, R-4: Ensure that EINs are truncated on all CP148 notices.

Other Statistical Reports

The Inspector General Act, as amended, requires Inspectors General to address the following issues:[43]

Issue	Result for TIGTA
Interference/Access to Information Report any attempt to interfere with the independence of TIGTA, including: budget constraints designed to limit the capabilities of TIGTA; and incidents of resistance or objection to oversight activities of TIGTA. Report restricted or significantly delayed access to information, including the justification of the establishment for such action.	As of March 31, 2018, there were no attempts to interfere with the independence of TIGTA or any instances of restricted or significantly delayed access to information.
Disputed Recommendations Provide information on significant management decisions in response to recommendations with which the Inspector General disagrees.	As of March 31, 2018, there were no instances in which significant recommendations were disputed.
Revised Management Decisions Provide a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	As of March 31, 2018, there were no significant revised management decisions.
Reports Issued in the Prior Reporting Period With No Management Response Provide a summary of each report issued before the beginning of the current reporting period for which no management response was received within 60 days of the report issuance date.	As of March 31, 2018, there were no prior reports for which management's response was not received within 60 days of issuance.
Disclosure Provide detailed descriptions of the circumstances of each inspection, evaluation, and audit that was closed by the agency and was not disclosed to the public.	As of March 31, 2018, there were no reports that had been closed and were not disclosed to the public.
Review of Legislation and Regulations Review existing and proposed legislation and regulations, and make recommendations concerning the impact of such legislation or regulations.	TIGTA's Office of Chief Counsel reviewed 271 proposed regulations and legislative requests during this reporting period.

43 Results listed are for this reporting period only.

Appendix II

Audit Products

October 1, 2017 - March 31, 2018

Audit Products	
Reference Number	**Report Title**
October 2017	
2018-10-002	**44
2018-40-001	Improvements Are Needed to Better Document the Return Preparer Refundable Credit Compliance Treatment Identification and Selection Process
November 2017	
2018-10-004	Improved Controls Are Needed to Account for the Return of Contractor Employee Identification Cards (Reliability of Information: 523 records)
2018-10-006	Fiscal Year 2017 Digital Accountability and Transparency Act Reporting Compliance (Reliability of Information: 3,862 transactions)
2018-40-003	Processes Do Not Always Ensure That Electronic Filing Identification Numbers Are Assigned to Qualified Applicants or Deactivated When Required (Reliability of Information: 1,795 e-file applications)
December 2017	
2018-10-009	Agency-Wide Shared Services Implemented Corrective Actions Associated With Prior Recommendations
January 2018	
2018-10-017	Independent Attestation Review of the Internal Revenue Service's Fiscal Year 2017 Annual Accounting of Drug Control Funds and Related Performance
2018-10-018	Review of the Internal Revenue Service's Purchase Card Violations Report and the Status of Recommendations
2018-40-010	Processes Need to Be Improved to Identify Incomplete and Fraudulent Applications for Individual Taxpayer Identification Numbers (Reliability of Information: 528,272 Individual Taxpayer Identification Number (ITIN) accounts and 46 Certified Acceptance Agent agreements impacted)
2018-40-011	Some Legal Requirements to Deactivate Individual Taxpayer Identification Numbers Have Not Been Met (Funds Put to Better Use: $3,294,227; Increased Revenue: 2,848,694 impacting 11,116 tax returns; Revenue Protection: 12,490,829 ITIN accounts impacted; Inefficient Use of Resources: $365,868; Taxpayer Burden: 5,860 ITIN accounts impacted; Reliability of Information: 4,264 ITIN accounts impacted)
2018-40-012	Results of the 2017 Filing Season (Funds Put to Better Use: $3,297,127,798; Revenue Protection: $2,774,465,892 impacting 868,654 taxpayer accounts; Taxpayer Rights and Entitlements: $1,061,691 impacting 494 taxpayer accounts)
February 2018	
2018-20-007	Electronic Authentication Process Controls Have Been Improved, but Have Not Yet Been Fully Implemented
2018-40-013	Actions Are Needed to Reduce the Risk of Fraudulent Use of Employer Identification Numbers and to Improve the Effectiveness of the Application Process (Taxpayer Burden: 3,823 taxpayer accounts impacted; Reliability of Information: 259,952 entity accounts impacted)
2018-40-016	Most Employment Identity Theft Victims Have Not Been Notified That Their Identities Are Being Used by Others for Employment (Taxpayer Rights and Entitlements: 458,658 taxpayer accounts impacted; Taxpayer Burden: 15,168 taxpayer accounts impacted)
2018-10-005	The Internal Revenue Service Has Implemented Some Screening Procedures, but Employees With Recent Tax and Conduct Issues Continue to Receive Awards (Inefficient Use of Resources: $1,790,027)
2018-40-015	Employer Noncompliance With Wage Reporting Requirements Significantly Reduces the Ability to Verify Refundable Tax Credit Claims Before Refunds Are Paid (Funds Put to Better Use: $8,902,068; Increased Revenue: $866,940; Taxpayer Rights and Entitlements: $489,423 impacting 289 taxpayer accounts; Reliability of Information: 40,043 Individual Taxpayer Identification Numbers impacted)

44 This information is redacted because TIGTA has determined that it is Law Enforcement Information Related to the Physical Safety of the IRS Centers.

Audit Products	
Reference Number	**Report Title**
March 2018	
2018-40-014	Transcript Delivery System Authentication and Authorization Processes Do Not Adequately Protect Against Unauthorized Release of Tax Information (Revenue Protection: $1,163,762,302; Taxpayer Privacy and Security: 17,792 taxpayer accounts impacted; Reliability of Information: 1,356 IVES participants impacted)
2018-43-022	Affordable Care Act: Processes to Identify Employers Subject to the Employer Shared Responsibility Payment Need Improvement (Increased Revenue: $113,899,153; Taxpayer Burden: 83 taxpayer accounts impacted)
2018-30-023	The Uncertain Tax Position Statement Does Not Contain Sufficient Information to Be Useful in Compliance Efforts
2018-20-019	System Changes Resulted in Successfully Processed Third-Party Income Documents, but Processes for Using the Information Need Improvement
2018-40-025	Late Receipt of Wage Reporting Documents Reduces Fraud Detection Capabilities and Increases Taxpayer Burden (Revenue Protection: $7,710,335; Taxpayer Burden: 1,033 taxpayer accounts impacted)
2018-40-024	Some Tax Returns Selected for Fraud Screening Did Not Have Refunds Held and Required Notifications Were Not Always Sent to Taxpayers (Revenue Protection: $3,059,504)

Appendix III

TIGTA's Statutory Reporting Requirements

TIGTA issued two audit reports required by statute dealing with the adequacy and security of IRS technology during this reporting period. In FY 2018, TIGTA will complete its 17th round of statutory reviews that are required annually by RRA 98. It will also complete its annual review of the Federal Financial Management Improvement Act of 1996 (FFMIA), the Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission and Assertions, the Government Charge Card Abuse Prevention Act of 2012, Executive Order 13520 – Reducing Improper Payments and Eliminating Waste in Federal Programs, and the Improper Payments Elimination and Recovery Act of 2010 (IPERA). The following table reflects the FY 2018 statutory reviews.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
Enforcement Statistics I.R.C. § 7803(d)(1)(A)(i)	Requires TIGTA to evaluate the IRS's compliance with restrictions under RRA 98 § 1204 on the use of enforcement statistics to evaluate IRS employees.	Fieldwork currently in progress.
Restrictions on Directly Contacting Taxpayers I.R.C. § 7803(d)(1)(A)(ii)	Requires TIGTA to evaluate the IRS's compliance with restrictions under I.R.C. § 7521 on directly contacting taxpayers who have indicated that they prefer their representatives be contacted.	Fieldwork currently in progress.
Filing of a Notice of Lien I.R.C. § 7803(d)(1)(A)(iii)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. § 6320 (a) upon the filing of a notice of lien.	Fieldwork currently in progress.
Extensions of the Statute of Limitations for Assessment of Tax I.R.C. § 7803(d)(1)(C) I.R.C. § 6501(c)(4)(B)	Requires TIGTA to include information regarding extensions of the statute of limitations for assessment of tax under I.R.C. § 6501 and the provision of notice to taxpayers regarding the right to refuse or limit the extension to particular issues or a particular period of time.	Fieldwork currently in progress.
Levies I.R.C. § 7803(d)(1)(A)(iv)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. § 6330 regarding levies.	Fieldwork currently in progress.
Collection Due Process I.R.C. § 7803(d)(1)(A)(iii) and (iv)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. §§ 6320 and 6330 regarding taxpayers' rights to appeal lien or levy actions.	Fieldwork currently in progress.
Seizures I.R.C. § 7803(d)(1)(A)(iv)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. §§ 6330 through 6344 when conducting seizures.	Fieldwork currently in progress.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
Taxpayer Designations – Illegal Tax Protester Designation and Similar Designations I.R.C. § 7803(d)(1)(A)(v)	An evaluation of the IRS's compliance with restrictions under RRA 98 § 3707 on designation of taxpayers.	Fieldwork currently in progress.
Disclosure of Collection Activities With Respect to Joint Returns I.R.C. § 7803(d)(1)(B) (TIGTA requirement) I.R.C. § 6103(e)(8) (IRS requirement)	Requires TIGTA to review and certify whether the IRS is complying with I.R.C. § 6103(e)(8) to disclose information to an individual filing a joint return on collection activity involving the other individual filing the return.	Fieldwork currently in progress.
Administrative or Civil Actions With Respect to the Tax Collection Practices Act of 1996 I.R.C. § 7803(d)(1)(G) I.R.C. § 6304 RRA 98 § 3466	Requires TIGTA to include information regarding any administrative or civil actions with respect to violations of the fair debt collection provision of I.R.C. § 6304, including a summary of such actions and any resulting judgments or awards granted.	Fieldwork currently in progress.
Denial of Requests for Information I.R.C. § 7803(d)(1)(F) I.R.C. § 7803(d)(3)(A)	Requires TIGTA to include information regarding improper denial of requests for information from the IRS, based on a statistically valid sample of the total number of determinations made by the IRS to deny written requests to disclose information to taxpayers on the basis of I.R.C. § 6103 or 5 U.S.C. § 552(b)(7).	Fieldwork currently in progress.
Adequacy and Security of the Technology of the IRS I.R.C. § 7803(d)(1)(D)	Requires TIGTA to evaluate the IRS's adequacy and security of its technology.	Security Reviews: Ref. No. 2018-20-007; February 2018 Information Technology Reviews: Ref. No. 2018-20-019; March 2018
Federal Financial Management Improvement Act of 1996 (FFMIA) 31 U.S.C. § 3512	Requires TIGTA to evaluate the financial management systems to ensure compliance with Federal requirements or the establishment of a remediation plan with resources, remedies, and intermediate target dates to bring the IRS into substantial compliance.	Fieldwork currently in progress.
Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission and Assertions National Drug Enforcement Policy 21 U.S.C. § 1704(d) and the Office of National Drug Control Policy Circular entitled Drug Control Accounting, dated May 1, 2007	Requires TIGTA to authenticate the IRS's ONDCP detailed accounting submission and assertions.	Ref. No. 2018-10-017; January 2018 The FY 2017 performance goals that were first reported in the FY 2016 submission were not updated. Otherwise, based on TIGTA's review, nothing came to our attention that caused us to believe that the assertions in the IRS's Detailed Accounting Submission and Performance Summary Report are not fairly presented in all material respects in accordance with ONDCP's established criteria.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
Government Charge Card Abuse Prevention Act of 2012 Pub. L. No. 112-194, 126 Stat. 1445	Requires TIGTA to report on IRS progress in implementing purchase and travel card audit recommendations.	Ref. No. 2018-10-018; January 2018 The IRS identified and reported six instances of confirmed purchase card misuse and 21 instances of purchase card misuse pending final agency action. The six confirmed purchase card misuse cases reported by the IRS collectively totaled $134. TIGTA also reviewed the IRS's current charge card guidance and determined that policies and procedures have been established and designed to mitigate the risk of fraud and inappropriate Government travel and purchase card practices.
Improper Payments Elimination and Recovery Act of 2010 (IPERA) 31 U.S.C. § 3321	Requires TIGTA to assess the IRS's compliance with improper payment requirements.	Fieldwork currently in progress.
Digital Accountability and Transparency Act of 2014 (DATA Act) Pub. L. No. 113-101, 128 Stat. 1124	Requires TIGTA to assess the completeness, timeliness, quality, and accuracy of data that the IRS submits to comply with the DATA Act.	Ref. No. 2018-10-006; November 2017 TIGTA determined that the IRS certified and submitted DATA Act spending data by May 2017, as required, for publication on \ ZHzwl ukpun5nv}. However, TIGTA's review of 206 (of the 366 total for Treasury) procurement and grant transactions found that significant improvements are needed to ensure the completeness, accuracy, and overall quality of the procurement and grant information submitted.
Protecting Americans From Tax Hikes Act of 2015 (PATH Act) Pub. L. No. 114-113, Div. Q, 129 Stat. 2242, 3040-128	Requires TIGTA to conduct an audit of the issuance of ITINs.	Ref. No. 2018-40-010; January 2018 The IRS did not provide the required ITIN study by December 18, 2016. Processes also have not been established to ensure that ITINs issued for tax treaty purposes are used solely for those purposes. Further, IRS management has not made a programming change needed to identify potentially fraudulent applications.
Taxpayer Complaints I.R.C. § 7803(d)(2)(A)	Requires TIGTA to include in each of its Semiannual Reports to Congress the number of taxpayer complaints received and the number of employee misconduct and taxpayer abuse allegations received by the IRS or TIGTA from taxpayers, IRS employees, and other sources.	Statistical results on the number of taxpayer complaints received are shown on page 56.

Appendix IV

Section 1203 Standards

In general, the Commissioner of Internal Revenue shall terminate any IRS employee if there is a final administrative or judicial determination that, in the performance of official duties, such employee committed any misconduct violations outlined below. Such termination shall be a removal for cause on charges of misconduct.

Misconduct violations include:

- Willfully failing to obtain the required approval signatures on documents authorizing the seizure of a taxpayer's home, personal belongings, or business assets;
- Providing a false statement under oath with respect to a material matter involving a taxpayer or taxpayer representative;
- Violating, with respect to a taxpayer, taxpayer representative, or other employee of the IRS, any right under the Constitution of the United States, or any civil right established under Title VI or VII of the Civil Rights Act of 1964; Title IX of the Education Amendments of 1972; Age Discrimination in Employment Act of 1967; Age Discrimination Act of 1975; Section 501 or 504 of the Rehabilitation Act of 1973; or Title I of the Americans With Disabilities Act of 1990;
- Falsifying or destroying documents to conceal mistakes made by any employee with respect to a matter involving a taxpayer or taxpayer representative;
- Committing assault or battery on a taxpayer, taxpayer representative, or another employee of the IRS, but only if there is a criminal conviction or a final judgment by a court in a civil case with respect to the assault or battery;
- Violating the Internal Revenue Code of 1986, as amended (the Code), the Department of the Treasury regulations, or policies of the IRS (including the Internal Revenue Manual) for the purpose of retaliating against or harassing a taxpayer, taxpayer representative, or other employee of the IRS;
- Willfully misusing provisions of § 6103 of the Code for the purpose of concealing information from a congressional inquiry;
- Willfully failing to file any return of tax required under the Code on or before the date prescribed therefore (including any extensions), unless such failure is due to reasonable cause and not to willful neglect;
- Willfully understating Federal tax liability, unless such understatement is due to reasonable cause and not to willful neglect; and
- Threatening to audit a taxpayer for the purpose of extracting personal gain or benefit.

The Commissioner of Internal Revenue may mitigate the penalty of removal for the misconduct violations outlined above. The exercise of this authority shall be at the sole discretion of the Commissioner and may not be delegated to any other officer. The Commissioner, in his or her sole discretion, may establish a procedure that will be used to decide whether an individual should be referred to the Commissioner for determination. Any mitigation determination by the Commissioner in these matters may not be appealed in any administrative or judicial proceeding.

Appendix V

Implementing Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Inspector General Peer Review Activity
October 1, 2017 – March 31, 2018

Peer Reviews Conducted of TIGTA's Office of Audit

No peer reviews were conducted of the TIGTA Office of Audit during this reporting period.

Peer Reviews Conducted by TIGTA's Office of Audit

No peer reviews were conducted by TIGTA's Office of Audit during this reporting period.

Peer Reviews Conducted of TIGTA's Office of Investigations

No peer reviews were conducted of TIGTA's Office of Investigations during this reporting period. The last external peer review of the Office of Investigations was completed in July 2017.

Peer Reviews Conducted by TIGTA's Office of Investigations

No peer reviews were conducted by TIGTA's Office of Investigations during this reporting period.

Peer Reviews Conducted of TIGTA Office of Inspections and Evaluations

No peer reviews were conducted of the TIGTA Office of Inspections and Evaluations during this reporting period.

Peer Reviews Conducted by TIGTA Office of Inspections and Evaluations

No peer reviews were conducted by the TIGTA Office of Inspections and Evaluations during this reporting period.

Appendix VI

Data Tables Provided by the Internal Revenue Service

The memorandum copied below is the IRS's transmittal to TIGTA. The tables that follow the memorandum contain information that the IRS provided to TIGTA and consist of IRS employee misconduct reports from the IRS Automated Labor and Employee Relations Tracking System (ALERTS) for the period October 1, 2017 through March 31, 2018. Also, data concerning substantiated RRA 98 §1203 allegations for the same period are included. IRS management conducted inquiries into the cases reflected in these tables.

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

HUMAN CAPITAL OFFICE

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: Julia Caldwell Julia Caldwell
Director, Workforce Relations Division

SUBJECT: Input for the Treasury Inspector General for Tax Administration (TIGTA) Semiannual Report to Congress

In response to your memorandum on January 30, 2018, I am providing the following information to meet your reporting requirements as defined in 26 U.S.C. section 7803(d)(1)(E) and 26 U.S.C. section 7803(d)(2)(A)(ii) for October 1, 2017, through March 31, 2018.

- Report of Employee Misconduct by Disposition Groups
- Report of Employee Misconduct – National Summary
- Summary of Substantiated Section 1203 Inquiries Recorded in Automated Labor and Employee Relations Tracking System (ALERTS)

The attached tables contain information about:

- Alleged misconduct reported to IRS managers
- Disposition of the allegations resolved during the period
- Status of the inventory as of March 31, 2018

The tables contain information about alleged misconduct that both TIGTA and IRS management investigated. The IRS received these allegations from taxpayers, IRS employees, and other sources, and recorded them in ALERTS.

The Summary of Substantiated Section 1203 Allegations contains information on the disposition of substantiated Section 1203 allegations. During this period, IRS managers substantiated 228 Section 1203 allegations and removed 33 employees as a result, 14 employees retired or resigned before a final administrative action by management. In eight (8) of the removals, IRS management considered information in a TIGTA investigation. The Commissioner mitigated proposed removals in six (6) cases. The remaining 167 substantiated allegations are still in the adjudication process.

2

If you have any questions, please contact Shelia Barbee, Associate Director, LR/ER Field Operations at (202) 317-3307.

Attachments (3)

cc: David J. Kautter, Acting Commissioner of Internal Revenue
Kirsten Wielobob, Deputy Commissioner for Services and Enforcement
Jeffrey Tribiano, Deputy Commissioner for Operations Support
Nina Olson, National Taxpayer Advocate
Elita Christiansen, Director, Equity, Diversity and Inclusion
Terry Lemons, Chief, Communications & Liaison
Mark Kaizen, Associate Chief Counsel (GLS)
Katherine Coffman, Chief Human Capital Officer

The Following Tables Are Provided by the IRS.

Report of Employee Misconduct by Disposition Groups

Period Covering October 1, 2017 - March 31, 2018

Disposition	TIGTA Report of Investigation	Administrative Case	Employee Tax Compliance Case	Employee Character Investigation	Totals
REMOVAL (PROBATION PERIOD COMPLETE)	37	45	27	0	**109**
REMOVAL AT OPM DIRECTION	0	0	0	0	**0**
PROBATION/SEPARATION	3	160	0	5	**168**
SEPARATION OF TEMP	0	58	0	5	**65**
RESIGN., RET., ETC. (SF50 NOTED)	4	13	21	0	**38**
RESIGN., RET., ETC. (SF50 NOT NOTED)	27	112	52	3	**194**
SUSP., 14 DAYS OR LESS	57	104	89	0	**250**
SUSP., MORE THAN 14 DAYS	15	25	20	0	**60**
INDEFINITE SUSPENSION	0	5	0	0	**6**
REPRIMAND	45	102	133	4	**284**
ADMONISHMENT	47	115	246	0	**410**
WRITTEN COUNSELING	53	120	152	3	**328**
ORAL COUNSELING	0	32	6	0	**38**
A D: IN LIEU OF REPRIMAND	6	7	8	0	**21**
A D: IN LIEU OF SUSPENSION	11	9	21	0	**41**
CLEARANCE LETTER	64	75	7	0	**146**
CWA CAUTIONARY LTR	93	140	114	50	**397**
CWA LETTER	58	121	41	6	**226**
TERMINATION FOR ABANDONMENT OF POSITION	0	11	0	0	**11**
CLOSED – SUPPLEMENTAL REQUESTED	0	0	0	0	**0**
FORWARDED TO TIGTA	0	0	0	0	**0**
TOTAL	**523**	**1255**	**939**	**80**	**2799**

Note: Columns containing numbers of two or less and protected by I.R.C. § 6103 are notated with a zero and are not reflected in the column and row totals.

Source: Automated Labor and Employee Relations Tracking System (ALERTS).

This report is being produced in accordance with 26 U.S.C. § 7803(d)(2).

Extract Date: April 2, 2018.

Report of Employee Misconduct National Summary

Period Covering October 1, 2017 - March 31, 2018

Inventory Case Type	Open Inventory	Conduct Cases Received	Cases Closed			Ending Inventory
			Conduct Issues	Cases Merged With Other Cases	Non-Conduct Issues	
ADMINISTRATIVE CASE	669	1487	1511	46	69	530
EMPLOYEE CHARACTER INVESTIGATION	54	82	86	5	0	45
EMPLOYEE TAX COMPLIANCE CASE	1067	1135	1002	34	0	1166
TIGTA REPORT OF INVESTIGATION	645	588	659	14	0	560
Total	2435	3292	3258	99	69	2301

Source: Automated Labor and Employee Relations Tracking System.

TIGTA Investigations (ROI) - Any matter involving an employee in which TIGTA conducted an investigation into alleged misconduct and referred a Report of Investigation (ROI) to the IRS for appropriate action.

Administrative Case - Any matter involving an employee in which management conducted an inquiry into alleged misconduct.

Employee Tax Compliance Case - Any conduct matter that is identified by the Employee Tax Compliance program which becomes a matter of official interest.

Background Investigations - Any matter involving an NBIC investigation into an employee's background that is referred to management for appropriate action.

Extract Date: April 2, 2018

Summary of Substantiated Section 1203 Inquiries Recorded in ALERTS

Period Covering October 1, 2017 - March 31, 2018

Section 1203 Violation	*Removals	*Resigned/ Retired	Probation Separation	Removed On Other Grounds	*Penalty Mitigated	In Personnel Process	Total
1203(b)(10): THREAT OF AUDIT FOR PERSONAL GAIN	1	1	0	0	0	0	2
1203(b)(2): FALSE STATEMENT UNDER OATH	0	0	0	0	0	1	1
1203(b)(4): CONCEALED WORK ERROR	1	0	0	0	0	2	3
1203(b)(6): IRC/IRM/REG VIOLATION FOR RETALIATON	0	0	0	0	0	1	1
1203(b)(8): WILLFUL UNTIMELY RETURN	15	9	0	5	4	80	113
1203(b)(9): WILLFUL UNDERSTATED TAX	16	4	0	3	0	83	106
Total	33	14	0	8	4	167	

Note: Columns containing numbers of two or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

*These cases are included in the totals of the Table entitled "Reports of Employee Misconduct Summary by Disposition." The cases reported as "Removals" and "Penalty Mitigated" do not reflect the results of any third-party appeal.

This report is being produced in accordance with 26 U.S.C. § 7803(b)(2).

Source: Automated Labor and Employee Relations Tracking System (ALERTS).

Extract Date: April 2, 2018

Glossary of Acronyms

ACTC	Additional Child Tax Credit
AOTC	American Opportunity Tax Credit
CADE 2	Customer Account Data Engine 2
CPPA	Critical Position Pay Authority
CTC	Child Tax Credit
CY	Calendar Year
DOL	Department of Labor
EFDS	Electronic Fraud Detection System
EIN	Employer Identification Number
EITC	Earned Income Tax Credit
FCC	Federal Communications System
FTC	Federal Trade Commission
FTS	FTS Tax Services
FY	Fiscal Year
HSI	Homeland Security Investigations
I&E	Office of Inspections and Evaluations
I.R.C.	Internal Revenue Code
IMF	Individual Master File
IRS	Internal Revenue Service
IVES	Income and Verification Express Services
MOU	Memorandum of Understanding
NIST	National Institute of Standards and Technology
OEP	IRS Office of Employee Protection
OI	Office of Investigations
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PATH Act	Protecting Americans From Tax Hikes Act of 2015
PII	Personally Identifiable Information
PIN	Personal Identification Number
PTIN	Preparer Tax Identification Number
PY	Processing Year
RRA 98	Internal Revenue Service Restructuring and Reform Act of 1998
RRP	Return Review Program
SSN	Social Security Number
TAC	Taxpayer Assistance Center
TDS	Transcript Delivery System

TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
TY	Tax Year
UTP	Uncertain Tax Position Statement
VA	Department of Veterans Affairs

ACRONYMS USED EXCLUSIVELY IN APPENDICES	
ALERTS	Automated Labor and Employee Relations Tracking System
ASFR	Automated Substitute for Return
CAWR	Combined Annual Wage Reporting
DATA Act	Digital Accountability and Transparency Act
DCAA	Defense Contract Audit Agency
EEFAX	Enterprise e-Fax
FFMIA	Federal Financial Management Improvement Act
FIT	Final Integration Test
FTC	Foreign Tax Credit
FUTA	Federal Unemployment Tax
IBC	International Business Compliance
IPERA	Improper Payments Elimination and Recovery Act of 2010
LB&I	Large Business and International
LLC	Limited Liability Company
ONDCP	Office of National Drug Control Policy
PEO	Professional Employer Organizations
ROI	Report of Investigation
SAM	Software Asset Management
SB/SE	Small Business/Self-Employed
SBU	Sensitive But Unclassified
SRS	Specialist Referral System
SSA	Social Security Administration
TAS	Taxpayer Advocate Service
TPP	Transfer Pricing Practice
UIL	Uniform Issue List

Call our toll-free hotline to report waste, fraud, or abuse:

1-800-366-4484

By Web:
www.tigta.gov

Or Write:
Treasury Inspector General for Tax Administration
P.O. Box 589
Ben Franklin Station
Washington, DC 20044-0589

Information you provide is confidential and you may remain anonymous

Department of the Treasury

Office of the Inspector General for Tax Administration
1401 H Street, NW., Suite 469
Washington, DC 20005

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