



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

APR 16 2004

MEMORANDUM FOR BOBBY HUNT,
ACTING DEPUTY DIRECTOR
COMPLIANCE POLICY SE:S:C:CP

FROM:

Maya A. Bernstein *Signature for*
Privacy Advocate

SUBJECT:

Excise Files Information Retrieval System
(ExFIRS) Recertification and Modification
Privacy Impact Assessment

The Office of the Privacy Advocate has reviewed the Privacy Impact Assessment (PIA) for the Excise Files Information Retrieval System (ExFIRS). Based on the information you provided, our office does not have any privacy concerns that would preclude ExFIRS from operation. However, a revised PIA is required when considering any future upgrades, modifications, changes in data handling, or at the scheduled recertification of this system/application.

We will forward a copy of the PIA to the Director, Modernization and System Security, to be included in the Security Certification and Accreditation package. That office may request information concerning the statements contained in the PIA to ascertain compliance with applicable security requirements.

If you have any questions, please contact me at 202-927-5170; or a member of your staff may contact Susan Dennis at 202-622-5438.

Attachment

cc: W. Ricky Stiff, Program Manager Excise Tax
Division Information Officer, SB/SE

April 15, 2004

MEMORANDUM FOR MAYA A. BERNSTEIN
PRIVACY ADVOCATE

FROM: W. Ricky Stiff,
Program Manager, Excise Tax, SBSE, SE:S:C:CP:RC:Ex

SUBJECT: Request for Privacy Impact Assessment (PIA) –
ExFIRS (Excise Files Information Retrieval System)

Purpose of the System: ExFIRS (Excise Files Information Retrieval System) is an evolving, maturing and integrated, general support system, to provide improved management and support process for the administration of the IRS Excise Tax program as a whole. ExFIRS is intended to become a single system, based on common boundaries -- management control, operating environment, security needs and business mission.

Name of Request Contact:

Name: D. Michael Johnson
Organization: SBSE-Excise Tax (SE:S:C:CP:RC:Ex)
Mailing Address: 1111 Constitution Ave., NW, Room 2016, Washington, DC
Phone Number: 925-200-1334

Name of Business System Owner:

Name: Bobby Hunt
Organization SBSE--Acting Deputy Director, Compliance Policy SE:S:C:CP
Mailing Address: NCFB C9-100
Phone Number: 202-283-2142

Requested Operational Date: September 1, 2004

Category: Recertification and Modification – Previously Certified 12/12/2001

Is this a National Standard Application (NSA)? No

Is this a Modernization Project or System? No

If yes, the current milestone?: NA

System of Records Number(s) (SORN) #:

42.001 Examination Administrative Files
42.021 Compliance Programs and Projects
26.019 Tax Delinquency Accounts (mentions Dyed Diesel Program Records)
24.046 Business Master File
34.037 IRS Audit Trail and Security Records System

Data in the System

<p>1. Describe the information (data elements and fields) available in the system in the following categories:</p> <ul style="list-style-type: none"> A. Taxpayer B. Employee C. Audit Trail Information (including employee log-in info) D. Other (Describe) 	<p>All information introduced into ExFIRS relates to the administrative or technical enhancement of excise tax compliance programs, both federal and state. Some information in the system that is required to be reported to the IRS, such as fuel transaction reports, information collected through the Dyed Diesel Program, and from Form 637 Registration information. Other information in ExFIRS includes an ERCS (Examination Returns Control System) download, and Master File and non-Master File filed return information. Information is also obtained from the Customs import information, pertaining to goods subject to Excise Tax. Other information, such as all ExTOLE information, represents State records provided by state agencies and intended to be shared with other states' compliance activities. Specific categories of information to be gathered include:</p> <ul style="list-style-type: none"> ◆ Taxpayer (name, address, TIN/FEIN) ◆ Fuel Transaction Information – date, bill of lading number, TCN (terminal control number), position holder and carrier (e.g., product type and gallons per transaction, terminal storage capacity, usage) ◆ Vehicle Registrations ◆ Truck Movements ◆ State Fuel Tax Compliance Contacts <p>The information in the legacy ExFON, ExCIS, ExTRAS and ExTAC systems of ExFIRS, is being ported into the ExFIRS DW/ODB (Data Warehouse/Operational Database) will remain unchanged and be available only to IRS employees:</p> <ul style="list-style-type: none"> ◆ IRS (Fuel Compliance Officer) Employee (e.g., name, location, time charges, mileage put on government trucks) ◆ Dyed Diesel Penalty Information (e.g., amount, payments, balance due) ◆ Excise Tax Registrant Database (Form 637) ◆ Excise returns, adjustments and claims
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<p>2. Describe/identify which data elements are obtained from files, databases, individuals, or any other sources.</p> <ul style="list-style-type: none"> A. IRS B. Taxpayer C. Employee D. Other Federal Agencies (List agency) E. State and Local Agencies (List agency) F. Other third party sources (Describe) 	<p>Sources of Information</p> <p>Information currently gathered and maintained under the ExFON and ExCIS legacy applications will remain unchanged. Other sources of information will include:</p> <p>Monthly Information Reports (Form 720-TO and 720-CS, in paper form) required of "637-Taxable Fuel Registrants", Terminal Operators and Fuel Carriers, required under Reg.48.4101-2. The data in these reports will ultimately be matched against the Taxable Fuel areas of the quarterly Excise Tax Return (Form 720).</p> <p>These information returns may be submitted in paper form or in an EDI format. EDI filers will have the option of completing a Section 6103(c) Consent Agreement. This will allow, at the option of the information provider, the sharing of information filed with the IRS with the States affected by the specific transactions as if provided directly to that State.</p> <p>Master File and non-Master File "filed return" information is potentially entering ExFIRS. Return information is specific to Forms 720 Excise Tax and 2290 Highway Use Tax.</p> <p>Data from Customs is received on a monthly basis and included in the ExFIRS Data Warehouse. The Customs Form 7501, Entry Summary, is the record of imports and custom duty due on those imports.</p> <p>Data the States choose to share among themselves will be contained within the ExTOLE application. This information is expected to come from a number of different state agencies such as Revenue, Motor Vehicle, etc. The sharing of this data will be governed by State disclosure agreements. The IRS will provide no data to the ExTOLE application.</p>
<p>3. Is each data item required for the business purpose of the system? Explain.</p>	<p>Data is required for the administration of the IRS Excise Tax program as a whole. All use of data is relevant and necessary to the purpose for which ExFIRS has been designed.</p>

<p>4. How will each data item be verified for accuracy, timeliness, and completeness?</p>	<p>The ExSTARS Fuel Transaction Reports, submitted by Terminal Operators and Carriers, will be matched against the Quarterly Excise Tax Form (720). Information will also be verified through taxpayer and employee contacts.</p> <p>Information submitted to the ExTOLE application will be provided by the States for use by other States. The IRS is merely providing a common repository for these State records. Information provided by the States (ExTOLE) will not be introduced into any IRS databases. From a practical standpoint, it will be up to the States to validate the accuracy of the information in ExTOLE.</p>
<p>5. Is there another source for the data? Explain how that source is or is not used.</p>	<p>No</p>
<p>6. Generally, how will data be retrieved by the user?</p>	<p>Access for IRS employees is based on current IRM requirements. Users must complete required documentation (e.g., Form 5081) to gain access to the system. Access to ExFIRS data will be based on the role that a user plays in the Excise Fuel Tax Compliance program.</p>
<p>7. Is the data retrievable by a personal identifier such as name, SSN, or other unique identifier?</p>	<p>Tax related data could be retrieved by TIN/EIN and, in some cases, by the 637 registration number unique to each registrant. We do not believe that the "due process" rights of individual taxpayers are adversely affected by this system.</p>

Access to the Data

<p>8. Who will have access to the data in the system (Users, Managers, System Administrators, Developers, Others)?</p>	<p>Excise Tax employees: Fuel Compliance Officers (FCOs), FCO Managers, FCO program support users, Excise Revenue Agents, Examination Branch Chiefs with Excise responsibility, Covington – Centralized Excise Operations employees who have direct involvement with the Excise compliance program, National Office Excise employee who have program management responsibility.</p>
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<p>9. How is access to the data by a user determined and by whom?</p>	<p>The ExFIRS data will be accessed by employees who, because of their positions within the Excise organization, need access to perform their compliance or administrative duties. Access will be restricted to users with valid logons and passwords. Audit trails will exist to identify the records accessed and actions taken.</p> <p>Access by State tax agencies will be based on a Letter of Application/Memorandum of Understanding process, and different roles are envisioned for different types of access.</p>
<p>10. Do other IRS systems provide, receive, or share data in the system? If YES, list the system(s) and describe which data is shared. If NO, continue to Question 12.</p>	<p>ERCS download of time related to case activity. Master File and non-Master File "filed return" information is potentially entering ExFIRS. Return information is specific to Forms 720 Excise Tax and 2290 Highway Use Tax.</p>
<p>11. Have the IRS systems described in Item 10 received an approved Security Certification and Privacy Impact Assessment?</p>	<p>Yes.</p>
<p>12. Will other agencies provide, receive, or share data in any form with this system?</p>	<p>Customs data is received on a monthly basis and included in the ExFIRS Data Warehouse. This information is specific to Customs Form 7501, Entry Summary, the record of imports and custom duty due on those imports. The data represents only those tariff codes identified by IRS Examination as being of interest to IRS for Excise tax purposes. Importers report to Customs the type of product, its value, the manufacturer, country of origin, The Harmonized Tariff Schedule Number (HTS #), quantity, weight, etc, all information required to determine the correct import duty or tax.</p>

Administrative Controls of Data

<p>13. What are the procedures for eliminating the data at the end of the retention period?</p>	<p>Retention periods for the motor fuel transaction reports will follow the same process currently used for 1099's and like information return documents, which is the current year plus six. Written procedures will be completed during the next year. Procedures will have to be developed and documented for removing or eliminating data at the end of a retention period. Procedures, in IRM 4700, already exist and are in place for retention of 637 Registration information.</p>
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<p>14. Will this system use technology in a new way? If "YES" describe. If "NO" go to Question 15.</p>	<p>No</p>
<p>15. Will this system be used to identify or locate individuals or groups? If so, describe the business purpose for this capability.</p>	<p>ExFIRS can identify individuals for ownership purposes of files/records. ExFIRS will be identifying specific bulk motor fuel transactions. ExFIRS will not have the capability to locate an individual.</p>
<p>16. Will this system provide the capability to monitor individuals or groups? If yes, describe the business purpose for this capability and the controls established to prevent unauthorized monitoring.</p>	<p>No</p>
<p>17. Can use of the system allow IRS to treat taxpayers, employees, or others, differently? Explain.</p>	<p>The system will provide consistent and equitable treatment for all taxpayers. There is a single host location for the various subsystems. All of the tax related activity is operated in only one location - Cincinnati Internal Revenue Service Center.</p>
<p>18. Does the system ensure "due process" by allowing affected parties to respond to any negative determination, prior to final action?</p>	<p>Yes</p>
<p>19. If the system is web-based, does it use persistent cookies or other tracking devices to identify web visitors?</p>	<p>ExFIRS is not web based but is accessed by external users via www.irs.gov/excise. IRS.gov has its own protocols for the use of session cookies, using them only to provide services and for security purposes. These cookies are deleted at the end of the users' sessions. IRS.gov does not utilize persistent cookies.</p>