

# Treasury Inspector General for Tax Administration



## SEMIANNUAL REPORT TO CONGRESS

October 1, 2023 – March 31, 2024



# 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.





The leadership and workforce of the Treasury Inspector General for Tax Administration (TIGTA) would like to pay tribute to The Honorable J. Russell George, who passed away on January 1, 2024. He served as TIGTA's Inspector General for almost 20 years, from November 2004 through his death. At the time of his passing, Mr. George was among the longest-serving Inspectors General in the federal government.

Mr. George led a TIGTA staff of over 700 professionals who conducted or supported audits, investigations, inspections, and evaluations to oversee the Internal Revenue Service. During his tenure, TIGTA's oversight efforts resulted in the recovery, protection, and identification of monetary benefits totaling more than \$325 billion and impacted over 440 million taxpayer accounts. We remember Mr. George for his stewardship, professionalism, and the independence he displayed overseeing our nation's tax system.

A native of New York City, he received his Bachelor of Arts Degree from Howard University in Washington, D.C. He went on to receive his Juris Doctor from Harvard University School of Law in Cambridge, Massachusetts.

We honor Mr. George's commitment to country, service, and improving tax administration. His legacy and contributions will long be remembered at TIGTA.

# Acting Inspector General's Message to Congress

I am pleased to submit the Treasury Inspector General for Tax Administration (TIGTA) Semiannual Report to Congress, which summarizes accomplishments between October 1, 2023, and March 31, 2024. In addition to our regular Internal Revenue Service (IRS) oversight roles and responsibilities, we also monitor the IRS's use of supplemental Inflation Reduction Act (IRA) funds.

TIGTA issued eight reports related to IRA oversight during this reporting period. For example, we issued a quarterly snapshot showing how IRS is spending its IRA funds. This product is unique because it uses agile oversight principles that enable us to provide more timely information to stakeholders. We also display data from the quarterly snapshot report through an interactive dashboard found on [TIGTA.gov](https://www.tigta.gov). The dashboard makes federal spending more transparent for the public.



For this reporting period, our Office of Audit issued 19 reports; Office of Inspections and Evaluations issued 10 reports; and Office of Investigations completed 937 investigations. TIGTA's combined audit and investigative efforts resulted in the recovery, protection, and identification of monetary benefits totaling more than \$864 million.

## Highlights This Reporting Period



**19**

Audit reports



**937**

Investigations



**10**

Inspections and Evaluations



**\$864 million**

in Monetary Benefits

TIGTA's Office of Audit issued reports covering topics such as the IRS's Free and Electronic Direct Filing Tax Return System. We assessed the IRS's compliance with an IRA requirement for the agency to establish a task force to design and report to Congress on an IRS-run, free, direct electronic filing (e-filing) tax return system. The IRA specifically provided the IRS with an appropriation of \$15 million, to remain available until September 30, 2023, to establish the task force and deliver the report to Congress. We found that the IRS was compliant.

Our Office of Inspections and Evaluations performed an on-site inspection of the IRS's C-site facility, which is part of a larger man-made cave complex in Independence, Missouri. The IRS uses the facility to store certain tax forms and documents. This evaluation confirmed health and safety concerns reported by employees working at the facility, such as unsafe ladders and falling debris.

TIGTA's Office of Investigations continues to administer investigative programs that protect the integrity of federal tax administration and detect and prevent fraud and other misconduct within IRS programs. During the reporting period, they investigated a high-profile case that resulted in a former IRS contractor being sentenced to five years in prison for disclosing thousands of tax returns without authorization to multiple news organizations.

I want to personally acknowledge the passing of our former Inspector General, The Honorable J. Russell George. He made significant contributions to this organization, and his leadership and commitment to improving tax administration will long be remembered at TIGTA.

As we move forward, we will continue providing quality audit, investigative, and inspection and evaluation services to help the IRS achieve its goals. We remain committed to working with Congress, the Administration, and all our stakeholders to prevent and detect fraud, waste, and abuse in our nation's system of tax administration.

Sincerely,

A handwritten signature in cursive script that reads "Heather Hill".

Heather M. Hill  
Acting Inspector General

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# TIGTA's Profile

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

## 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.



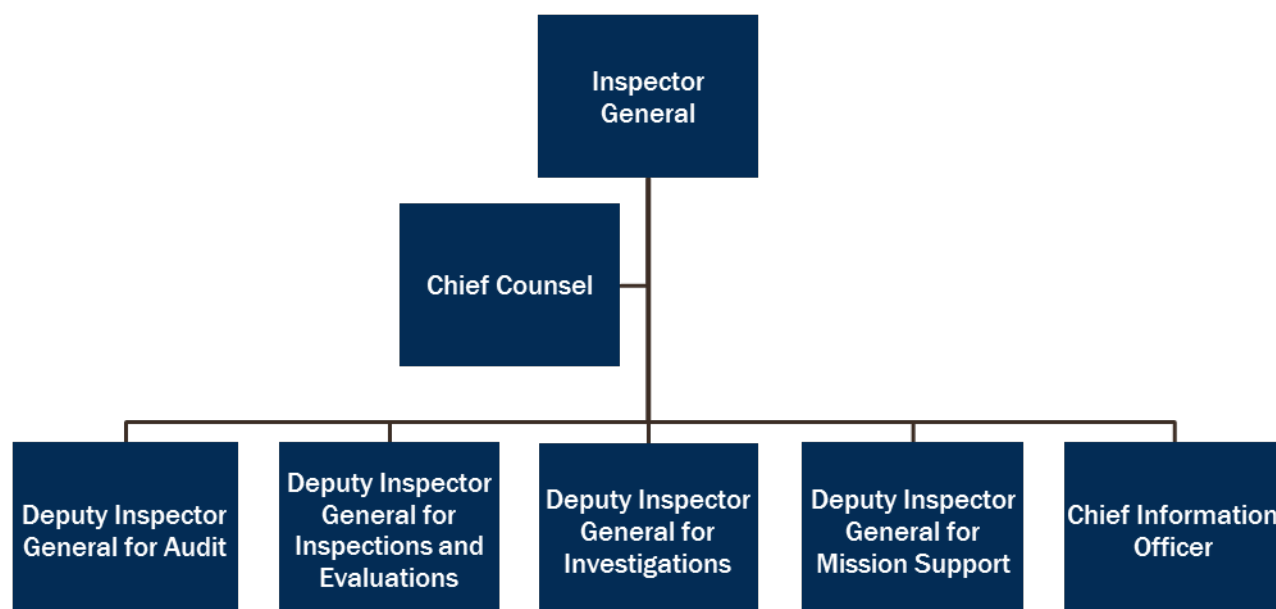
**Inform** the Secretary of the Treasury and Congress of problems and deficiencies identified and of the progress made in resolving them.

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 (see following page) is comprised of the Office of the Inspector General and six functional offices: the Office of Audit; the Office of Inspections and Evaluations; the Office of Investigations; the Office of Mission Support; the Office of Information Technology; and the Office of Chief Counsel.



# Organizational Structure



## Authorities

TIGTA has all authorities granted under the Inspector General Act of 1978 (Inspector General Act).<sup>1</sup> 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 appropriate. 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 IRS Restructuring and Reform Act of 1998 (RRA 98) 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.) Section (§) 7608(b)(2).<sup>2</sup>

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<sup>1</sup> 5 United States Code (U.S.C.) § 401, *et seq.*

<sup>2</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2, 5, 16, 19, 22, 23, 26, 31, 38, and 49 U.S.C.).

# Inflation Reduction Act Oversight Activities

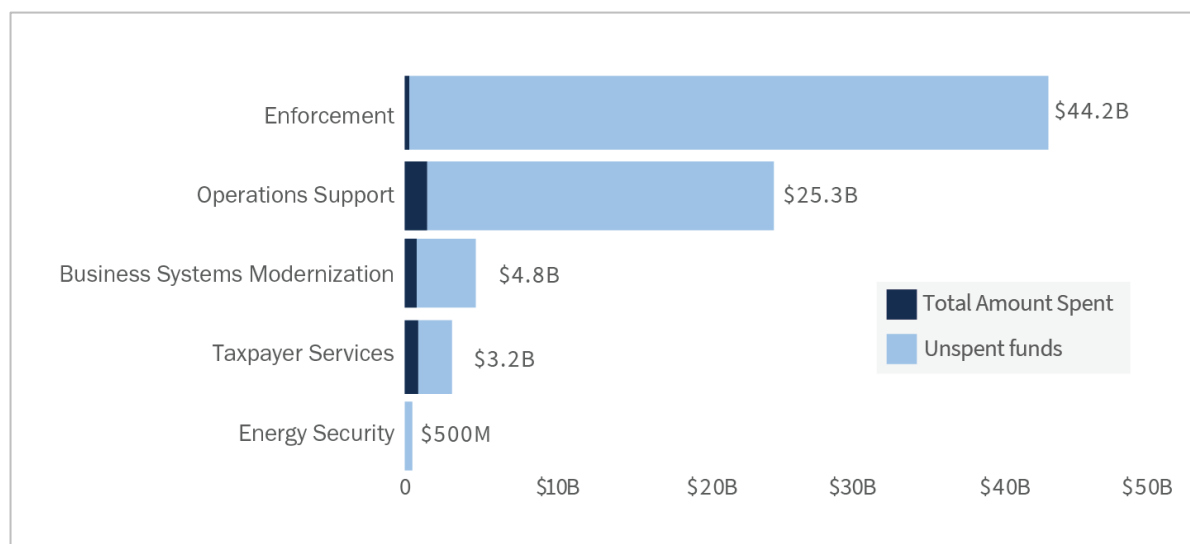
The IRS is using supplemental funding provided through the Inflation Reduction Act of 2022 (IRA) to improve taxpayer services, update computer systems, and increase compliance and enforcement actions against high-income taxpayers and large corporations that try to evade taxes.<sup>3</sup> The legislation authorized approximately \$79.4 billion in supplemental funding for the IRS through September 30, 2031. By the end of March 2024, the funding was reduced to approximately \$58 billion.<sup>4</sup>

TIGTA received \$403 million in supplemental funding from the IRA to provide oversight of the IRS and to support our operations. For more information about our IRA oversight activities, visit [TIGTA.gov](https://www.tigta.gov). Following are highlights of TIGTA's IRA-related reviews for this reporting period.

## Quarterly Snapshot: The IRS's Inflation Reduction Act Spending Through September 30, 2023 (Report Number [2024-IE-R007](#))

As of September 30, 2023, the IRS had spent approximately \$3.5 billion in IRA funding. IRS officials indicated that nearly \$2 billion of IRA funding was budgeted to supplement its Fiscal Year (FY) 2023 annual appropriation as the amount the IRS received was insufficient to cover normal operating expenses.

**Figure 1: Cumulative IRA Expenditures by Funding Activity Through September 30, 2023<sup>5</sup>**



Source: TIGTA-created graphic based on information provided by the Office of the Chief Financial Officer.

<sup>3</sup> Pub. L. No. 117-169, 136 Stat. 1818.

<sup>4</sup> Includes the Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, 137 Stat. 10, funding reduction of \$1.4 billion. The Further Consolidated Appropriations Act of 2024, Pub. L. No. 118-47, 138 Stat. 460, further reduced funding by \$20.2 billion in March 2024, subsequent to the summarized quarterly snapshot report on the IRS's IRA spending.

<sup>5</sup> Percentages of IRA funds expended may not calculate correctly due to rounding. Additionally, the Enforcement allocation amount is after the FY 2023 \$1.4 billion rescission, but does not include the subsequent \$20.2 billion rescission from March 2024.

The IRS also received \$15 million to fund a special task force to assess the feasibility of a free direct e-file tax return system.

Of the \$3.5 billion of IRA funding expended in FY 2023, approximately \$1.6 billion occurred in the fourth quarter (July through September 2023). This includes approximately \$464,000 of the \$11.6 million expended in FY 2023 for the direct e-file tax return system.

The report provided information only. We made no recommendations.

## **Actions Are Needed to Improve the Quality of Customer Service in Telephone Operations**

(Report Number [2024-IE-R001](#))

Following passage of the IRA, the Secretary of the Treasury detailed how the supplemental funding would be used to help transform the IRS. One key improvement for the 2023 Filing Season focused on increasing the level of service taxpayers receive when calling IRS telephone lines.

For the 2023 Filing Season, the Secretary set an expectation for the IRS to provide an 85 percent level of service, which would result in more than 5 times the number of calls being answered when compared to the 2022 Filing Season.<sup>6</sup> The Secretary also set an expectation that the IRS decrease wait times in half, from an average wait of nearly 30 minutes during the 2022 Filing Season to less than 15 minutes for the 2023 Filing Season.

We found that the IRS met the Secretary's expectations for the 2023 Filing Season. The IRS reported a level of service average of 85.23 percent and reduced the average wait time to answer a taxpayer's call to approximately 3 minutes. However, our test calls to the 102 telephone lines in service during the 2023 Filing Season identified that improvements are needed.

Our test calls identified one telephone line with an incorrect number; inconsistencies in providing callers the option to hear recorded messages in either English or Spanish; inconsistencies in providing legislatively mandated scam alert information when placed on hold; being placed on hold for time frames exceeding 30 minutes; and not always receiving a return call for those telephone lines that provide an option to leave a message to receive a return call.

We made four recommendations. The IRS agreed with all the recommendations.

## **Inflation Reduction Act: Assessment of Implementation of Processing Year 2023**

**Tax Provisions** (Report Number [2024-408-004](#))

IRA legislation contains 38 provisions, including 36 tax provisions that affect individual and business taxpayers, and 2 provisions directed at IRS funding. The legislation includes 20 tax provisions that required the IRS to implement changes related to tax return processing for Processing Year 2023. This required the IRS to create or revise tax forms, instructions, and

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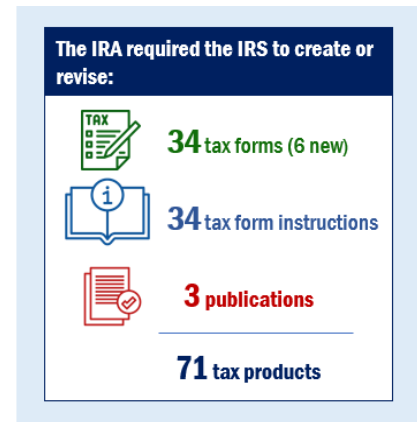
<sup>6</sup> In the 2022 Filing Season, the IRS averaged a 10 to 15 percent level of service, meaning that it answered less than 2 of every 10 calls.

publications; update computer programming to process tax returns affected by the provisions; and communicate and provide guidance to taxpayers and tax professionals on the tax law changes.

We found that the IRS used several established processes to immediately begin the task of tracking and implementing the 36 tax provisions. This included creating an implementation oversight office to work across the IRS overseeing the implementation efforts. Additionally, the IRS created the IRA 2022 Tax Provision Implementation Office, which is primarily responsible for overseeing the implementation of the tax provisions.

As of May 12, 2023, the IRS created or revised 71 tax products related to these provisions. Our review of these tax products identified concerns with only the Instructions for the Form 720, *Quarterly Federal Excise Tax Return*, which contained incorrect manufacturer tax rates.

In addition, the tax provisions affecting Processing Year 2023 required the IRS to create or modify 78 electronic filing business rules. We identified concerns with three business rules related to Form 8974, *Qualified Small Business Payroll Tax Credit for Increasing Research Activities*.



We recommended that the IRS update computer programming on three business rules related to Form 8974. The IRS agreed with this recommendation and requested programming updates for implementation for the 2024 Filing Season.

## **Inflation Reduction Act: Assessment of a Free and Electronic Direct Filing Tax Return System** (Report Number [2024-408-002](#))

We found that the IRS was compliant with § 10301(1)(B) of the IRA, which required the IRS to establish a task force to design and report to Congress on an IRS-run, free, e-filing tax return system. The IRA specifically provided the IRS with an appropriation of \$15 million, to remain available until September 30, 2023, to establish the task force and deliver the report to Congress.

As of July 10, 2023, the IRS had obligated \$11.1 million (74 percent) of the \$15 million allocated. According to IRS management, they planned to spend \$966,000 in salaries and benefits and \$26,000 for equipment from the \$3.9 million unobligated funds. However, IRS management did not have any planned spending for \$2.9 million of the \$3.9 million unobligated funds.

Although the IRS obtained taxpayer opinions on a Direct File system, taxpayer interest in a Direct File tool may have been overstated due to the design of the surveys conducted. In addition, we notified the IRS about our concern that the salaries and benefits of IRS employees who were participating in the Direct File Task Force were not being expensed

against the \$15 million IRA allocation. Management agreed and created separate tracking codes to account for time spent on the Direct File Report and to ensure that salaries and benefits were appropriately charged moving forward.

## Progress Update on Tax Return Scanning Initiatives (Report Number [2024-408-013](#))

In September 2022, the Secretary of the Treasury detailed plans for using IRA funding and set expectations for the 2023 Filing Season. One of these expectations involved the IRS automating the scanning of millions of individual paper tax returns.

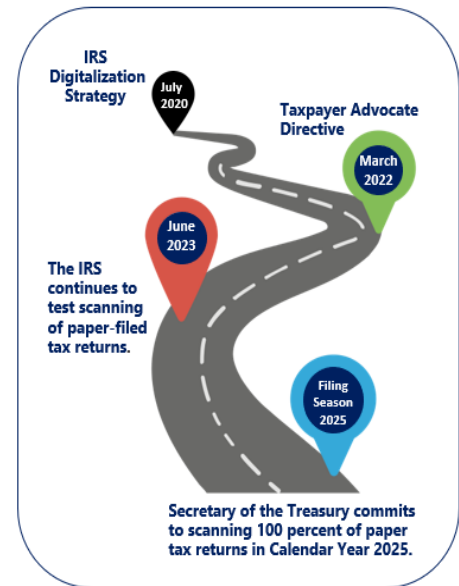
The IRS's current scanning pilots are the Lockbox, Scanning as a Service, and Submission Processing Modernization. Even when considering business tax returns scanned as part of the various pilots, the IRS did not reach the Secretary's expectation to scan millions of individual tax returns before the end of Calendar Year (CY) 2023. As of June 30, 2023, the IRS had scanned fewer than 35,000 paper-filed Forms 1040, *U.S. Individual Income Tax Return*.

We found that a centralized oversight of scanning efforts is critical to selecting a scanning solution that will accomplish the IRS's new transformation goals. In its July 2020 Digitalization Strategy, the IRS recommended establishing a centralized office responsible for enterprise-wide governance. However, as of June 2023, the IRS had not transitioned oversight of its digitalization efforts to this office.

Further, in July 2023, IRS management stated that a group within the Transformation and Strategy Office will be responsible for the IRS's digitalization efforts under the Strategic Operating Plan Initiative 1.2, which includes the digital processing of paper-filed tax returns. However, the IRS also noted that the current tax return scanning pilots were not included as part of Initiative 1.2.

We recommended that the IRS: 1) evaluate the potential benefits, challenges, and cost of each of the processes the IRS piloted when deciding which digital processing solution to implement for the 2025 Filing Season and beyond; and 2) once a digital processing solution has been identified, develop a detailed plan with measurable milestones for implementing the solution before the start of the 2025 Filing Season. The IRS agreed with both recommendations.

Figure 2: Evolution of Scanning



Source: IRS management, Taxpayer Advocate Directive, and Secretary of the Treasury.



# 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. We provide recommendations to improve IRS systems and operations and to ensure the fair and equitable treatment of taxpayers. Our comprehensive and independent performance 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 the 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.

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## Audit Emphasis Areas for October 2023 Through March 2024

Taxpayer Service

Information Technology Modernization

Protection of Taxpayer Data and IRS Resources

Tax Compliance and Enforcement

Tax Fraud and Improper Payments

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The following summaries highlight significant audits completed in each area of emphasis during this 6-month reporting period.

### Taxpayer Service

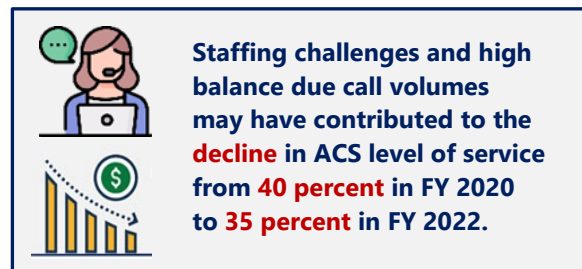
#### Post-Pandemic Actions Have Contributed to Declines in Automated Collection System Level of Service and Collection Inventories (Report Number [2024-300-008](#))

The Automated Collection System (ACS) is a critical part of the IRS's overall Collection program and plays an important role in securing and protecting the revenue of the United States. When taxpayers do not respond to collection notices requesting payment of delinquent taxes or to file a delinquent return, they may be assigned to the ACS to satisfy their tax liability or address

their return delinquency. As of FY 2022, the ACS is second only to the collection notice stream in terms of revenue collected on delinquent taxpayer accounts.<sup>7</sup>

We evaluated the effectiveness of the IRS's actions to improve ACS call sites' business results and level of service, including site performance with respect to the pandemic. We found that IRS management actions, such as pausing collection notices and suspensions of call site inventory workdays, as well as staffing challenges, have impacted ACS and ACS Support business metrics and overall production.

In addition, virtual training and maximizing telework in response to the pandemic also may have contributed to declines in productivity.



ACS Support's closures per full-time equivalent decreased significantly from pre-pandemic FYs 2018 and 2019 to subsequent FYs 2020 through 2022. We also found declining trends in level of service call metrics.

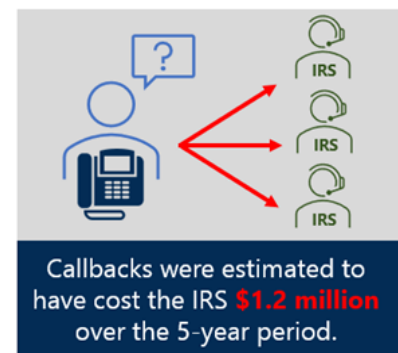
We made four recommendations to help the IRS address the impact of the pandemic on ACS and ACS Support business metrics and overall production. The IRS agreed with all four recommendations.

### Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions (Report Number [2024-100-003](#))

From FYs 2019 through 2021, the Tax Exempt and Government Entities (TE/GE) Division's ending inventory for customer correspondence grew from 2,060 cases to more than 20,000 cases, while the TE/GE Division's Exempt Organizations' determinations inventory grew from 13,451 cases to more than 35,000 cases. TIGTA assessed the quality of customer service provided to TE/GE taxpayers.

We found that TE/GE management has taken steps to reduce backlogs of inventory that grew during CYs 2020 and 2021. By the end of FY 2022, correspondence inventory was reduced by nearly half of the previous year, and determinations inventory returned to levels comparable to those before the pandemic.

The responsibility for providing customer service to TE/GE taxpayers is cross-functional and spans multiple IRS business units. Exempt Organizations employees within the TE/GE Division and Accounts Management employees within the Wage and Investment Division both provide customer service.



<sup>7</sup> In the IRS "notice stream," taxpayers with delinquent liabilities or returns are generally issued a series of two to four notices. Cases not resolved during the notice stream may be transferred to the ACS where an appropriate ACS letter may be issued 6 to 10 weeks after the fourth notice.

However, TE/GE taxpayers may not have always received satisfactory responses to their inquiries when referred by Wage and Investment Division employees. When TE/GE taxpayer requests are unable to be resolved over the telephone, they are referred for additional action via Forms 4442, *Inquiry Referral*. From January 1, 2017, through May 15, 2022, the IRS may not have provided satisfactory responses to nearly 30,000 TE/GE taxpayer inquiries, including approximately 20,000 taxpayers who had to call twice and 10,000 taxpayers who had to call three or more times for the same tax return. The IRS does not track or monitor taxpayer inquiries after their questions are referred via Forms 4442.

In addition, we found that the TE/GE Division does not have customer service-focused measures, such as average response time, level of service, or the average number of repeated contacts with the taxpayer. Further, there was no independent quality review of customer correspondence work.

We made three recommendations. The IRS agreed with all three recommendations.

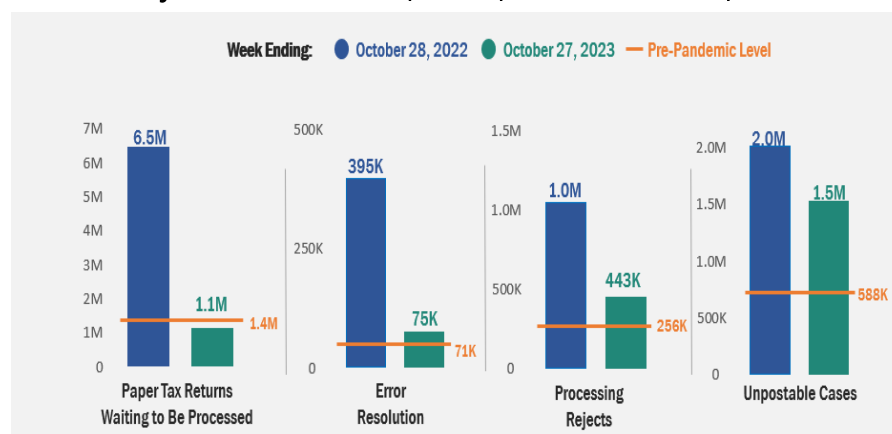
## The IRS Continues to Reduce Backlog Inventories in the Tax Processing Centers

(Report Number [2024-406-020](#))

Backlogs of tax returns and other types of tax account work resulting from the pandemic had a significant impact on the IRS and taxpayers. The backlogs continued into CY 2023, with approximately 4.5 million returns awaiting processing or other resolution as of the week ending December 23, 2022.

The IRS implemented a *Get Healthy Plan* in CY 2022 intended to return the IRS to pre-pandemic, *i.e.*, CY 2019, inventory levels by the end of CY 2022. Although the implementation of these initiatives resulted in a significant reduction of the backlogged inventories in the Tax Processing Centers, concerns remain with the inventories of suspended returns (*i.e.*, tax returns in the Rejects and Unpostables) and Files functions. Figure 3 provides a comparison of individual and business tax return inventory levels in various stages of processing as of October 28, 2022, and October 27, 2023.

**Figure 3: Comparison of Submission Processing Individual and Business Tax Returns Inventory as of October 28, 2022, and October 27, 2023**



Source: IRS Filing Season Statistics Report for the week ending October 26, 2019, and IRS inventory numbers for the weeks ending October 28, 2022, and October 27, 2023.

In addition, inventories of amended tax returns remaining to be worked are significantly above pre-pandemic levels. Accounts Management function inventories also remained above pre-pandemic levels. As of October 28, 2023, there were 4.3 million Accounts Management cases, excluding amended returns, awaiting processing compared to 4.4 million as of October 29, 2022. Of these 4.3 million Accounts Management cases, 2.8 million were aged cases.

Further, our review of taxpayer concerns regarding delays in receiving refunds identified 121,449 Tax Year 2020 tax accounts with overpayments totaling \$783.3 million, which were delayed or erroneously held from issuance. This occurred because of errors in programming changes made by the IRS.

We made two recommendations. The IRS agreed with both recommendations.

## Information Technology Modernization

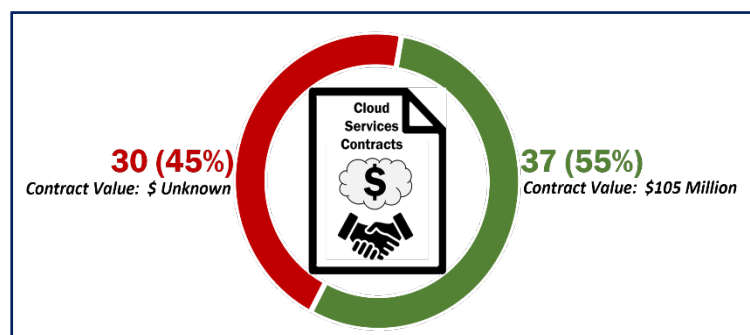
### Management and Oversight of Cloud Managed Services Contracts and the Enterprise Cloud Program Need Improvements (Report Number [2024-200-009](#))

We found that the IRS was unable to locate all cloud services contracts. The inability to identify and provide all cloud services contracts, and to determine the contract values of cloud applications, increases the risk of potential lost cost savings and the duplication of cloud services. This also contributes to making uninformed financial decisions.

After searching for nearly 3 months, the cloud services contracts for 65 (97 percent) of 67 cloud applications on a *Cloud Inventory Report* were located, but the contracts for 2 (3 percent) applications were missing. As shown in Figure 4, the IRS also was unable to determine the cloud services contract values.

When service level agreements (SLA) are inconsistently and ineffectively used, the IRS may be unable to successfully manage risks, ensure that service levels are met, and apply applicable penalties. Our review of five cloud services contracts determined that four contracts included the SLAs, but one of the contracts containing the SLAs did not include a penalty for not meeting the service level. The remaining cloud services contract did not include any SLAs or penalties as required by applicable standards.

**Figure 4: Overview of IRS Cloud Services Contract**



Source: TIGTA's analysis and summary of cloud services contracts.

In addition, routinely bypassing the Cloud Front Door process creates confusion and leads to inefficiency for applications migrating to the cloud. None of the 34 cloud applications that were required to engage the Cloud Front Door process fully completed the necessary steps, including obtaining Cloud Governance Board approval. The IRS also does not have an

accurate inventory of cloud applications. A comparison between two cloud application inventory reports identified a total of 29 discrepancies.

We made 12 recommendations. The IRS agreed with all the recommendations.

## **Protection of Taxpayer Data and IRS Resources**

### **The IRS Has Improved Audit Trail Collection; However, Not All Audit Trail Data Are Being Collected and User Account Controls Need Improvement** (Report Number [2024-200-005](#))

Information from audit logs on federal information systems is invaluable in the detection, investigation, and remediation of cyber threats. Failure to capture and review audit trails for all systems with access to sensitive data prevents the IRS from assuring it can safeguard taxpayer data.

In August 2021, the Office of Management and Budget (OMB) issued a memorandum titled “Improving the Federal Government’s Investigative and Remediation Capabilities Related to Cybersecurity Incidents.” The memorandum established four event logging maturity levels and required federal agencies to complete implementation by August 2023.

The Department of the Treasury reported that the IRS was at Event Logging 2 maturity for the Federal Information Security Modernization Act of 2014 reportable systems as of May 2023. We could not conclude whether the IRS met all event logging requirements because the IRS had not documented and demonstrated compliance of all systems with the OMB requirements.

The IRS determined that 356 systems had application logging requirements. As of June 2023, 231 systems (65 percent) were sending event logs to the data repository, but 125 systems (35 percent) were not sending event log data to its data repository. We found that the IRS was not effectively identifying and tracking all systems and applications to ensure that audit trail data are collected in the data repository. We also noted that the IRS was not properly managing user accounts for its data repository.

We made six recommendations. The IRS agreed with all six recommendations and stated that 37 of the 356 previously identified systems did not require application logging. The IRS further stated that by September 30, 2023, it had completed logging requirements on 318 of 319 systems and temporarily removed the remaining legacy system.

## **Tax Compliance and Enforcement**

### **The Innocent Spouse Program Needs Improved Guidance for Employees and Increased Communication With Taxpayers** (Report Number [2024-300-001](#))

When married taxpayers elect to file a joint income tax return, they are held jointly and individually responsible for the tax, interest, or penalties due on the joint return, even if they later separate or divorce (*i.e.*, one spouse can be held responsible for payment of all the



tax due).<sup>8</sup> This means that the IRS may look to either spouse or both spouses for the payment of the tax liability, regardless of who earned the income.

I.R.C. § 6015 provides an exception to joint and several liability (often referred to as “innocent spouse” relief). We assessed whether the Innocent Spouse Program is effectively working claims in accordance with I.R.C. § 6015, including whether the IRS is protecting taxpayer rights when evaluating innocent spouse claims.

We found that the IRS could improve guidance for its employees working innocent spouse claims. We reviewed a statistical sample of 45 innocent spouse claims and determined that IRS employees in the Cincinnati Centralized Innocent Spouse Operations did not fully develop the facts and circumstances in 10 (22 percent) of the claims. Further development of the facts and circumstances in 9 of the 10 claims could have resulted in a change of determination.

In addition, we found that a lack of specificity in IRS procedures related to equitable relief may have contributed to examiner subjectivity in equitable relief determinations under I.R.C. § 6015(f). Also, final determination letters did not fully inform taxpayers of IRS decisions about their tax accounts.

We made seven recommendations intended to improve guidance, communication, and the processing of innocent spouse claims. The IRS agreed with three of our recommendations, partially agreed with one recommendation, and disagreed with three recommendations.

## **Tax Fraud and Improper Payments**

### **Administration of the Individual Taxpayer Identification Number Program**

(Report Number [2024-400-012](#))

An Individual Taxpayer Identification Number (ITIN) is a tax processing number issued by the IRS for certain resident and nonresident aliens, their spouses, and their dependents. ITINs are only available to individuals required to have a Taxpayer Identification Number for tax purposes but do not have, and are not eligible to obtain, a Social Security Number from the Social Security Administration. ITINs are issued regardless of immigration status because individuals who are in the United States both legally and not legally may have U.S. federal tax filing and payment requirements under the Internal Revenue Code.

Since 2018, we have repeatedly raised concerns related to the use of Certifying Acceptance Agents (CAA), including that the IRS has not effectively ensured that compliance reviews were completed on those CAAs that presented the highest risk to the ITIN Program. Yet, the IRS has seen a sharp decline in compliance reviews in recent years.

We found that the ITIN application process could provide better customer service to applicants, and the program could be modernized. One example of modernization relates to verifying documents submitted by ITIN applicants. A completed external study showed that

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<sup>8</sup> I.R.C. § 6013(d)(3).

using third-party identification and verification equipment could reduce document verification time from 20 minutes to 2 seconds.

We also found that retroactive tax credit claims continue to be erroneously paid or disallowed. TIGTA identified 5,534 tax returns for which the IRS incorrectly paid retroactive credit claims and 2,519 tax returns for which the IRS incorrectly denied retroactive credit claims.

We made eight recommendations for improvements to the ITIN Program. The IRS agreed with seven of the eight recommendations.

# Advance Oversight of America's Tax System

TIGTA's Office of Inspections and Evaluations provides focused and expedited oversight to quickly assess emerging issues impacting tax administration and IRS operations.

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 multiagency issues; and
- Develop recommendations to streamline operations, enhance data quality, and minimize inefficient and ineffective procedures.

## **The Internal Revenue Service Is Not Fully Complying With the No TikTok on Government Devices Implementation Guidance** (Report Number [2024-IE-R003](#))

The Consolidated Appropriations Act, 2023, included the No TikTok on Government Devices Act.<sup>9</sup> TikTok is a software application owned and operated by a privately held company based in Beijing, China. On February 27, 2023, OMB issued implementation guidance for the removal of TikTok from government devices.<sup>10</sup>

In October 2022, the IRS took steps to block internet access to TikTok on 6,300 mobile devices and noted that the TikTok application was not available for download on mobile devices. However, we determined that 23 mobile devices used by the IRS's Communications and Liaison group to monitor social media sites had access to the TikTok website and could download the TikTok application. We notified IRS management of this concern on May 12, 2023. In response, the IRS took corrective action to ensure that the 23 devices could not access TikTok.

We also found that the IRS did not update its Bring Your Own Device (BYOD) policies to comply with OMB guidance. Specifically, guidance was not updated to inform participants in the BYOD program that the TikTok prohibition also relates to their personally owned devices.

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<sup>9</sup> Pub. L. No. 117-328, 136 Stat. 5258.

<sup>10</sup> OMB Memorandum M-23-13, "No TikTok on Government Devices" Implementation Guidance (Feb. 27, 2023).

In addition, we identified more than 2,800 IRS Criminal Investigation (CI) mobile devices that could access TikTok's website, and approximately 900 CI employees had the ability to access TikTok's website via computers assigned to CI. As of August 2023, CI had not requested the required exception from the Department of Treasury or taken steps to block access to TikTok on computers and mobile devices assigned to CI personnel.

We made six recommendations. IRS management agreed with 5 recommendations but disagreed with our recommendation to block access to TikTok on more than 2,800 mobile devices used by CI.

## **Improvements Are Needed to Ensure the Health and Safety of Employees at the C-site**

(Report Number [2024-IE-R006](#))

In August 2022, the National Treasury Employees Union (NTEU) issued a letter detailing health and safety concerns at the IRS's C-site, an underground file storage site in Independence, Missouri. In the letter, the NTEU President described conditions that included rocks falling from the ceiling, broken ladders, unacceptable air quality, and fire safety hazards. In response to this letter, the IRS temporarily closed the C-site.

The C-site stores several IRS forms. Employees at the site are responsible for filing the forms and providing them to other IRS employees who may need them to perform examinations, collections, etc.

Our evaluation found that the IRS needed to take immediate action to address employee health and safety concerns at the C-site. This included reducing the unnecessary storage of tax documents that can be purged and shipping and storing some forms to another IRS facility.



*TIGTA photo showing the ladder and shelving unit racks used at the C-site.*

We also found that concerns raised by the federal Occupational Safety and Health Administration (OSHA) and employees working at the site were not addressed. One of the concerns involved ladders used at the C-site not meeting safety standards. A raised catwalk system like what the IRS uses at other Files Management locations would eliminate the need for ladders and provide safe and convenient accessibility to elevated storage boxes.

We made 18 recommendations, which included taking corrective actions to address all OSHA recommendations. The IRS agreed with the recommendations.

## **Assessment of Processes to Grant Access to Sensitive Systems and to Safeguard Federal Tax Information** (Report Number [2024-IE-R008](#))

Users are granted access to the IRS's sensitive systems via the Business Entitlement Access Request System (BEARS) application, and the process is the same for employees and contractors. As of July 2023, TIGTA identified a total of 91,661 users, of which 5,068 were contractors, who were authorized to access one or more of the 276 sensitive systems specific to our evaluation.

We found that procedures to systemically remove users who no longer require access to sensitive systems were not always working as intended. For example, we identified 279 users listed in BEARS as separated, who continued to have access to at least one IRS sensitive system. Each of these individuals' IRS network access was removed; however, according to the IRS, removal reduces but does not eliminate the risk that a user can access a sensitive system.

The IRS did not always remove contractor access to sensitive systems when background investigations were not favorable. Specifically, 19 contractors' most recent background investigations were not favorable as of July 2023. However, these contractors still retained their access to one or more sensitive systems because the IRS did not take action to suspend or disable the contractors from the IRS's systems as required.

We noted that the IRS is evaluating steps to improve its ability to safeguard data housed on its sensitive systems. These steps include identifying and recording user actions when accessing sensitive data and tracking authorized and unauthorized attempts of removal of sensitive data from its systems. However, for some sensitive systems, we found that the IRS does not have adequate controls to detect or prevent the unauthorized removal of data by users.

We made three recommendations. The IRS agreed with all three recommendations.



# Protect the Integrity of Tax Administration

TIGTA is statutorily mandated to protect the integrity of federal tax administration. We accomplish this 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.

## The Performance Model

TIGTA's OI accomplishes its mission through the hard work of employees, whose efforts are guided by a performance model that focuses on three primary areas of investigative responsibility:



IRS employee misconduct undermines the IRS's ability to deliver taxpayer services, to enforce tax laws effectively, and to collect taxes owed to the federal government. External threats against the IRS impede its ability to carry out its role as the nation's revenue collector fairly, efficiently, and safely. 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 allegations of violations in these areas, and refers the findings to the U.S. Department of Justice or to state authorities for prosecution. We also refer allegations of violations involving IRS employee misconduct to IRS management.

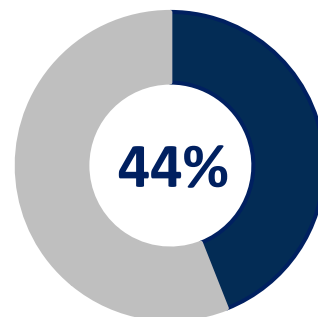
In each of the following performance areas, we highlight example cases from the current reporting period.<sup>11</sup> For additional details about the highlighted cases, visit the [TIGTA Investigative Activities](#) web page or click on the hyperlink in the case titles.

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<sup>11</sup> Facts in the summarized case narratives come from court documents of the jurisdictions named.

## Performance Area: Employee Integrity

For our country's tax system to operate successfully, taxpayers must have confidence in the fair and impartial administration of federal tax laws and regulations. IRS employee misconduct 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 returns and return information; and identity theft.



**44%**  
of OI's work was employee integrity investigations.

During this reporting period, employee integrity investigations accounted for 44 percent of OI's work. OI conducted 198 employee misconduct investigations that were referred to the IRS for action. The IRS took action, up to and including termination, on 187 investigations and closed 11 without action.<sup>12</sup>

As part of our employee integrity focus, we also conduct proactive investigative initiatives to detect misconduct in the administration of IRS programs. During this reporting period, we initiated 11 proactive projects to detect systemic weaknesses or potential IRS program vulnerabilities. Our most successful integrity project involves the detection of IRS employees who abuse their access to taxpayer information to commit identity theft and other crimes.

## Addressing Employee Misconduct

The following cases represent OI's efforts to address employee misconduct during this reporting period:

### IRS Employee Mailed Controlled Substances Using IRS Forms

On February 29, 2024, at a re-arraignment and plea hearing in the Eastern District of Kentucky, Contessa M. Qualls pled guilty to one count of conspiracy to commit mail fraud.

In October 2021, Qualls, an IRS employee in Covington, Kentucky, obtained controlled substances from the internet and other sources for the purpose of mailing them to an inmate of Toledo Correctional Institute (TCI). On at least two occasions, Qualls used IRS mailings, sent from the IRS office in Covington, Kentucky, to mail documents soaked in a controlled substance known as "K2" or "spice," to an inmate at TCI. Qualls mailed documents for the purpose of sale and distribution in TCI by the inmate. Using the IRS mailings, Qualls intended to deceive TCI officials by conveying the false impression that the mailings constituted official documents from a U.S. government agency, thus introducing the contraband into TCI without additional scrutiny or interception. Qualls intended the controlled substances to be sold and distributed in TCI.

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<sup>12</sup> These data may pertain to investigations referred administratively in prior reporting periods and do not necessarily relate to the total number of misconduct investigations that were referred to the IRS for action during this reporting period.

## **IRS Employee Pleads Guilty for His Role in Economic Injury Disaster Loan Scam**

On December 5, 2023, in the Western District of Tennessee, Brian Saulsberry pled guilty to one count of money laundering. Saulsberry submitted four fraudulent Economic Injury Disaster Loans (EIDL) while employed by the IRS as a Program Evaluation and Risk Analyst.

In April and August 2020, Saulsberry submitted two fraudulent EIDL program applications on behalf of DSG Commercial Eco Systems, a purported business owned and operated by Saulsberry, to the U.S. Small Business Administration (SBA). The first application sought approximately \$18,400, and the second application sought \$105,000 in EIDL program funds. In June 2020, the first application was funded in the amount of \$18,400. In August 2020, the second application was denied.

In April 2020, Saulsberry also submitted two fraudulent EIDL program applications on behalf of The DSG Group, a business owned and operated by Saulsberry, to the SBA. The first application sought approximately \$174,625, and the second application sought \$225,000 in EIDL program funds. In December 2020, the first application was funded in the amount of \$149,000. In May 2020, the second application was denied by the SBA.

In total, Saulsberry sought at least \$501,400 in EIDL program loans and obtained at least \$171,400 in loan funds.

## **Identity Theft and the Insider Threat**

The following case represents OI's efforts to address identity theft and the insider threat during the reporting period:

## **IRS Employee Sentenced for Her Role in Paycheck Protection Program Loan Fraud**

On October 31, 2023, in the Northern District of Georgia, former IRS employee Gena Pyfrom-Foster was sentenced to 41 months of imprisonment; 3 years' supervised release; and ordered to pay \$5,533,732 in restitution to four victims, and a special assessment fee of \$100. Pyfrom-Foster pled guilty to conspiracy to commit wire fraud in August 2023.

From April through July 2020, Pyfrom-Foster and her co-conspirators submitted fraudulent Paycheck Protection Program (PPP) loan applications for multiple businesses. Pyfrom-Foster prepared fabricated documentation for more than 40 businesses, including 9 businesses that received PPP loans.

In one instance, the PPP application falsely represented that a company had 59 employees and an average monthly payroll of \$295,186. To support its payroll figures, Pyfrom-Foster assisted in the creation and submission of falsified IRS Form 941s, *Employer's Quarterly Federal Tax Return*, for each quarter of 2019; IRS Form W-2, *Wage and Tax Statement*; and payroll spreadsheets included with the company's PPP application. However, documents produced by the company showed that it did not have any employees. Based on the false and fraudulent representations and submissions made by Pyfrom-Foster and her co-conspirators, a financial institution distributed approximately \$737,965 to this company.

## Performance Area: Employee and Infrastructure Security

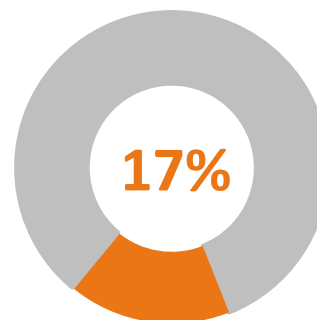
Threats and assaults directed at IRS employees, facilities, and infrastructure impede the effective and safe administration of the federal tax system and the IRS's ability to collect tax revenue. OI receives referrals of all reports of threats, assaults, and forcible interference against IRS employees while performing their official duties. We also pursue, investigate, and mitigate emerging threats to the IRS's ability to conduct federal tax administration in cyberspace.



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 taxpayers 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 6-month reporting period, OI provided 10 armed escorts for IRS employees.

OI undertakes investigative initiatives to identify individuals who could commit violence against, or otherwise pose a threat to, IRS employees, facilities, or infrastructure. OI 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.

Investigative information sharing between OI and the IRS's Office of Employee Protection to identify "potentially dangerous" taxpayers is one example of our commitment to protecting IRS employees. Taxpayers who meet certain IRS criteria receive a designation as potentially dangerous. Five years after this designation has been made, we conduct a follow-up assessment of the taxpayer so that the IRS can determine if the taxpayer still presents a potential danger to IRS employees.



**17%**  
of OI's work was  
investigations of  
threats/assaults.

During this reporting period, employee and infrastructure security investigations accounted for 17 percent of OI's work.

The following cases represent OI's efforts to ensure the safety of IRS employees during the reporting period:

### **Man Pleads Guilty After Threatening to Bomb an IRS Lockbox Facility**

On October 26, 2023, in the Western District of Kentucky, Cameron Hyatt, pled guilty to one count of false information and hoaxes, and three counts of assaulting, resisting, or impeding certain officers.

On April 13, 2023, Hyatt, a contract employee at an IRS Lockbox, sent a text message to his contracting agency that stated, “I am going home and killing myself, blowing my brains out.” The next day a shift supervisor called Hyatt and advised him that he could not return to work until he was cleared by human resources. Hyatt called the shift supervisor multiple times and cursed at her. On April 17, 2023, a human resources representative advised Hyatt that his employment was terminated. Hyatt told the human resources representative he was going to kill himself. When told he was no longer permitted on any client site, including the IRS Lockbox, Hyatt stated, “That’s okay because I’m going to bomb your place...” When interviewed by a TIGTA special agent, Hyatt stated he sent the text messages “because he wanted to...scare them for ruining my job, my livelihood.”

On April 20, 2023, Hyatt was arrested by TIGTA agents. During his arrest, Hyatt kicked and spit at a special agent and kicked and threatened to kill another special agent.

### **Man Pleads Guilty After Threatening to Kill an IRS Employee**

On October 6, 2023, in the Eastern District of New York, Jamel Jackson pled guilty to one count of threat to assault and murder a United States official.

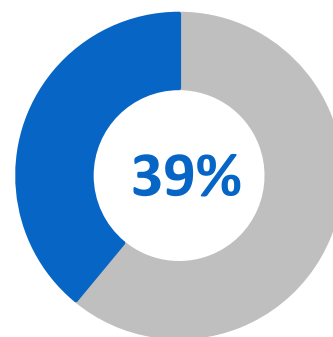
On September 2, 2021, Jackson entered an IRS Taxpayer Assistance Center (TAC). An IRS employee requested Jackson produce certain documents for verification and informed him that he was not permitted to use his cellphone. Jackson slammed his backpack on the IRS employee’s desk and shouted, “I will snap your neck! I kill people! I’m on trial for killing people!” Jackson stood up, grabbed the divider that separated Jackson from the IRS employee, and began violently shaking it. Jackson threatened that he would move the glass and come over the desk for the IRS employee.

On January 10, 2022, Jackson returned to the TAC. When Jackson learned that his stimulus check had been sent to the wrong address, he stated, “I’m gonna get back in prison mode.” After the IRS employee informed Jackson that it could take six weeks before he received a stimulus check at his correct address, Jackson shouted, “I will literally do life in jail for my money! Do you understand that?” and “In six weeks...when I come back, I’m trying to find out where is my money. After that, I’m coming off my hip! You understand?!”



## Performance Area: External Attempts to Corrupt Tax Administration

We also investigate external attempts to corrupt or impede tax administration. Individuals may attempt to corrupt or impede tax administration in many ways. They may impersonate IRS employees or misuse IRS seals and symbols; use fraudulent IRS documentation to perpetrate criminal activity; offer bribes to IRS employees to influence their tax cases; commit fraud in contracts the IRS awards to contractors; or commit cybercrimes through the misuse of IRS portals. In addition, unscrupulous tax preparers can make unauthorized disclosures of tax return information, steal federal tax refunds, misrepresent their credentials, or prepare bogus IRS documents.



**of OI's work was investigating attempts to corrupt or impede tax administration.**

During this reporting period, investigations into attempts to corrupt or impede tax administration accounted for 39 percent of OI's work.

### CARES Act Fraud

The following cases represent OI's efforts to address Coronavirus Aid, Relief, and Economic Security (CARES) Act fraud during this reporting period:

#### New Hampshire Man Pleads Guilty to CARES Act Fraud

On February 15, 2024, in the District of New Hampshire, Matthew Dispensa pled guilty to three counts of bank fraud and one count of wire fraud related to fraudulently submitted CARES Act loan applications.

In May 2020, Dispensa obtained an Employee Identification Number (EIN) for Gateway Hills LLC, from the IRS. He then used the EIN on fraudulent CARES Act loan applications associated with this entity. Dispensa fraudulently applied for multiple loans under the PPP and EIDL programs.

In May 2020, Dispensa submitted a \$90,400 PPP loan application for Gateway Hills LLC. In connection with the application, Dispensa submitted false supporting documents, including tax documents. Dispensa also provided a "Payroll Summary" showing that he was paid \$8,700 per month through Gateway Hills LLC. Dispensa's actual tax returns showed no income from that entity. In December 2020, Dispensa submitted a \$150,000 EIDL application for Gateway Hills LLC. In that application, Dispensa falsely claimed that the entity had gross revenues of \$485,000 in the 12 months preceding January 31, 2020. However, bank records showed that Gateway Hills LLC had no actual regular business activity. According to a Department of Justice press release dated February 15, 2024, Dispensa fraudulently obtained \$342,650 and attempted to fraudulently obtain \$492,650.

## **Man Sentenced to Four Months in Prison for His Role in CARES Fraud**

On October 12, 2023, in the District of Oregon, Cody Breedlove, was sentenced to 4 months of imprisonment, 3 years' supervised release, and ordered to pay \$51,006 in restitution, along with a \$100 special assessment. Breedlove pled guilty to one count of wire fraud for his involvement with CARES Act EIDL fraud.

On or about June 8, 2020, Breedlove obtained an EIN from the IRS to make a fictitious cleaning business seem like a legitimate employer. Breedlove obtained the personal identifying information of a victim, including their name and social security number, and used it in an application to the SBA for an EIDL on behalf of the fictitious cleaning business purportedly owned by the victim. Breedlove used the EIN on the fraudulent EIDL application submitted on June 30, 2020. The SBA approved the EIDL and disbursed \$42,900 as requested.

In total, Breedlove submitted four fraudulent EIDL applications. One application described above was funded for \$42,900, another application was advanced funded for \$2,000, and two applications had no funds distributed.

## **Fighting Cybercrime**

The following case represents OI's efforts to fight cybercrime during this reporting period:

### **Former IRS Contractor Sentenced for Disclosing Tax Return Information**

On January 29, 2024, in the District of Columbia, Charles Edward Littlejohn, a former IRS contractor, was sentenced to 5 years in prison for disclosing thousands of tax returns without authorization. While working on an IRS contract, Littlejohn accessed and stole the tax returns and return information of a high-ranking government official and related entities and individuals.

Littlejohn queried a database using generalized parameters that would collect the official's tax return information in the resulting data set. He uploaded this data to a personal, private website to avoid IRS protocols designed to detect and prevent large downloads or uploads from IRS systems. Littlejohn then stored the data in multiple locations, including on personal storage devices, such as his Apple iPod.

Between August 2019 and October 2019, Littlejohn disclosed the official's tax return information to a news organization. In Spring 2020, Littlejohn stole additional tax return information associated with the official and provided it to the news organization. In September 2020, the news organization published the first of several articles that publicly disclosed information contained in the official's tax returns.

In July and August 2020, Littlejohn separately stole tax returns and return information associated with thousands of the nation's wealthiest individuals. In November 2020, Littlejohn disclosed this information to a second news organization, which has since published nearly 50 articles using information from Littlejohn.

## **Impersonation Scams and Schemes**

The following cases represent OI's efforts to address impersonation scams and schemes during this reporting period:

### **Woman Sentenced for Her Role in Stealing \$300,000 in an IRS Impersonation Scheme**

On November 6, 2023, in the Western District of Tennessee, Telisha Futrell was sentenced to 46 months of imprisonment, 3 years' supervised release, ordered to pay \$169,627 in restitution, and a \$100 special assessment. Futrell pled guilty to wire fraud in connection with an IRS impersonation scam.

In 2014, a victim was contacted and told that a Facebook friend died, and that the victim was a beneficiary of a multimillion-dollar inheritance. To claim the inheritance, the victim was informed that he would have to pay taxes up front, and the payment of taxes would be handled through an IRS employee named Shieka Obannon, who was actually Futrell. When the payments began to exhaust the victim's resources, the victim solicited the help of a friend, another victim, to also make payments.

While pretending to be Obannon, Futrell directed the victims to pay her in cash and by using money transfers, such as Western Union, JPay, and MoneyGram. Futrell created additional fictitious characters, claiming to be attorneys and other IRS employees, and communicated under these false identities with the victims about payments. According to the victims, one paid approximately \$200,000, and the other paid \$100,000 to Futrell.

### **Man Pleads Guilty to Conspiracy for His Role in an IRS Refund Scam**

On November 13, 2023, in the Western District of Texas, Dillon Anozie pled guilty to one count of conspiracy to commit mail and wire fraud.

In January 2018, Anozie and others obtained the Personally Identifiable Information (PII) of taxpayers and accountants, where Anozie could receive mail and prepaid debit cards to which fraudulently claimed tax refunds could be directed. The conspirators prepared and filed fraudulent tax returns that used the PII of taxpayers. Anozie received identity verification letters from the IRS to confirm the legitimacy of the filed tax returns that were addressed to taxpayers and sent to addresses he and others controlled. Once the IRS deposited refunds onto prepaid debit cards and bank accounts, Anozie used the prepaid debit cards to withdraw cash from ATMs and to purchase money orders, home renovation materials, and designer clothing from high-end retailers.

Anozie took steps to conceal the fraudulent conduct by adding the names of taxpayers to apartment mailboxes when mail in the taxpayer's name was expected, destroying the received IRS mail, and purchasing money orders using the prepaid debit cards in amounts lower than the stores' purchaser reporting thresholds.

## **Tax Preparer Outreach**

The following case represents OI's efforts to address tax preparer outreach during this reporting period:

### **Man Sentenced for His Role in Wire and Bank Fraud**

On December 28, 2023, in the Southern District of New York, Scott DiBerardino pled guilty to one count of conspiracy to commit wire fraud and bank fraud. He was sentenced to 48 months of imprisonment, 3 years of supervised release, and ordered to pay \$790,000 in restitution.

From July 2018 through May 2022, DiBerardino, a co-defendant, and co-conspirators used false identification documents to impersonate at least dozens of individuals in order to access and open bank accounts held in the victims' names, without their knowledge. DiBerardino then withdrew funds from the accounts or used the accounts to cash or deposit stolen and fraudulent checks. In one instance, a co-conspirator deposited a stolen genuine U.S. Treasury tax refund check in the amount of \$165,000 into the account of one of the victims. In another, a co-conspirator deposited a second stolen genuine U.S. Treasury tax refund check in the amount of \$166,483 into the account of one of the victims.

The investigation identified more than 27 individual victims, 3 victim banks, and losses and attempted losses of more than \$597,670.

# Investigations Statistical Reports

## Significant Investigative Achievements (October 1, 2023, Through March 31, 2024)

Complaints/Allegations Received by TIGTA	
Complaints Against IRS Employees	1,162
Complaints Against Non-Employees	1,850
<b>Total Complaints/Allegations</b>	<b>3,012</b>
Status of Complaints/Allegations Received by TIGTA	
Investigations Initiated	469
In Process Within TIGTA <sup>13</sup>	490
Referred to IRS for Action	726
Referred to IRS for Information Only	184
Referred to a Non-IRS Entity <sup>14</sup>	0
Closed With No Referral	586
Closed Associated With Prior Investigation	490
Closed With All Actions Completed	67
<b>Total Complaints/Allegations</b>	<b>3,012</b>
Investigations Opened and Closed	
Total Investigations Opened	881
Total Investigations Closed	937
Financial Accomplishments	
Embezzlement/Theft Funds Recovered	\$30,636
Contract Fraud and Overpayments Recovered	\$0
Court-Ordered Fines, Penalties, and Restitution	\$40,429,627
Out-of-Court Settlements	\$0
Potentially Compromised by Bribery	\$0
Tax Liability of Taxpayers Who Threaten and/or Assault IRS Employees	\$2,347,246
IRS Assets and Resources Protected Against Malicious Loss	\$8,238,637
<b>Total Financial Accomplishments</b>	<b>\$51,046,146</b>

<sup>13</sup> Complaints for which final determination had not been made at the end of the reporting period.

<sup>14</sup> A non-IRS entity includes other law enforcement entities or federal agencies.

Status of Closed Criminal Investigations			
Criminal Referral	Employee	Non-Employee	Total
Referred – Accepted for Prosecution	7	89	96
Referred – Declined for Prosecution	160	158	318
Referred – Pending Prosecutorial Decision	11	91	102
<b>Total Criminal Referrals<sup>15</sup></b>	<b>178</b>	<b>338</b>	<b>516</b>
<b>No Referral</b>	<b>236</b>	<b>81</b>	<b>317</b>
Criminal Dispositions <sup>16</sup>			
Criminal Disposition	Employee	Non-Employee	Total
Guilty (convicted)	0	4	4
Guilty (plea)	6	100	106
Nolo Contendere (no contest)	0	2	2
Pretrial Diversion	1	1	2
Deferred Prosecution <sup>17</sup>	1	1	2
Not Guilty	0	0	0
Dismissed	1	4	5
<b>Total Criminal Dispositions</b>	<b>9</b>	<b>112</b>	<b>121</b>
Administrative Dispositions on Closed Investigations <sup>18</sup>			
Removed/Terminated			9
Suspended/Reduction in Grade			11
Resigned/Retired/Separated Prior to Adjudication			53
Oral or Written Reprimand/Admonishment			52
Clearance Letter/Closed, No Action Taken			21
Alternative Discipline/Letter With Cautionary Statement/Other			47
Non-Employee Actions <sup>19</sup>			152
<b>Total Administrative Dispositions</b>			<b>345</b>

<sup>15</sup> Criminal referrals include both federal and state dispositions.

<sup>16</sup> 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 previous Status of Closed Criminal Investigations table. This table does not include investigations whose existence is protected from disclosure by I.R.C. § 6103.

<sup>17</sup> Generally, in a deferred prosecution, the defendant accepts responsibility for their 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.

<sup>18</sup> 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.

<sup>19</sup> Administrative actions taken by the IRS against non-IRS employees, e.g., contractors.



## Summary of Investigative Reports and Criminal Referrals

Criminal Referral Breakdown	
<b>Number of Investigative Reports Issued</b>	
Referred to the Department of Justice for Criminal Prosecution	411
Referred to State/Local Prosecuting Authorities	25
<b>Number of Indictments and Criminal Informations</b>	
Indictments	77
Criminal Informations	10

Source: TIGTA OI's Criminal Results Management System.

## Summary of Activity Relating to Complaints of Human Trafficking

Activity Relating to Complaints of Human Trafficking	
Number of Suspected Violations Reported	0
Number of Investigations	0
Status of Investigations	N/A
Outcome of Investigations	N/A

Source: TIGTA OI's 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 were no investigations of whistleblower retaliation.

## No-Knock Warrants

During the reporting period, TIGTA did not have any “no-knock” warrants for entries:

- Pursuant to judicial authorization;
- Pursuant to exigent circumstances; and
- In which a law enforcement officer or other person was injured during a no-knock entry.

## Suspension and Debarment

Suspension and debarment are administrative remedies used to ensure the U.S. government does not enter into procurement and non-procurement transactions with parties who are not “presently responsible,” e.g., those that have engaged in criminal or other improper conduct, demonstrated serious poor performance, or present any other cause of such a compelling and serious nature that it would lead one to question their honesty, ethics, or competence, etc. Suspension and debarment are applicable to organizations and persons who, or may be reasonably expected to, conduct business or transactions with the U.S. government. Applicability is extremely broad and may include government personnel.

The primary intent of suspension and debarment is to ensure a competitive environment and to protect the government and taxpayers from fraud, waste, abuse, and other unlawful activity. In accordance with Treasury Directive 12-12, TIGTA is required to coordinate with the Department of the Treasury’s Office of Procurement Executive (OPE), who is the Department’s Suspension and Debarment Official (SDO), to the extent allowed by law, when it deems suspension and debarment action appropriate under the Federal Acquisition Regulation, 48 C.F.R. Part 9, for procurement transactions, or the Department’s regulations, 31 C.F.R. Part 19, for non-procurement transactions. Accordingly, the following table represents the number of cases TIGTA has referred to OPE/SDO for potential suspension or debarment action, including any subsequent action taken by the Department, between October 1, 2023, and March 31, 2024.

### Summary of Suspension and Debarment Referrals

	Referred	Pending	Suspended	Debarred	Declined
Office of Investigations	17	13	1	0	3

## Closed Investigations Involving IRS Senior Government Employees<sup>20</sup>

Detailed Description of the Facts and Circumstances of the Investigation	Disposition	Criminal Status	Date Referred	If Declined, Date of Declination
A senior government employee allegedly accidentally discharged a firearm.	Counseling	N/A	N/A	N/A
A senior government employee allegedly authored a false resume for the direct hire of a family member.	Separated during investigation	Declined	11/1/2023	11/1/2023
A senior government employee allegedly provided preferential treatment to certain individuals.	Clearance Letter	N/A	N/A	N/A

<sup>20</sup> 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. 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. § 405(a)(6).

# **Audit Statistical Reports**

## **Audit Reports With Unimplemented Corrective Actions**

The Inspector General Act requires the identification of any recommendations described in previous semiannual reports, including the potential cost savings of those recommendations for which corrective actions have not been completed. The following list is based on information from the Treasury Department's Joint Audit Management Enterprise System (JAMES). Click the link in the report number to obtain more details about the findings and recommendations.

[Rep. No. 2016-40-028](#); March 2016  
**Revising Tax Debt Identification  
Programming and Correcting Procedural  
Errors Could Improve the Tax Refund  
Offset Program**  
Recommendation 1

[Rep. No. 2018-40-010](#); January 2018  
**Processes Need to Be Improved to Identify  
Incomplete and Fraudulent Applications for  
Individual Taxpayer Identification Numbers**  
Recommendation 5

[Rep. No. 2017-40-037](#); May 2017  
**Improvements Are Needed to Ensure  
That Tax Accounts on the Automated  
Non-Master File Are Accurately  
Processed**  
Recommendation 1  
Recommendation 2—Potential Increased  
Revenue: \$354,153

[Rep. No. 2018-40-013](#); February 2018  
**Actions Are Needed to Reduce the  
Risk of Fraudulent Use of Employer  
Identification Numbers and to Improve the  
Effectiveness of the Application Process**  
Recommendations 3 and 9

[Rep. No. 2017-40-038](#); July 2017  
**Case Selection Processes Result  
in Billions of Dollars in Potential  
Employer Underreported Tax Not  
Being Addressed**  
Recommendation 5

[Rep. No. 2018-20-034](#); June 2018  
**Active Directory Oversight Needs  
Improvement and Criminal Investigation  
Computer Rooms Lack Minimum  
Security Controls**  
Recommendation 3

[Rep. No. 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**  
Recommendation 3

[Rep. No. 2018-30-072](#); September 2018  
**Improvements Are Needed in the Withholding  
Compliance Program**  
Recommendation 5

[Rep. No. 2019-40-048](#); August 2019  
**Additional Actions Are Needed to Reduce  
Alimony Reporting Discrepancies on  
Income Tax Returns**  
Recommendations 2 and 3

[Rep. No. 2021-20-003](#); December 2020  
**Security Controls Over Electronic Crimes Labs  
Need Improvement**  
Recommendations 1 and 3

[Rep. No. 2019-20-046](#); September 2019  
**The Bring Your Own Device Program's  
Security Controls Need Improvement**  
Recommendation 4

[Rep. No. 2021-40-008](#); December 2020  
**Expansion of Self-Correction for Electronic  
Filers and Other Improvements Could Reduce  
Taxpayer Burden And Costs Associated With  
Tax Return Error Resolution**  
Recommendation 6

[Rep. No. 2019-40-074](#); September 2019  
**Additional Actions Are Needed to Further  
Reduce Undeliverable Mail**  
Recommendations 1 and 2

[Rep. No. 2021-25-025](#); May 2021  
**Taxpayer First Act: Data Security in the  
Identity Theft Tax Refund Fraud Information  
Sharing And Analysis Center**  
Recommendation 5

[Rep. No. 2020-40-005](#); November 2019  
**Improvements Are Needed to Ensure  
That Consistent Suitability Checks  
Are Performed for Participation in Internal  
Revenue Service Programs**  
Recommendation 9

[Rep. No. 2021-10-039](#); June 2021  
**Controls Over the Internal Revenue Service  
Contractor Tax Check Process Need to Be  
Improved**  
Recommendation 3

[Rep. No. 2020-30-066](#); September 2020  
**The Internal Revenue Service Can  
Improve Taxpayer Compliance  
for Virtual Currency Transactions**  
Recommendation 1

[Rep. No. 2021-30-042](#); August 2021  
**Efforts to Address the Compliance Risk of  
Underreporting of S Corporation Officers'  
Compensation Are Increasing,  
but More Action Can Be Taken**  
Recommendation 5

[Rep. No. 2021-20-063](#); September 2021  
\*\*\*\*\*Platform Management  
Needs Improvement<sup>21</sup>  
Recommendation 5

[Rep. No. 2022-30-021](#); March 2022  
The Administration of Partial Payment  
Installment Agreements Needs Improvement  
Recommendation 5

[Rep. No. 2022-40-008](#); December 2021  
Increased Availability of Tax Resources  
and Information for Limited English Proficient  
and Visually Impaired Taxpayers Has  
Enhanced Assistance, but Additional  
Improvements Are Needed  
Recommendations 4, 6, 7, and 8

[Rep. No. 2022-30-022](#); March 2022  
The IRS Private Debt Collection Program  
Has Not Effectively Reported All Program  
Costs or Included Adequate Disclosures  
Recommendation 1—Potential Funds Put to  
Better Use: \$25,763,453

[Rep. No. 2022-40-013](#); January 2022  
Administration of the Individual  
Taxpayer Identification Number Program  
Recommendation 1

[Rep. No. 2022-46-027](#); March 2022  
Program and Organizational  
Changes Are Needed to Address  
the Continued Inadequate Tax Account  
Assistance Provided to Taxpayers  
Recommendations 4, 11, and 18

[Rep. No. 2022-40-015](#); February 2022  
Plans to Close the Austin Tax Processing  
Center Should Be Halted Until Hiring  
Challenges and Substantial Backlogs  
at Remaining Centers Are Addressed  
Recommendations 3 and 6

[Rep. No. 2022-15-031](#); March 2022  
Redesign Efforts for Most Taxpayer  
First Act Section 1302 Requirements  
Were Planned or Completed; However,  
Implementation Schedules and  
Reorganization Plans Need to Be Finalized  
Recommendation 1

[Rep. No. 2022-30-020](#); March 2022  
Centralized Partnership Audit Regime Rules  
Have Been Implemented; However, Initial  
No-Change Rates Are High and Measurable  
Goals Have Not Been Established  
Recommendation 3

[Rep. No. 2022-27-028](#); May 2022  
The Child Tax Credit Update Portal Was  
Successfully Deployed, but Security and  
Process Improvements Are Needed  
Recommendation 9

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<sup>21</sup> Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.



[Rep. No. 2022-46-032](#); May 2022  
**Processing of Recovery Rebate Credit Claims  
During the 2021 Filing Season**  
Recommendation 1  
Recommendation 3—Potential Funds Put to  
Better Use: \$217,927,531

[Rep. No. 2022-35-049](#); August 2022  
**Compliance Efforts Are Needed to  
Address Refund Claims Reported  
on Form 1139 That Are Based on  
the Cares Act Net Operating Loss  
Carryback Provisions**  
Recommendations 1, 2, and 3

[Rep. No. 2022-20-052](#); September 2022  
**Cloud Services Were Implemented  
Without Key Security Controls,  
Placing Taxpayer Data At Risk**  
Recommendation 1

[Rep. No. 2022-46-057](#); September 2022  
**Delays in Management Actions  
Contribute to the Continued  
Tax Processing Center Backlogs**  
Recommendation 9

[Rep. No. 2022-30-058](#); September 2022  
**Fiscal Year 2022 Statutory Review  
of Disclosure of Collection Activity  
With Respect to Joint Returns**  
Recommendations 1 and 2

[Rep. No. 2022-30-061](#); September 2022  
**Fiscal Year 2022 Statutory Review  
of Compliance With Legal Guidelines  
When Issuing Levies**  
Recommendations 3, 4, and 6

[Rep. No. 2022-20-065](#); September 2022  
**The IRS Needs to Improve Its Database  
Vulnerability Scanning and Patching Controls**  
Recommendation 1

[Rep. No. 2023-30-003](#); November 2022  
**More Should Be Done to Increase Use and  
Availability of the IRS's Taxpayer Digital  
Communication Tools**  
Recommendations 3 and 4

[Rep. No. 2023-30-005](#); December 2022  
**Fiscal Year 2023 Biannual Independent  
Assessment of Private Collection Agency  
Performance**  
Recommendation 2

[Rep. No. 2023-30-008](#); February 2023  
**Opportunities Exist for the IRS to  
Develop a More Coordinated Approach to  
Examination Workplan Development and  
Resource Allocation**  
Recommendations 1, 2, and 4

[Rep. No. 2023-30-009](#); February 2023  
**Improvements to the Employment  
Tax Examination Process Are Needed  
to Increase Taxpayer Compliance and  
Collection Potential**  
Recommendation 5

[Rep. No. 2023-15-010](#); February 2023  
**Actions Have Been Taken to Implement  
Taxpayer First Act Provisions Related to the  
IRS Independent Office of Appeals; However,  
Some Improvements Are Still Needed**  
Recommendations 1, 2, and 3

[Rep. No. 2023-30-011](#); March 2023  
**The IRS Has Not Adequately Prioritized  
Federal Civilian Employee Nonfilers**  
Recommendations 1, 3, 7, 8, 9, 10, and 11

[Rep. No. 2023-45-014](#); March 2023  
**Additional Actions Are Needed to Improve  
and Secure the Income Verification Express  
Service Program**  
Recommendations 7, 8, and 13

[Rep. No. 2023-10-016](#); March 2023  
**Actions Are Needed to Improve the  
Completeness, Development, and  
Review of IRS Tax Gap Estimates**  
Recommendations 5 and 6

[Rep. No. 2023-30-020](#); March 2023  
**The IRS Eliminated Its Employee  
Suggestion Program Without Plans  
for a Replacement**  
Recommendation 2

[Rep. No. 2023-25-017](#); April 2023  
**Implementation of the Taxpayer First Act  
Provision Regarding the Management  
and Purchase of Information Technology  
Resources Needs Improvement**  
Recommendations 2, 3, 4, and 6

[Rep. No. 2023-30-024](#); May 2023  
**The Knowledge Management Program  
Will Benefit From Addressing User Concerns  
and Improving Performance Measures and  
Controls Over Employee Costs**  
Recommendations 1, 2, 3, 4, 6, and 7

[Rep. No. 2023-46-026](#); May 2023  
**Additional Actions Are Needed to Reduce  
Accounts Management Function Inventories  
to Below Pre-Pandemic Levels**  
Recommendations 6, 8, and 10

[Rep. No. 2023-15-027](#); May 2023  
**Services to Underserved Communities Have  
Been Ongoing; However, an Agencywide  
Strategy Has Not Been Developed**  
Recommendation 1

[Rep. No. 2023-15-028](#); May 2023  
**Plans Were Made to Implement the  
Taxpayer Experience Strategy, but Progress  
Is Not Monitored**  
Recommendations 1 and 2

[Rep. No. 2023-46-030](#); May 2023  
**Recurring Identification Is Needed  
to Ensure That Employers Full Pay  
the Deferred Social Security Tax**  
Recommendation 2

[Rep. No. 2023-40-033](#); May 2023  
**Opportunities Exist to Improve  
the Accuracy of Information in the  
Centralized Authorization File and  
Increase the Use of the Tax Pro  
Account System**  
Recommendation 1

[Rep. No. 2023-35-031](#); June 2023  
**Additional Actions Are Needed to Improve  
Data Collection and Analysis of Whistleblower  
Claims and Ensure Full Compliance With  
the Taxpayer First Act**  
Recommendations 1, 2, and 4

[Rep. No. 2023-20-034](#); June 2023  
**Actions Have Been Taken to Improve the Privacy Program; However, Some Privacy Controls Have Not Been Fully Implemented and Assessed**  
Recommendations 2, 3, and 4

[Rep. No. 2023-47-035](#); June 2023  
**American Rescue Plan Act: Review of the Reconciliation of the Child Tax Credit**  
Recommendation 1—Potential Funds Put to Better Use: \$9,957,194

[Rep. No. 2023-47-036](#); June 2023  
**American Rescue Plan Act: Continued Review of Premium Tax Credit Provisions**  
Recommendations 1, 2, and 3

[Rep. No. 2023-47-037](#); June 2023  
**American Rescue Plan Act: Assessment of the Expanded Child and Dependent Care and Earned Income Tax Credits**  
Recommendation 4—Potential Funds Put to Better Use: \$56,855,986  
Recommendation 9—Potential Funds Put to Better Use: \$203,535

[Rep. No. 2023-10-038](#); July 2023  
**Review of the IRS Independent Office of Appeals Collection Due Process Program**  
Recommendation 1

[Rep. No. 2023-10-046](#); July 2023  
**The Customer Callback System Benefits Taxpayers; However, Performance Measures Are Not Comprehensive and More Callers Could Qualify for Callback Offers**  
Recommendation 1

[Rep. No. 2023-20-042](#); August 2023  
**Security Weaknesses Are Not Timely Resolved and Effectively Managed**  
Recommendation 1

[Rep. No. 2023-10-043](#); August 2023  
**Expanded Use of Special Payment Incentives Could Help Improve Recruitment and Retention Efforts**  
Recommendation 1

[Rep. No. 2023-20-048](#); August 2023  
**Known Exploited Vulnerabilities That Remain Unremediated Could Put the IRS Network at Risk**  
Recommendations 2 and 3

[Rep. No. 2023-30-051](#); August 2023  
**Fiscal Year 2023 Statutory Review of Restrictions on Directly Contacting Represented Taxpayers**  
Recommendations 3 and 5

[Rep. No. 2023-30-054](#); August 2023  
**The IRS Needs to Leverage the Most Effective Training for Revenue Agents Examining High-Income Taxpayers**  
Recommendations 1, 2, 3, and 4

[Rep. No. 2023-10-050](#); September 2023  
**The Internal Revenue Service Has Experienced Challenges in Transitioning to Electronic Records**  
Recommendations 1 and 2

[Rep. No. 2023-30-053](#); September 2023  
**Actions Have Been Taken to Enhance Fuel Tax  
Credit Screening and Examination Processes;  
However, Improvements Are Still Needed**  
Recommendation 4

[Rep. No. 2023-30-057](#); September 2023  
**Fiscal Year 2023 Statutory Review  
of Compliance With Notice of Federal  
Tax Lien Filing Collection Due Process  
Procedures**  
Recommendations 5 and 6

[Rep. No. 2023-30-058](#); September 2023  
**Fiscal Year 2023 Statutory Audit of Compliance  
With Legal Guidelines Restricting the Use of  
Records of Tax Enforcement Results**  
Recommendations 5 and 7

[Rep. No. 2023-20-062](#); September 2023  
**The Enterprise Physical Access Control System  
Implementation and Physical Security Controls  
Need Improvement**  
Recommendations 1, 2, 3, 6, and 7

[Rep. No. 2023-30-063](#); September 2023  
**Fiscal Year 2023 Mandatory Review  
of Disclosure of Collection Activity  
With Respect to Joint Returns**  
Recommendation 2

[Rep. No. 2023-30-065](#); September 2023  
**Opportunities Exist to Improve the Audit  
Selection Process for the Qualified Plug-In  
Electric Drive Motor Vehicle Credit**  
Recommendations 1, 3, and 4

[Rep. No. 2023-30-066](#); September 2023  
**Fiscal Year 2023 Statutory Review of  
Compliance With Legal Guidelines  
When Issuing Levies**  
Recommendations 1, 4, 6, and 7

# Inspections and Evaluations Statistical Reports

## Evaluation Reports With Unimplemented Corrective Actions

The Inspector General Act requires the identification of any recommendations described in previous semiannual reports, including the potential cost savings of those recommendations for which corrective actions have not been completed. The following list is based on information from the Treasury Department's Joint Audit Management Enterprise System (JAMES). Click the link in the report number to obtain more details about the findings and recommendations.

Rep. No. [2023-IE-R001](#); October 2022

**Physical Security Controls at the**

\*\*\*\*\*<sup>22</sup>

Recommendations 1, 5, and 6

Rep. No. [2023-IE-R008](#); August 2023

**Sensitive Business and Individual**

**Tax Account Information Stored**

**on Microfilm Cannot Be Located**

Recommendations 1, 5, 8, 9, 11, and 12

Rep. No. [2023-IE-R004](#); May 2023

**Actions Are Being Taken to Reduce**

**Risks to Employees Whose Names**

**Are Required to Be Included on**

**Internal Revenue Service Correspondence**

Recommendations 1 and 2

Rep. No. [2023-IE-R011](#); September 2023

**Review of the IRS's Process to Perform**

**Mandatory Annual Examinations of**

**Presidential Returns for Tax Years 2000**

**Through 2021**

Recommendations 1, 2, 4, and 5

Rep. No. [2023-IE-R005](#); May 2023

**Assessment of the Internal Revenue Service's**

**Active Shooter Readiness and Training**

Recommendations 3, 4, and 5

Rep. No. [2023-IE-R012](#); September 2023

**Federal Acquisition Regulation Requirements**

**Were Either Not Performed or Documented**

**When Awarding and Administering Expert**

**Witness Contracts**

Recommendations 1, 2, 3, and 4

Rep. No. [2023-IE-R006](#); July 2023

**Actions Are Needed to Address**

**Inaccurate, Incomplete, and Inconsistent**

**Taxpayer Assistance Center Information**

**Provided to Taxpayers**

Recommendations 3, 4, 5, 6, and 7

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<sup>22</sup> Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.





# Appendix I

## Other Reports

The Inspector General Act requires Inspectors General to address the following issues for the Offices of Audit and Inspections and Evaluations:<sup>23</sup>

Issue	Result for TIGTA
<p><b>Interference/Access to Information</b></p> <p>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.</p> <p>Report restricted or significantly delayed access to information, including the justification of the establishment for such action.</p>	<p>As of March 31, 2024, there were no attempts to interfere with the independence of TIGTA or instances of restricted or significantly delayed access to information.</p>
<p><b>Disputed Recommendations</b></p> <p>Provide information on significant management decisions in response to recommendations with which the Inspector General disagrees.</p>	<p>As of March 31, 2024, there were no instances in which significant recommendations were disputed.</p>
<p><b>Revised Management Decisions</b></p> <p>Provide a description and explanation of the reasons for any significant revised management decisions made during the reporting period.</p>	<p>As of March 31, 2024, there were no significant revised management decisions.</p>
<p><b>Reports Issued in the Prior Reporting Period With No Management Response</b></p> <p>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.</p>	<p>As of March 31, 2024, there were no prior reports for which management's response was not received within 60 days of issuance.</p>
<p><b>Management Decisions Issued in the Current Reporting Period for Any Reports Issued in a Prior Reporting Period</b></p> <p>Provide a summary of reports issued before the beginning of the current reporting period for which a management response was received during the current reporting period.</p>	<p>As of March 31, 2024, there were no reports issued during the prior reporting period for which management's response was received during the current reporting period.</p>

<sup>23</sup> Results listed are for this reporting period only.

<p><b>Disclosure</b></p> <p>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.</p>	<p>As of March 31, 2024, there were no reports that were closed and not disclosed to the public.</p>
<p><b>Review of Legislation and Regulations</b></p> <p>Review existing and proposed legislation and regulations and make recommendations concerning the impact of such legislation or regulations.</p>	<p>TIGTA's Office of Chief Counsel reviewed 129 proposed regulations and legislative requests during this reporting period.</p>

# Appendix II

## Audit Products

**Issued October 1, 2023, Through March 31, 2024<sup>24</sup>**

Report Title	Report Number/Link <sup>25</sup>
<b>October 2023</b>	
Inflation Reduction Act: Assessment of a Free and Electronic Direct Filing Tax Return System	<a href="#">2024-408-002</a>
The Innocent Spouse Program Needs Improved Guidance for Employees and Increased Communication With Taxpayers	<a href="#">2024-300-001</a>
Inflation Reduction Act: Assessment of Implementation of Processing Year 2023 Tax Provisions	<a href="#">2024-408-004</a>
Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions	<a href="#">2024-100-003</a>
The IRS Has Improved Audit Trail Collection; However, Not All Audit Trail Data Are Being Collected and User Account Controls Need Improvement	<a href="#">2024-200-005</a>
<b>November 2023</b>	
Action Is Being Taken to Address the System Limitation That Contributed to the Destruction of Tax Year 2019 Paper-Filed Information Returns	<a href="#">2024-406-007</a>
Final Results of the 2023 Filing Season	<a href="#">2024-400-006</a>
Improvements Are Needed to Ensure Effective and Timely Processing of Post-Appointment Arrest Notifications	<a href="#">2024-100-010</a>
<b>December 2023</b>	
Administration of the Individual Taxpayer Identification Number Program	<a href="#">2024-400-012</a>
Post-Pandemic Actions Have Contributed to Declines in Automated Collection System Level of Service and Collection Inventories	<a href="#">2024-300-008</a>
Progress Update on Tax Return Scanning Initiatives	<a href="#">2024-408-013</a>
Trends in Compliance Activities Through Fiscal Year 2022	<a href="#">2024-300-011</a>
Independent Attestation Review of the Internal Revenue Service's Fiscal Year 2023 Budget Formulation Compliance Report and Detailed Accounting Report of Drug Control Funds	<a href="#">2024-100-014</a>

<sup>24</sup> Unless otherwise noted, IRS management decisions were made by the end of the reporting period for all audit products listed in this appendix.

<sup>25</sup> Dollar values for any recommendations with Questioned Costs and/or Funds Put to Better Use are available in the Outcome Measure Appendix of the report linked, if applicable.

January 2024	
Management and Oversight of Cloud Managed Services Contracts and the Enterprise Cloud Program Need Improvements	<a href="#">2024-200-009</a>
Review of the Internal Revenue Service's Purchase Card Violations Report and the Status of Recommendations	<a href="#">2024-100-016</a>
February 2024	
Annual Assessment of the IRS's Information Technology Program for Fiscal Year 2023	<a href="#">2024-200-015</a>
March 2024	
Fiscal Year 2024 Review of Assessment Statute Extension Dates	<a href="#">2024-100-018</a>
Additional Actions Are Needed to Improve Controls Over Manual Refund Processing	<a href="#">2024-400-017</a>
The IRS Continues to Reduce Backlog Inventories in the Tax Processing Centers	<a href="#">2024-406-020</a>

# Appendix III

## Inspections and Evaluations Products

### Issued October 1, 2023, Through March 31, 2024<sup>26</sup>

Report Title	Report Number/Link <sup>27</sup>
October 2023	
Snapshot: The IRS's Inflation Reduction Act Spending Through June 30, 2023	<a href="#">2024-IE-R002</a>
November 2023	
Actions Are Needed to Improve the Quality of Customer Service for Telephone Operations	<a href="#">2024-IE-R001</a>
December 2023	
The Internal Revenue Service Is Not Fully Complying With the No TikTok on Government Devices Implementation Guidance	<a href="#">2024-IE-R003</a>
The Internal Revenue Service Is Developing a Digital Asset Monitoring and Compliance Strategy	<a href="#">2024-IE-R005</a>
Improvements Needed to Ensure the Health and Safety of Employees at the C-site	<a href="#">2024-IE-R006</a>
January 2024	
Interim Evaluation - Assessment of the IRS's Comprehensive Facilities Security Review and Employee Safety and Security Measures	<a href="#">2024-IE-R004</a>
Quarterly Snapshot: The IRS's Inflation Reduction Act Spending Through September 30, 2023	<a href="#">2024-IE-R007</a>
February 2024	
Assessment of Processes to Grant Access to Sensitive Systems and to Safeguard Federal Tax Information	<a href="#">2024-IE-R008</a>
Actions Need to Be Taken to Address Inaccurate Internet Search Engine Taxpayer Assistance Center Information Which Poses a Threat to Employee Safety	<a href="#">2024-IE-R009</a>
March 2024	
Inflation Reduction Act: Continued Assessment of Transformation Efforts – Evaluation of Fiscal Year 2023 Delivery of Initiatives	<a href="#">2024-IE-R010</a>

<sup>26</sup> Unless otherwise noted, IRS management decisions were made by the end of the reporting period for all inspections and evaluations products listed in this appendix.

<sup>27</sup> Dollar values for any recommendations with Questioned Costs and/or Funds Put to Better Use are available in the Outcome Measure Appendix of the report linked, if applicable.

## Appendix IV

### TIGTA's Statutory Reporting Requirements

The following table reflects the FY 2024 statutory reviews.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<b>Enforcement Statistics</b> I.R.C. § 7803(d)(1)(A)	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 process.
<b>Restrictions on Directly Contacting Taxpayers</b> 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 they prefer their representatives be contacted.	Fieldwork currently in process.
<b>Filing of a Notice of Lien</b> 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 process.
<b>Extensions of the Statute of Limitations for Assessment of Tax</b> 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 of particular issues or a particular period of time.	<a href="#">Rep. No. 2024-100-018; Mar 2024</a> TIGTA reviewed a judgmentally selected sample of 36 closed taxpayer audit files with assessment statute extensions and found that the IRS complied with I.R.C. § 6501(c)(4)(B). However, the IRS had difficulties providing most of the paper documents requested. The IRS is experiencing a backlog of inventory. TIGTA is currently evaluating the backlog and has identified challenges the IRS is facing while attempting to eliminate the significant backlog.
<b>Levies</b> 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 process.
<b>Collection Due Process</b> 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 process.
<b>Seizures</b> 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 process.



Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<b>Taxpayer Designations—Illegal Tax Protester Designation and Similar Designations</b>  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 process.
<b>Disclosure of Collection Activity With Respect to Joint Returns</b>  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), which requires the IRS to disclose information to an individual filing a joint return on collection activity involving the other individual filing the return.	Fieldwork currently in process.
<b>Taxpayer Complaints</b>  I.R.C. § 7803(d)(2)(A)	Requires TIGTA to include in each <i>Semiannual Report to Congress</i> 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 <a href="#">page 33</a> .
<b>Administrative or Civil Actions With Respect to the Tax Collection Practices Act of 1996</b>  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 violation 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 process.
<b>Denials of Requests for Information</b>  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 process.
<b>Improper Payments Elimination and Recovery Act of 2010</b>  31 U.S.C. § 3321	Requires TIGTA to assess the IRS's compliance with improper payment requirements.	Fieldwork currently in process.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<b>Government Charge Card Abuse Prevention Act of 2012</b>  Pub. L. No. 112-194, 126 Stat. 1445 (codified as amended at 5 U.S.C. § 5701 note, 10 U.S.C. § 2784, and 41 § U.S.C. 1909)	Requires TIGTA to report on the IRS's progress in implementing purchase and travel card audit recommendations.	<a href="#">Rep. No. 2024-100-016</a> ; Jan 2024 TIGTA's review of the IRS's purchase card program found that controls are generally effective, and the number of purchase card violations identified by the IRS Credit Card Services Branch were minimal.
<b>Biannual Independent Assessment of Private Collection Agency Performance</b>	Independently evaluate the performance of private collection agencies.	Fieldwork currently in process.
<b>Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission and Assertions</b>  National Drug Enforcement Policy 21 U.S.C. § 1704(d) and the ONDCP Circular, <i>Drug Control Accounting</i> , dated May 1, 2007.	Requires TIGTA to authenticate the IRS's ONDCP detailed accounting submission and assertions.	<a href="#">Rep. No. 2024-100-014</a> ; Dec 2023 TIGTA is not aware of any material modifications that should be made to the assertions in the IRS's FY 2023 Budget Formulation Compliance Report and Detailed Accounting Report in order for them to be in accordance with the ONDCP Circular.
<b>Individual Taxpayer Identification Number (ITIN) Program</b>	Assess that only individuals with a tax need are assigned an ITIN.	<a href="#">Rep. No. 2024-400-012</a> ; Dec 2023 See the summary of the report on <a href="#">page 19</a> .
<b>Adequacy and Security of the Technology of the IRS</b>  I.R.C. § 7803(d)(1)(D)	Requires TIGTA to evaluate the IRS's adequacy and security of its technology.	<u>Information Technology Reviews:</u>  <a href="#">Rep. No. 2024-408-004</a> ; Oct 2023  <a href="#">Rep. No. 2024-200-009</a> ; Jan 2024  <a href="#">Rep. No. 2024-200-015</a> ; Feb 2024  <a href="#">Rep. No. 2024-IE-R008</a> ; Feb 2024  <a href="#">Rep. No. 2024-406-020</a> ; Mar 2024  <u>Security Reviews:</u>  <a href="#">Rep. No. 2024-200-005</a> ; Oct 2023

## **Appendix V**

### **Inspector General Peer Review Activity**

This appendix implements § 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act.<sup>28</sup>

**For the period October 1, 2023 – March 31, 2024:**

#### **Peer Reviews Conducted of TIGTA by Another Office of Inspector General**

- The U.S. Department of Labor (DOL) Office of Inspector General (OIG) completed an external peer review of TIGTA's Office of Inspections and Evaluations.

#### **Outstanding Recommendations From Peer Reviews of TIGTA**

- There are no outstanding recommendations from the DOL OIG's peer review of TIGTA's Office of Inspections and Evaluations.

#### **Peer Reviews Conducted by TIGTA**

- TIGTA did not conduct a peer review during this reporting period.

#### **Outstanding Recommendations From Peer Reviews Conducted by TIGTA**

- There are no outstanding recommendations from peer reviews conducted by TIGTA.

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<sup>28</sup> Pub. L. 111-203, 124 Stat. 1376, 1945-46 (2010) (codified at 5 U.S.C. § 405(b)(14)-(16)).

# Appendix VI

## Data Tables Provided by the Internal Revenue Service

The memorandum copied below is the IRS's transmittal to TIGTA. The IRS provided the tables that follow the memorandum. They consist of IRS employee misconduct reports from the IRS Automated Labor and Employee Relations Tracking System (ALERTS) for the period October 1, 2023, through March 31, 2024. Also, data concerning substantiated RRA 98 § 1203 allegations for the same period are included. See Appendix VII for § 1203 Standards. IRS management conducted inquiries into the cases reflected in these tables.

### Internal Revenue Service Memorandum

<div data-bbox="168 709 269 785"> HUMAN CAPITAL OFFICE</div> <div data-bbox="354 720 571 762">DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE WASHINGTON, D.C. 20224</div> <div data-bbox="440 798 519 814">April 4, 2024</div> <div data-bbox="203 842 623 875">MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION</div> <div data-bbox="203 886 656 921">FROM: Geraldine Larkins, Geraldine Larkins Director, Labor/Employee Relations and Negotiations</div> <div data-bbox="203 932 711 966">SUBJECT: Input for the Treasury Inspector General for Tax Administration (TIGTA) Semiannual Report to Congress</div> <div data-bbox="203 995 714 1056">In response to your memorandum dated January 12, 2024, 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, 2023, through March 31, 2024.</div> <div data-bbox="222 1071 717 1134"><ul style="list-style-type: none"><li>• Report of Employee Misconduct by Disposition Groups</li><li>• Report of Employee Misconduct – National Summary</li><li>• Summary of Substantiated Section 1203 Inquiries Recorded in Automated Labor and Employee Relations Tracking System (ALERTS)</li></ul></div> <div data-bbox="203 1148 477 1165">The attached tables contain information about:</div> <div data-bbox="222 1178 573 1228"><ul style="list-style-type: none"><li>• Alleged misconduct reported to IRS managers</li><li>• Disposition of the allegations resolved during the period</li><li>• Status of the inventory as of March 31, 2024</li></ul></div> <div data-bbox="203 1241 691 1287">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.</div> <div data-bbox="203 1299 717 1392">The Summary of Substantiated Section 1203 Allegations contains information on the disposition of substantiated Section 1203 allegations. During this period, IRS managers substantiated 97 Section 1203 allegations and removed 0 employees as a result. There were five (5) employees that retired or resigned before a final administrative action by management. The remaining 92 substantiated allegations are still in the adjudication process.</div>	<div data-bbox="1141 674 1157 690">2</div> <div data-bbox="893 728 1401 760">If you have any questions, please contact Paulette Caldwell, Acting Associate Director, LERN Program Execution Office (202) 317-3513.</div> <div data-bbox="893 772 992 789">Attachments (3)</div> <div data-bbox="893 804 1325 896">cc: Danny Werfel, Commissioner of Internal Revenue Doug O'Donnell, Deputy Commissioner Services and Enforcement Melanie Krause, Acting Deputy Commissioner of Operations Support Terry Lemons, Chief, Communications &amp; Liaison Mark Kaizen, Associate Chief Counsel (GLS) Traci DeMartini, IRS Human Capital Officer</div>
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**The Following Tables Are Provided by the IRS:**

## Report of Employee Misconduct by Disposition Groups

### Period Covering October 1, 2023, Through March 31, 2024

Disposition	Administrative Case	Employee Character Investigation	Employee Tax Compliance Case	TIGTA Report of Investigation	Totals
ALTERNATIVE DISCIPLINE: IN LIEU OF REPRIMAND	0		0	4	4
ALTERNATIVE DISCIPLINE: IN LIEU OF SUSPENSION	5		0	7	12
ADMONISHMENT	67	0	145	22	234
CASE SUSPENDED PENDING EMPLOYEE RETURN TO DUTY			0		0
CLEARANCE LETTER	20		10	15	45
CLOSED - SUPPLEMENTAL REQUESTED					
CLOSED WITHOUT ACTION CAUTIONARY LETTER	84	188	150	37	459
CLOSED WITHOUT ACTION LETTER	56	15	27	28	126
FORWARDED TO TIGTA	111				111
INDEFINITE SUSPENSION	4			0	4
ORAL COUNSELING	13		6		19
PROBATION/SEPARATION	237	14		6	257
PROSECUTION PENDING FOR TIGTA'S ROI					
REMOVAL AT U.S. OFFICE OF PERSONNEL MANAGEMENT DIRECTION		4			4
REMOVAL (PROBATION PERIOD COMPLETE)	34	0	5	6	45
REPRIMAND	74	8	51	33	166
RESIGNATION, RETIREMENT, ETC. (REASON NOTED ON SF50)	21	0	9	15	45
RESIGNATION, RETIREMENT, ETC. (REASON NOT NOTED ON SF50)	66	7	28	13	114
SEPARATION OF TEMPORARY EMPLOYEE					
SUSPENSION, 14 DAYS OR LESS	61	0	40	16	117
SUSPENSION, MORE THAN 14 DAYS	6	0	8	4	18
TERMINATION FOR ABANDONMENT OF POSITION	10				10
WRITTEN COUNSELING	101	17	231	36	385
<b>TOTAL</b>	<b>970</b>	<b>253</b>	<b>710</b>	<b>242</b>	<b>2,175</b>

Source: Automated Labor and Employee Relations Tracking System (ALERTS) (extract date: April 1, 2024).  
Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

## Report of Employee Misconduct National Summary

### Period Covering October 1, 2023, Through March 31, 2024

Inventory Case Type	Open Inventory	Conduct Cases Received	Cases Closed			Ending Inventory
			Conduct Issues	Cases Merged With Other Cases	Non-Conduct Issues	
Administrative Case	472	1,346	1,128	61	4	625
Employee Character Investigation	85	404	275	11		203
Employee Tax Compliance Case	927	1,502	775	67		1,587
TIGTA Report of Investigation	375	386	302	7		452
<b>Total</b>	<b>1,859</b>	<b>3,638</b>	<b>2,480</b>	<b>146</b>	<b>4</b>	<b>2,867</b>

Source: ALERTS (extract date: April 1, 2024). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

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

**Background Investigations** - Any matter involving a National Background Investigation Center investigation into an employee's background that is referred to management for appropriate action.

**Employee Tax Compliance Case** - Any conduct matter identified by the Employee Tax Compliance program and becomes a matter of official interest.

**TIGTA Investigation** - Any matter involving an employee in which TIGTA investigated alleged misconduct and referred a Report of Investigation to the IRS for appropriate action.

# Summary of Substantiated I.R.C. Section 1203 Inquiries Recorded in ALERTS

Period Covering October 1, 2023, Through March 31, 2024

§ 1203 Violation	Removals	Resigned/ Retired	Probation Separation	Removed on Other Grounds	Penalty Mitigated	In Personnel Process	Total
1203(b)(3): CIVIL RIGHTS/CONSTRUCTIVE VIOLATION						0	0
1203(b)(8): WILLFUL UNTIMELY RETURN		5			0	73	78
1203(b)(9): WILLFUL UNDERSTATED TAX		0		0	0	19	19
1203(b)(10): THREAT OF AUDIT FOR PERSONAL GAIN						0	0
<b>Total</b>		<b>5</b>		<b>0</b>	<b>0</b>	<b>92</b>	<b>97</b>

Source: ALERTS (extract date: April 1, 2024). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

The cases reported as “Removals” and “Penalty Mitigated” do not reflect the results of any third-party appeal.



## **Appendix VII**

### **Section 1203 Standards**

In general, the IRS Commissioner 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 I.R.C., the Treasury Department regulations, or policies of the IRS (including the IRM) for the purpose of retaliating against or harassing a taxpayer, taxpayer representative, or other employee of the IRS;
- Willfully misusing provisions of I.R.C. § 6103 for the purpose of concealing information from a congressional inquiry;
- Willfully failing to file any return of tax required under the I.R.C. 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 IRS Commissioner 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 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.

## Glossary of Abbreviations

ACS	Automated Collection System
ALERTS	Automated Labor and Employee Relations Tracking System
BEARS	Business Entitlement Access Request System
BYOD	Bring Your Own Device
CAA	Certifying Acceptance Agents
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
C.F.R.	Code of Federal Regulations
CI	Criminal Investigation (IRS office)
CY	Calendar Year
DOL	U.S. Department of Labor
EIDL	Economic Injury Disaster Loan
EIN	Employer Identification Number
FY	Fiscal Year
IRA	Inflation Reduction Act of 2022
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
ITIN	Individual Taxpayer Identification Number
JAMES	Joint Audit Management Enterprise System
NTEU	National Treasury Employees Union
OI	Office of Investigations
OIG	Office of Inspector General
OMB	Office of Management and Budget
ONDCP	Office of National Drug Control Policy
OPE	Office of Procurement Executive (Dept. of the Treasury)

OSHA	Occupational Safety and Health Administration
PII	Personally Identifiable Information
PPP	Paycheck Protection Program
RRA	IRS Restructuring and Reform Act of 1998
SBA	U.S. Small Business Administration
SDO	Suspension and Debarment Official
SLA	Service Level Agreements
SOP	Strategic Operating Plan (IRS)
TAC	Taxpayer Assistance Center
TCI	Toledo Correctional Institute
TE/GE	Tax Exempt and Government Entities
TIGTA	Treasury Inspector General for Tax Administration
U.S.C.	United States Code

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# **Department of the Treasury**

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