



*Actions Can Be Taken to Improve Processes
of a Newly Developed Program That Enables
Victims of Identity Theft to Request Copies
of Fraudulent Tax Returns*

November 8, 2016

Reference Number: 2017-40-011

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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HIGHLIGHTS

ACTIONS CAN BE TAKEN TO IMPROVE PROCESSES OF A NEWLY DEVELOPED PROGRAM THAT ENABLES VICTIMS OF IDENTITY THEFT TO REQUEST COPIES OF FRAUDULENT TAX RETURNS

Highlights

Final Report issued on November 8, 2016

Highlights of Reference Number: 2017-40-011 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

On May 6, 2015, a U.S. Senator wrote to the Commissioner of the IRS to express concern with the IRS's policy to not provide tax-related identity theft victims with copies of the fraudulent returns filed using their name and Social Security Number. In response to this concern, the IRS changed its policy to allow victims of tax-related identity theft to receive, upon request, redacted copies of fraudulent tax returns filed using their name and Social Security Number.

WHY TIGTA DID THE AUDIT

On November 3, 2015, the IRS established the Fraudulent Return Request Program. Since the program's inception, the IRS has received more than 5,000 requests for copies of fraudulent returns. This audit was initiated to evaluate the IRS's Fraudulent Return Request Program that was established to help victims of identity theft learn more about the information used by identity thieves to prepare fraudulent tax returns using their name and Social Security Number.

WHAT TIGTA FOUND

Actions taken as part of the development of the Fraudulent Return Request Program include:

- Identifying information that taxpayers must provide to the IRS to obtain a copy of a fraudulent tax return.
- Developing guidelines and procedures to receive and process requests as well as to

account for and track the processing of requests.

While the IRS took prompt action to establish this program, TIGTA found that additional actions can be taken to improve the accuracy and timeliness of processing return requests. TIGTA's review of a statistically valid sample of 130 taxpayer requests, from a population of 1,962 taxpayer requests as of March 11, 2016, identified 33 taxpayer requests with one or more processing errors. Based on the results of this sample, TIGTA projects that 498 taxpayers' requests could contain processing errors. These errors included not timely processing the request, not providing a copy of the fraudulent tax return, and not properly redacting all required information from the return.

When TIGTA brought these concerns to IRS management's attention, they indicated that they performed an internal review of the program and found similar concerns. For example, the IRS's internal review identified inconsistencies with some of the information being redacted on the return. IRS management emphasized that this is a new program, and many of the errors resulted from implementing new and evolving procedures. To help correct these errors, the IRS made updates to internal guidelines and created new training material to assist employees in processing requests.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) ensure that assistors timely and accurately process requests and 2) implement an automated process to redact Personally Identifiable Information on copies of fraudulent returns provided to identity theft victims. The IRS agreed with and plans to take corrective actions to address both recommendations.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 8, 2016

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM:

Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Actions Can Be Taken to Improve Processes of a Newly Developed Program That Enables Victims of Identity Theft to Request Copies of Fraudulent Tax Returns (Audit # 201640027)

This report presents the results of our review to evaluate the Internal Revenue Service's (IRS) Fraudulent Return Request Program that was established to help victims of identity theft learn more about the information used by identity thieves to prepare fraudulent tax returns using their name and Social Security Number. The overall objective of this review was to assess the effectiveness of the IRS's processes related to identity theft victims' requests for copies of fraudulent tax returns identified by the IRS. This audit is part of our discretionary audit coverage and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

Management's complete response to the draft report is included as Appendix VI.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. If you have any questions, please contact me or Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services).



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*Actions Can Be Taken to Improve Processes
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Abbreviations

FRR	Fraudulent Return Request
IPSU	Identity Protection Specialty Unit
IRS	Internal Revenue Service
SSN	Social Security Number



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Background

On May 6, 2015, a U.S. Senator wrote to the Commissioner of the Internal Revenue Service (IRS) to express concern with the IRS's policy to not provide tax-related identity theft victims with copies of the fraudulent returns filed using their name and Social Security Number (SSN). On May 28, 2015, the IRS responded that a change would be made to its policy that would allow victims to receive, upon request, redacted copies of fraudulent tax returns filed using their name and SSN. On November 3, 2015, the IRS published, on its website, the instructions for requesting a copy of a fraudulent tax return.

To process taxpayer requests, the IRS established a new program called the Fraudulent Return Request (FRR) Program. The requests are worked in the IRS's Identity Protection Specialty Unit (IPSU) at the Andover Campus in Andover, Massachusetts, and the Fresno Tax Processing Center in Fresno, California. The IRS will process requests for copies of fraudulent returns for the current tax year and previous six tax years. Since the program's inception, the IRS has received more than 5,000 requests for copies of fraudulent returns.

Instructions for requesting a copy of a fraudulent tax return

Identity theft victims are required to mail a signed letter containing their name, SSN, mailing address, and the tax year of the fraudulent tax return being requested. In addition, the taxpayer must add the following statement: "I declare that I am the taxpayer." The taxpayer must then sign below this statement. The taxpayer must also provide a copy of a government-issued identification to prove his or her identity.

To ensure compliance with Federal privacy laws, the victim's name and SSN must be listed as either the primary or secondary taxpayer on the fraudulent return. If the name and SSN on the request does not match the tax return, the IRS will not disclose the requested tax return information. An authorized representative of the identity theft victim can also request a copy of a fraudulent return by including the same information (previously noted) that the identity theft victim would submit. However, the government-issued identification needs to be that of the representative and the signed statement should read, "I declare that I am a person authorized to obtain the tax information requested." In addition, the representative submits his or her own name and Taxpayer Identification Number,¹ mailing address, and how he or she represents the victim. Documentation needs to be provided for the right to represent the taxpayer if the representative does not already have the required documentation on file with the IRS. The documentation must prove that the representative is authorized by the victim, *e.g.*, parent,

¹ A nine-digit number assigned to taxpayers for identification purposes. Depending upon the nature of the taxpayer, the Taxpayer Identification Number is an Employer Identification Number, an SSN, or an Individual Taxpayer Identification Number.



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Form 2848, *Power of Attorney and Declaration of Representative*; Form 8821, *Tax Information Authorization*; or a court order, to receive this information.

Processing of fraudulent tax return requests

The IRS established a 30-day time frame to acknowledge receipt of requests and 90 days to either fulfill the request or provide follow-up correspondence. Once a request is received, an IPSU employee verifies that the required information and documentation has been provided by the taxpayer or representative and that a fraudulent tax return was filed using the victim's name and SSN for the tax year requested.

The IRS will not release a redacted copy of a tax return for any identity theft case open and still being worked. In addition, the IRS will reject the request if the letter does not include all of the required information or if documentation is not provided. Requests will also be rejected if no fraudulent return was filed for the tax year in question or if the address listed in the request does not match the IRS address of record² for the valid taxpayer. If the request is rejected, the IRS mails the taxpayer a notice to inform him or her of the reason the request was rejected. Identity theft victims can then resubmit their requests with the information/documentation identified by the IRS as not having been provided.

Once the IPSU employee verifies that all requirements are met, a copy of the fraudulent tax return is manually redacted using a software tool, *i.e.*, sensitive information is blacked out. The IRS requires all of the Personally Identifiable Information³ to be either fully or partially redacted on the copy of the fraudulent return provided to the victim. Partial or full redaction protects against additional identity theft. However, the IRS does provide enough information for taxpayers to determine how their personal information was used.

This review was performed at the Wage and Investment Division's IPSU Operation in Andover, Massachusetts, during the period November 2015 through August 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

² The address that posted from the most recently filed and properly processed tax return.

³ Any information that, either alone or in combination with other information, can be used to uniquely identify an individual.



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Results of Review

To address congressional concerns regarding the IRS's policy of not providing victims of identity theft with a copy of a fraudulent tax return filed using their name and SSN, the IRS established the FRR Program and took the following actions:

- Identified information that taxpayers who are tax-related identity theft victims must provide to the IRS to obtain a copy of a fraudulent tax return.
- Administered an outreach initiative that includes posting to the IRS website (www.IRS.gov) the instructions for a taxpayer to request a copy of a fraudulent tax return that was filed using his or her name and SSN.
- Developed guidelines and procedures to receive and process requests.
- Updated the Correspondence Imaging System⁴ to account for and track the processing of requests.

While the IRS took prompt action to establish the FRR Program and provide victims of identity theft with the ability to request and obtain copies of fraudulently filed tax return(s), we found that additional actions can be taken to improve the accuracy and timeliness of processing these requests.

Identity Theft Victims' Requests for Copies of Fraudulent Tax Returns Are Not Always Processed Accurately and Timely

Our review of a statistically valid sample⁵ of 130 requests, from a population⁶ of 1,962 requests received as of March 11, 2016, identified 33 (25 percent)⁷ requests with one or more processing errors. Some of these errors resulted in delays in processing the request and taxpayer burden. Based on the results of our sample, we project that 498 requests⁸ could contain processing errors. Specific errors we identified in the 33 requests include:

⁴ This system provides employees with the online ability to view, forward, save, retrieve, print, and manage incoming taxpayer inquiries.

⁵ To select our statistically valid sample, we used an expected error rate of 20 percent, a precision rate of ± 7 percent, and a confidence interval of 95 percent.

⁶ We identified the population using a computer extract of taxpayer requests from the Correspondence Imaging System that has category codes that are specific to the FRR Program.

⁷ The point estimate error rate for the percent of errors is 25 percent (33/130). We are 95 percent confident that the true population exception rate is between 18 percent and 33 percent.

⁸ This projection, based on a 95 percent confidence interval, is that between 361 and 657 taxpayer requests were not accurately and timely processed.



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- Fifteen errors – taxpayers or their authorized representatives were provided copies of fraudulent tax returns with information that had not been properly redacted by IPSU employees. Redaction errors included taxpayer names not being properly redacted, street numbers of an address visible on the return, and telephone numbers inconsistently redacted. Figure 1 includes a list of return items and the guidelines IPSU employees should follow when redacting tax return information.

Figure 1: Information Redacted From Fraudulent Returns

Tax Return Information	Internal Redaction Guideline Requirements
Names of the primary taxpayer, secondary taxpayer, and dependents (or children reported for other tax benefits).	Redact the entire name except the first four letters of the last name. Note: If the last name is four or three letters, then redact the entire name except the first two letters of the last name. If the last name is two letters, then redact the entire name except the last letter of the last name.
Tax return address.	Redact the entire address except the street name.
Names and address of all other persons or entities on return.	Redact the entire name and address.
Taxpayer Identification Numbers, e.g., SSN, Employer Identification Number. ⁹	Redact the entire number except the last four digits.
Personally identifiable numbers, such as a Designee's Personal Identification Number ¹⁰ or a Preparer's Tax Identification Number. ¹¹	Redact the entire number.
Telephone number(s).	Redact the entire number except the last four digits.
Bank routing and account number(s).	Redact the entire number except the last four digits.
Signature.	Redact the entire signature.

Source: *IRS Procedural Overview for Providing Copies of Fraudulent Return(s) Involving Refund-Related Identity Theft.*

- Eleven errors – taxpayers or authorized representatives erroneously received a copy of the fraudulent tax return filed without providing the required documentation or the documentation provided was illegible.

⁹ A unique nine-digit number used to identify a taxpayer's business account.

¹⁰ A nine-digit number assigned to any "person" including a paid or unpaid return preparer, a family member, or a friend. The Third Party Designee authority is limited to the specific tax form and period of the return, and is limited to issues involving processing of that specific return.

¹¹ A nine-digit number that begins with a "P" and the first digit is "0." A Preparer's Tax Identification Number is required if the individual prepares or assists in preparing tax returns for compensation.



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- Four errors – taxpayers received a copy of the fraudulent tax return even though the identity theft case had not been resolved. Internal guidelines require IPSU employees to reject requests for tax years for which the identity theft case is still being worked.
- Three errors – taxpayers were either not timely sent an acknowledgement of receipt of the request or a follow-up interim letter. For two requests, the taxpayers received the required acknowledgement letters 44 and 47 days after the request was received (not within the required 30 days). For the other request, the taxpayer received a copy of the fraudulent return 96 days after the original request was received, but the taxpayer did not receive an interim letter within the required 90-day period. Internal guidelines require an acknowledgement of receipt to be sent to the taxpayer within 30 days of the receipt of a request and 90 days to either fulfill the request or provide follow-up correspondence.
- Three errors – the IRS did not provide taxpayers with a copy of a fraudulent return. Two identity theft victims requested a copy of a fraudulent return for the incorrect tax year. Internal guidelines direct IPSU employees to not reject requests with incorrect tax years if the IPSU employee can determine, through additional research, that the requestor requested the wrong tax year for the fraudulent tax return and can fulfill the request with a copy of the applicable fraudulent return. In both instances, the IPSU employees could have identified the correct fraudulent returns by performing additional research. For the remaining request, the IPSU employee did not provide all tax year returns specified in the request.

Figure 2 provides a summary of the 33 taxpayer requests we identified as not being accurately and timely processed and the specific errors relating to each request. The 33 taxpayer requests contained a total of 36 processing errors.

Figure 2: Summary by Type of Error on Requests Reviewed

Type of Error	Errors
IRS Actions Not Timely	3
Copy of Tax Return Not Provided	3
Identity Theft Issue Not Resolved	4
Requirements for Request Not Met	11
Redaction Errors	15
Total Number of Errors	36

Source: Treasury Inspector General for Tax Administration analysis of statistical sample of 130 taxpayer requests for a copy of a fraudulent tax return.

When we brought our concerns to management’s attention in May 2016, the IRS indicated that it performed an internal review of the program and found similar concerns. For example, the IRS’s



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internal review identified inconsistencies with some of the information being redacted on the returns. IRS management emphasized that this is a new program, and many of the errors resulted from implementing new and evolving procedures. To help correct these errors, the IRS made updates to internal guidelines and created new training material to assist employees. IRS management also plans to implement additional improvements to the program by October 1, 2016. These steps should help reduce the number of processing errors that occur.

A standardized request form needs to be developed to reduce taxpayer and processing errors

The lack of a standardized request form contributes to the processing errors we identified. As previously noted, current procedures require the identity theft victim to mail a signed letter that must include his or her name, SSN, mailing address, and the tax year of the fraudulent tax return being requested. In addition, the taxpayer must add the following statement: “I declare that I am the taxpayer.” Taxpayers are to then sign below this statement. Creating a standardized request form would help ensure that all required elements of the request are provided in a consistent and easy-to-review format. While the IRS had identified the need for a form, after bringing our concerns to IRS management’s attention and sharing an example of a request form used by a State Department of Revenue, the IRS moved forward and developed its own request form, Form 4506-F, *Request for Copy of Fraudulent Return*.¹² IRS management plans to make this form available by October 1, 2016.

Automating redaction of tax return items can reduce processing errors

More than 40 percent of the requests with errors we identified were attributable to redaction errors. As previously explained, the current process for redacting Personally Identifiable Information is manually performed by IPSU employees and is subject to errors. It should be noted that the IRS is currently testing software to redact Form 990, *Return of Organizations Exempt from Income Tax*, and related schedules. The software provides an automated redaction process that should reduce redaction errors and streamline the request process. The IRS should evaluate the use of this software to automate the redaction of fraudulent returns provided to victims of identity theft.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Ensure that assistors timely and accurately process requests for copies of fraudulent tax returns.

¹² See Appendix V.



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Management's Response: The IRS agreed with this recommendation and will continue to conduct ongoing quality and managerial reviews. Additional reviews will be performed during annual site visits to identify opportunities to improve the process.

Recommendation 2: Implement an automated process to redact Personally Identifiable Information on copies of fraudulent returns provided to identity theft victims.

Management's Response: The IRS agreed with this recommendation and will study the feasibility of the various options relative to this process. The implementation of requisite programming changes, should an automated solution be determined, is subject to budgetary constraints, limited resources, and competing priorities.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to assess the effectiveness of the IRS's processes related to identity theft victims' requests for copies of fraudulent tax returns identified by the IRS. To accomplish this objective, we:

- I. Determined if the IRS was accurately and timely processing requests for copies of fraudulent tax returns.
 - A. Reviewed policies and procedures related to the processing of requests for copies of fraudulent returns.
 - B. Interviewed IRS personnel to obtain an understanding of the policies, procedures, and practices used to determine those eligible to receive a redacted copy of a fraudulent tax return.
 - C. Determined what training was provided to employees reviewing requests and whether the training was sufficient.
 - D. Reviewed managerial or quality review reports to identify any specific trends associated with processing these requests.
 - E. Selected a statistically valid sample of taxpayer requests to evaluate the timeliness and accuracy of case processing actions.
 1. Obtained an extract of 1,962 taxpayer requests from the IRS's Correspondence Imaging System¹ for the period November 2015 through March 11, 2016. We identified the population of taxpayer requests using category codes² that are specific to the FRR Program. We assessed the reliability of the data on the IRS computer extract and determined that the data were sufficiently reliable for purposes of this report. We validated the accuracy of the extract by comparing data from sample cases to the Integrated Data Retrieval System.³ We also validated the completeness of the data by comparing the volume of taxpayer request records on the computer extract to the FRR Program's inventory of taxpayer requests.

¹ This system provides employees with the online ability to view, forward, save, retrieve, print, and manage incoming taxpayer inquiries.

² A four-digit code that designates the status of the case.

³ IRS computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.



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2. Selected a statistical sample of 130 taxpayer requests from the population of 1,962 taxpayer requests for a copy of a fraudulent tax return. We used a confidence interval of 95 percent, a precision rate of ± 7 percent, and an expected error rate of 20 percent to determine the sample size. A contract statistician assisted with developing the sampling plan and projections.
- II. Determined if the current process for redacting fraudulent tax returns is adequate.
- A. While performing Step I.E., determined if tax returns are being accurately redacted.
 - B. Reviewed redaction tools used by other IRS functions to determine if implementation would improve the process for redacting copies of fraudulent tax returns.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the Internal Revenue Manual, *Standards for Internal Control in the Federal Government*, and the FRR Program policies and procedures for requesting a copy of a fraudulent tax return filed using a taxpayer's name and SSN. We evaluated these controls by interviewing management and analysts, examining the IRS's program reviews and inventory reports, and reviewing taxpayer requests for copies of fraudulent tax returns.



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Appendix II

Major Contributors to This Report

Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services)

Diana Tengesdal, Director

Larry Madsen, Audit Manager

Gwendolyn Gilboy, Lead Auditor

Nathan Smith, Auditor



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Appendix III

Report Distribution List

Commissioner C
Office of Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement
Director, Customer Account Services, Wage and Investment Division
Director, Customer Account Services, Accounts Management, Wage and Investment Division
Director, Customer Account Services, Accounts Management, Identity Theft Victim Assistance,
Wage and Investment Division
Director, Customer Assistance, Relationships, and Education, Wage and Investment Division
Director, Office of Audit Coordination



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Appendix IV

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 498 taxpayer requests (see page 3).

Methodology Used to Measure the Reported Benefit:

We selected a statistically valid sample of taxpayer requests for a copy of a fraudulent tax return filed using the taxpayer's name and SSN to determine whether the IRS was accurately and timely processing requests for copies of fraudulent tax returns. Our review of a statistically valid sample¹ of 130 taxpayer requests, from a population of 1,962 taxpayer requests, for a copy of a fraudulent tax return through March 11, 2016, identified 33 (25 percent) taxpayer requests with 36 processing errors. Based on the results of our sample, we project that 498 taxpayer requests contained one or more processing errors. We are 95 percent confident that the point estimate is between 361 taxpayer requests and 657 taxpayer requests and that the true exception rate is between 18 percent and 33 percent.

¹ To select our statistically valid sample using simple random sampling, we used an expected error rate of 20 percent, a precision rate of ± 7 percent, and a confidence interval of 95 percent.



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Appendix V

*Form 4506-F, Request for
Copy of Fraudulent Tax Return*

Form 4506-F (July 2016)	Department of the Treasury - Internal Revenue Service Request for Copy of Fraudulent Tax Return <small> ▶ Do not sign this form unless all applicable lines have been completed. ▶ Request may be rejected if the form is incomplete or illegible. ▶ For more information about Form 4506-F, visit www.irs.gov/form4506f. </small>	OMB Number 1545-0429						
<p>Read this information first</p> <p>When should I complete this form? You should use this form if you are the person whose name and Social Security Number (SSN) was used to file a fraudulent tax return. Due to federal privacy laws, the victim's name and SSN must be listed as either primary or secondary taxpayer on the fraudulent return; otherwise the IRS cannot disclose the return information. For this reason, the IRS cannot disclose return information to any person listed only as a dependent.</p>								
<p>Step 1 – Provide Taxpayer Information</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-bottom: 1px solid black;">1 Social Security Number (SSN) used on fraudulent return</td> <td style="width: 50%; border-bottom: 1px solid black;">2 Name used on fraudulent return</td> </tr> <tr> <td style="border-bottom: 1px solid black;">3 SSN owner's current street address</td> <td style="border-bottom: 1px solid black;">3a SSN owner's current city, state, and ZIP</td> </tr> <tr> <td colspan="2" style="border-bottom: 1px solid black;">4 SSN owner's complete address shown on last return if different from above</td> </tr> </table>			1 Social Security Number (SSN) used on fraudulent return	2 Name used on fraudulent return	3 SSN owner's current street address	3a SSN owner's current city, state, and ZIP	4 SSN owner's complete address shown on last return if different from above	
1 Social Security Number (SSN) used on fraudulent return	2 Name used on fraudulent return							
3 SSN owner's current street address	3a SSN owner's current city, state, and ZIP							
4 SSN owner's complete address shown on last return if different from above								
<p>Step 2 – Provide Requestor Information</p> <p>5 What is your relationship to the taxpayer named in Step 1 Check the box that best applies</p> <p> <input type="checkbox"/> Self (you are the taxpayer) <input type="checkbox"/> Parent or guardian of a minor child <input type="checkbox"/> Representative named on Form 2848, <i>Power of Attorney</i> <input type="checkbox"/> Guardian, executor, or representative named on court documents </p> <p>NOTE: The person making this request must provide a copy of a government-issued identification and, if you are not the taxpayer, documents demonstrating your authority to receive the requested tax information. See instructions.</p> <p>6 Requestor's SSN or Taxpayer Identification Number (if different than Step 1). See instructions</p> <p>Requestor's name (if different than Step 1)</p> <p>Mailing address where the documents should be sent (if different than Step 1)</p> <p>City, state, and ZIP where the documents should be sent (if different than Step 1)</p>								
<p>Step 3 – Provide Tax Year(s) Requested</p> <p>7 Enter the tax year(s) of the individual income tax form(s) you are requesting</p>								
<p>Step 4 – Sign Below</p> <p>I declare that I am either the taxpayer(s) identified on Line 2, or a person authorized to obtain the information requested on Line 7.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; border-bottom: 1px solid black;">Requestor's signature</td> <td style="width: 30%; border-bottom: 1px solid black;">Requestor's name (please print)</td> <td style="width: 30%; border-bottom: 1px solid black;">Date</td> </tr> <tr> <td colspan="3" style="border-bottom: 1px solid black;">Requestor's daytime telephone number</td> </tr> </table> <p>NOTE: You must enclose a copy of your government-issued identification. If you are not the taxpayer named in Step 1, you must enclose documents demonstrating your authority to receive the requested tax information in addition to a copy of your government-issued identification.</p> <p>Next, mail to: Department of the Treasury, Internal Revenue Service, Fresno, CA 93888-0025 DC 20224</p>			Requestor's signature	Requestor's name (please print)	Date	Requestor's daytime telephone number		
Requestor's signature	Requestor's name (please print)	Date						
Requestor's daytime telephone number								
<small>Catalog Number 68948H www.irs.gov For Privacy Act and Paperwork Reduction Act Notices, see page 2</small>		<small>Form 4506-F (7-2016)</small>						

Source: IRS Wage and Investment Division management.



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Appendix VI

Management's Response to the Draft Report

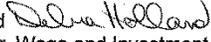


COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

OCT 17 2016

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Debra Holland 
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Actions Can Be Taken to Improve
Processes of a Newly Developed Program That Enables Victims
of Identity Theft to Request Copies of Fraudulent Tax Returns
(Audit # 201640027)

Thank you for the opportunity to review the subject draft report and provide comments. We appreciate your acknowledgment of how quickly the IRS established this program and its evolution since inception. The IRS is providing a new service to taxpayers and like all new programs, modifications are necessary when implementing the process.

The program began from a Congressional request to the IRS Commissioner. As a result of that inquiry, the Fraudulent Return Request (FRR) program was created with the official guidance and procedures beginning in November 2015. The IRS notification of planning for this audit was received just a couple of weeks later. Less than 300 cases had been received in the FRR program at that time.

Our employees were eager to learn the new FRR program and provide the identity theft victims a resource tool; a copy of a fraudulent return that could possibly be used to help defend, protect, and restore the victim's identity and credit ratings. With the new program, we understood there would be revisions to the guidance as the FRR program evolved. To ensure effective implementation of the program, IRS executives planned a process review within the first 30 days to identify procedural revisions and improvements.

Some of the significant and continuing changes since the inception of the FRR program include changes to the Internal Revenue Manual procedures; design of a new Form 4506-F, *Request for Copy of Fraudulent Tax Return*; creation of specific training material for the assistors; and, development of a correspondence letter specific to these requests.



*Actions Can Be Taken to Improve Processes
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In addition to these procedural enhancements, there have also been administrative improvements, such as the creation of new category codes to assist with inventory management, along with modification to existing reports to accurately track this new inventory.

The report references taxpayer burden caused by IRS errors and delays. While acknowledging the procedural errors, we believe that the delays identified during the review were minimal and the errors did not negatively impact the taxpayer. The FRR program is a service provided to the taxpayer to provide information on closed identity theft cases and has no tax consequence. As such, we do not consider the identified issues as a "taxpayer burden".

We agree with the recommendations in the report. Attached are our comments and proposed actions to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Ivy McChesney, Director, Customer Account Services, Wage and Investment Division, at (470) 639-3486.

Attachment



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Attachment

Recommendation

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1

Ensure assistors timely and accurately process requests for copies of fraudulent tax returns.

CORRECTIVE ACTION

We agree with this recommendation and will continue to conduct ongoing quality and managerial reviews. Additional reviews will be performed during annual site visits to identify opportunities to improve the process.

IMPLEMENTATION DATE

September 15, 2017

RESPONSIBLE OFFICIAL

Director, Accounts Management, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 2

Implement an automated process to redact personally identifiable information on copies of fraudulent returns provided to identity theft victims.

CORRECTIVE ACTION

We agree to study the feasibility of the various options relative to this process. The implementation of requisite programming changes, should an automated solution be determined, is subject to budgetary constraints, limited resources, and competing priorities. Consequently, and due solely to those constraints, the IRS cannot provide an implementation date at this time.

IMPLEMENTATION DATE

N/A

RESPONSIBLE OFFICIAL

Director, Accounts Management, Customer Account Services, Wage and Investment Division



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