
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Office of Inspections and Evaluations



Controls Over the Pseudonym Program Need Improvements

June 18, 2020

Reference Number: 2020-IE-R004

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.

Phone Number | **202-622-6500**

E-mail Address | **TIGTACommunications@tigta.treas.gov**

Website | **<http://www.treasury.gov/tigta>**



Controls Over the Pseudonym Program Need Improvements

Highlights

Highlights of Report Number: 2020-IE-R004 to the Commissioner of Internal Revenue.

WHY TIGTA DID THIS STUDY

A pseudonym is a fictitious name that IRS employees can use to interact with taxpayers. In 1992, the IRS authorized pseudonym use to help protect employees who felt they might be harassed, threatened, or assaulted in the performance of their duties. The IRS Restructuring and Reform Act of 1998 (RRA 98) required employees to justify the need for a pseudonym and obtain management approval. Enactment of RRA 98 addressed Congress' concerns that IRS employees could use pseudonyms to avoid accountability for their actions while protecting an employee's right to use a pseudonym.

As of December 2018, the IRS reported that 729 employees had registered pseudonyms. TIGTA initiated this evaluation to determine whether the IRS has established policies and procedures to manage its pseudonym program effectively.

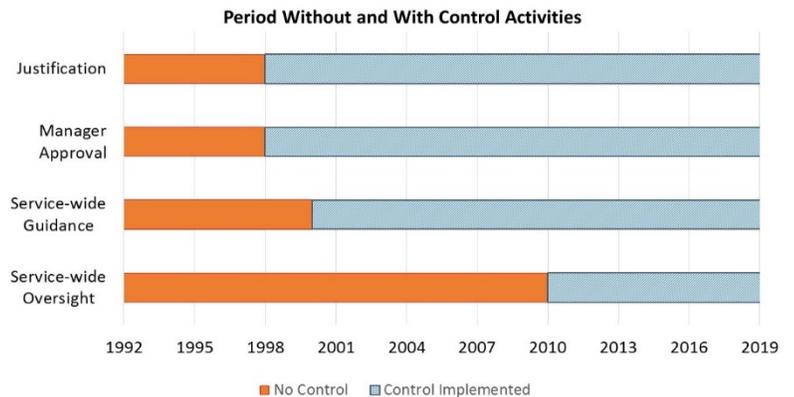
IMPACT ON TAXPAYERS

Taxpayers have a right to know that the person contacting them regarding their taxes is in fact an IRS employee. Currently, the IRS may be unable to timely verify a pseudonym holder's identity, which may cause increased taxpayer mistrust of the IRS and undue stress for the taxpayer.

WHAT TIGTA FOUND

The IRS has taken steps to gradually enhance oversight and control during the pseudonym program's 27-year history.

Steps taken include requirements for employee justification and management approval, and Service-wide guidance and centralized program oversight.



However, delays in implementing controls over the pseudonym program, and failure to update historical records, significantly contributed to the current inaccurate and incomplete records. For example, upon request, the IRS could not readily provide adequate documentation to support the justification for issuing pseudonyms to 51 percent of the 129 employees included in our statistical sample. Additionally, the IRS could not readily provide documentation to support that a manager approved the use of a pseudonym for 43 percent of the employees included in our statistical sample.

TIGTA also found that the record of active pseudonym holders included incorrect legal names, incorrect standard employee identifiers, and employees who were not actually using a pseudonym at all. Additionally, TIGTA identified three other employees with unregistered pseudonyms.

Our review of IRS disciplinary records and TIGTA investigative files did not identify incidents where IRS employees misused their pseudonym. However, inaccurate and incomplete records and the lack of supporting documentation increase the risk that the IRS may not be able to timely verify the identity of employees using pseudonyms.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS perform an inventory to develop a complete and accurate list of active pseudonyms; ensure that pseudonyms obtained after the implementation of RRA 98 are supported by adequate justification and management approval; and develop processes to maintain a complete and fully supported list of pseudonyms, including a standardized form for new pseudonym requests. The IRS agreed with four of the six recommendations identified in this report.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 18, 2020

MEMORANDUM FOR COMMISSIONER OF INTERNAL REVENUE

FROM: Heather M. Hill *Heather Hill*
Acting Deputy Inspector General for Inspections and Evaluations

SUBJECT: Final Evaluation Report – Controls Over the Pseudonym Program Need Improvements (#IE-18-009)

This report presents the results of our evaluation to determine whether the Internal Revenue Service (IRS) has established policies and procedures to manage its pseudonym program effectively. This evaluation is included in our Treasury Inspector General for Tax Administration Office of Inspections and Evaluations Fiscal Year 2020 Plan and addresses the IRS's major management challenge of Security Over Taxpayer Data and Protection of IRS Resources.

Management's complete response to the draft report is included in Appendix III.

Copies of this report are being sent to the IRS managers affected by the report recommendations. If you have any questions about this report, you may contact me or James Douglas, Director, Office of Inspections and Evaluations.



Controls Over the Pseudonym Program Need Improvements

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Controls Over the Pseudonym Program Need Improvements

Abbreviations

IRM	Internal Revenue Manual
IRS	Internal Revenue Service
PGLD	Office of Privacy, Governmental Liaison and Disclosure
PML	Pseudonym Master List
RRA 98	Restructuring and Reform Act of 1998
TIGTA	Treasury Inspector General for Tax Administration



Controls Over the Pseudonym Program Need Improvements

Background

In 1992, the Federal Service Impasses Panel ruled on issues concerning the use of pseudonyms by Internal Revenue Service (IRS) employees to resolve a dispute between the IRS and the National Treasury Employees Union. The Panel permitted employees dealing with the public to use a pseudonym to protect them from potential harassment by taxpayers, if the employee believed the use of his or her name would disclose his or her identity. At that time, the employee registered a pseudonym with his or her supervisor but did not have to justify the need for a pseudonym or obtain management approval to use a pseudonym.

The IRS was slow to implement controls to manage its pseudonym program after RRA 98 was enacted.

The enactment of Section 3706 of the IRS Restructuring and Reform Act of 1998 (RRA 98),¹ effective after July 22, 1998, was intended to address Congress' concerns that IRS employees could use pseudonyms to avoid accountability for their actions while protecting an employee's right to use a pseudonym in appropriate circumstances. RRA 98 requires employees to provide adequate justification when requesting a pseudonym and obtain management approval before the pseudonym is used. Employees who used pseudonyms before the enactment of RRA 98 were "grandfathered" in under the statute and were allowed to continue use of their pseudonym in the performance of their official duties without providing justification or supervisor approval.

More than two years later, in September 2000, the IRS established a new Internal Revenue Manual (IRM) section² containing information, guidance, and procedures for the use of pseudonyms. Subsequent IRM updates defined adequate justification as credible evidence which establishes that a taxpayer or his or her representative is engaged in a physically, financially, or emotionally threatening activity, including but not limited to:

¹Pub. L. No. 105-206, 112 Stat. 685.

²IRM 1.2.4, *Use of Pseudonyms by Internal Revenue Service Employees*. The IRM is the IRS's primary official source of instructions to staff relating to the administration and operations of the IRS. It contains the directions employees need to carry out their operational responsibilities.



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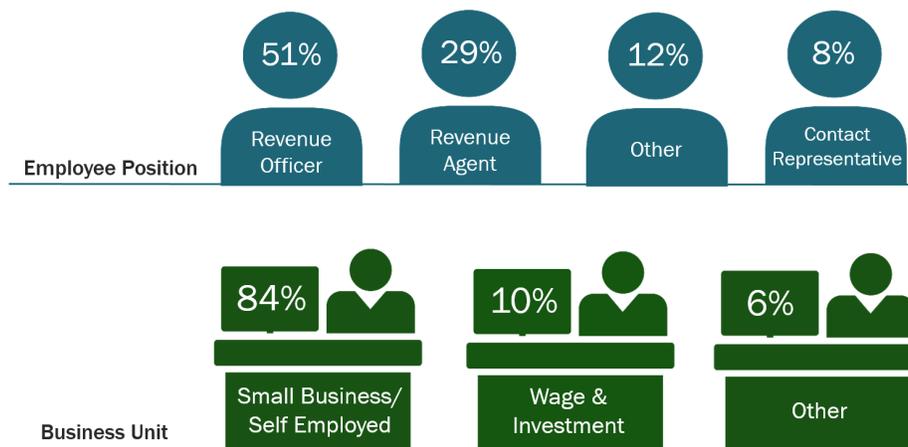
- Contacting an employee at his or her home;
- Committing the acts listed above against members of the employee’s family; or
- Committing the acts listed above against another employee and the requesting employee has been assigned a case involving the same taxpayer.

The IRS also defines adequate justification as situations in which an employee’s job or place of duty exposes the employee or the employee’s family to an increased risk to personal safety. Additionally, the IRS normally presumes there is adequate justification for a pseudonym if an employee in Field Operations who has regular face-to-face contact with taxpayers and personal safety concerns makes the request.

In September 2000, local management (based on geographic location) was responsible for approving, registering, and documenting an employee’s pseudonym. In November 2010, the IRS updated the IRM to transfer program oversight to the Office of Privacy Compliance, now called the Office of Incident Management and Employee Protection, within the Office of Privacy, Governmental Liaison and Disclosure, hereafter referred to as PGLD.

The PGLD reported that 729 IRS employees had active pseudonyms as of December 2018 per the pseudonym master list (PML). About 84 percent of pseudonym holders are located in the Small Business/Self-Employed Division, 10 percent are located in the Wage and Investment Division, and the remaining 6 percent dispersed among other business units. About 51 percent of pseudonym holders are revenue officers, 29 percent are revenue agents, 8 percent are contact representatives, and the remaining 12 percent are dispersed among other positions. Figure 1 documents the percentage of pseudonym holders by business unit and position.

Figure 1: Pseudonym Holders by Business Unit and Position



Source: Treasury Inspector General for Tax Administration’s (TIGTA) analysis of the PGLD’s PML, dated December 10, 2018.



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Employees are provided sensitive identification documents in the employee's approved pseudonym name, including a Smart ID Card (Homeland Security Presidential Directive-12) and pocket commission credential. Employees may also receive a Federal Government travel credit card using the pseudonym name if requested. No employee should have more than one active pocket commission or Smart ID Card in his or her possession.

The objective of this evaluation was to determine whether the IRS has established policies and procedures to manage its pseudonym program effectively. Refer to Appendix I for detailed information on our evaluation objective, scope, and methodology.



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Results of Review

Evidence of Compliance With the Restructuring and Reform Act of 1998 Pseudonym Requirements Was Not Readily Available

RRA 98 mandated that IRS employees must provide adequate justification and obtain management approval for pseudonyms requested by IRS employees after July 22, 1998. The requirements did not apply to pseudonyms requested on or before July 22, 1998. Therefore, the IRS concluded that employees using pseudonyms prior to the enactment of RRA 98 were “grandfathered” into the IRS pseudonym program and were not required to provide justification or receive management approval to continue use of their pseudonym. An effective internal control system requires management to clearly document all transactions and other significant events in a manner that allows the documentation to be readily available for examination when needed. However, we found that the PGLD could not readily provide supporting documentation to demonstrate that the IRS routinely complied with the requirements of RRA 98 for active pseudonym holders.

The IRS reported that 729 IRS employees had active pseudonyms per the PML as of December 2018. However, the IRS could not provide sufficient information for us to determine when the employees obtained the pseudonyms and whether the RRA 98 requirements were applicable. Therefore, for testing purposes, we requested supporting documentation from the PGLD, as the owner of the program, for a statistical sample of all active pseudonym holders.³ We limited the population of active pseudonyms to 705 because our initial analysis indicated that 24 employees were not using their pseudonyms.⁴ We selected a statistical sample of 129 pseudonym holders to determine if the pseudonyms were justified by the employee and approved by the employee’s manager.⁵ The IRS could not readily provide documentation showing adequate justification for the pseudonym for 66 (51 percent) of 129 IRS employees included in our statistical sample. Additionally, the IRS could not readily provide documentation to support

³ IRM Section 10.5.7, *Use of Pseudonyms by IRS Employees*, required that the PGLD and individual managers maintain supporting documentation for approved pseudonyms beginning in November 2010. Prior to that date, previous IRMs did not clearly define who was responsible for maintaining the supporting documentation. Because the PGLD has oversight of the IRS pseudonym program, we limited our request for supporting documentation to the PGLD, and we did not contact individual IRS managers to request employee pseudonym documentation due to time constraints and limited resources.

⁴ We analyzed these 24 separately and included exceptions in the section related to inaccurate and incomplete records discussed later in the report.

⁵ See Appendix I for our sampling methodology.



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that managers clearly approved the pseudonyms for 55 (43 percent) of 129 IRS employees included in our statistical sample. Figure 2 summarizes the exceptions.

Figure 2: Pseudonym Holders With No Justification or Management Approval

Cause of Exception	No Management Approval	No Pseudonym Justification
No documentation provided related to the pseudonym request.	43	43
The documentation did not justify the employee's use of the pseudonym.		23
The documentation did not indicate the manager clearly approved the pseudonym request.	12	
Totals	55	66

Source: TIGTA's analysis of pseudonym documentation records maintained by the PGLD.

Based on the results of our statistical sample, we estimate that the IRS cannot provide adequate documentation to justify the pseudonyms issued to 361 of 705 employees.⁶ We also estimate that the IRS cannot verify that a manager approved the pseudonyms issued to 301 of 705 employees.⁷

No documentation provided for justification or management approval

In the 43 cases where the PGLD provided no supporting documentation, we could not determine whether the pseudonym was justified or a manager approved the employee's use of the pseudonym. Based on our analysis for six of the 43 cases, documentation for justification and approval should exist because the employees either began their service for the IRS or began using a pseudonym after the enactment of RRA 98. The remaining 37 employees began their service for the IRS prior to the enactment of RRA 98; however, the PGLD could not determine when the employee began using a pseudonym. Therefore, documentation for justification and approval may or may not be required.

In order for the IRS to reliably report whether it routinely complied with the requirements outlined in RRA 98 related to pseudonyms, the IRS must attempt to determine when employees

⁶ The estimate is based on a 95 percent confidence interval from a total population of 705. We are 95 percent confident that the point estimate is between 304 and 417 employees with active pseudonyms.

⁷ The estimate is based on a 95 percent confidence interval from a total population of 705. We are 95 percent confident that the point estimate is between 246 and 358 employees with active pseudonyms.



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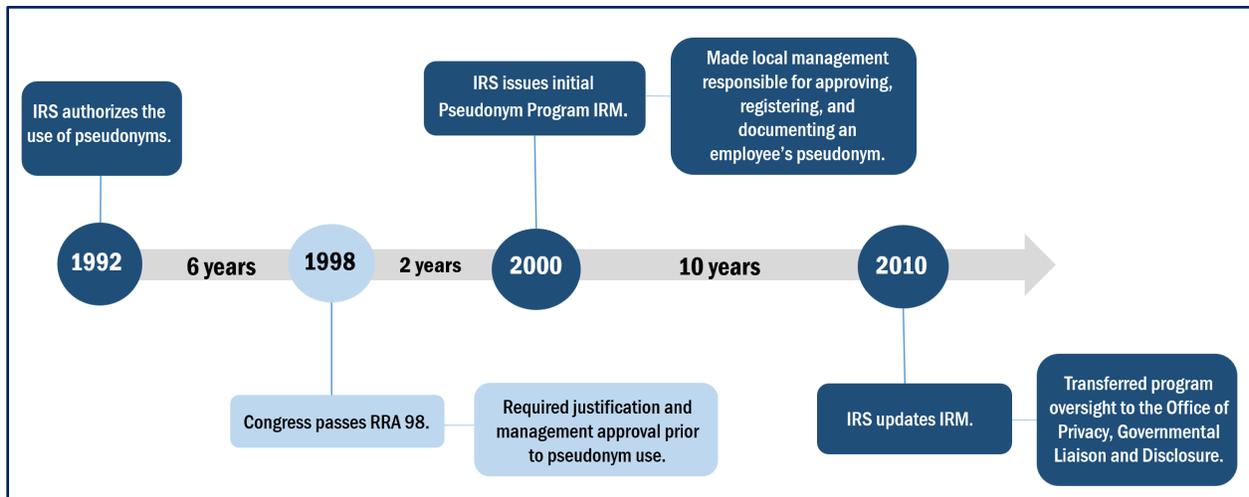
with active pseudonyms obtained their pseudonyms. This will allow the IRS to report the following information:

- **Employees who obtained their pseudonyms on or before July 22, 1998:** Employee justification and management approval are not required for these employees.
- **Employees who obtained their pseudonyms after July 22, 1998:** Employee justification and management approval are required for these employees.
- **Unknown:** The IRS cannot determine when the employees obtained their pseudonym.

Based on our analysis of all 729 employees with active pseudonyms, 458 (63 percent) employees began their service for the IRS after July 22, 1998, thereby requiring justification and manager approval to use their pseudonym. The remaining 271 active pseudonym holders began their service with the IRS before July 23, 1998; therefore, employee justification and manager approval to use a pseudonym may or may not be required, depending on when the employees obtained their pseudonyms.

These issues primarily occurred because the IRS authorized the use of pseudonyms by its employees in 1992, but gradually implemented controls for the program over an extended period. For example, the IRS did not issue Service-wide guidance for the program until 2000 and did not implement Service-wide oversight of the program until 2010. Additionally, the IRS did not update the records of individuals issued pseudonyms before centralized controls were put in place in 2010. Figure 3 illustrates how the IRS was slow to implement controls to oversee and manage the pseudonym program.

Figure 3: Development of Controls Over the IRS Pseudonym Program



Source: TIGTA's analysis based on interviews with PGLD officials and review of IRMs.

By the time the IRS implemented the controls listed in Figure 3, an unknown number of IRS employees were using pseudonyms; however, the IRS did not have a reliable system of record of



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pseudonym holders. Therefore, the PGLD asked IRS employees to self-report if they used a pseudonym. This self-reporting process resulted in a baseline record of pseudonym holders. However, in most cases, the self-reporting process did not provide enough information for the PGLD to determine when each employee obtained or began using his or her pseudonym. Therefore, neither the PGLD nor TIGTA could determine whether pseudonym holders required justification and management approval or were “grandfathered” into the pseudonym program without these requirements.

Employees did not always justify the need for a pseudonym

In 23 cases, the documentation provided did not justify that the employee needed a pseudonym. In 19 of 23 cases, the employee did not explain why a pseudonym was justified or required. In four of 23 cases, the employee’s reason for requesting a pseudonym was not adequate justification. For example, three employees justified they met the criteria for a pseudonym simply because they were a field employee without any documented personal safety concerns. One other employee justified their pseudonym request because of concerns of potential threats from another IRS employee rather than a taxpayer or taxpayer’s representative. The PGLD indicated that it does not determine whether or not adequate justification exists, placing that responsibility on the employee’s manager. Despite the fact that employees failed to submit adequate justification for their pseudonym, in 17 of 23 cases, managers approved the pseudonym requests.

Some managers did not explicitly approve the request for a pseudonym

The documentation provided for 12 requests did not indicate the manager clearly approved the requests. Instead of explicitly stating the pseudonym request was approved, these managers provided vague statements, which include:

- “One of my employees has requested to use a pseudonym name.”
- “Please see pseudonym request below.”
- “As requested.”

The PGLD indicated that it presumed the manager would not send the employee’s pseudonym request in an e-mail unless he or she approved the use of a pseudonym; and therefore, processed the requests for a pseudonym without clear or explicit management approval.

In addition to the cases where the documentation did not provide enough information to verify that the employee justified the need for a pseudonym or that the manager clearly approved the request, we noted several cases where managers had to resubmit pseudonym requests because the e-mails contained insufficient information. We believe this occurred, in part, because the IRS does not have a standard form for pseudonym requests. Instead, the manager must submit an e-mail to the PGLD that should include all of the requirements outlined in the IRM, including an



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employee's legal name, standard employee identifier,⁸ date of birth, proposed pseudonym name, and justification. We found that managers frequently submitted pseudonym requests with incomplete information. A standard form that requires a manager's signature and a separate space to record all information required for the pseudonym request would significantly reduce these errors.

Recommendations

The Chief Privacy Officer should:

Recommendation 1: Determine when all active pseudonym holders obtained their pseudonyms.

Management's Response: The IRS disagreed with this recommendation because it did not believe obtaining information from 25 years ago provides an opportunity for improvement since there were no incidents of pseudonym misuse.

Office of Inspections and Evaluations Comment: The IRS could not provide documentation related to the pseudonym request for 43 employees included in our sample. TIGTA's analysis for six of 43 cases indicated that documentation for justification and approval should exist because the employees either began their service for the IRS or began using a pseudonym after the enactment of RRA 98. The remaining 37 employees began their service for the IRS prior to the enactment of RRA 98; however, the PGLD could not determine when the employee began using a pseudonym. In order for the IRS to comply with the requirements of RRA 98, the IRS should first attempt to determine when each pseudonym holder obtained his or her pseudonym to ensure that individuals who obtained pseudonyms after July 22, 1998, had the proper justification and management approval.

Recommendation 2: Ensure that all active pseudonyms requested after July 22, 1998, are supported by appropriate justification and management approval.

Management's Response: The IRS disagreed with this recommendation because it believes that controls were in place to ensure that managerial approval and justification was received, and there were no issues that indicated that these controls did not work.

Office of Inspections and Evaluations Comment: As indicated above, TIGTA estimates, based on the results of a statistical sample, that the IRS cannot provide adequate documentation to justify the pseudonyms issued to 361 of 705 employees. TIGTA also estimates that the IRS cannot verify that a manager approved the pseudonyms issued to 301 of 705 employees. In order to comply with the requirements

⁸ A standard employee identifier is a five-character IRS employee number. An active standard employee identifier is required to obtain access to many IRS application systems.



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of RRA 98, the IRS should have documentation supporting appropriate justification and management approval for all pseudonym holders who received a pseudonym after July 22, 1998.

Recommendation 3: Develop a standard form for all pseudonym requests, approval, registration, and recordkeeping of pseudonym information.

Management's Response: The IRS agreed with this recommendation and plans to develop a standard form to assist managers and the PGLD in administering the approval and documentation for approving the issuance of pseudonyms.

The Record of Employee Pseudonym Information Is Inaccurate and Incomplete

In addition to the lack of evidence of pseudonym justification and management approval, TIGTA found other information was sometimes inaccurate or incomplete. According to the *Standards for Internal Control in the Federal Government*,⁹ management should design control activities so that all transactions are completely and accurately recorded. According to the PML, which is the official record of IRS employees with active and inactive pseudonyms (previous pseudonym holders who separated from the IRS or withdrew from the pseudonym program), 729 employees had active pseudonyms as of December 10, 2018. However, by comparing data on the PML to IRS payroll records and the IRS employee directory information, we determined that the PML had incomplete or inaccurate records for some employee pseudonym information.

We determined that nine employees, who had separated from the IRS or had withdrawn from the pseudonym program, were included on the PML as active pseudonym holders. Eight of these errors occurred because the PGLD relies on other IRS functions to notify it when an employee separates from the IRS and to perform a timely reconciliation of employees on the PML. The ninth error occurred because the PGLD recorded that the employee withdrew from the pseudonym program, but did not remove the employee from the list of active pseudonym holders.

Additionally, the IRS was unaware that three employees were using pseudonyms as of December 2018. In one case, the IRS incorrectly listed the employee as withdrawn (inactive) from the pseudonym program but the employee was using a pseudonym for official business. For another employee, the PGLD subsequently registered the pseudonym only after being informed by the employee's manager that the employee had been using a pseudonym for approximately 15 years. In the third case, the PGLD had no record or documentation that the employee had a pseudonym.

⁹ Government Accountability Office, GAO-14-704G, *Standards for Internal Control in the Federal Government* p. 45 (Sept. 2014).



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Other inaccuracies included on the PML included the following:

- **Incorrect legal name on the PML:** 68 employees' legal names recorded on the PML for active pseudonyms were incorrect. For example, we found that the employee's current legal name used for payroll purposes is different from his or her legal name at the time the pseudonym was requested and recorded on the PML.
- **Incorrect pseudonym on the PML:** 11 employees' pseudonyms listed on the PML were incorrect. For example, the PML had an employee's pseudonym misspelled or recorded a pseudonym that was different from the actual pseudonym being used.
- **Pseudonym is the same as the employee's legal name:** Eight employees may not be using a pseudonym because their current legal name used for payroll purposes matched the pseudonym listed on the PML.
- **Incorrect standard employee identifier:** Two employees had an incorrect unique standard employee identifier on the PML.

Many of the errors occurred because the PGLD verifies an employee's legal name only at the time the pseudonym is registered. The PGLD is not notified of any subsequent personnel actions completed, including any employee name change, and therefore, does not update the PML. The IRS cannot readily verify an employee's actual identity if pseudonym information on the PML is inaccurate or incorrectly recorded.

Recommendations

The Chief Privacy Officer should:

Recommendation 4: Perform a full inventory to develop a complete and accurate list of active pseudonyms.

Management's Response: The IRS agreed with this recommendation and plans to develop procedures to verify the names and employment status of pseudonym holders and then update and maintain the pseudonym listings.

Recommendation 5: Establish processes to maintain a complete and fully supported list of pseudonyms.

Management's Response: The IRS agreed with this recommendation and plans to work with internal partners to develop processes and procedures to provide information on the names and employment status of pseudonym holders in order to maintain the pseudonym listings.

Office of Inspections and Evaluations Comment: In its response, the IRS stated that it disagreed with our statement in the report that the IRS may be unable to timely verify the identity of employees when interacting with taxpayers because the IRS has



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verification procedures in place to assure the public of an employee's identity. TIGTA questions whether the verification procedures are reliable since the PML (the official record of IRS employees with active and inactive pseudonyms) contained incomplete and inaccurate information. However, this issue is moot, since the IRS agreed to implement corrective actions related to recommendations 4 and 5.

Some Employees May No Longer Need Their Pseudonym

We surveyed a statistical sample of 161 employees with active pseudonyms listed on the PML as of December 2018,¹⁰ and five employees indicated that they might no longer need a pseudonym.¹¹ The five employees indicated that while they currently use their pseudonym for official duties, they planned to or changed positions within the IRS or have limited contact with taxpayers or taxpayer representatives. Based on the results of our statistical sample, TIGTA estimates that 26 employees may no longer have a valid need for their pseudonyms.¹² Figure 4 provides survey responses for employees who indicated that they may no longer need their assigned pseudonym.

¹⁰ See Appendix I for our sampling methodology.

¹¹ We conducted a survey of active pseudonym holders listed on the PML as of December 2018. We received 136 responses to the survey. For the remaining 25 employees, the employee did not respond to our survey or the employee separated from the IRS prior to administering the survey.

¹² The estimate is based on a 95 percent confidence interval. We are 95 percent confident that the estimate is between 10 and 55 employees.



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Figure 4: Pseudonym Holder Survey Responses – May No Longer Need Assigned Pseudonym

Employee's Current Job Title	Contact With Taxpayers or Taxpayer Representatives	Response
Criminal Investigator	1-4 Contacts Per Week	Employee either requested or wished to withdraw from pseudonym program.
Management and Program Analyst	No Contact	Employee is now a Staff Assistant but never withdrew the pseudonym.
Revenue Officer	5-9 Contacts Per Week	Employee expects to change positions and may no longer need a pseudonym.
Management and Program Analyst	No Contact	Employee has a new position, and believes it would be an administrative burden to inform more than 200 work contacts of a name change.
Revenue Agent	No Contact	Employee has a new position and seldom has contact with taxpayers. Employee has been using pseudonym for more than 20 years.

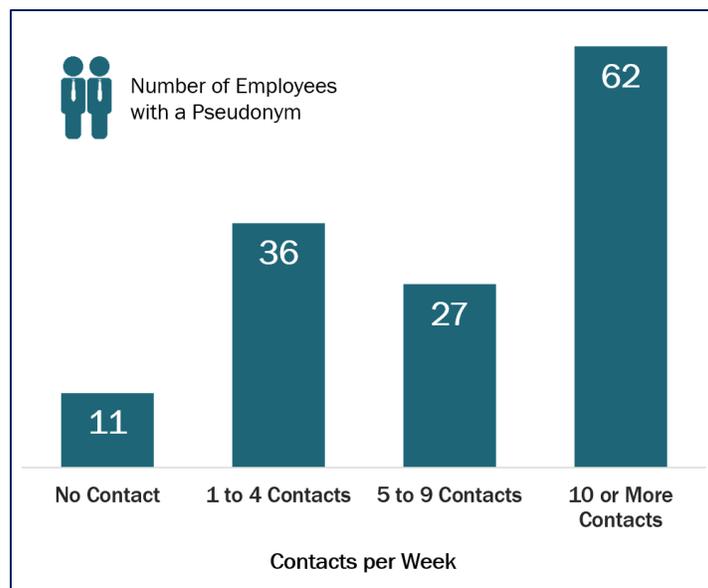
Source: TIGTA pseudonym survey – employee responses.

According to IRM Section 10.5.7.4.1(4), *Pseudonym Use Approved*, an employee can keep a pseudonym for the duration of his or her IRS career, unless the employee decides he or she no longer requires one. However, there is no requirement for a pseudonym holder to withdraw from the program. We believe that employees who routinely contact taxpayers or taxpayer representatives have the greatest need for a pseudonym. Figure 5 documents how often survey respondents indicated they contact taxpayers or taxpayer representatives each week.



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Figure 5: Sampled Pseudonym Holders Frequency of Taxpayer Contact



Source: IRS employees' responses to TIGTA pseudonym survey.

As depicted in Figure 5, survey responses indicated that most pseudonym holders make contact with taxpayers or their representatives five or more times per week. Conversely, 11 employees in our survey (8 percent) responded that they had no contact with taxpayers, which could indicate that the employees may not need a pseudonym. TIGTA estimates that 57 active pseudonym holders have no contact with taxpayers on a routine basis and may have no need for their pseudonyms.¹³

Recommendation

Recommendation 6: The Chief Privacy Officer should periodically solicit pseudonym holders to determine whether each employee still needs a pseudonym, and advise those that no longer need a pseudonym that they have the option to withdraw from the program.

Management's Response: The IRS agreed with this recommendation and plans to annually issue a communication that will advise pseudonym holders of the option to withdraw from the program, including the process for withdrawing from the program. The IRS plans to keep statistics on responses to the communication and after three annual

¹³ The estimate is based on a 95 percent confidence interval. We are 95 percent confident that the estimate is between 32 and 94 employees.



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communications decide if the process is effective enough to warrant continuing the outreach.

No Incidents Were Found Where IRS Employees Misused Their Pseudonym

At the time that RRA 98 was implemented, Congress was concerned that IRS employees would use pseudonyms to avoid accountability for their actions. Our review of the IRS Automated Labor and Employee Relations Tracking System since Fiscal Year 2006 did not identify any IRS employees with disciplinary actions for misusing their pseudonyms.¹⁴ Since 1999, TIGTA's Office of Investigations has investigated only one employee for pseudonym misuse; however, the Office of Investigations determined that pseudonym misuse was a false allegation.

¹⁴ The Automated Labor and Employee Relations Tracking System database generally tracks employee behavior that may warrant IRS management administrative actions.



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Appendix I

Detailed Objective, Scope, and Methodology

The objective of this evaluation was to determine whether the IRS has established policies and procedures to manage its pseudonym program effectively. To accomplish this objective, TIGTA:

- Researched relevant statutes, IRS procedures and instructions, and the IRM.
- Interviewed PGLD management and staff to identify controls, procedures, and requirements used for the pseudonym program.
- Obtained and reviewed the PML of pseudonym records from the IRS as of December 10, 2018.
- Performed an analysis of PML records, IRS Discovery Directory listing of employees, and employee Treasury Integrated Management Information System payroll information to determine if pseudonym information was accurately recorded and to identify potential unknown pseudonym holders.
- Assessed the PML records, Discovery Directory employee information, and employee Treasury Integrated Management Information System payroll information, and determined that the data were reliable for our purposes. We found various records that contained errors; however, we determined that the data were reliable to perform additional evaluation tests to verify the accuracy and completeness of information.
- Reviewed IRS documentation for employee justification and management approval for a statistical sample of employees with active pseudonyms on the PML. We selected a statistical sample of 129 active pseudonym holders from a population of 705 PML active records.¹ We used the following criteria: a 95 percent confidence level, a 10 percent expected error rate, and a ± 5 percent precision rate.
- Designed and sent a survey to the same active pseudonym holders in our sample to assess the current need for their pseudonyms. Our sample included 32 additional employees (161 total) to account for expected non-responses. We used the same criteria: a 95 percent confidence level, a 10 percent expected error rate, and a ± 5 percent precision rate.

This review was performed in the Office of Privacy, Governmental Liaison and Disclosure. TIGTA interviewed the Office of Incident Management and Employee Protection staff during

¹ A contract statistician assisted with developing the sample plans and projections of all statistical samples.



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the period November 2018 through September 2019. We conducted this evaluation in accordance with the Council of the Inspectors General for Integrity and Efficiency Quality Standards for Inspection and Evaluation. Major contributors to the report were James Douglas (Director), Brandon Crowder (Supervisory Evaluator), Kyle Bambrough (Senior Auditor), Jennifer Earls (Senior Evaluator), and Michelle Griffin (Senior Evaluator).



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Appendix II

Report Distribution List

Deputy Commissioner for Operations Support
Chief Privacy Officer, Privacy Governmental Liaison and Disclosure
Director, Enterprise Audit Management



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Appendix III

Management's Response to the Draft Report



CHIEF PRIVACY OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

MEMORANDUM FOR HEATHER M. HILL
ACTING DEPUTY INSPECTOR GENERAL FOR
INSPECTIONS AND EVALUATIONS

FROM: Robert Choi **Robert Choi** Digitally signed by Robert Choi
Date: 2020.04.20 09:41:40 -04'00'
Chief Privacy Officer

SUBJECT Draft Evaluation Report – Controls Over the Pseudonym
Program Need Improvements (#E-18-009)

Thank you for the opportunity to respond to the above-referenced draft evaluation report. The IRS is committed to protecting the safety of our employees during the performance of their official duties and while conducting their personal lives. An unfortunate consequence of administering our nation's tax laws is that individuals threaten, harass and attempt to intimidate IRS employees. In some cases, these actions lead to actual physical harm. The IRS pseudonym program is a vital part of protecting our employees and we appreciate the opportunity to improve this employee protection program.

As stated in the draft evaluation report, the administration of the pseudonym program has evolved over the last quarter century. Initially, the pseudonym program was managed at the local levels. PGLD became the Servicewide administrator of the program in 2010 and established a rigorous process to ensure pseudonyms were issued properly. As your audit notes, TIGTA found no incidents of IRS employees misusing pseudonyms.



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IRS agrees with most of the recommendations in the report and is confident implementing those recommendations will improve our pseudonym program.

We disagree with the statement in the report that the IRS may be unable to timely verify the identity of employees when interacting with taxpayers. IRS has procedures in place to assure the public of the identity of the field agent contacting them, whether the employee uses a pseudonym or their given name. Taxpayers and local law enforcement can immediately contact IRS to verify the identity of our employees. These procedures are working effectively to protect both taxpayers and IRS employees.

If you have any questions, please contact me at 202-317-6449, or a member of your staff may contact Peter C. Wade, Director Privacy Policy and Compliance, at 470-639-3479.

Attachment



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Attachment
Evaluation IE-18-009

Recommendation 1: The Chief Privacy Officer should determine when all active pseudonym holders obtained their pseudonyms.

Corrective Action: We disagree with this recommendation. We don't believe obtaining information from 25-years ago provides an opportunity for improvement, especially with no incidents of misuse. We do, however, agree with Recommendation 3 and believe this provides an opportunity to standardize the program by documenting explicit approval and clearer justifications going forward.

Implementation Date: N/A

Responsible Official(s): N/A

Recommendation 2: Ensure that all active pseudonyms requested after July 22, 1998, are supported by appropriate justification and management approval.

Corrective Action: We disagree with this recommendation. As noted in the report, controls were in place to ensure that managerial approval and justification was received and there were no issues identified that these controls did not work. We do, however, believe Recommendation 3 provides opportunities to standardize the program by documenting explicit approval and clearer justifications going forward.

Implementation Date: N/A

Responsible Official(s): N/A

Recommendation 3: Develop a standard form for all pseudonym requests, approval, registration, and record keeping of pseudonym information.

Corrective Action: We agree with this recommendation. The development of a standard form will assist managers and PGLD in administering the approval and documentation for approving the issuance of pseudonyms.

Implementation Date: November 15, 2020

Responsible Official(s): Director, Privacy Policy and Compliance

Recommendation 4: Perform a full inventory to develop a complete and accurate list of active pseudonyms.



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Corrective Action: We agree with this recommendation. In concert with Recommendation 5, we will develop procedures to verify the names and employment status of pseudonym holders and then update/maintain the pseudonym listings.

Implementation Date: November 15, 2020

Responsible Official(s): Director, Privacy Policy and Compliance

Recommendation 5: Establish processes to maintain a complete and fully supported list of pseudonyms.

Corrective Action: We agree with this recommendation. We will work with internal partners to develop processes and procedures to provide information on the names and employment status of pseudonym holders in order to maintain the pseudonym listings.

Implementation Date: November 15, 2020

Responsible Official(s): Director, Privacy Policy and Compliance

Recommendation 6: The Chief Privacy Officer should periodically solicit pseudonym holders to determine whether each employee still needs a pseudonym and advise those that no longer need a pseudonym that they have the option to withdraw from the program.

Corrective Action: We agree with this recommendation. We will update our standard operating procedures to indicate that on an annual basis we will issue a communication that will advise pseudonym holders of the option to withdraw from the program. As part of the communication we will provide the process to be used to withdraw from the program. We will keep statistics on responses to the communication and after three annual communications decide if they are effective enough to warrant continuing the outreach.

Implementation Date: August 15, 2020

Responsible Official(s): Director, Privacy Policy and Compliance



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