



Treasury Inspector General for Tax Administration

Semiannual Report to Congress

October 1, 2020 - March 31, 2021



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.

Inspector General's Message to Congress

I am pleased to present this Semiannual Report to Congress, summarizing the accomplishments of the Treasury Inspector General for Tax Administration (TIGTA) during the period October 1, 2020 through March 31, 2021. Some of TIGTA's notable achievements in pursuit of its mission to provide oversight of the Internal Revenue Service (IRS) and protect the integrity of Federal tax administration are highlighted in the various audits, investigations, and inspections and evaluations in this report.



During this reporting period, TIGTA's Office of Audit completed 21 audits, and its Office of Investigations completed 1,287 investigations. In addition, TIGTA's combined audit and investigative efforts have resulted in the recovery, protection, and identification of monetary benefits totaling almost \$7 billion.

The coronavirus pandemic remains one of the most critical challenges confronting the IRS and TIGTA. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the largest economic rescue package in U.S. history, had a significant impact on the IRS and Federal tax administration. The CARES Act contained numerous tax-related provisions impacting individuals and businesses and appropriated approximately \$750 million to the IRS to administer these provisions. Most notably, the CARES Act required the IRS to send Economic Impact Payments (EIPs) to eligible American households.

Congress passed additional pandemic relief legislation during this reporting period – the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 and the American Rescue Plan Act of 2021. These acts require the IRS to send additional EIPs and recovery rebates, respectively, to eligible American households.

The IRS took unprecedented actions to issue EIPs. As of December 31, 2020, the IRS issued more than 315 million EIPs, totaling \$422 billion. As required by the CARES Act, the IRS established processes to issue a notice to each recipient that shows the payment amount and the method used to send it.

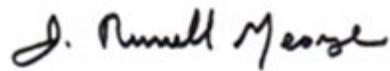
TIGTA continues to review the actions taken by the IRS to ensure that eligible taxpayers received EIPs and to prevent improper payments. TIGTA also is assessing the impact of the pandemic on the IRS's ability to provide effective customer service, conduct examinations, and collect revenue. In addition, TIGTA is evaluating the IRS's efforts to protect its employees and its response to health and safety incidents that occurred during the pandemic.

TIGTA's Office of Investigations continues to work with the IRS to prevent and detect any scams, including those involving the theft of EIPs. TIGTA continues to investigate and deter attacks against online IRS applications, as part of its responsibility for investigating and

detering tax-related cybercrime and disrupting cyber-based schemes by illicit actors who impersonate taxpayers and IRS employees.

Consistent with TIGTA's mission, we will continue to work closely with Congress, the Administration, the IRS, and all of our stakeholders on behalf of taxpayers to ensure that our Nation's system of tax administration is efficient, effective, and fair.

Sincerely,

A handwritten signature in black ink that reads "J. Russell George". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

J. Russell George
Inspector General

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TIGTA's Profile

The Treasury Inspector General for Tax Administration (TIGTA) provides audit, investigative, and inspection and evaluation services that promote economy, efficiency, and integrity in the administration of the Internal Revenue laws. TIGTA also 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 Department of the Treasury (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.

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 Investigations; the Office of Audit; the Office of Inspections and Evaluations; the Office of Mission Support; the Office of Information Technology; and the Office of Chief Counsel.

Statutory Mandate

Protect against IRS employee improprieties and external attempts to corrupt or threaten IRS employees.

Provide policy direction and conduct, supervise, and coordinate audits and investigations related to IRS programs and operations.

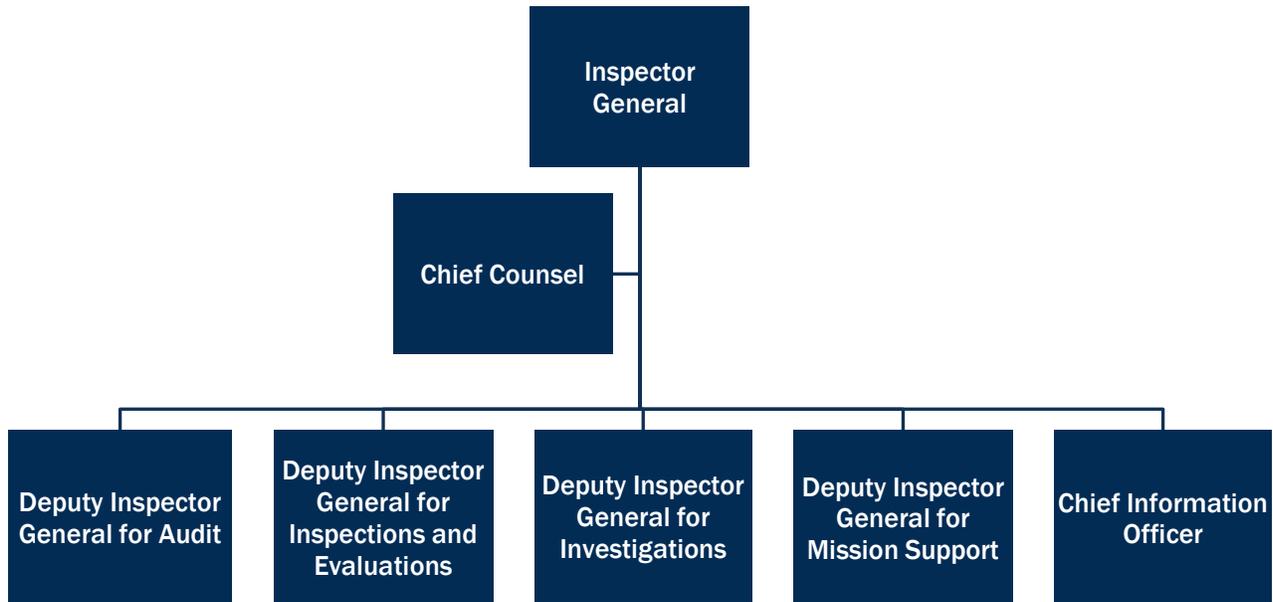
Review existing and proposed legislation and regulations related to IRS programs and operations, and make recommendations concerning the impact of such legislation or regulations.

Promote economy and efficiency in the administration of tax laws.

Prevent and detect waste, fraud, and abuse in IRS programs and operations.

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

Organizational Structure



Authorities

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

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

² Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C. (2012)).

Pandemic Relief Oversight Efforts

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)³ was signed into law. The CARES Act is the largest economic rescue package in U.S. history and will have a significant impact on the IRS and Federal tax administration. The CARES Act contains numerous tax-related provisions affecting individuals and businesses and appropriated \$750.7 million in additional funding to the IRS to administer and oversee these provisions.

The following summaries highlight some of the pandemic-related audits, investigations, and evaluations completed during this six-month reporting period:

Systems Processing Economic Impact Payments Performed Well and the Get My Payment Application Security Vulnerabilities Are Being Remediated (Report Number 2021-26-006)

On April 10, 2020, the IRS issued more than 81.4 million payments totaling more than \$147.6 billion. As of September 25, 2020, the IRS issued more than 165 million Economic Impact Payments (EIPs) totaling more than \$276 billion. This audit was initiated to review the effectiveness of IRS systems security and operations related to processing CARES Act EIPs.

Overall, the 16 IRS tax systems involved in delivering EIPs to individuals performed well. However, a coding issue in the software developed to process the payments affected the Individual Master File's performance. The IRS fully restored the system within 24 hours, and the affected payments were processed the following business day.

TIGTA determined that 463 (99 percent) of 470 required baseline security controls and control enhancements were implemented for the Get My Payment application. The security controls not implemented related to vulnerability scanning, flaw remediation, information input validation, cryptographic protection, and information system component inventory. In response to these findings, the Applications Development function opened a Plan of Action and Milestones to address each deficiency. However, the IRS failed to timely remediate 17 critical (four unique) and 169 high (five unique) security vulnerabilities that were identified in the Get My Payment application database.

Lastly, the IRS assessed the Get My Payment application's appropriate identity and authenticator assurance levels at level two, higher than the currently implemented level one. Although the IRS implemented identity and authenticator assurance levels below the assessed level, TIGTA found that the Digital Identity Acceptance Statement met the National Institute of Standards and Technology and agency requirements by including a detailed implementation and rationale, compensating controls and risk mitigation factors, a description of risk acceptance, and a plan of action.

³ Pub. L. No. 116-136, 134 Stat. 281.

TIGTA recommended that the IRS ensure that:

- Critical and high security vulnerabilities are timely remediated based on agency-defined timelines, and
- Plans of Action and Milestones associated with the Get My Payment application are completed timely based on agency defined timelines and processes.

The IRS agreed with both of the recommendations.

Interim Report - Taxpayer Advocate Service Actions to Assist Taxpayers in Response to the Implementation of the Coronavirus Aid, Relief, and Economic Security Act (Report Number 2021-16-019)

Soon after the IRS began issuing EIPs in response to the CARES Act, the Taxpayer Advocate Service (TAS) started receiving reports of EIP-related issues. TAS's statutory mission is to assist taxpayers in resolving tax problems with the IRS, identify areas in which taxpayers have problems with the IRS, and make administrative and legislative recommendations to mitigate tax problems.

TIGTA issued this interim audit report to provide information about TAS's initial actions to assist taxpayers with CARES Act issues. TIGTA plans to issue a subsequent report later in Calendar Year 2021 that will supplement the information in this report as well as provide information on how TAS plans to spend funding it received to cover pandemic-related costs.

The TAS has taken numerous actions to assist taxpayers in response to the enactment of the CARES Act. This includes identifying and addressing CARES Act issues affecting large groups of taxpayers (Systemic Advocacy) and assisting individual taxpayers (Case Advocacy), as well as taking other actions to educate and assist taxpayers during the pandemic.

After the IRS began issuing EIPs on April 10, 2020, TAS started receiving reports of EIP-related issues affecting large groups of taxpayers. As of October 21, 2020, more than 450 systemic issues related to the Coronavirus Disease 2019 (COVID-19) had been submitted on the system that TAS uses to track issues affecting multiple taxpayers, and TAS had initiated 16 CARES Act-related Systemic Advocacy projects as a result. TAS officials stated that the largest category of these issues related to EIPs. In addition, TAS issued a Proposed Taxpayer Advocate Directive in June 2020 directing the IRS to immediately develop a process to correct EIP errors for instances in which an eligible individual had not received his or her EIP or had not received the correct amount. Subsequently, the IRS has taken action to systemically correct errors affecting certain groups of taxpayers.

In addition to its efforts involving Systemic Advocacy, TAS has made efforts to assist individual taxpayers with EIP-related issues. TAS initially accepted cases related solely to EIP issues, but issued guidance on May 14, 2020, indicating that it would no longer accept these cases. TIGTA reviewed a judgmental sample of these cases and determined that case advocates were unable to assist most taxpayers with EIP issues because TAS employees lacked the

capabilities to resolve EIP problems on individual accounts. As the IRS began implementing processes to fix certain EIP issues, TAS started accepting some EIP-related cases on August 10, 2020. TAS records indicated that more than 2,800 CARES Act cases were opened in Fiscal Year (FY) 2020.

To further its efforts to keep the public informed about CARES Act issues, TAS also has frequently updated its blogs and used social media accounts to disseminate information to taxpayers. Furthermore, as part of an IRS-wide team, TAS has provided suggestions and recommendations for frequently asked questions and answers, taxpayer communications, and Internet content. In addition, TAS provided additional funding to Low Income Taxpayer Clinics to allow the clinics to continue to assist taxpayers during the pandemic.

This report was prepared to provide interim information only. Therefore, no recommendations were made in this report.

Interim Report – IRS COVID-19 Response Timeline and Policies to Protect Employee Health and Safety (Report Number 2021-16-020)

The COVID-19 pandemic has affected the IRS’s ability to perform its responsibilities of processing tax returns, tax payments, and tax refunds. The pandemic also threatens the lives of IRS employees, several of whom have passed away from the virus since March 2020. As such, the IRS has had to balance the completion of its mission and the health and safety of its employees.

TIGTA issued this interim report to provide information about actions the IRS has taken to protect the health and safety of its employees during the COVID-19 pandemic. This audit was requested by Congress in House Report 116–456, accompanying the Consolidated Appropriations Act, 2021.⁴ The House Report instructed TIGTA to submit a report within 90 days of enactment. TIGTA plans to issue a subsequent report later in FY 2021 that will provide updates to the information in this report, as well as additional information on the IRS’s pandemic planning efforts.

On January 21, 2020, the Centers for Disease Control and Prevention reported the first case of COVID-19 in the United States. On March 11, 2020, the World Health Organization officially declared COVID-19 a pandemic and, shortly thereafter, the first case of an IRS employee testing COVID-19 positive was reported. In response to the pandemic and resulting State stay-at-home orders, the IRS began closing its facilities on March 16, 2020. On March 30, 2020, the IRS directed all employees with portable work to evacuate worksites and work from home or an alternate location, effectively closing all IRS facilities, though some employees continued to report to certain locations to perform mission-essential work.

As State and local governments began lifting restrictions, the IRS was also aware of the needs of taxpayers and the increasing backlog of work. On April 27, 2020, the IRS began the

⁴ Pub. L. No. 116-260, 134 Stat. 1182 (2020).

process of recalling employees to its facilities in phases, beginning with voluntary recalls to select facilities and transitioning to a broader opening of facilities nationwide for mission-essential, nonportable work. The IRS reported that all of its facilities have been open to mission-essential functions and nonportable work since July 13, 2020.

Since reopening IRS facilities across the country for limited operations, the number of IRS employees who reported testing positive for COVID-19 has increased. As of February 28, 2021, 3,404 IRS employees reported having tested positive for COVID-19. IRS data showed that approximately 45 percent of these employees reported to an IRS facility during the 14 days preceding a positive test result for COVID-19.

As part of its efforts to quickly inform and protect employees during the early stages of the COVID-19 pandemic, the IRS made Federal guidance available to all employees, in addition to developing and issuing its own internal guidance. These internal guidelines generally aligned with Federal guidelines and best practices issued by the Office of Personnel Management, the Centers for Disease Control and Prevention, the Government Accountability Office, and other Federal authorities.

TIGTA will continue to review the IRS's actions to protect the health and safety of its employees and provide updated information in a subsequent report to be issued later this fiscal year. This report was prepared to provide interim information only. As such, TIGTA did not make any recommendations in this report.

Man Pleads Guilty to Wire Fraud for His Role in Theft of Economic Impact Payments⁵

On February 24, 2021, in the Eastern District of Texas, James Mwanza was sentenced for wire fraud. Mwanza devised a scheme to defraud the IRS and obtain money by filing fraudulent tax returns. Mwanza was indicted on June 18, 2020, for wire fraud, theft of Government money, and aggravated identity theft. He pled guilty on November 19, 2020.

According to the court documents, from about January 2020 through April 2020, Mwanza presented himself as a tax preparer and unlawfully obtained, from his employer and other sources, individuals' means of identification, which included their names, birth dates, and Social Security Numbers. Additionally, Mwanza illegally obtained IRS Electronic Filing Numbers assigned to tax preparation firms not affiliated with him. Mwanza used the information he obtained to electronically file tax returns and claim false tax refunds totaling \$7,814. The filing of the false tax returns also triggered the issuance of Economic Impact Payments totaling \$3,400, which he retained.

Mwanza was sentenced to six months' imprisonment, three years of supervised release, ordered to pay \$5,800 in restitution, and a \$100 assessment fee.

⁵ The facts in the summarized case narrative come from court documents of the jurisdiction named.

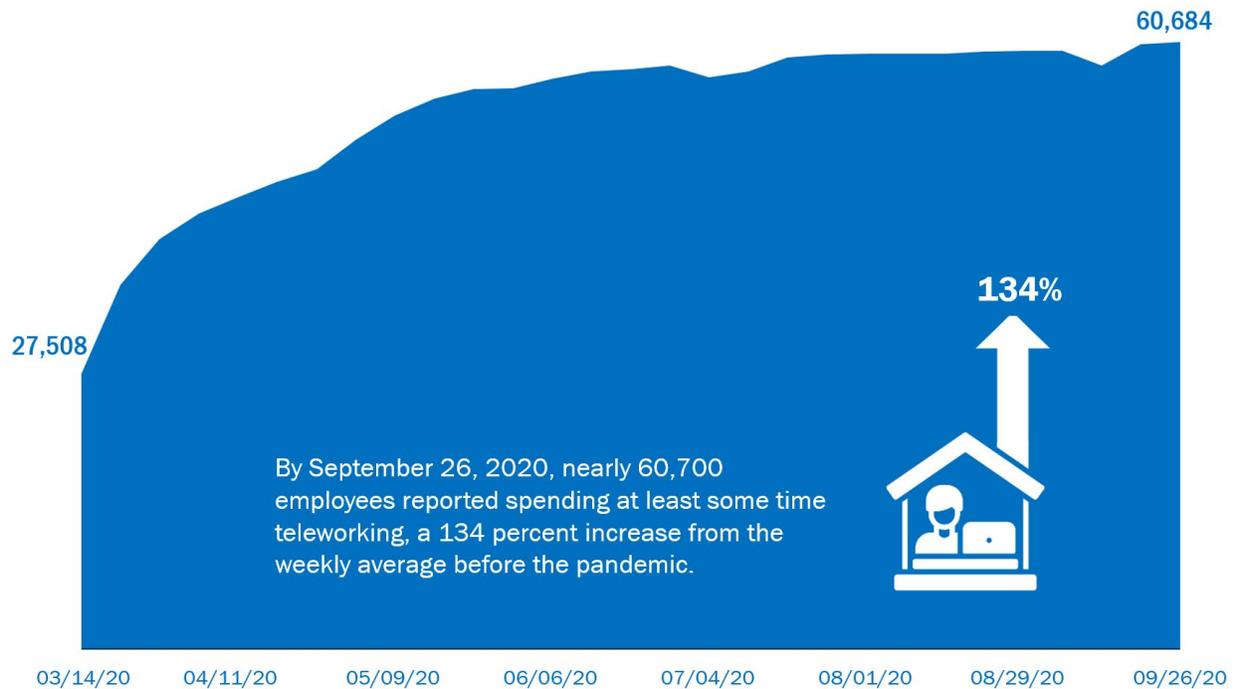
Interim Report – The IRS Leveraged Its Telework Program to Continue Operations During the COVID-19 Pandemic (Report Number 2021-IE-R002)

Telework allows Federal agencies to continue operations during a pandemic or other event that would result in the closure of Federal Government buildings. To effectively continue operations during an emergency, as many employees as possible should be prepared to telework. On March 13, 2020, the President of the United States declared a national emergency due to the outbreak of the COVID-19 pandemic. By March 16, 2020, the IRS began closing some offices. Effective March 30, 2020, IRS employees were directed to evacuate offices and telework, if possible. In July 2020, the IRS reopened offices to employees with nonportable work and mission-critical functions.

TIGTA determined the IRS effectively used its telework program to reduce the impact of the COVID-19 pandemic on IRS operations.

The COVID-19 pandemic began to have a significant impact on IRS operations in mid-March 2020 when the IRS began to close facilities and employees were diagnosed with COVID-19. Between March 14 and March 28, 2020, the number of employees who worked any amount of time at IRS facilities declined from about 70,700 to 19,400, and the number of employees who teleworked any amount of time increased from about 27,500 to 41,000. By March 28, 2020, the IRS placed nearly 35,000 employees on paid Weather and Safety Leave because they could not work in IRS facilities or telework during some portion of the two-week period. Effective March 30, 2020, the IRS directed all employees, except for those individuals performing mission-critical functions that could not be performed remotely, to vacate the work site and work from home or an alternate location.

Between April 2020 and the end of September 2020, the IRS steadily increased telework participation and reopened IRS facilities to some employees. By September 26, 2020, almost 60,700 employees teleworked a portion of the week, while approximately 25,600 employees worked from an IRS facility for a portion of the week. For this same week, approximately 6,700 employees reported time to Weather and Safety Leave. The figure below illustrates the increase in telework participation from after the COVID-19 outbreak was declared a national emergency and through September 2020.



Source: TIGTA analysis of IRS data.

By December 19, 2020, around 4,600 IRS employees recorded time to Weather and Safety Leave.

Information in this interim report was requested by Congress in House Report 116-456, accompanying the Consolidated Appropriations Act, 2021. TIGTA was instructed to submit a report within 90 days of enactment. TIGTA plans to issue a subsequent report that will provide additional information on IRS's use of telework during the pandemic.

TIGTA made no recommendations in this report.

Promote the Economy, Efficiency, and Effectiveness of Tax Administration

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

The IRS's implementation of audit recommendations results in:

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



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

Audit Emphasis Areas for October 2020 Through March 2021

Implementing Tax Law Changes
Improving Tax Reporting and Payment Compliance

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

Implementing Tax Law Changes

Results of the 2020 Filing Season and Effects of the COVID-19 on Tax Processing Operations (Report Number 2021-46-023)

The filing season, defined as the period from January through mid-April, is critical for the IRS. It is during this time that most individuals file their income tax return and contact the IRS if they have questions about specific laws or filing procedures.

The 2020 Filing Season was unlike any other. The IRS had to take unprecedented and drastic actions to address COVID-19 and protect the health and safety of its employees and the

taxpaying public. These actions included closing Taxpayer Assistance Centers, Tax Processing Centers, and offices nationwide. In addition, on March 20, 2020, the Treasury Department extended the Federal income tax filing due date from April 15, 2020, to July 15, 2020. As of November 13, 2020, the IRS had received approximately 168 million tax returns (with 91 percent electronically filed) and issued more than 125 million refunds totaling \$316 billion.

This audit was initiated to provide selected information related to the IRS's 2020 Filing Season, including information related to the impact of COVID-19. The overall objective of this review was to evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2020 Filing Season.

As of December 25, 2020, the IRS had more than 11.7 million paper-filed individual and business returns that still needed to be processed. The backlog of returns, correspondence, and other types of work resulting from the pandemic had, and will continue to have, a significant impact on the associated taxpayers. For example, the unprocessed individual returns, as well as the additional returns and correspondence in the Error Resolution, Rejects, Unpostables functions and the Accounts Management inventory, include taxpayers who have yet to receive their Tax Year (TY) 2019 tax refunds.

The IRS's ability to resolve these backlogs could be affected by the need to divert resources to issue additional EIPs or an unforeseen closure of IRS Tax Processing Centers due to the pandemic. The ability of these taxpayers to contact the IRS to receive updated information about the status of their refunds is a further challenge as staffing issues continue to hinder the IRS's ability to provide adequate customer service.

Much of the work performed at the IRS's Tax Processing Centers is not conducive to a telework environment. This work includes the receiving, sorting, and distributing of mail and the processing of paper tax returns, which requires manually inputting information from the tax return into IRS systems, correcting errors, and corresponding with the taxpayer, if needed. As of November 14, 2020, the IRS had more than 2.9 million pieces of unopened mail and 4.7 million individual paper tax returns to process. In addition, the IRS had more than 600,000 returns in its Error Resolution inventory, nearly 3.7 million cases in its Accounts Management inventory, and more than 1.3 million returns in its fraud program inventories as of this same period.

When the IRS closed its offices nationwide, it stopped answering 81 of its 87 toll-free taxpayer assistance telephone lines and closed all 358 Taxpayer Assistance Centers. In addition, 10,792 of the 11,014 Volunteer Income Tax Assistance/Tax Counseling for the Elderly partner sites remained closed as of May 24, 2020. The IRS had reopened 80 of its toll-free telephone lines as of November 5, 2020, and 263 of its Taxpayer Assistance Centers as of November 16, 2020.

This report was prepared to provide information only. Therefore, no recommendations were made in this report.

Improving Tax Reporting and Payment Compliance

A Provision in the American Rescue Plan of 2021 Will Help Improve Tax Compliance in the Gig Economy, Virtual Currency Exchange Markets, and Other Emerging Economies

TIGTA performed two audits⁶ which include the issue of information reporting of certain business-related payments. I.R.C. § 6050W was added in 2008 and requires reporting of certain payments made in settlement of payment cards and also addressed the reporting requirements of “third party settlement organizations” (TPSO), which at the time primarily covered online auction sites. This law only required reporting payments to the IRS at the threshold of \$20,000 and 200 transactions per year on Form 1099-K, *Payment Card and Third Party Network Transaction*, a much higher threshold than the IRS reporting requirements for other business-related payments which stands at \$600 annually (normally reported on the Form 1099-MISC, *Miscellaneous Information*). After the enactment of the law, new Internet platform industries began to emerge and grow exponentially, including ridesharing businesses and virtual currency exchanges. Many of these Internet platforms fell under the TPSO definition and so did not report payments to workers unless the high threshold was met, while other Internet platform businesses did not report them at all.

TIGTA’s audits demonstrated that there was significant noncompliance in information reporting, and even when there was information reporting, taxpayers in these emerging industries were not always reporting their payments as income. TIGTA recommended that the IRS work with the Treasury Office of Tax Policy to pursue regulatory or legislative change relating to the third-party reporting thresholds established in I.R.C. § 6050W. The Treasury Department included this legislative proposal in its budget submissions for FYs 2020 and 2021. As part of the American Rescue Plan Act of 2021⁷, Congress addressed the disparity of information reporting between the TPSOs and other types of businesses. Section 9674 of the American Rescue Plan Act of 2021 changes the threshold for reporting requirements from \$20,000 and 200 transactions annually to \$600 annually, so that TPSOs are subject to the same reporting requirements as other businesses.

TIGTA will soon be issuing another TPSO-related report⁸ on peer-to-peer payment Internet platform businesses (many of which are also TPSOs) which allow customers to easily and cheaply send money both for business and personal reasons.

⁶ TIGTA, Ref. No. 2019-30-016, *Expansion of the Gig Economy Warrants Focus on Improving Self-Employment Tax Compliance* (Feb. 2019); TIGTA, Ref. No. 2020-30-066, *The Internal Revenue Service Can Improve Taxpayer Compliance for Virtual Currency Transactions* (Sept. 2020).

⁷ Pub. L. No. 117-2, 135 Stat. 4.

⁸ TIGTA, Draft Report No. 2019-30-019, *The Internal Revenue Service Faces Challenges in Addressing the Growth of Peer-to-Peer Payment Application Use*.

Billions of Potential Taxes Went Unaddressed From Unfiled Returns and Underreported Income by Taxpayers That Received Form 1099-K Income (Report Number 2021-30-002)

If taxpayers are not reporting or are underreporting Form 1099-K income, they are potentially not paying the appropriate taxes on the income. To help decrease the Tax Gap, promote fairness, and protect the integrity of the tax system, it is important for the IRS to identify and address taxpayers with the highest risk of noncompliance. This audit was initiated to determine whether the IRS is identifying and addressing individual and business taxpayers with underreported income or unfiled returns related to Form 1099-K income. The report focused on identifying the general population of individual and business taxpayers that received Form 1099-K for TY 2017, but underreported the income or did not file a tax return, and how the IRS is addressing this tax noncompliance.

TY 2017 Form 1099-K Recipients

	Form 1099-K Business Recipients	Form 1099-K Individual Recipients
Form 1099-K Documents	6,371,901	3,354,329
Unique Taxpayer Identification Numbers (TIN)	3,349,296	2,622,703

Source: TIGTA analysis of Information Returns Master File Form 1099-K file data.

For TY 2017, numerous business and individual nonfiler taxpayers with Form 1099-K income were not identified and cases were not created by the IRS's nonfiler programs. In other cases, they were identified but not worked by the IRS. TIGTA identified 314,586 business taxpayers with \$335.5 billion in Form 1099-K income that appeared to have a filing obligation but were not identified as nonfilers by the IRS. The problem was that the IRS could not use third-party information returns, such as Form 1099-K data, to identify business nonfilers and create cases if the taxpayers' accounts were coded as not having an open filing requirement, or no tax account existed because the business had never filed a tax return.

The IRS also did not identify all individual nonfilers with significant Form 1099-K income. TIGTA identified 62,087 individual nonfilers with \$575 million in Form 1099-K income who the IRS had not identified as nonfilers and nonfiler cases were not created. While the IRS cannot work all of the nonfiler cases it identifies due to resource limitations, TIGTA identified a significant number (325,060 business nonfilers and 103,991 individual nonfilers with \$203 billion and \$3 billion in Form 1099-K income, respectively) that were not selected to be worked.

Also for TY 2017, numerous business and individual taxpayers with reporting discrepancies of at least \$10,000 between the reported TY 2017 income on the return and the Form 1099-K income were not identified by the IRS's Underreporter programs, or were identified but not worked. For example, the IRS does not identify fiscal year business underreporters. There

were 3,314 Form 1120, *U.S. Corporation Income Tax Return*, fiscal year filer business nonfilers with \$1.5 billion in underreported Form 1099-K income. Additionally, TIGTA identified a significant number of underreporter cases (45,169 business underreporter cases) not selected to be worked by the Field Case Selection unit, with \$73 billion in potentially underreported Form 1099-K income.

TIGTA estimated that if the IRS identified, created, and worked just the nonfiler and underreporter cases with Form 1099-K income of \$1 million or more for businesses (Form 1120) and \$100,000 or more for individuals, the IRS could potentially assess an additional \$5.7 billion in taxes.

As a result, TIGTA made seven recommendations to help improve the case identification, creation, and work selection processes for the nonfiler and underreporter programs. IRS management agreed with only three of the seven recommendations and disagreed with the other four.

Improvements Have Been Made, but Controls Need to Be Strengthened to Detect Improper Self-Employed Retirement Deductions (Report Number 2021-10-007)

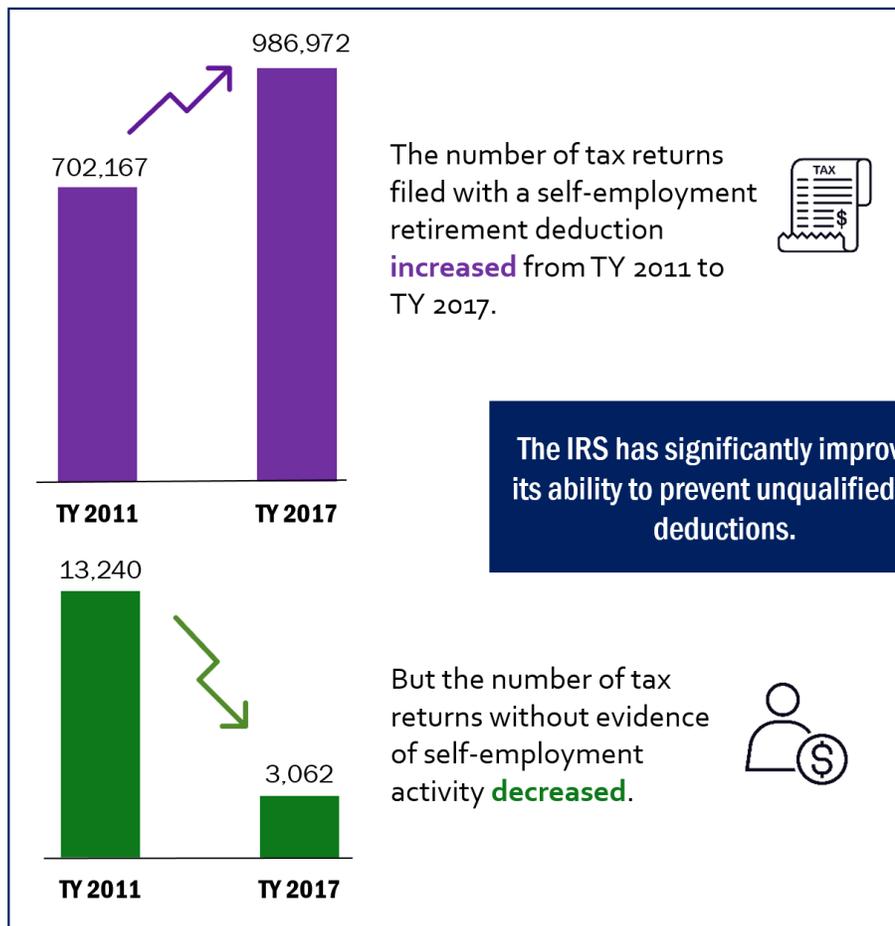
Self-employed taxpayers may deduct contributions made to their own self-employed retirement accounts on their individual tax return under certain circumstances. Without effective controls to prevent or detect potentially improper deductions, self-employed individuals may claim unallowable or fraudulent deductions.

TIGTA previously reported that the IRS did not have sufficient controls to identify taxpayers who deducted contributions made to self-employment retirement accounts but did not have evidence of self-employment activity. In response to the previous report,⁹ the IRS improved its process to detect unallowable self-employed retirement deductions. This audit was initiated to determine whether the IRS had sufficient controls to prevent and detect improper deductions for contributions made by self-employed taxpayers to their self-employed retirement plans.

The IRS improved internal controls to prevent self-employed retirement plan deductions for taxpayers who do not have evidence of self-employment. TIGTA previously reported that, in TY 2011, two percent of tax returns filed claiming a self-employed retirement deduction did not have evidence of self-employment. In this review, TIGTA determined that, for TY 2017, less than one-half of one percent of such returns did not have this evidence. The IRS's corrective actions resulted in an 84 percent improvement compared to the prior report. However, the IRS could further improve its process to confirm self-employment activity if it included Schedule SE, *Self-Employment Tax*, when processing tax returns.

⁹ TIGTA, Ref. No. 2014-10-008, *Millions of Dollars in Potentially Improper Self-Employed Retirement Plan Deductions Are Allowed* (Mar. 2014).

Tax Returns Without Evidence of Self-Employment Activity



Source: TIGTA analysis of TY 2011 and TY 2017 individual tax returns.

The IRS could also make processing improvements to identify invalid deductions. For example, TIGTA determined that 42,991 tax returns potentially included deductions over permitted amounts. Additionally, 485 returns included deductions for Simplified Employee Pension plan contributions, but did not report net earnings from self-employment. TIGTA estimated these potentially improper deductions resulted in an underpayment of approximately \$178 million in taxes.

IRS studies have consistently demonstrated that compliance is higher when there is third-party information reporting. In contrast, reported amounts that have little or no information reporting, such as business income, have significantly lower compliance rates. Retirement plan administrators are not required to report contributions made to Defined Contribution and Defined Benefit Plans. TIGTA determined taxpayers deducted approximately \$14.7 billion related to contributions for which third-party reporting for retirement contributions was not required.

When applicable, retirement plan administrators report contributions on Form 5498, *IRA Contribution Information*. However, unlike contributions made to traditional or Roth Individual

Retirement Accounts, Form 5498 does not include all contributions made to self-employed retirement plans during the contribution window. For TY 2017, TIGTA identified 193,985 tax returns with approximately \$1.4 billion more in deductions than the amounts reported on Forms 5498. However, because Forms 5498 and the tax returns had different reporting periods, it was difficult for the IRS to identify any overstated deductions.

TIGTA made a number of recommendations, including:

- Adding Schedule SE to processing controls;
- Enhancing controls to determine the reasonableness of self-employed retirement deductions;
- Assessing the need for additional third-party data to verify deductions; and
- Changing Form 5498 instructions for consistency.

IRS management agreed with two recommendations and plans to take corrective actions. However, the IRS did not agree to enhancing controls to determine the reasonableness of self-employed retirement deductions, assessing the need for additional third-party data, and changing the Form 5498 instructions. TIGTA believes that these actions would improve tax compliance and potentially increase revenue by \$890 million over the next five years.

Protect the Integrity of Tax Administration

TIGTA is statutorily mandated to protect the integrity of Federal tax administration. TIGTA accomplishes 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

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



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

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 fairly, efficiently, and safely carry out its role as the Nation's revenue collector. Individuals who attempt to corrupt or otherwise interfere with the IRS through various schemes and frauds adversely impact the IRS's ability to collect revenue.

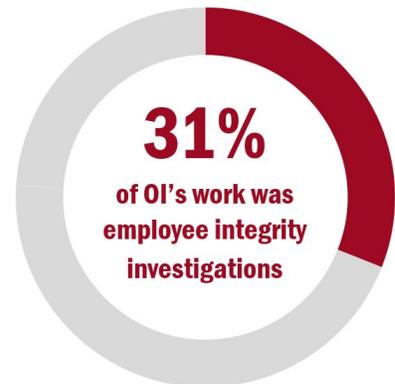
TIGTA investigates these serious offenses and refers them to IRS management when they involve IRS employee misconduct. When appropriate, TIGTA also refers its investigations to the DOJ or to State authorities for prosecution.

Performance Area: Employee Integrity

In order for the 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 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.

During this reporting period, employee integrity investigations accounted for 31 percent of OI's work. The Office of Investigations conducted 542 employee misconduct investigations that were referred to the IRS for action. The IRS took action on 507, and closed 35 investigations without action.¹⁰



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:¹¹

Former Fresno IRS Employee Sentenced to Six Years in Prison for Wire Fraud, Aggravated Identity Theft, and Tax Fraud

On December 8, 2020, in the Eastern District of California, former IRS tax examiner Marcela Heredia was sentenced to six years in prison for wire fraud, aggravated identity theft, and making and subscribing a false return. Heredia was indicted on April 6, 2017, for devising a scheme to defraud the IRS and taxpayers by submitting fraudulent income tax returns.

According to the court documents, beginning around February 2011 and continuing through September 2013, Heredia worked at the IRS and at a transitional living center where young adults reside. Heredia told residents at the transitional living center that she was an IRS employee who could prepare their individual tax returns. Rather than completing tax returns as agreed, Heredia told the residents they did not earn enough income to file a tax return. Without their knowledge, Heredia then used the residents' personal identifying information, to include full names and Social Security Numbers, to file fraudulent individual tax returns with the IRS. The tax returns contained false employers, education expenses, wages, and dependents. On each fraudulent tax return, Heredia indicated the IRS should send the refunds to her. In the individual tax returns submitted to the IRS, Heredia falsely claimed more than \$20,000 in refunds.

Heredia was sentenced to six years' imprisonment, three years' supervised release, ordered to pay restitution in the amount of \$39,905, and a special assessment fee of \$1,200.

Employee Integrity

The following cases represent OI's efforts to address employee integrity during the reporting period:¹²

¹⁰ 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.

¹¹ The facts in the summarized case narrative come from court documents of the jurisdiction named.

¹² The facts in the summarized case narratives come from court documents of the jurisdictions named.

IRS Employee Charged with Tax Fraud

On February 25, 2021, in the Western District of Tennessee, IRS Tax Examiner Linda Williams was indicted for filing false tax returns.

According to the court documents, Williams, while employed by the IRS, prepared and electronically filed income tax returns for herself, friends, and family, and received preparation fees for her services. Williams intentionally included materially false deductions on IRS Forms 1040, *U.S. Individual Income Tax Returns*, for tax years 2014, 2015, and 2016 that she knew the taxpayers were not entitled to claim. In total, Williams prepared and filed returns claiming more than \$500,000 in false deductions.

If convicted, Williams could be sentenced to up to three years' imprisonment, three years' supervised release, a fine of up to \$250,000, and a \$100 special assessment fee.

IRS Employee Arrested for Conspiracy to Distribute Cocaine

On October 21, 2020, in the District of New Jersey, IRS Supervisory Revenue Agent Michael Shelli was arrested for conspiracy to distribute cocaine. Shelli was charged by criminal complaint on October 20, 2020.

According to the court documents, from in or around January 2010 through March 2020, Shelli bought over five kilograms of cocaine and then distributed the illegal substance in and around Albany, New York. On a monthly basis, Shelli had a courier pick up cocaine from a residence in New Jersey and deliver it to Shelli's residence in Albany, New York. Shelli would then repackage the cocaine and sell it in the New York area.

If convicted, Shelli could receive a maximum penalty of life in prison and a fine of up to \$10 million.

Employee Integrity Projects

As part of its employee integrity focus, TIGTA also conducts investigative initiatives to detect misconduct in IRS programs. During this reporting period, TIGTA initiated 14 proactive projects to detect systemic weaknesses or potential IRS program vulnerabilities. TIGTA's most successful integrity project involves the detection of IRS employees who abuse their access to taxpayer information to commit identity theft and other crimes.

Performance Area: Employee and Infrastructure Security

Collecting taxes is a critical function of the Federal Government. Threats and assaults directed at IRS employees, facilities, and infrastructure impede the effective and safe administration of the Federal tax system and the IRS's ability to collect tax revenue. In addition to traditional direct threat vectors, TIGTA also actively pursues, investigates, and mitigates emerging threats to the IRS's ability to conduct Federal tax administration in cyberspace. The Office of Investigations receives referrals of all reports of threats, assaults, and forcible interference against IRS employees in the course of performing their official duties.



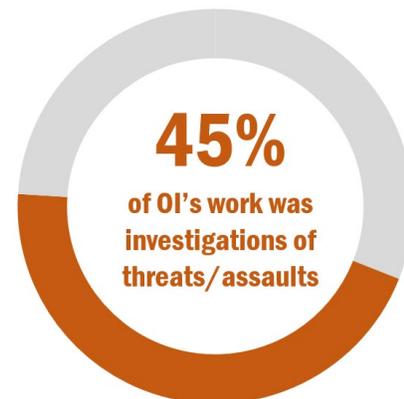
Contact with the IRS can be stressful and emotional for taxpayers. While the majority of taxpayer contacts are routine, some may become confrontational and even violent. TIGTA's special agents are statutorily mandated to provide physical security, known as "armed escorts," to IRS employees who have face-to-face 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 functions of tax administration. During this reporting period, OI provided three armed escorts for IRS employees.

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

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

During this reporting period, employee and infrastructure security investigations accounted for 45 percent of OI's work.

The following cases represent OI's efforts to ensure the safety of IRS employees during the reporting period:¹³



¹³ The facts in the summarized case narratives come from court documents of the jurisdictions named.

Maryland Man Detained Pending Trial for Tweeting His Intent to Blow Up IRS Headquarters

On January 25, 2021, in the District of Maryland, Cody Mohr was ordered detained pending trial for tweeting several messages indicating his intent to blow up the IRS headquarters building in Washington, D.C.

According to the court documents, on January 15, 2021, Mohr of Columbia, Maryland, tweeted several messages stating his intent to blow up the IRS's headquarters building. The tweets indicated he was announcing his intention so that IRS employees would have the chance to escape alive. He spoke about ways to obtain firearms and how to build semi-automatic rifles. Other tweets indicated that he was focused on thinking about ways to kill Nancy Pelosi, Speaker of the United States House of Representatives. In another tweet, Mohr stated that it would be "cool" to drive 80 miles per hour into a million people. Mohr admitted that he owns three firearms. Due to the nature of Mohr's tweets and that he owns and has access to firearms, he was remanded into custody pending trial.

If convicted, Mohr could receive up to 10 years' imprisonment.

Washington Man Sentenced in Scheme to Obstruct the IRS

On January 11, 2021, in the District of Oregon, Theron Marris was sentenced for tax evasion. Marris was initially indicted on July 18, 2017, for obstructing the due administration of the Internal Revenue laws, tax evasion, and filing false Federal tax returns.

According to the court documents, Marris was a resident of Bend, Oregon, from 2005 through July 2015, and has been a resident of Camas, Washington, since August 2015. Marris was involved in several businesses, including debt elimination, multilevel marketing, and tax advice. He owned and operated the website *livingfreeandclear.com*, through which he sold and promoted abusive tax avoidance schemes.

Prior to 2010, Marris had a history of timely filing his Federal income tax returns. However, from about February 2011, until the date of his indictment, Marris corruptly endeavored to obstruct and impede the due administration of the Internal Revenue laws and willfully attempted to evade and defeat the payment of Federal income tax through a variety of acts.

As part of his scheme, Marris attempted to evade the payment of more than \$265,000 owed for taxes by concealing and attempting to conceal income, assets, and financial transactions from the IRS using businesses and nominee entities. In furtherance of this scheme, and as part of his efforts to impede and obstruct the IRS, Marris sent IRS employees false payment instruments, including fraudulent bills of exchange, bonds, money orders, and checks, attempting to mislead the IRS into accepting such items as payment for his Federal income tax due.

Additionally, Marris sent IRS employees threatening and harassing correspondence, filed bogus and retaliatory lawsuits against IRS employees, and attempted to file a criminal complaint against IRS employees. He also filed frivolous documents with the U.S. District

Court for the District of Oregon, and filed a false Uniform Commercial Code lien. For Calendar Years 2005, 2006, 2007, 2009, and 2010, Marrs willfully filed, under the penalties of perjury, false individual Federal tax returns with the IRS, in which he claimed minimal income for each of these years, ranging from \$0 to approximately \$5,515, while at the same time claiming tax refunds totaling approximately \$122,348.

Marrs was sentenced to five years' probation, and ordered to pay \$264,187.69 in restitution and a \$100 assessment fee.

Performance Area: External Attempts to Corrupt Tax Administration

TIGTA also investigates external attempts to corrupt or impede tax administration. Individuals may interfere with the IRS's ability to collect revenue for the U.S. in many ways. For instance, they may impersonate IRS employees or misuse IRS seals and symbols; file false or frivolous documents against IRS employees; 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.

Cybercrime

Attacks against online IRS applications can cause wide-ranging negative implications. This was demonstrated through purposeful misuses of IRS online applications in an effort to obtain loan benefits associated with the CARES Act. These attempts to corrupt or otherwise interfere with tax administration not only inhibit the IRS's ability to collect revenue, but also undermine the public's confidence in fair and effective tax administration.

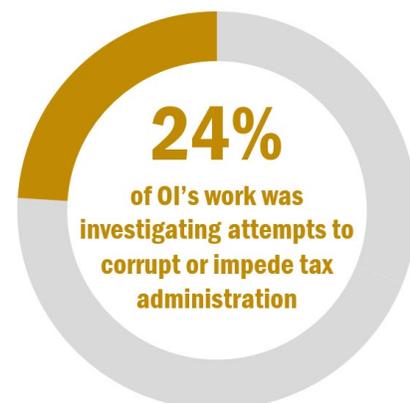
During this reporting period, investigations into attempts to corrupt or impede tax administration accounted for 24 percent of OI's work.

Corrupt Interference

The following case represents OI's efforts to address and deter external attempts to corrupt tax administration during the reporting period:¹⁴

Florida Tax Intermediary Charged with Wire Fraud

On October 7, 2020, in the Southern District of Florida, a warrant was issued for the arrest of Jocelyn Lynch for wire fraud in connection with a scheme to steal IRS tax payments. On October 9, 2020, Lynch surrendered to the U.S. Marshals Service.



¹⁴ The facts in the summarized case narrative come from court documents of the jurisdiction named.

According to the court documents, from on or about January 1, 2013 through January 17, 2020, Lynch promoted herself as a tax intermediary who could help clients settle outstanding tax debt owed to the IRS. At least three taxpayers hired Lynch to settle their debt with the IRS with an offer in compromise (OIC), which allows taxpayers to settle debt for less than the full amount owed. Lynch assisted her clients by completing IRS forms falsely representing she negotiated an OIC with the IRS on their behalf. Lynch instructed her clients to deposit payments intended for the IRS into her personal bank account and falsely represented that she would forward the payments to the IRS. Lynch subsequently provided her clients with fraudulent documentation and receipts purportedly from the IRS. In total, Lynch received approximately \$363,994 in payments from her clients.

If convicted, Lynch faces a maximum sentence of 20 years' imprisonment.

Impersonation Scams and Schemes

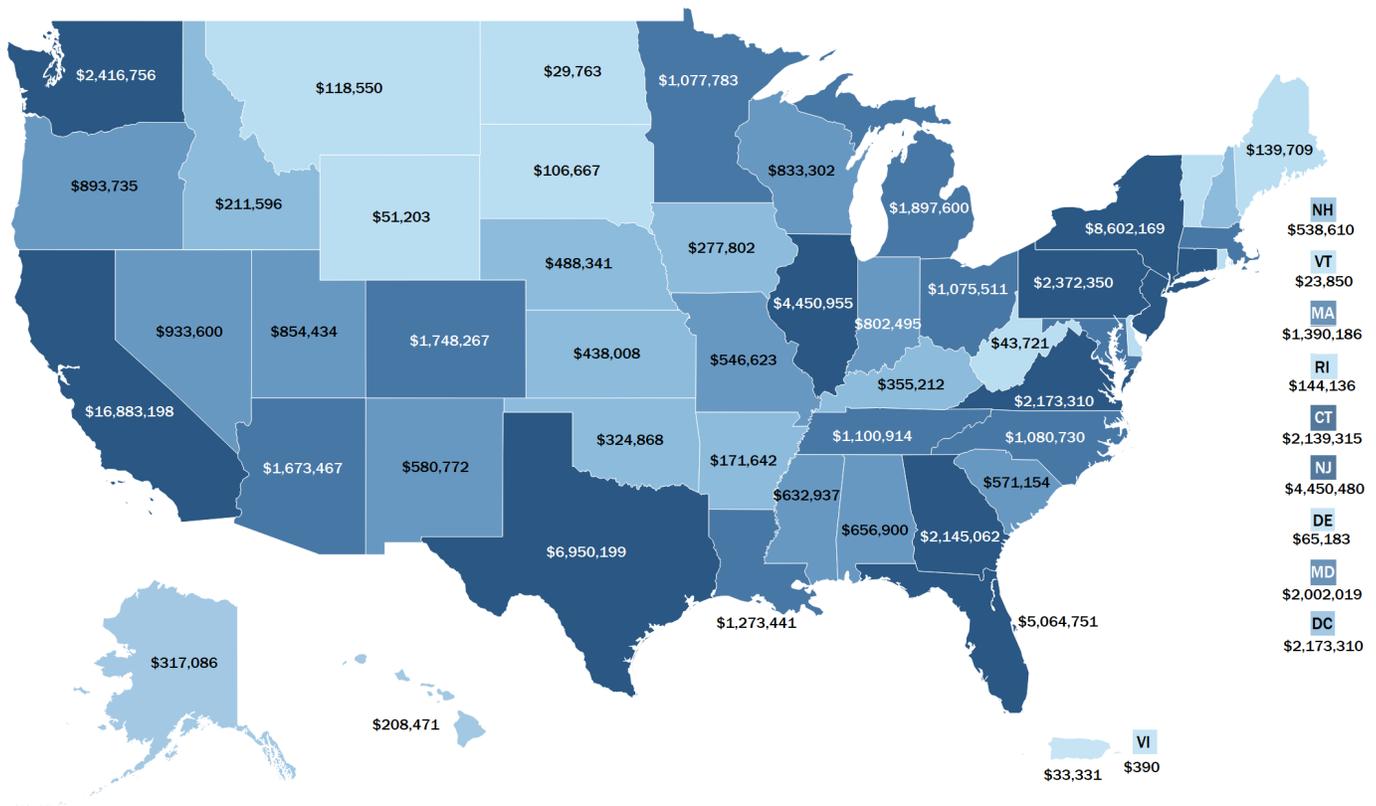
Individuals may corrupt tax administration by impersonating IRS employees in an effort to obtain personally identifiable information (PII) from unsuspecting taxpayers or to steal their money. Such impersonators may claim to be IRS employees on the telephone or may misuse IRS logos, seals, or symbols to create official-looking letters and e-mails. They often tell their victims that they owe money to the IRS and must pay through a preloaded debit card, wire transfer, or gift card from Apple iTunes[®], Walmart[®], or Target[®]. Sometimes they trick taxpayers into providing their PII, which the impersonator then uses to commit identity theft.

TIGTA aggressively investigates these criminal activities to ensure that taxpayers maintain confidence in the integrity of Federal tax administration. For more than 10 years, the IRS has compiled an annual list of commonly encountered scams, called the “Dirty Dozen” list of tax scams. Many of these scams peak during the tax filing season, as people prepare their returns or use the services of paid preparers. The IRS telephone impersonation scam is, once again, included in that list.

Between October 2013 and March 2021, TIGTA logged more than 2.5 million contacts from taxpayers who reported that they had received telephone calls from individuals who claimed to be IRS employees. The impersonators told the victims that they owed additional tax and that if they did not immediately pay, they would be arrested or face other adverse consequences. As of March 31, 2021, 15,979 victims have reported to TIGTA that they had lost more than \$82.6 million, collectively, to the scam's perpetrators.

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

Financial Losses by State



Source: TIGTA's Office of Investigations

Since the IRS scam's inception, 247 individuals have been charged in Federal court for their role, 34 of which were charged during this reporting period. Ninety-nine of those individuals have been sentenced and collectively received a total of more than 403 years' imprisonment. This effort has resulted in more than 832 impersonation scam-related investigations and financial restitutions of more than \$167,367,085.

The following cases are representative of OI's efforts to investigate IRS impersonation scams during the reporting period:¹⁵

Indian-Based VoIP Provider and Its Director Indicted for Facilitating Millions of Scam Robocalls to Americans

On October 21, 2020, in the Northern District of Georgia, Indian-based Voice over Internet Protocol (VoIP) provider E Sampark and its Director, Gaurav Gupta, were indicted in a first of its kind indictment for conspiracy to commit wire fraud and wire fraud in connection with

¹⁵ The facts in the summarized case narratives come from court documents of the jurisdictions named.

facilitating tens of millions of scam calls to American taxpayers on behalf of India-based phone scammers.

According to the court documents, from at least in or about May 2015 and continuing through in or about June 2020, Gupta directed and operated E Sampark, a VoIP company that allegedly sent calls from India-based call centers to victims of the United States, both directly and through VoIP providers located in the United States. The scammers purported to be legitimate U.S. Government agencies and businesses and misled victims over the phone. The scammers allegedly used multiple frauds including IRS impersonation, Social Security impersonation, and loan scams. As a part of the IRS impersonation scam, the scammers posed as IRS or Treasury officials and defrauded U.S. residents into believing they owed money to the IRS or face arrest and fine if they did not pay alleged back taxes, fines, and fees immediately.

Gupta and E Sampark maintained approximately 60 servers in Florida that the company used at times to connect India-based callers with American taxpayers. The servers contained more than 130,000 recordings of scam calls, including robocall voicemail recordings, and conversations between the India-based scammers and U.S. victims. American taxpayers suffered financial losses of more than \$20 million as a result of the scam.

If convicted, Gupta could receive a statutory maximum penalty of 30 years' imprisonment and/or a fine of up to \$1 million.

Medical Practice Employee Sentenced for Impersonating an IRS Employee, Aggravated Identity Theft, Tax and Bank Fraud

On January 6, 2021, in the District of Oregon, Anndrea Jacobs was sentenced for filing false tax returns, false impersonation of an employee of the United States, and aggravated identity theft in connection with her former employment at a medical practice in La Grande, Oregon. In addition, by an amended judgment dated January 11, 2021, Jacobs was sentenced for bank fraud in connection with her former employment at a dental practice in Hood River, Oregon. In September 2018, Jacobs was indicted for numerous Federal offenses, including the impersonation of an IRS employee.

According to the court documents, Jacobs was involved in a scheme to defraud a former employer by embezzling approximately \$1 million between January 2011 and December 2015. In order to conceal her embezzlement activity, Jacobs created false entries in the business books and records that overstated the business' expenses and estimated tax payments. Then Jacobs convinced her former employer to grant her limited Power of Attorney to handle the employer's collection action with the IRS. Jacobs changed her employer's contact information with the IRS to her own and diverted all IRS correspondence and communications to herself. Jacobs then created a fictitious identity as an IRS Taxpayer Advocate, established a phone number and a voicemail account for the fictitious identity, provided her employer with a fictitious IRS tax case number, and purported to assist her employer with the IRS tax collection issues while impersonating an IRS employee.

While on pre-trial release for the aforementioned offenses, from approximately August 2019 through October 2019, Jacobs stole checks from the dental practice in Hood River, Oregon, valued at more than \$22,000. On June 9, 2020, Jacobs was indicted for bank fraud.

Jacobs was sentenced to four years' imprisonment and five years' supervised release, and ordered to pay restitution of \$1,207,537, and a special assessment of \$400. This investigation was worked jointly by TIGTA, IRS Criminal Investigation, and the Federal Bureau of Investigation.

Tax Preparer Outreach

In addition to promoting employee integrity, TIGTA also is committed to tax preparers' education on integrity. Tax preparers play an important role to ensure the integrity of tax administration because of their frequent contact with the IRS and their influence on tax compliance.

During this reporting period, TIGTA special agents provided four integrity presentations to tax preparers at various locations nationwide. The presentations detailed TIGTA's role in protecting the integrity of Federal tax administration; how to identify various forms of preparer misconduct; and common IRS impersonation scams.

The following case represents OI's efforts to protect tax administration from unscrupulous tax preparers during the reporting period:¹⁶

Tax Preparer Pleads Guilty to Defrauding Clients Out of \$4,000,000

On November 13, 2020, in the Central District of California, Edgardo Montalban was charged with aggravated identity theft and conspiracy to commit wire fraud, and pled guilty to conspiracy to commit wire fraud. Montalban devised a scheme to defraud taxpayers of their money.

According to the court documents, beginning in or before 2013 and continuing through September 2020, Montalban presented himself as an accountant and tax preparer and instructed his clients to invest in a non-existent Federal grant program. Montalban told his clients that if they paid him in cash the amount of taxes their dormant companies owed, the Federal Government would issue them grants many times larger. Montalban used counterfeit U.S. Treasury checks as props to entice and obtain the cash from his clients. After Montalban had his clients pay him, he made up excuses as to why their Treasury checks had been delayed, and tricked the victims into paying him more money to receive the non-existent checks. Montalban defrauded his clients out of approximately \$4,000,000.

At sentencing, Montalban could receive a maximum penalty of 20 years' imprisonment, and a fine of up to \$250,000.

¹⁶ The facts in the summarized case narrative come from court documents of the jurisdiction named.

[Advance Oversight of America's Tax System](#)

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

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



Inspections are intended to:

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

Evaluations are intended to:

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

The following report highlights I&E's work during the reporting period:

[Oversight of Reported Sexual Harassment Allegations Needs Improvement \(Report Number 2021-IE-R001\)](#)

Sexual harassment is unwelcomed and unwanted sexual advances, requests for sexual favors and other verbal, visual, or physical conduct of a sexual nature that creates an intimidating, hostile, or offensive work environment or which affects the employee's employment status. This project was initiated to review the IRS's tracking of reported sexual harassment allegations, the investigation or inquiry into the alleged harassment, and the discipline of IRS employees in substantiated allegations.

Sexual harassment allegations are not being reported to the IRS's Anti-Harassment Program, despite Equal Employment Opportunity Commission (EEOC) guidance that all harassment allegations should be addressed in a centralized location. According to the EEOC, at a minimum, all harassment allegations (sexual and non-sexual) must be reported to the Anti-Harassment Program. However, TIGTA found that sexual harassment allegations are addressed outside of this process. Although the EEOC requires agencies to have systems that

accurately collect, monitor, and analyze all reported harassment allegations, the IRS does not have a system to track all sexual harassment allegations. Without such a system, the IRS cannot ensure that investigations into all allegations are timely completed and resolved.

As part of this review, nearly 26,000 IRS employees responded to a TIGTA survey related to perceptions of sexual harassment at the IRS. Approximately seven percent of survey respondents believe that sexual harassment occurs at the IRS frequently, and another 45 percent believe that it occurs sometimes. When offered multiple options for reporting sexual harassment, respondents most frequently said that they would report the harassment to IRS management.

TIGTA reviewed the case files of a judgmental sample of 54 sexual harassment allegations and found that there is no consistency or standardized approach to document management investigations or the investigations' overall findings, conclusions, and recommendations. For 13 allegations (24 percent), TIGTA could not find documentation to support that management conducted an investigation or if any corrective action was taken.

TIGTA also found that documentation in case files supporting disciplinary action against employees could be improved. In certain cases reviewed, management did not identify allegations as potential sexual harassment when selecting offenses to charge the employee with during the disciplinary adjudication process. More than one-half of the penalties imposed on employees deviated from the recommendations in the IRS Penalty Guide.

TIGTA made seven recommendations, including that the IRS:

- Revise its policy to ensure that all sexual harassment allegations are reported to the Anti-Harassment Program;
- Develop a system that centrally tracks all allegations of sexual harassment; and
- Develop guidance on how to properly conduct and document management inquiries and implement procedures for ensuring that management adequately documents the selection of offenses and penalties when misconduct is substantiated.

IRS management agreed with TIGTA's recommendations.

Audit Statistical Reports

Reports with Questioned Costs

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

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

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

Reports With Recommendations That Funds Be Put to Better Use

TIGTA issued two audit reports during this semiannual reporting period with the recommendation that funds be put to better use.¹⁷ The phrase “recommendation that funds be put to better use” means funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

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

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

Report Category	Number	Amount (in thousands)
1. Reports with no management decision at the beginning of the reporting period	0	\$0
2. Reports issued during the reporting period	2	\$261,691
3. Subtotals (Item 1 plus Item 2)	2	\$261,691
4. Reports for which a management decision was made during the reporting period		
a. Value of recommendations to which management agreed		
i. Based on proposed management action	2	\$259,253
ii. Based on proposed legislative action	0	\$0
b. Value of recommendations to which management did not agree	1 ¹⁸	\$2,438
5. Reports with no management decision at the end of the reporting period (Item 3 minus Item 4)	0	\$0
6. Reports with no management decision within six months of issuance	0	\$0

¹⁷ See Appendix II for identification of audit reports involved.

¹⁸ One audit report (2021-40-008) contained four Funds Put to Better Use outcome measures. The IRS agreed with three and disagreed with one of the four outcome measures.

Reports With Additional Quantifiable Impact on Tax Administration

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

Definitions of these additional measures are:

Increased Revenue: Assessment or collection of additional taxes.

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

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

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

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

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

Reliability of Management Information: Ensuring the accuracy, validity, relevance, and integrity of data, including the sources of data and the applications and processing thereof, used by the organization to plan, monitor, and report on its financial and operational activities. This measure will often be expressed as an absolute value, *i.e.*, without regard to whether a number is positive or negative, of overstatements or understatements of amounts recorded on the organization's documents or systems.

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

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

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

Outcome Measure Category	Number of Reports ¹⁹	Number of Taxpayer Accounts	Dollar Value (in thousands)
Increased Revenue	1	15,034	\$5,723,172
Revenue Protection	2	43,476	\$938,533
Reduction of Burden on Taxpayers	2	1,899,439	\$0
Taxpayer Rights and Entitlements at Risk	3	12,366	\$9,100
Taxpayer Privacy and Security	1	4,726	\$0
Inefficient Use of Resources	1	583	\$0
Reliability of Management Information	1	0	\$0
Protection of Resources	1	0	\$0

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

- Increased Revenue: Report Number 2021-30-002
- Revenue Protection: Report Numbers 2021-10-007 and 2021-40-009
- Taxpayer Rights and Entitlements: Report Number 2021-30-010
- Inefficient Use of Resources: Report Number 2021-40-009

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

- Protection of Resources: Report Number 2021-20-003
- Reliability of Information: Report Number 2021-20-003

¹⁹ See Appendix II for identification of audit reports involved.

Investigations Statistical Reports²⁰

Significant Investigative Achievements (October 1, 2020 through March 31, 2021)

Complaints/Allegations Received by TIGTA	
Complaints Against IRS Employees	1,409
Complaints Against Non-Employees	1,968
Total Complaints/Allegations	3,377
Status of Complaints/Allegations Received by TIGTA	
Investigations Initiated	787
In Process Within TIGTA ²¹	260
Referred to IRS for Action	340
Referred to IRS for Information Only	887
Referred to a Non-IRS Entity ²²	0
Closed With No Referral	387
Closed Associated With Prior Investigation	415
Closed With All Actions Completed	301
Total Complaints	3,377
Investigations Opened and Closed	
Total Investigations Opened	1,336
Total Investigations Closed	1,287
Financial Accomplishments	
Embezzlement/Theft Funds Recovered	\$195,077
Contract Fraud and Overpayments Recovered	0
Court-Ordered Fines, Penalties, and Restitution	\$24,306,044
Out-of-Court Settlements	0
Potentially Compromised by Bribery	0
Tax Liability of Taxpayers Who Threaten and/or Assault IRS Employees	\$1,606,638
IRS Assets and Resources Protected Against Malicious Loss	0
Total Financial Accomplishments	\$26,107,759

²⁰ Includes the reporting requirements under the Inspector General Empowerment Act of 2016, Pub. L. No. 114-317, 130 Stat. 1595.

²¹ Complaints for which final determination had not been made at the end of the reporting period.

²² 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	9	120	129
Referred – Declined for Prosecution	122	254	376
Referred – Pending Prosecutorial Decision	7	63	70
Total Criminal Referrals²³	138	437	575
No Referral	224	439	663
Criminal Dispositions ²⁴			
Criminal Disposition	Employee	Non-Employee	Total
Guilty	4	51	55
Nolo Contendere (no contest)	0	0	0
Pretrial Diversion	3	0	3
Deferred Prosecution ²⁵	0	0	0
Not Guilty	0	0	0
Dismissed	0	2	2
Total Criminal Dispositions	7	53	60
Administrative Dispositions on Closed Investigations ²⁶			
Removed/Terminated			33
Suspended/Reduction in Grade			67
Resigned/Retired/Separated Prior to Adjudication			77
Oral or Written Reprimand/Admonishment			126
Clearance Letter/Closed, No Action Taken			81
Alternative Discipline/Letter With Cautionary Statement/Other			105
Non-Employee Actions ²⁷			481
Total Administrative Dispositions			970

²³ Criminal referrals include both Federal and State dispositions.

²⁴ 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.

²⁵ Generally, in a deferred prosecution, the defendant accepts responsibility for his/her actions and complies with certain conditions imposed by the court. Upon the defendant's completion of the conditions, the court dismisses the case. If the defendant fails to fully comply, the court reinstates prosecution of the charge.

²⁶ 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.

²⁷ Administrative actions taken by the IRS against non-IRS employees (e.g., contractors).

Summary of Investigative Reports and Criminal Referrals

Criminal Referral Breakdown	
Number of Investigative Reports Issued	505
Referred to the Department of Justice for Criminal Prosecution	490
Referred to State/Local Prosecuting Authorities	15
Number of Indictments and Criminal Informations	104
Indictments	76
Criminal Informations	28

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 regarding whistleblower retaliation.

Closed²⁸ Investigations Involving IRS Senior Government Employees²⁹

Detailed Description of the Facts and Circumstances of the Investigation:	Disposition:	Criminal Status:	Date Referred:	If Declined, Date of Declination:
A senior Government employee was alleged to have engaged in an inappropriate relationship with another employee.	Suspension	No Referral Made	N/A	N/A
A senior Government employee was alleged to have engaged in unauthorized outside employment.	Oral/Written Counseling	No Referral Made	N/A	N/A
A senior Government employee was alleged to have received unjust compensation by receiving unemployment compensation from the State of Texas.	Admonished/Reprimanded	No Referral Made	N/A	N/A
A senior Government employee was alleged to have unlawfully accessed tax return information.	Clearance Letter	No Referral Made	N/A	N/A
A senior Government employee was alleged to have violated the IRS procedural manual.	Oral/Written Counseling	No Referral Made	N/A	N/A
A senior Government employee was alleged to have engaged in improper management practices.	Clearance Letter	No Referral Made	N/A	N/A
A senior Government employee was alleged to have sexually harassed an employee.	Clearance Letter	No Referral Made	N/A	N/A
A senior Government employee was alleged to have engaged in unauthorized outside employment.	Closed Without Action Letter	No Referral Made	N/A	N/A

²⁸ 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.

²⁹ For this report, a “senior Government employee” refers to an officer or employee in the Executive branch who occupies a position classified at or above GS-15 of the General Schedule. 5 U.S.C app § 5(f)(7).

Appendix I

Other Statistical Reports

Reports With Significant Unimplemented Corrective Actions

The Inspector General Act, as amended, requires the identification of any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations described in previous semiannual reports for which corrective actions have not been completed. The following list is based on information from the Treasury Department’s Joint Audit Management Information System (JAMES).^{30,31}

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2007-10-068	May 2007	12/15/21	<p>INEFFICIENCIES IN PROCESSING OPERATIONS ASSISTANCE REQUESTS CAUSED TAXPAYERS UNNECESSARY DELAYS</p> <p>F-3, R-1: Revise Form 12412, <i>Operations Assistance Request</i>, to allow requests to be closed as completed or as misrouted only if they had been sent to the wrong Operations liaison.</p>
2008-20-176	September 2008	09/30/21	<p>THE OFFICE OF RESEARCH, ANALYSIS, AND STATISTICS NEEDS TO ADDRESS COMPUTER SECURITY WEAKNESSES</p> <p>F-1, R-5: Ensure that audit and accountability controls are sufficient by requiring audit logs to be maintained a minimum of six years and to be periodically reviewed by the security officer.</p>
2011-20-111	September 2011	11/15/21	<p>CONTINUED CENTRALIZATION OF THE WINDOWS ENVIRONMENT WOULD IMPROVE ADMINISTRATION AND SECURITY EFFICIENCIES</p> <p>F-2, R-2: Ensure that scanning tools, such as the <i>Business DNA</i> software, are utilized to locate unauthorized servers, workstations, and domains on the IRS network, and adequate procedures are developed and implemented to ensure that they are removed.</p>

³⁰ This summary data does not include recommendations that are specifically prohibited from disclosure by any provision of law, such as 26 U.S.C. § 6103, protecting tax returns and return information, or that are specifically required by Executive Order to be protected from disclosure in the interest of national defense or national security or in the conduct of foreign affairs.

³¹ The Office of Audit has previously designated several reports with unimplemented recommendations as “Sensitive But Unclassified (SBU).” These SBU reports include subject matter that might create a risk of circumvention of the law if publicly released. There are no potential cost savings associated with any unimplemented recommendations from these reports.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2012-20-112	September 2012	11/15/21	AN ENTERPRISE APPROACH IS NEEDED TO ADDRESS THE SECURITY RISK OF UNPATCHED COMPUTERS F-1, R-1: Ensure that the IRS completes the deployment of an automated asset discovery tool (or tools if needed) and builds an accurate and complete inventory of information technology assets (including hardware and software) that reside on the IRS network.
2012-20-122	September 2012	04/15/21	CUSTOMER ACCOUNT DATA ENGINE 2: SYSTEM REQUIREMENTS AND TESTING PROCESSES NEED IMPROVEMENTS F-3, R-2: Ensure all database issues identified are resolved or an action plan is developed with specific corrective actions and time periods.
2016-40-028	March 2016	On Hold ³² 03/15/23	REVISING TAX DEBT IDENTIFICATION PROGRAMMING AND CORRECTING PROCEDURAL ERRORS COULD IMPROVE THE TAX REFUND OFFSET PROGRAM F-1, R-1: Revise identification processes to include sole proprietor information from Form SS-4, <i>Application for Employer Identification Number</i> , to identify individual tax refunds to offset to business tax debt. F-3, R-1: Revise computer programming to use the Limited Liability Company indicator on the business tax account to ensure that individual tax refunds are not offset to the associated Limited Liability Company's business tax debt.
2017-30-010	October 2016	12/15/21	EMPLOYEES SOMETIMES DID NOT ADHERE TO E-MAIL POLICIES WHICH INCREASED THE RISK OF IMPROPER DISCLOSURE OF TAXPAYER INFORMATION F-3, R-1: Update the Enterprise Electronic Fax system to allow encrypted messages to be sent to the system server.
2017-40-037	May 2017	On Hold On Hold	IMPROVEMENTS ARE NEEDED TO ENSURE THAT TAX ACCOUNTS ON THE AUTOMATED NON-MASTER FILE ARE ACCURATELY PROCESSED F-1, R-1: Correct Automated Non-Master File programming to compute and assess the Failure to File penalty on Form 1040NR, <i>U.S. Nonresident Alien Income Tax Return</i> , accounts in which the TIN is an Employee Identification Number (EIN). F-1, R-2: Correct Automated Non-Master File programming to use the correct date when computing the Failure to File penalty. In addition, programming should be corrected to ensure that the proper penalty rate is used to compute the penalty amount. Potential Increased Revenue: \$354,153

³² Except for two reports, recommendations designated as "On Hold" were agreed to by the IRS, but action was deferred pending the availability of funds. The recommendation for Reference Number 2017-40-085 was agreed to by the IRS, but was placed on "On Hold" because the IRS is awaiting input from another agency. The recommendation for Reference Number 2020-30-066 was agreed to by the IRS, but was placed on "On Hold" because the process by which guidance is developed is not within the IRS' sole control.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2017-20-024	June 2017	07/15/22	INFORMATION TECHNOLOGY: IMPROVEMENTS ARE NEEDED IN ENTERPRISE-WIDE DISASTER RECOVERY PLANNING AND TESTING F-2, R-1: Reach consensus regarding the maximum tolerable downtime or recovery time objective for each mission-essential function.
2017-40-038	July 2017	On Hold	CASE SELECTION PROCESSES RESULT IN BILLIONS OF DOLLARS IN POTENTIAL EMPLOYER UNDERREPORTED TAX NOT BEING ADDRESSED F-3, R-1: Establish a systemic process to match data fields to perfect unpostable Forms W-3, <i>Transmittal of Wage and Tax Statements</i> .
2017-30-048	August 2017	On Hold	ADDITIONAL CONTROLS ARE NEEDED TO HELP ENSURE THAT NONRESIDENT ALIEN INDIVIDUAL PROPERTY OWNERS COMPLY WITH TAX LAWS F-1, R-1: Request that a revision be made to Form 1040-NR to enable nonresident aliens to make an election under I.R.C. § 871(d) and revise processing procedures to ensure that the IRS records the election.
2017-20-062	September 2017	09/15/21	THE INTERNAL REVENUE SERVICE IS NOT IN COMPLIANCE WITH FEDERAL REQUIREMENTS FOR SOFTWARE ASSET MANAGEMENT F-1, R-1: Establish executive governance for Software Asset Management within the IRS which acts as a centralized group to ensure that effective and knowledgeable decisions are being made timely by authorized personnel.
2017-40-085	September 2017	On Hold	FURTHER ACTIONS ARE NEEDED TO REDUCE THE RISK OF EMPLOYMENT TAX FRAUD TO BUSINESSES THAT USE THE SERVICES OF PROFESSIONAL EMPLOYER ORGANIZATIONS F-3, R-1: Establish processes and procedures to reduce unnecessary resources expended notifying employers of an address change when programming incorrectly identifies an address change resulting from minor formatting revisions.
2018-40-010	January 2018	On Hold 07/15/21	PROCESSES NEED TO BE IMPROVED TO IDENTIFY INCOMPLETE AND FRAUDULENT APPLICATIONS FOR INDIVIDUAL TAXPAYER IDENTIFICATION NUMBERS F-3, R-2: Ensure that programming changes are made to require mandatory review when the Real-Time System alerts tax examiners that an applicant is using duplicate supporting documents as has previously been used to obtain an Individual Taxpayer Identification Number (ITIN). F-4, R-1: Review the 8,110 ITINs identified with a revoked status in the Real-Time System but still valid on the Individual Master File and take necessary action to change the ITINs to invalid.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2018-40-013	February 2018	On Hold On Hold On Hold	ACTIONS ARE NEEDED TO REDUCE THE RISK OF FRAUDULENT USE OF EMPLOYER IDENTIFICATION NUMBERS AND TO IMPROVE THE EFFECTIVENESS OF THE APPLICATION PROCESS F-2, R-1: Correct programming to reject EIN applications when an EIN has previously been assigned to the same sole proprietor and to reject applications when IRS data indicate that the sole proprietor is deceased. F-3, R-1: Perform an assessment to determine how an additional field could be added to the Business Master File so that both the decedent SSN and a responsible party TIN can be captured for estates and trusts. F-3, R-5: Develop programming to reject estate applications if the decedent TIN is not that of a deceased individual.
2018-20-034	June 2018	On Hold	ACTIVE DIRECTORY OVERSIGHT NEEDS IMPROVEMENT AND CRIMINAL INVESTIGATION COMPUTER ROOMS LACK MINIMUM SECURITY CONTROLS F-2, R-1: Complete a cost analysis to: 1) determine the efficacy of relocating Criminal Investigation (CI) assets in each of the field offices to existing IRS computer rooms versus upgrading the CI computer rooms to ensure that assets are protected in accordance with Federal and Internal Revenue Manual (IRM) security requirements, and 2) implement the most cost effective solution.
2018-30-042	July 2018	10/15/21	THE INTERNAL REVENUE SERVICE LACKS A COORDINATED STRATEGY TO ADDRESS UNREGULATED RETURN PREPARER MISCONDUCT F-1, R-2: Establish goals that support the Service-wide Return Preparer Strategy being developed by the Deputy Commissioner for Services and Enforcement and monitor progress towards those goals.
2018-30-072	September 2018	On Hold	IMPROVEMENTS ARE NEEDED IN THE WITHHOLDING COMPLIANCE PROGRAM F-3, R-2: Analyze the current selection criteria used by the Withholding Compliance System to determine if the taxpayers identified for systemic lock-in letter issuance are the best use of limited resources. This would include potentially identifying taxpayers with multiple years of underwithholding and the percentage of inventory that includes nonfilers.
2019-20-017	April 2019	02/15/23	ELECTRONIC AUTHENTICATION SECURITY CONTROLS HAVE IMPROVED, BUT CONTINUED PROGRESS IS NEEDED TO ENSURE THE PROTECTION OF PUBLIC-FACING APPLICATIONS F-1, R-1: Ensure that public-facing legacy applications are complying with National Institute of Standards and Technology Special Publication 800-63-3 and that an implementation plan includes specific timelines for accomplishing full compliance of legacy applications.
2019-34-033	May 2019	On Hold	IMPLEMENTATION OF THE TAX CUTS AND JOBS ACT DEEMED REPATRIATION TAX PRESENTED SIGNIFICANT CHALLENGES F-2, R-1: Take steps to ensure that Section 965 payments are recorded with the correct designated payment code.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2019-20-031	June 2019	10/15/21 10/15/21 10/15/21	SOFTWARE VERSION CONTROL MANAGEMENT NEEDS IMPROVEMENT F-1, R-3: Create and execute a plan to periodically monitor and compare software running on the enterprise against the Enterprise Architecture Enterprise Standards Profile Product Catalog for accuracy. F-1, R-4: Remove unauthorized software or update the Enterprise Standards Profile Product Catalog to reflect the correct information, if warranted. F-1, R-5: Document and approve risk acceptance to continue using older versions of software, i.e., sunset, archived/retired.
2019-40-042	July 2019	On Hold 09/15/21 On Hold	ACTIONS HAVE NOT BEEN TAKEN TO IMPROVE AMENDED TAX RETURN REVIEW PROCEDURES TO REDUCE ERRONEOUS AND FRAUDULENT REFUNDS F-1, R-3: Complete a business case and request funding for expansion of e-filing to amended returns in the 2020 Filing Season in an effort to reduce unnecessary processing costs and erroneous refunds resulting from amended returns. Potential Funds Put to Better Use: \$79,413,315 F-2, R-1: Update tax examiner and customer service representative review guidelines to incorporate additional verification steps to be taken similar to those systemically performed when verifying a refundable claim on an original tax return. F-3, R-3: Establish processes to evaluate amended tax returns.
2019-40-044	August 2019	10/15/21 12/15/21	BILLIONS OF DOLLARS OF POTENTIALLY ERRONEOUS CARRYFORWARD CLAIMS ARE STILL NOT BEING ADDRESSED F-1, R-1: Ensure that criteria is added to the Research Credit selection risk tool to identify high-risk carryforward Research Credit discrepancy claims on returns selected for examination and determine if the carryforward claims taken by the taxpayers are accurate. F-1, R-2: Identify and examine returns with discrepancies of General Business Credit carryforward claims.
2019-40-048	August 2019	On Hold On Hold	ADDITIONAL ACTIONS ARE NEEDED TO REDUCE ALIMONY REPORTING DISCREPANCIES ON INCOME TAX RETURNS F-2, R-1: Include the validation of the alimony recipient TIN as part of the IRS's tax return processing systemic TIN validation process. F-2, R-2: Modify Error Resolution System programming to send both e-filed and paper tax returns that contain an invalid recipient TIN to the Error Resolution function for review and correspondence with the taxpayer.
2019-20-049	August 2019	06/15/21 10/15/21	THE FIRST PHASE OF THE DATA LOSS PREVENTION SOLUTION IS WORKING AS INTENDED, BUT THE REMAINING PHASES CONTINUE TO EXPERIENCE DELAYS F-1, R-1: Deploy the Data-at-Rest and Data-in-Use components of the Data Loss Prevention solution. F-1, R-2: Ensure that project documents are prepared and maintained as required for effective project management, which should help ensure the successful delivery of the final two components of the Data Loss Prevention solution.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2019-20-046	September 2019	10/15/21 10/15/21	<p>THE BRING YOUR OWN DEVICE PROGRAM'S SECURITY CONTROLS NEED IMPROVEMENT</p> <p><u>F-3, R-1</u>: Ensure the retention of Bring Your Own Device (BYOD) program application audit logs for the appropriate period and periodic review of the application audit logs by an independent source.</p> <p><u>F-4, R-1</u>: Update BYOD program procedures and guidelines to include: 1) providing malware prevention training to users; 2) updating the documentation for device operating system and technical baseline configurations; 3) maintaining and reviewing application audit logs, specifically time frames for each; 4) clarifying the Computer Security Incident Response Center reporting procedures for a lost or stolen device; 5) informing the BYOD program when a device is lost or stolen so that the application data are remotely wiped; and 6) tracking the manual and systemic application data wipes by the BYOD program on a periodic basis.</p>
2019-20-062	September 2019	07/15/21	<p>SOME COMPONENTS OF THE PRIVACY PROGRAM ARE EFFECTIVE; HOWEVER, IMPROVEMENTS ARE NEEDED</p> <p><u>F-2, R-1</u>: Implement a fully integrated information security continuous monitoring process that includes privacy risks.</p>
2019-30-070	September 2019	09/15/21	<p>FISCAL YEAR 2019 STATUTORY REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN ISSUING LEVIES</p> <p><u>F-1, R-2</u>: Ensure that corrective programming is implemented so that Collection Due Process (CDP) notices are issued for Federal contractor levies that are fully paid after the levy issuance.</p>
2019-40-071	September 2019	10/15/21	<p>STRENGTHENED VALIDATION CONTROLS ARE NEEDED TO PROTECT AGAINST UNAUTHORIZED FILING AND INPUT OF FRAUDULENT INFORMATION RETURNS</p> <p><u>F-1, R-1</u>: Ensure that the required Digital Identity Risk Assessment is completed for the Filing Information Returns Electronically system and an implementation plan for identity proofing the system's users is developed.</p>
2019-40-074	September 2019	On Hold On Hold	<p>ADDITIONAL ACTIONS ARE NEEDED TO FURTHER REDUCE UNDELIVERABLE MAIL</p> <p><u>F-1, R-1</u>: Develop Service-wide processes and procedures to ensure that all operating divisions suppress the issuance of nonstatutory notices to taxpayers that have an undelivered mail indicator on their account; suppress the issuance of correspondence when a taxpayer's address of record is an IRS campus; and research and update taxpayer addresses for which the U.S. Postal Service returns undeliverable mail with a yellow label that provides a more current address.</p> <p><u>F-2, R-1</u>: Install and use hygiene software to perfect taxpayer addresses on the ITIN Real-Time System.</p>

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2019-30-078	September 2019	11/15/21 On Hold On Hold	<p>THE USE OF SCHEDULE K-1 DATA TO ADDRESS TAXPAYER NONCOMPLIANCE CAN BE IMPROVED</p> <p><u>F-1, R-3</u>: Establish a process to use more e-filed Schedule K-1 data for noncompliance identification and determine the feasibility of transcribing more data from paper Schedule K-1.</p> <p><u>F-3, R-3</u>: Ensure that the computer problem that caused amended Schedules K-1 not to be marked as amended on the Information Returns Master File has been corrected.</p> <p><u>F-3, R-4</u>: Establish a process to record Schedules K-1 as amended when submitted with an amended flow-through return regardless of whether the Schedule K-1 itself is marked as amended.</p>
2019-10-080	September 2019	09/15/21 09/15/21	<p>PROCESSES DO NOT ADEQUATELY REDUCE THE RISK THAT OUTSIDE EMPLOYMENT ACTIVITIES WILL CONFLICT WITH EMPLOYEES' OFFICIAL DUTIES</p> <p><u>F-2, R-3</u>: Revise internal outside employment guidelines to require employees to resubmit their outside employment requests at least annually and modify the Outside Employment System to allow for the systemic closure of all requests for which a renewal was not timely received.</p> <p><u>F-2, R-4</u>: Create a plan for housing the Outside Employment System or create a new database to ensure that outside employment requests are tracked after the Totally Automated Personnel System is shut down.</p>
2019-10-081	September 2019	05/15/21	<p>PROCESSES AND PROCEDURES FOR REHIRING EMPLOYEES WITH PRIOR CONDUCT OR PERFORMANCE ISSUES WERE IMPLEMENTED BUT NOT ALWAYS FOLLOWED</p> <p><u>F-1, R-1</u>: Update the IRM to require Employment Talent and Security staff to review all Automated Labor and Employer Relations Tracking System issues in the hiring tool, not just those within the past six years.</p>
2020-40-005	November 2019	On Hold	<p>IMPROVEMENTS ARE NEEDED TO ENSURE THAT CONSISTENT SUITABILITY CHECKS ARE PERFORMED FOR PARTICIPATION IN INTERNAL REVENUE SERVICE PROGRAMS</p> <p><u>F-4, R-2</u>: Develop processes and procedures to ensure that continuous criminal background checks are conducted on all program participants as part of the Federal Bureau of Investigations Records of Arrests and Prosecutions Back Program.</p>
2020-10-001	January 2020	10/29/21	<p>MANY ORGANIZATIONS ARE NOT NOTIFYING THE INTERNAL REVENUE SERVICE OF THEIR INTENT TO OPERATE UNDER INTERNAL REVENUE CODE SECTION 501 (c)(4) AS REQUIRED BY LAW</p> <p><u>F-1, R-2</u>: Use internal sources of information, e.g., applications for tax-exempt status filed after July 8, 2016, to assist with detecting I.R.C. § 501(c)(4) organizations that have not filed Forms 8976, <i>Notice of Intent to Operate Under Section 501(c)(4)</i>, and update the Exempt Organizations (EO) Determinations Unit procedures to include verifying that I.R.C. § 501(c)(4) organizations have met their Form 8976 notification requirement when processing applications for tax-exempt status.</p>

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-44-007	January 2020	On Hold On Hold	RESULTS OF THE 2019 FILING SEASON <u>F-2, R-2</u> : Implement programming to compute the correct allowable increase in the standard deduction for tax returns for which a taxpayer does not have an entry for the spouse but checks one or more of the checkboxes that indicate that the spouse was age 65 or older and/or was blind. <u>F-2, R-11</u> : Create a business rule to reject tax returns when a casualty and theft loss deduction is included on Schedule A, <i>Itemized Deductions</i> , and Form 4684, <i>Casualties and Thefts</i> , does not include the required Federal Emergency Management Agency disaster declaration number.
2020-20-006	February 2020	12/15/21 12/15/24	ACTIVE DIRECTORY OVERSIGHT NEEDS IMPROVEMENT <u>F-1, R-3</u> : Prioritize all computer rooms housing Integrated Submission and Remittance Processing domain controllers for access control upgrades to ensure that these rooms are compliant with Federal multifactor authentication requirements. <u>F-2, R-6</u> : Ensure that business role account passwords are appropriately configured to expire and require that Personal Identity Verification cards be used in accordance with policy.
2020-40-008	February 2020	04/15/21 On Hold On Hold 04/15/21	AUTHORITIES PROVIDED BY THE INTERNAL REVENUE CODE ARE NOT EFFECTIVELY USED TO ADDRESS ERRONEOUS REFUNDABLE CREDIT AND WITHHOLDING CREDIT CLAIMS <u>F-1, R-1</u> : Assess the erroneous refund penalty for reduced or disallowed withholding and refundable credit claims on all claims for which the IRS determines the claim is excessive and does not have a reasonable basis, and the taxpayer is not subject to the penalties under I.R.C. §§ 6662, 6662A, and 6663. Potential Increased Revenue: \$534,674,880 <u>F-2, R-2</u> : Develop processes and procedures to manually set a recertification indicator on tax accounts associated with refundable credit claims that were disallowed through the Automated Questionable Credit (AQC) program until a systemic process is implemented. <u>F-2, R-4</u> : Ensure that a systemic process is implemented to set the recertification indicator on taxpayers' accounts when refundable credit claims are disallowed as part of the IRS's AQC program. <u>F-3, R-1</u> : Update the systemic process to include applying the two-year ban for disallowed Advanced Child Tax Credit and American Opportunity Tax Credit claims.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-40-009	February 2020	10/15/21	COMPLEXITY AND INSUFFICIENT OVERSIGHT OF THE FREE FILE PROGRAM RESULT IN LOW TAXPAYER PARTICIPATION F-1, R-2: Require Free File Inc. (FFI) members to fully disclose all criteria on the IRS.gov Free File web page that taxpayers must meet to e-file their Federal tax return for free.
		09/15/21	F-2, R-1: Take immediate action to address the IRS Advisory Council's recommendations to: 1) establish goals and performance metrics for the Free File Program; 2) develop standards for frequently logging on to members' Free File websites as taxpayers and preparing returns that meet the members' Free File criteria; and 3) test members' websites to simulate returning Free File taxpayers to determine if the websites direct taxpayers to the Free File web page.
		06/15/21	F-2, R-3: Update the Adherence Testing Review Guide to include the specific tests to be performed to assess FFI member compliance with Memorandum of Understanding requirements.
		06/15/21	F-3, R-3: Work with FFI members to develop procedures to conduct customer satisfaction surveys.
2020-20-010	March 2020	08/15/21	THE ENTERPRISE CLOUD PROGRAM DEVELOPED A STRATEGY, BUT WORK REMAINS TO ACHIEVE CLOUD-BASED MODERNIZATION GOALS F-1, R-2: Ensure that all workstreams needed for implementing the Enterprise-wide cloud strategy are developed.
		08/15/21	F-2, R-2: Develop Enterprise-wide policies and procedures that specifically address cloud requirements that must be considered and met prior to deciding to procure cloud services.
		08/15/21	F-2, R-3: Ensure IRS adherence to the Federal Information Technology Acquisition Reform Act legislation and Cloud First policy by requiring all new information technology projects be evaluated by the Enterprise Cloud Program for cloud service consideration and approval.
2020-20-012	March 2020	02/15/22	WHILE PROGRESS IS BEING MADE ON DIGITAL IDENTITY REQUIREMENTS, COMPLETION DATES TO ACHIEVE COMPLIANCE WITH IDENTITY PROOFING STANDARDS HAVE NOT BEEN ESTABLISHED F-2, R-1: Ensure that the Identity and Access Management Design and Innovation Branch performs the planned tests; completes a go/no-go evaluation of the Secure Access Digital Identity (SADI) platform based on the results from the tests; determines and incorporates the additional needs for the initial release of the SADI platform; and develops and implements the plan to successfully migrate all of the online applications from the current system of processes to the SADI platform, as expeditiously as is possible.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-40-014	March 2020	09/15/21	MILLIONS OF DOLLARS IN DISCREPANCIES IN TAX WITHHOLDING REQUIRED BY THE FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT ARE NOT BEING IDENTIFIED OR ADDRESSED
		09/15/21	<u>F-1, R-1</u> : Initiate actions to address the accuracy of existing data in the Foreign Investment in Real Property Tax Act (FIRPTA) database.
		09/15/21	<u>F-1, R-3</u> : Ensure that tax examiners are aware of the procedures to properly allocate FIRPTA withholding among multiple sellers when the buyer does not correctly submit a Form 8288-A, <i>Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests</i> , for each seller.
		09/15/21	<u>F-1, R-4</u> : Review the 2,988 buyers that TIGTA identified with a discrepancy between the withholding reported on Form 8288, <i>U.S. Withholding Tax Return for Dispositions by Foreign Persons of U.S. Real Property Interests</i> , and the withholding reported on the associated Form 8288-A and correct the withholding recorded in the FIRPTA database or the buyer's tax account as appropriate.
		On Hold	<u>F-2, R-1</u> : Implement processes and procedures to ensure that tax examiners accurately determine and assess the proper amount of FIRPTA withholding tax a buyer should report and pay when the application for the Withholding Certificate attached to the Form 8288 was not filed on or before the date of transfer of the property.
		09/15/21	<u>F-2, R-2</u> : Ensure that tax examiners are aware of the processes and procedures to determine and assess the proper amount of FIRPTA withholding tax a buyer should report and pay when the buyer reports reduced withholding and no Withholding Certificate is attached to the Form 8288.
		09/15/21	<u>F-2, R-3</u> : Implement processes and procedures to ensure that tax examiners accurately determine and assess the proper amount of FIRPTA withholding tax a buyer should report and pay when an approved Withholding Certificate is attached to the Form 8288.
		09/15/21	<u>F-2, R-4</u> : Ensure that the correct amount of FIRPTA withholding tax is assessed for the buyers that filed the 2,268 Forms 8288 that TIGTA identified for which the Withholding Certificate was not submitted timely and the 916 Forms 8288 that TIGTA identified for which the assessed withholding is not supported by an approved Withholding Certificate.
		09/15/21	<u>F-3, R-1</u> : Review the 1,835 taxpayers that TIGTA identified that potentially received erroneous FIRPTA withholding credits and take the appropriate steps to recover credits paid in error.
		09/15/21	<u>F-3, R-2</u> : Ensure that tax examiners document the steps taken to verify the claim in the Credit Verification section of the FIRPTA database as required.
2020-10-016	March 2020	07/15/21	BOND PROMOTER MISCONDUCT PROCEDURES SHOULD BE IMPROVED <u>F-2, R-1</u> : Develop a data-driven method to track and quantify specific noncompliance issues, <i>i.e.</i> , the promoter penalty, that are otherwise embedded in generic reference numbers, and update related guidance and train employees as needed.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-30-017	March 2020	10/15/21 04/15/21	<p>THE GROWTH OF THE MARIJUANA INDUSTRY WARRANTS INCREASED TAX COMPLIANCE EFFORTS AND ADDITIONAL GUIDANCE</p> <p><u>F-3, R-1</u>: Leverage publically available State tax information and expand use of Fed/State agreements to identify nonfilers and unreported income in the marijuana industry. Potential Increased Revenue: \$19,345,235</p> <p><u>F-4, R-1</u>: Increase educational outreach towards unbanked taxpayers making cash deposits regarding the unbanked relief policies available.</p>
2020-40-025	April 2020	09/15/22	<p>IMPROPER PAYMENT REPORTING HAS IMPROVED; HOWEVER, THERE HAVE BEEN NO SIGNIFICANT REDUCTIONS TO THE BILLIONS OF DOLLARS OF IMPROPER PAYMENTS</p> <p><u>F-1, R-1</u>: Work with the Department of Health and Human Services to develop a comprehensive risk assessment of improper Premium Tax Credit payments, including the risk of Advanced Premium Tax Credit improper payments.</p>
2020-10-030	May 2020	10/15/21 10/15/21	<p>UNDERCOVER TRAVEL EXPENSES WERE GENERALLY SUPPORTED; HOWEVER, CONTROLS COULD BE IMPROVED</p> <p><u>F-1, R-1</u>: Ensure that management's approval is obtained when reserving hotel rooms exceeding the applicable temporary duty location rate and the use of luxury vehicles and require agents to include management's prior approval in their travel voucher documentation. <u>F-2, R-1</u>: Periodically assess undercover travel on a function-wide basis to identify potential areas for improved efficiency, to identify best practices to ensure agents' safety, and to ensure that the investigative imprest fund is only used for travel costs when needed to maintain the security of undercover operations.</p>
2020-40-021	June 2020	09/30/21	<p>CONTINUED EFFORTS ARE NEEDED TO ADDRESS BILLIONS OF DOLLARS IN REPORTING AND PAYMENT DISCREPANCIES RELATING TO TAX WITHHELD FROM FOREIGN PERSONS</p> <p><u>F-4, R-1</u>: Further lower the dollar tolerance used to select Forms 1040NR with unsupported withholding credits for manual verification before refunds are issued.</p>
2020-20-022	June 2020	06/15/22 06/15/21	<p>SOME CORRECTIVE ACTIONS TO ADDRESS REPORTED INFORMATION TECHNOLOGY WEAKNESSES WERE NOT FULLY AND EFFECTIVELY IMPLEMENTED AND DOCUMENTED</p> <p><u>F-1, R-3</u>: Verify through testing that the IRS Information Technology organization is able to recover mission-essential functions identified by the Cybersecurity function within the maximum tolerable downtimes or recovery time objectives. <u>F-2, R-1</u>: Ensure that any appropriate documentation subsequently provided during this review is uploaded to the JAMES for the judgmentally sampled proposed corrective actions that lacked sufficient documentation to support their closure.</p>

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-30-031	June 2020	07/15/21 07/15/21	<p>THE LARGE CASE EXAMINATION SELECTION METHOD CONSISTENTLY RESULTS IN HIGH NO-CHANGE RATES</p> <p><u>F-1, R-1</u>: Formulate an action plan to reduce the examination no-change rates, refine the examination process to avoid working pickup returns unless issues have been established on primary tax returns that may affect prior or subsequent years, minimize the hours expended on no-change closures by monitoring excessive time applied to returns, and encourage terminating an examination when issues do not materialize regardless of how many hours have been incurred.</p> <p><u>F-3, R-1</u>: Analyze examination results for Discriminant Analysis System returns on a regular basis in order to take timely corrective actions for unfavorable trends.</p>
2020-10-032	June 2020	04/15/21	<p>PERFORMANCE MEASURES ARE NEEDED TO EVALUATE THE RESULTS OF DIRECT PAY BOND PROCESSING CHARGES</p> <p><u>F-1, R-1</u>: Develop performance measures that track the efficiency of subsidy payment request processing, including processing time, employee's total direct time, the number of subsidy payment requests that require error resolution and correspondence, the number of payments that are rejected, and the amount of interest paid.</p>
2020-10-034	June 2020	09/15/21 05/15/21 05/15/21	<p>ACCESS TO FACILITIES AND SENSITIVE TAXPAYER INFORMATION WAS NOT ALWAYS REVOKED FOR SEPARATED EMPLOYEES</p> <p><u>F-1, R-2</u>: Develop a process to notify the supervisors of managers who input late separation Personnel Action Requests (PAR) that encourages supervisors to remind managers of their responsibilities for inputting separation PARs timely.</p> <p><u>F-1, R-3</u>: Develop procedures to notify supervisors of managers who do not recover security items from separating employees, and include guidance to remind managers of their responsibilities for securing security items from separating employees.</p> <p><u>F-1, R-4</u>: Update the IRM to clarify that managers are responsible for filing a Situational Awareness Management Center report when they are unable to recover security items from separating employees.</p>
2020-20-033	July 2020	09/15/21 10/15/21	<p>MOST INTERNAL REVENUE SERVICE APPLICATIONS DO NOT HAVE SUFFICIENT AUDIT TRAILS TO DETECT UNAUTHORIZED ACCESS TO SENSITIVE INFORMATION</p> <p><u>F-1, R-1</u>: Develop and implement a methodology to identify and annually update the inventory of all applications that store or process taxpayer data and PII for the purpose of detecting improper cyber activities and to reconstruct events for potential criminal investigations. Furthermore, audit trail records for the applications should be included in the Security Audit and Analysis System.</p> <p><u>F-1, R-2</u>: Obtain the list of 13 applications with an Audit Control Response (ACR) that references the obsolete IRM, conduct a revalidation of the auditable events, and issue an Audit Trail Deficiency Memorandum to the application owner, if needed, to require an ACR update to comply with the current list of auditable events. In addition, ensure that revalidations are conducted annually as required.</p>

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-10-035	July 2020	08/15/21	<p>TAX COMPLIANCE CHECKS FOR FEDERAL EMPLOYMENT SUITABILITY HAVE IMPROVED, BUT THERE ARE STILL SOME INCONSISTENCIES</p> <p><u>F-1, R-1:</u> Align IRS suitability tax compliance checks to ensure consistent policies, procedures, and standards that reflect compliance with I.R.C. and Executive Order 13467 requirements.</p>
2020-10-039	July 2020	08/15/21 08/15/21	<p>THE ANNUAL INVENTORY CERTIFICATION PROCESS FOR NON-INFORMATION TECHNOLOGY ASSETS NEEDS IMPROVEMENT</p> <p><u>F-1, R-1:</u> Ensure that monitoring procedures are designed to reasonably assure that the controls established over the management of non-information technology assets are properly adhered to by Facilities Management and Security Services staff.</p> <p><u>F-1, R-2:</u> Review and update the existing Desk Guide to establish standardized procedures for remote inventory certification that ensures uniform completion and maintenance of supporting documentation.</p>
2020-20-036	August 2020	02/15/22 09/15/21 04/15/21	<p>STRATEGIES AND PROTOCOLS TO AUTHENTICATE NETWORK USER IDENTITIES ARE EFFECTIVE; HOWEVER, MORE ACTION IS NEEDED TO VERIFY THE IDENTITY OF DEVICES</p> <p><u>F-1, R-1:</u> Require the User and Network Services and Cybersecurity functions to coordinate with AT&T to implement certificate-based authentication for devices connecting to the internal network through a Virtual Private Network.</p> <p><u>F-2, R-1:</u> Coordinate with the business units that internally manage non-802.1X protocol compatible devices to develop a comprehensive plan with milestones to reduce the number of whitelisted devices that currently authenticate to the Identity Services Engine (ISE) using the Media Access Control Authentication Bypass protocol.</p> <p><u>F-3, R-1:</u> Ensure that Enterprise Life Cycle methodology artifacts for the Unified Access Project are completed, including requirements and design artifacts to aid system understanding and maintenance, as well as security, contingency planning, and testing artifacts to enable the secure operation of the ISE.</p>
2020-20-043	August 2020	05/15/21	<p>SUBSTANTIAL PROGRESS HAS BEEN MADE IN IMPLEMENTING THE INSIDER THREAT CAPABILITY, BUT IMPROVEMENTS ARE NEEDED</p> <p><u>F-1, R-3:</u> Ensure that the User Behavior Analytics Capability (UBAC) project implementation plan includes the National Insider Threat Task Force's recommended training for UBAC personnel. In addition, the IRS should document all UBAC training efforts and, at least annually, ensure that all UBAC personnel have completed the required training.</p>

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-20-044	August 2020	09/15/21 09/15/21 06/15/22	<p>LEGACY SYSTEMS MANAGEMENT NEEDS IMPROVEMENT</p> <p><u>F-1, R-2:</u> Implement Portfolio Rationalization or a similar program IRS enterprise-wide to identify, prioritize, and execute the updating, replacing, or retiring of current and future legacy systems. This should include consideration of the system as well as the subsystem levels.</p> <p><u>F-1, R-3:</u> Ensure that all systems are included in the As-Built Architecture with complete and accurate information, including the managing organization(s), application age, and programming language.</p> <p><u>F-2, R-1:</u> Capture operations and maintenance costs for its current information technology infrastructure at the subsystem level.</p>
2020-30-046	August 2020	04/15/21 04/15/21	<p>FISCAL YEAR 2020 STATUTORY REVIEW OF RESTRICTIONS ON DIRECTLY CONTACTING TAXPAYERS</p> <p><u>F-2, R-1:</u> Revise Form 1023, <i>Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code</i>, and/or instructions to ensure that taxpayers who are applying for exempt status and who have a valid Power of Attorney (POA) can clearly elect whether they or their POA should serve as the initial contact with EO Determinations.</p> <p><u>F-2, R-2:</u> Update EO Determinations training and the IRM to include bypass procedures and to stress that, when an organization is represented by a valid POA, the taxpayer can elect whether they or their POA should serve as the main point of contact with EO Determinations.</p>
2020-10-050	August 2020	07/15/21 07/15/21	<p>SENSITIVE TAX RECORDS COULD NOT ALWAYS BE LOCATED OR TIMELY PROVIDED</p> <p><u>F-1, R-1:</u> Create a centralized system to track sensitive paper tax records.</p> <p><u>F-1, R-2:</u> Develop and implement a quality review process to provide reasonable and ongoing assurance that the correct tax records are being sent to the correct address.</p>
2020-10-051	August 2020	07/15/21 04/15/21	<p>CONTROLS OVER THE MANAGEMENT AND SECURITY OF OFFICIAL PASSPORTS NEED IMPROVEMENT</p> <p><u>F-2, R-1:</u> Ensure that related travel files and passports are not being retained beyond established time frames unless there is a legitimate business need for them.</p> <p><u>F-3, R-1:</u> Consider including a requirement for independent periodic or annual surprise security reviews of the passport offices to ensure that passport personnel are adhering to updated guidelines for securing and safeguarding passports.</p>
2020-10-054	August 2020	04/15/21	<p>REVIEW OF THE INDEPENDENT OFFICE OF APPEALS COLLECTION DUE PROCESS PROGRAM</p> <p><u>F-1, R-1:</u> Require the applicable Office of Appeals technical employees to complete available training on determining the timeliness of CDP and Equivalent Hearing requests, and issue additional interim guidance to provide clarity around what constitutes a timely filed CDP request.</p>

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-40-052	September 2020	07/15/21	<p>PROCESSES DO NOT ENSURE THAT TAXPAYERS FILING AN INCORRECT FORM 1120 SERIES TAX RETURN ARE APPROPRIATELY ASSESSED TAX</p> <p><u>F-2, R-1:</u> Remove the Form 1120-S, <i>U.S. Income Tax Return for an S Corporation</i>, filing requirement from the 1,588 accounts that TIGTA identified.</p>
2020-30-055	September 2020	11/15/21	<p>THE ACCURACY OF CURRENCY TRANSACTION REPORT DATA IN IRS SYSTEMS SHOULD BE IMPROVED TO ENHANCE ITS USEFULNESS FOR COMPLIANCE PURPOSES</p> <p><u>F-1, R-1:</u> Improve the case identification and selection process by using currency transaction reports data to systemically identify potentially noncompliant taxpayers and nonfilers.</p>
2020-30-059	September 2020	10/15/21	<p>FISCAL YEAR 2020 STATUTORY AUDIT OF COMPLIANCE WITH LEGAL GUIDELINES RESTRICTING THE USE OF RECORDS OF TAX ENFORCEMENT RESULTS</p> <p><u>F-1, R-2:</u> Implement systemic controls such as an electronic Section 1204 certification process that includes automated reminders to both employees and their managers to ensure that the discussion and acknowledgement of the retention standards is completed within the time frames established under the Code of Federal Regulations Section 430.206 policy.</p>
2020-20-060	September 2020	07/15/21 10/15/21 07/15/21	<p>PROCESS AUTOMATION BENEFITS ARE NOT BEING MAXIMIZED, AND DEVELOPMENT PROCESSES NEED IMPROVEMENT</p> <p><u>F-1, R-1:</u> Maximize the timely use of the Contractor Responsibility Determination Robot. Potential Funds Put to Better Use: \$2,427,000 <u>F-3, R-1:</u> Finalize an automation program governance structure, involving both technology and business stakeholders. <u>F-3, R-2:</u> Finalize a development methodology suitable for automation projects.</p>
2020-20-061	September 2020	09/15/21 09/15/21	<p>THE ENTERPRISE CASE MANAGEMENT SOLUTION DEVELOPMENT IS DELAYED, AND ADDITIONAL ACTIONS ARE NEEDED TO DEVELOP A DECOMMISSIONING STRATEGY</p> <p><u>F-2, R-1:</u> Develop a legacy case management capability and process decommissioning strategy that informs the Enterprise Case Management (ECM) solution's sequencing and enables the Information Technology organization to execute decommissioning system activities in a timely manner. <u>F-3, R-1:</u> Coordinate with the business operating divisions to perform the fit-gap analysis on all case management systems to maximize the ECM solution's functionality and ensure that the majority of legacy case management systems are consolidated.</p>

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-20-063	September 2020	12/15/21	IMPROVEMENTS ARE NEEDED TO ENSURE THAT WIRELESS NETWORKS ARE SECURE <u>F-1, R-1:</u> Ensure that the 25 wireless network security-related weaknesses are resolved and that the evidence supporting the weakness closures is updated in the Treasury Federal Information Security Modernization Act of 2014 Inventory Management System for subsequent testing and closure approval.
		12/15/21	<u>F-2, R-1:</u> Correct the wireless access point inventory issues that TIGTA identified and shared with management.
		06/15/21	<u>F-2, R-2:</u> Update the internal procedures to provide detailed requirements for reviews and updates to the wireless access point inventory, including taking photographs of the devices during the deployment and replacement stages.
		11/15/21	<u>F-2, R-3:</u> Improve the current inventory management system and platform to ensure that all changes to wireless access point components are updated simultaneously.
		09/15/21	<u>F-3, R-1:</u> Ensure that the User and Network Services (UNS) function reviews and minimizes the broadcast range of the wireless access point signals to be within IRS-controlled boundaries. In addition, ensure that the broadcast range for the wireless access points planned for model replacement is minimized.
		12/15/21	<u>F-3, R-2:</u> Ensure that the UNS function disables and locks the wireless capability in multifunction printers to comply with IRM policy.
		06/15/21	<u>F-3, R-3:</u> Ensure that UNS function multifunction printer action plans include details that will address multifunction printer monitoring and disabling and locking the wireless signal capability.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-40-064	September 2020	04/15/21	PROCESSES DO NOT ENSURE THAT INDIVIDUAL TAXPAYER IDENTIFICATION NUMBERS ARE ISSUED ONLY TO QUALIFYING INDIVIDUALS WITH A TAX ADMINISTRATION NEED <u>F-3, R-3:</u> Ensure that monthly analysis of ITIN Real-Time System data is performed to identify Form W-7, <i>Application for IRS Individual Taxpayer Identification Number</i> , applications submitted using duplicate supporting documents and take actions on the identified applications as appropriate.
		07/15/21	<u>F-3, R-5:</u> Develop processes and procedures to identify active ITINs assigned to individuals whose ITIN was revoked or who are deceased and take appropriate actions to deactivate the ITIN or add a deceased lock on their tax account.
		05/15/21	<u>F-3, R-6:</u> Review the 89 ITINs identified as revoked and still active and the 51 ITINs assigned to deceased individuals that are not locked that TIGTA identified and take appropriate action to deactivate the ITINs or add a deceased lock on the tax account.
		06/15/21	<u>F-4, R-3:</u> Review the 39 ITINs identified by the Secondary Review Team (SRT) and 613 active ITINs identified by TIGTA for which the Form W-7 application used an address identified by the SRT as part of a pattern of Form W-7 applications with potentially fraudulent supporting documents to determine whether the ITINs need to be revoked or deactivated.
		04/15/21	<u>F-6, R-2:</u> Review the 509 ITINs that TIGTA identified that have not been deactivated as required and take the actions needed to revoke, deactivate, or renew them as appropriate.
		On Hold	<u>F-7, R-1:</u> Develop processes and procedures to identify retroactive claims erroneously paid and erroneously disallowed due to tax examiner errors. Once these claims are identified, take steps to recover erroneous credit payments or ensure that taxpayers receive the benefits to which they are entitled.
2020-30-065	September 2020	02/15/22	FISCAL YEAR 2020 STATUTORY REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN ISSUING LEVIES <u>F-1, R-1:</u> Ensure that corrective programming is implemented so that, when a revenue officer generates a disqualified employment tax levy, the Integrated Collection System (ICS) properly posts in the case history and notifies employees to send the post-levy CDP notice.
		02/15/22	<u>F-1, R-2:</u> Ensure that corrective programming is implemented so that, when a revenue officer levies a tax module that is not in Field Collection status, he or she is notified to verify the proper time has passed since the CDP notice issuance.
		02/15/22	<u>F-1, R-3:</u> Ensure that corrective programming is implemented so that, when a jeopardy levy is issued, the ICS posts in the case history and notifies employees to send the post-levy CDP notice.
		02/15/22	<u>F-1, R-4:</u> Ensure that corrective programming is implemented so that, when a revenue officer levies an ICS-only balance due module in the ICS, he or she is notified to verify the CDP notices were properly issued.
2020-30-066	September 2020	On Hold	THE INTERNAL REVENUE SERVICE CAN IMPROVE TAXPAYER COMPLIANCE FOR VIRTUAL CURRENCY TRANSACTIONS <u>F-1, R-1:</u> Continue efforts to close the virtual currency information gap by issuing guidance clarifying the proper information reporting associated with virtual currency transactions.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-45-070	September 2020	04/15/21 04/15/21	<p>TAXPAYER FIRST ACT: IMPLEMENTATION OF IDENTITY THEFT VICTIM ASSISTANCE PROVISIONS</p> <p><u>F-2, R-2:</u> Add employment identity theft markers to the 60,872 victims' tax accounts that TIGTA identified.</p> <p><u>F-2, R-7:</u> Ensure that the Computer Paragraph 01E Notice is issued to the 3,292 victims.</p>
2020-30-071	September 2020	01/15/22 01/15/22 01/15/22	<p>MORE ENFORCEMENT AND A CENTRALIZED COMPLIANCE EFFORT ARE REQUIRED FOR EXPATRIATION PROVISIONS</p> <p><u>F-1, R-2:</u> Update the Letter 2399C and Letter 4135C for compliance under the Heroes Earnings Assistance and Relief Tax Act (HEART Act) and develop IRM procedures to use these letters to obtain Form 8854 when a Form DS-4083, <i>Certificate of Loss of Nationality of the United States</i> is received and no Form 8854, <i>Initial and Annual Expatriation Statement</i>, is received.</p> <p><u>F-2, R-1:</u> Evaluate the information reported on Form 8854 and determine what data fields should be added to the expatriate database to ensure tax compliance of taxpayers who expatriate, e.g., Form 8854, Part IV, Section B, <i>Property Owned on Date of Expatriation</i>.</p> <p><u>F-2, R-2:</u> Develop IRM procedures for transcribing Form 8854 data, correct Form 8854 data when information as filed by expatriates is missing or incomplete, and prepare analysis as needed to determine if the expatriate is a covered expatriate and subject to tax under I.R.C. §877A.</p>

Other Statistical Reports

The Inspector General Empowerment Act of 2016 requires Inspectors General to address the following issues for the Offices of Audit and Inspections and Evaluations:³³

Issue	Result for TIGTA
<p>Interference/Access to Information</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, 2021, there were no attempts to interfere with the independence of TIGTA or any instances of restricted or significantly delayed access to information.</p>
<p>Disputed Recommendations</p> <p>Provide information on significant management decisions in response to recommendations with which the Inspector General disagrees.</p>	<p>As of March 31, 2021, there were no instances in which significant recommendations were disputed.</p>
<p>Revised Management Decisions</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, 2021, there were no significant revised management decisions.</p>
<p>Reports Issued in the Prior Reporting Period With No Management Response</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, 2021, there were no prior reports for which management's response was not received within 60 days of issuance.</p>
<p>Disclosure</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, 2021, there were no reports that had been closed and were not disclosed to the public.</p>
<p>Review of Legislation and Regulations</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 82 proposed regulations and legislative requests during this reporting period.</p>

³³ Results listed are for this reporting period only.

Appendix II

Audit Products (issued between October 1, 2020 and March 31, 2021)

Report Number	Report Title	Outcome Measure(s)
October 2020		
2021-40-004	Refinement and Expansion of Filters to Include Additional Business Returns Will Continue to Improve Business Identity Theft Detection Efforts	Cost Savings (Funds Put to Better Use): \$250,081,498
2021-20-001	Annual Assessment of the Internal Revenue Service's Information Technology Program for Fiscal Year 2020	N/A
November 2020		
NO REPORTS ISSUED		
December 2020		
2021-10-007	Improvements Have Been Made, but Controls Need to Be Strengthened to Detect Improper Self-Employed Retirement Deductions	Revenue Protection: \$889,830,985 impacting 43,476 taxpayer accounts
2021-40-008	Expansion of Self-Correction for Electronic Filers and Other Improvements Could Reduce Taxpayer Burden and Costs Associated With Tax Return Error Resolution	Cost Savings (Funds Put to Better Use): \$11,609,610; Taxpayer Burden: 1,899,192 tax returns impacted; Taxpayer Rights and Entitlements: \$9,092,664 impacting 12,147 tax returns
2021-20-003	Security Controls Over Electronic Crimes Labs Need Improvement	Reliability of Information; Protection of Resources ³⁴
2021-10-005	Consolidation of Examination Case Selection and Assignment in the Tax Exempt and Government Entities Division Created Benefits, but Additional Improvements Are Needed	N/A
2021-26-006	Systems Processing Economic Impact Payments Performed Well and the Get My Payment Application Security Vulnerabilities Are Being Remediated	N/A
2021-30-010	Fiscal Year 2021 Biannual Independent Assessment of Private Collection Agency Performance	Taxpayer Rights and Entitlements: \$7,419 impacting seven taxpayers

³⁴ Outcome measure details are redacted because TIGTA has determined that it contains law enforcement techniques/procedures and guidelines for law enforcement investigations or prosecutions.

2021-30-002	Billions in Potential Taxes Went Unassessed From Unfiled Returns and Underreported Income by Taxpayers That Received Form 1099-K Income	Increased Revenue: \$5,723,171,594 impacting 15,034 taxpayer accounts
January 2021		
2021-40-009	Millions of Dollars in Potentially Erroneous Qualified Business Income Deductions Are Not Being Verified	Revenue Protection: \$48,701,800; Inefficient Use of Resources: 583 tax returns impacted; Taxpayer Rights and Entitlements: 212 taxpayer accounts impacted
2021-40-012	Processes Exist to Assist Taxpayers With Misdirected Refunds, but Additional Controls Could Further Help to Prevent Them	N/A
2021-10-014	Review of the Internal Revenue Service's Purchase Card Violations Report and the Status of Recommendations	N/A
February 2021		
2021-45-017	Additional Security Processes Are Needed to Prevent Unauthorized Release of Tax Information Through the Income Verification Express Service Program	Taxpayer Privacy and Security: 4,726 taxpayer accounts impacted
2021-10-013	Obstacles Exist in Detecting Noncompliance of Tax-Exempt Organizations	N/A
2021-30-016	Emphasis on Unrelated Business Income Tax Enforcement Should be Enhanced	N/A
March 2021		
2021-30-011	Trends in Compliance Activities Through Fiscal Year 2019	N/A
2021-16-019	Interim Report - Taxpayer Advocate Service Actions to Assist Taxpayers in Response to the Implementation of the Coronavirus Aid, Relief, and Economic Security Act	N/A
2021-30-015	High-Income Taxpayers Who Owe Delinquent Taxes Could Be More Effectively Prioritized	N/A
2021-30-018	Compliance Services Collection Operations Should Improve the Timeliness of Responding to Taxpayer Correspondence	Taxpayer Burden: 247 taxpayer accounts impacted
2021-46-023	Results of the 2020 Filing Season and Effects of COVID-19 on Tax Processing Operations	N/A
2021-16-020	Interim Report - IRS COVID-19 Response Timeline and Policies to Protect Employee Health and Safety	N/A

Appendix III

TIGTA's Statutory Reporting Requirements

The following table reflects the FY 2021 statutory reviews.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
Enforcement Statistics 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.
Restrictions on Directly Contacting Taxpayers I.R.C. § 7803(d)(1)(A)(ii)	Requires TIGTA to evaluate the IRS's compliance with restrictions under I.R.C. § 7521 on directly contacting taxpayers who have indicated they prefer their representatives be contacted.	Fieldwork currently in process.
Filing of a Notice of Lien I.R.C. § 7803(d)(1)(A)(iii)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. § 6320(a) upon the filing of a notice of lien.	Fieldwork currently in process.
Extensions of the Statute of Limitations for Assessment of Tax I.R.C. § 7803(d)(1)(C) I.R.C. § 6501(c)(4)(B)	Requires TIGTA to include information regarding extensions of the statute of limitations for assessment of tax under I.R.C. § 6501 and the provision of notice to taxpayers regarding the right to refuse or limit the extension of particular issues or a particular period of time.	Fieldwork currently in process.
Levies I.R.C. § 7803(d)(1)(A)(iv)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. § 6330 regarding levies.	Fieldwork currently in process.
Collection Due Process I.R.C. §§ 7803(d)(1)(A)(iii) and (iv)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. §§ 6320 and 6330 regarding taxpayers' rights to appeal lien or levy actions.	Fieldwork currently in process.
Seizures I.R.C. § 7803(d)(1)(A)(iv)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. §§ 6330 through 6344 when conducting seizures.	Fieldwork currently in process.
Taxpayer Designations – Illegal Tax Protester Designation and Similar Designations I.R.C. § 7803(d)(1)(A)(v)	An evaluation of the IRS's compliance with restrictions under RRA 98 § 3707 on designation of taxpayers.	Fieldwork currently in process.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
Disclosure of Collection Activity With Respect to Joint Returns I.R.C. § 7803(d)(1)(B) (TIGTA requirement) I.R.C. § 6103(e)(8) (IRS requirement)	Requires TIGTA to review and certify whether the IRS is complying with I.R.C. § 6103(e)(8), 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.
Taxpayer Complaints 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 page 38.
Administrative or Civil Actions With Respect to the Tax Collection Practices Act of 1996 I.R.C. § 7803(d)(1)(G) I.R.C. § 6304 RRA 98 § 3466	Requires TIGTA to include information regarding any administrative or civil actions with respect to 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.
Denials of Requests for Information I.R.C. § 7803(d)(1)(F) I.R.C. § 7803(d)(3)(A)	Requires TIGTA to include information regarding improper denial of requests for information from the IRS, based on a statistically valid sample of the total number of determinations made by the IRS to deny written requests to disclose information to taxpayers on the basis of I.R.C. § 6103 or 5 U.S.C. § 552(b)(7).	Fieldwork currently in process.
Adequacy and Security of the Technology of the IRS I.R.C. § 7803(d)(1)(D)	Requires TIGTA to evaluate the IRS's adequacy and security of its technology.	<u>Security Reviews:</u> Rep. No. 2021-20-001; Oct. 2020 Rep. No. 2021-20-003; Dec. 2020 Rep. No. 2021-26-006; Dec. 2020
Government Charge Card Abuse Prevention Act of 2012 Pub. L. No. 112-194 (October 2012)	Requires TIGTA to report on the IRS's progress in implementing purchase and travel card audit recommendations.	Rep. No. 2021-10-014; Jan. 2021 TIGTA's review of the IRS's purchase card program found that controls were generally effective, and the number of purchase card violations identified by the IRS Credit Card Services Branch were minimal and generally for nominal amounts.
Improper Payments Elimination and Recovery Act of 2010 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
<p>Digital Accountability and Transparency Act of 2014 (DATA Act) Pub. L. No. 113-101, 128 Stat. 1124 (2014)</p>	<p>Requires TIGTA to assess the completeness, timeliness, quality, and accuracy of data that the IRS submits to comply with the DATA Act.</p>	<p>Fieldwork currently in process.</p>
<p>Fixing America's Surface Transportation Act Pub. L. No. 114-94, 129 Stat. 1312 (2015)</p>	<p>Requires TIGTA to perform an independent biannual assessment of private collection agency (PCA) performance.</p>	<p>Rep. No. 2021-30-010; Dec. 2020 TIGTA identified a risk that too many PCA employees have access to taxpayer banking information, which increases the risk of fraud. Additionally, TIGTA determined that the methodology being used by the IRS to exclude low-income taxpayers at or below 200 percent of the Federal Poverty Level may not prevent all of these taxpayers from being assigned to PCAs.</p>
<p>House Report 116-456 on the Consolidated Appropriations Act of 2021 Pub. L. No. 116-260, H.R. 133, 116th Cong. (2020)</p>	<p>Requires TIGTA to assess the IRS's policies and guidance related to the health and safety of all IRS employees.</p>	<p>Rep. No. 2021-16-020; Mar. 2021 As of February 28, 2021, 3,404 IRS employees reported having tested positive for COVID-19. IRS data show that approximately 45 percent of these employees reported to an IRS facility during the 14 days preceding a positive test result for COVID-19. During the early stages of the COVID-19 pandemic, the IRS made Federal guidance available to all employees, in addition to developing and issuing its own internal guidance. TIGTA's review found that these internal guidelines generally aligned with Federal guidelines and best practices issued by the Office of Personnel Management, the Centers for Disease Control and Prevention, the Government Accountability Office, and other Federal authorities.</p>

Appendix IV

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.

Appendix V

Inspector General Peer Review Activity

This appendix implements Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act.³⁵

For the period October 1, 2020 – March 31, 2021:

Peer Reviews Conducted of TIGTA by Another Office of Inspector General

During the reporting period, the Department of Education Office of Inspector General conducted a peer review of TIGTA's I&E. In its December 21, 2020, report, the Department of Education Office of Inspector General concluded that TIGTA's I&E policies and procedures generally met the professional and quality standards addressed in the external peer review.

Outstanding Recommendations From Peer Reviews of TIGTA

There are no outstanding recommendations from peer reviews of TIGTA.

Peer Reviews Conducted by TIGTA

On September 22, 2020, TIGTA's Office of Audit began its review of the Environmental Protection Agency Office of the Inspector General and completed the review on March 8, 2021. TIGTA's Office of Audit issued the draft report on March 15, 2021.

Outstanding Recommendations From Peer Reviews Conducted by TIGTA

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

³⁵ Pub. L. 111-203, 124 Stat. 1376 (2010) (codified at 5 U.S.C. app §5(a)(14)-16)).

Appendix VI

Data Tables Provided by the Internal Revenue Service

The memorandum copied below is the IRS's transmittal to TIGTA. The tables that follow the memorandum contain information that the IRS provided to TIGTA and consist of IRS employee misconduct reports from the IRS Automated Labor and Employee Relations Tracking System (ALERTS) for the period October 1, 2020 through March 31, 2021. Also, data concerning substantiated RRA 98 § 1203 allegations for the same period are included. IRS management conducted inquiries into the cases reflected in these tables.

Internal Revenue Service Memorandum

<div style="text-align: center;"> <small>HUMAN CAPITAL OFFICE</small></div> <p style="text-align: center;">DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE <small>WASHINGTON, D.C. 20224</small></p> <p style="text-align: center;">April 7, 2021</p> <p>MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION</p> <p>FROM: <i>for</i> Julia Catdwell <i>Mary E. King</i> Director, Labor/Employee Relations and Negotiations</p> <p>SUBJECT: Input for the Treasury Inspector General for Tax Administration (TIGTA) Semiannual Report to Congress</p> <p>In response to your memorandum dated February 8, 2021, 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, 2020, through March 31, 2021.</p> <ul style="list-style-type: none">• Report of Employee Misconduct by Disposition Groups• Report of Employee Misconduct – National Summary• Summary of Substantiated Section 1203 Inquiries Recorded in Automated Labor and Employee Relations Tracking System (ALERTS) <p>The attached tables contain information about:</p> <ul style="list-style-type: none">• Alleged misconduct reported to IRS managers• Disposition of the allegations resolved during the period• Status of the inventory as of March 31, 2021 <p>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.</p> <p>The Summary of Substantiated Section 1203 Allegations contains information on the disposition of substantiated Section 1203 allegations. During this period, IRS managers substantiated 300 Section 1203 allegations and removed 24 employees, 12 employees retired or resigned before a final administrative action by management. In four (4) of the removals, IRS management considered information in a TIGTA investigation. The Commissioner mitigated proposed removals in 73 cases. The remaining 191 substantiated allegations are still in the adjudication process.</p>	<p style="text-align: center;">2</p> <p>If you have any questions, please contact Kimberly Berling, Associate Director, LR/ER Field Operations at (513) 975-6092.</p> <p>Attachments (3)</p> <p>cc: Charles P. Rettig, Commissioner of Internal Revenue Sunita Lough, Deputy Commissioner Services and Enforcement Jeffrey Tribiano, Deputy Commissioner Operations Support Terry Lemons, Chief, Communications & Liaison Mark Kaizen, Associate Chief Counsel (GLS) Robin D. Bailey Jr., IRS Human Capital Officer</p>
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The Following Tables Are Provided by the IRS:

Report of Employee Misconduct by Disposition Groups

Disposition	TIGTA Report of Investigation	Administrative Case	Employee Tax Compliance Case	Employee Character Investigation	Totals
REMOVAL (PROBATION PERIOD COMPLETE)	27	32	10	-	69
REMOVAL AT OPM DIRECTION	-	-	-	6	6
PROBATION/SEPARATION	1	154	0	3	158
SEPARATION OF TEMPORARY EMPLOYEE	1	20	-	2	22
RESIGNATION, RETIREMENT, ETC. (REASON NOTED ON SF50)	7	25	10	-	42
RESIGNATION, RETIREMENT, ETC. (REASON NOT NOTED ON SF50)	17	55	31	4	107
SUSPENSION, 14 DAYS OR LESS	40	76	104	3	223
SUSPENSION, MORE THAN 14 DAYS	20	17	27	-	64
INDEFINITE SUSPENSION	1	5	-	-	6
REPRIMAND	58	78	48	16	200
ADMONISHMENT	44	88	97	6	235
WRITTEN COUNSELING	29	100	92	34	255
ORAL COUNSELING	-	8	4	-	12
ALTERNATIVE DISCIPLINE: IN LIEU OF REPRIMAND	-	8	0	-	8
ALTERNATIVE DISCIPLINE: IN LIEU OF SUSPENSION	2	7	6	2	17
CLEARANCE LETTER	45	49	7	-	101
CLOSED WITHOUT ACTION CAUTIONARY LETTER	75	131	92	124	422
CLOSED WITHOUT ACTION LETTER	26	35	13	12	86
TERMINATION FOR ABANDONMENT OF POSITION	-	22	-	-	22
CASE SUSPENDED PENDING EMPLOYEE RETURN TO DUTY	-	-	-	-	-
PROSECUTION PENDING FOR TIGTA'S ROI	-	-	-	-	-
CLOSED - SUPPLEMENTAL REQUESTED	-	-	-	-	-
FORWARDED TO TIGTA	-	2	-	-	2
TOTAL	393	912	541	211	2057

Source: ALERTS (extract date: April 1, 2021). Columns containing numbers of three or less and protected by I.R.C. § 6103 are notated with a zero and are not reflected in the column and row totals.

Report of Employee Misconduct National Summary

Inventory Case Type	Open Inventory	Conduct Cases Received	Conduct Issues	Cases Closed		Ending Inventory
				Cases Merged With Other Cases	Non-Conduct Issues	
Administrative Case	512	1,068	1,080	23	45	432
Employee Character Investigation	154	192	239	13	-	94
Employee Tax Compliance Case	1,010	434	598	46	-	800
TIGTA Report of Investigation	498	371	452	10	-	407
Total	2,174	2,065	2,369	92	45	1,733

Source: ALERTS (extract date: April 1, 2021).

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

Employee Character Investigations - Any matter involving a New Background Investigation Case investigation into an employee's background that is referred to management for appropriate action.

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

TIGTA Investigation - Any matter involving an employee in which TIGTA conducted an investigation into 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

§ 1203 Violation	Removals	Resigned/ Retired	Probation Separation	Removed On Other Grounds	Penalty Mitigated	In Personnel Process	Total
1203(b)(2): FALSE STATEMENT UNDER OATH	-	-	-	1	-	1	2
1203(b)(3): CIVIL RIGHTS/CONSTRUCTIVE VIOLATION	-	-	-	1	-	-	1
1203(b)(4): CONCEALED WORK ERROR	-	-	-	1	-	1	2
1203(b)(6): I.R.C./IRM/REG VIOLATION-RETALIATION	1	-	-	-	-	-	1
1203(b)(8): WILLFUL UNTIMELY RETURN	5	8	-	0	39	105	157
1203(b)(9): WILLFUL UNDERSTATED TAX	9	0	-	4	34	83	130
1203(b)(10): THREAT OF AUDIT FOR PERSONAL GAIN	-	1	-	-	-	1	2
Total	15	9	-	7	73	191	295

Source: ALERTS (extract date: April 1, 2021). 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.

Glossary of Acronyms

ACR	Audit Control Response
ALERTS	Automated Labor and Employee Relations Tracking System
AQC	Automated Questionable Credit
BYOD	Bring Your Own Device
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDP	Collection Due Process
CI	Criminal Investigation
COVID-19	Coronavirus Disease 2019
DATA Act	Digital Accountability and Transparency Act of 2014
DOJ	Department of Justice
ECM	Enterprise Case Management
EEOC	Equal Employment Opportunity Commission
EIN	Employer Identification Number
EIP	Economic Impact Payment
EO	Exempt Organizations
FFI	Free File Inc.
FIRPTA	Foreign Investment in Real Property Tax Act
FY	Fiscal Year
I&E	Office of Inspections and Evaluations
ICS	Integrated Collection System
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service

ISE	Identity Services Engine
ITIN	Individual Taxpayer Identification Number
JAMES	Joint Audit Management Enterprise System
OEP	Office of Employee Protection
OI	Office of Investigations
OIC	Offer in Compromise
PAR	Personnel Action Request
PCA	Private Collection Agency
PII	Personally Identifiable Information
POA	Power of Attorney
RRA 98	Restructuring and Reform Act of 1998
SADI	Secure Access Digital Identity
SBU	Sensitive But Unclassified
SRT	Secondary Review Team
SSN	Social Security Number
TAS	Taxpayer Advocate Service
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
TPSO	Third-Party Settlement Organization
TY	Tax Year
UBAC	User Behavior Analytics Capability
UNS	User and Network Services
U.S.C.	United States Code
VoIP	Voice over Internet Protocol



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THE TREASURY DEPARTMENT

DEPARTMENT OF THE TREASURY

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