

Treasury Inspector General for Tax Administration



SEMIANNUAL REPORT TO CONGRESS

October 1, 2022 – March 31, 2023



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

Signed into law on August 16, 2022, the Inflation Reduction Act (IRA) provides the Internal Revenue Service (IRS) with nearly \$80 billion in supplemental funding through September 30, 2031. During the same nine-year period, the IRA provides the Treasury Inspector General for Tax Administration (TIGTA) with \$403 million in supplemental funding. TIGTA will use these funds for enhanced oversight of the IRS's taxpayer services, enforcement, operations support, business systems modernization, and reporting requirements.



TIGTA is committed to ensuring that all IRA funding is used effectively and efficiently to benefit Federal tax administration and taxpayers. In this Semiannual Report to Congress, we introduce a new section that reports on our IRA oversight efforts for the period October 1, 2022, through March 31, 2023. As we move forward, we plan to share our ongoing IRA oversight efforts in subsequent semiannual reporting to Congress.

Highlights From This Reporting Period

For this reporting period, TIGTA's Office of Audit completed 19 audits, the Office of Inspections and Evaluations completed three evaluations, and the Office of Investigations completed 1,053 investigations. TIGTA's combined audit and investigative efforts, resulted in the recovery, protection, and identification of monetary benefits totaling more than \$68.4 million.

Highlights from our audit and evaluation work include a report on the backlogs of IRS tax returns and other account work, in addition to a report on the IRS not adequately pursuing Federal civilian employees who do not file their taxes. We also issued a report on the IRS needing more information before making decisions on Form 1023-EZ streamlined applications for tax-exempt status. Further, we highlight our first evaluation of the IRS's efforts to implement IRA legislation, as well as an evaluation of the process for selecting tax returns for National Research Program audits.

Our Office of Investigations continues its work pursuing allegations of wrongdoing in many areas of Federal tax administration including, but not limited to: unauthorized access to and disclosure of Federal tax information; threats and violence against IRS employees and facilities; pandemic relief fraud; and the impersonation of IRS employees. TIGTA's team of investigators work with the IRS to detect and prevent scams, provide resources to traditional investigative areas, and combat ever-increasing cyberthreats to the IRS network and online applications.

TIGTA also works with law enforcement partners to ensure that those who endeavor to corrupt Federal tax administration are prosecuted to the fullest extent of the law. A few of TIGTA's investigative cases highlighted for this reporting period include an IRS worker pleading guilty to selling morphine and contributing to a co-worker's death; a Mexican national impersonating an IRS employee; a tax preparer committing multiple fraud schemes and filing false tax returns; and a New Jersey attorney indicted for stealing from his clients.

We look forward to working with Congress, the Administration, the new IRS Commissioner, and other stakeholders to ensure that our Nation's system of tax administration is efficient, effective, and fair for all taxpayers.

Sincerely,

A handwritten signature in black ink that reads "J. Russell George". The signature is written in a cursive, flowing style.

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 provides independent oversight of matters of the Department of the Treasury (Treasury Department) involving activities of the Internal Revenue Service (IRS), the IRS Oversight Board, and the IRS Office of Chief Counsel. Although TIGTA is placed organizationally within the Treasury Department and reports to the Secretary of the Treasury and to Congress, it functions independently from all other offices and bureaus within the Treasury Department.

Statutory Mandate



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



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



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



Promote economy and efficiency in the administration of tax laws.



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

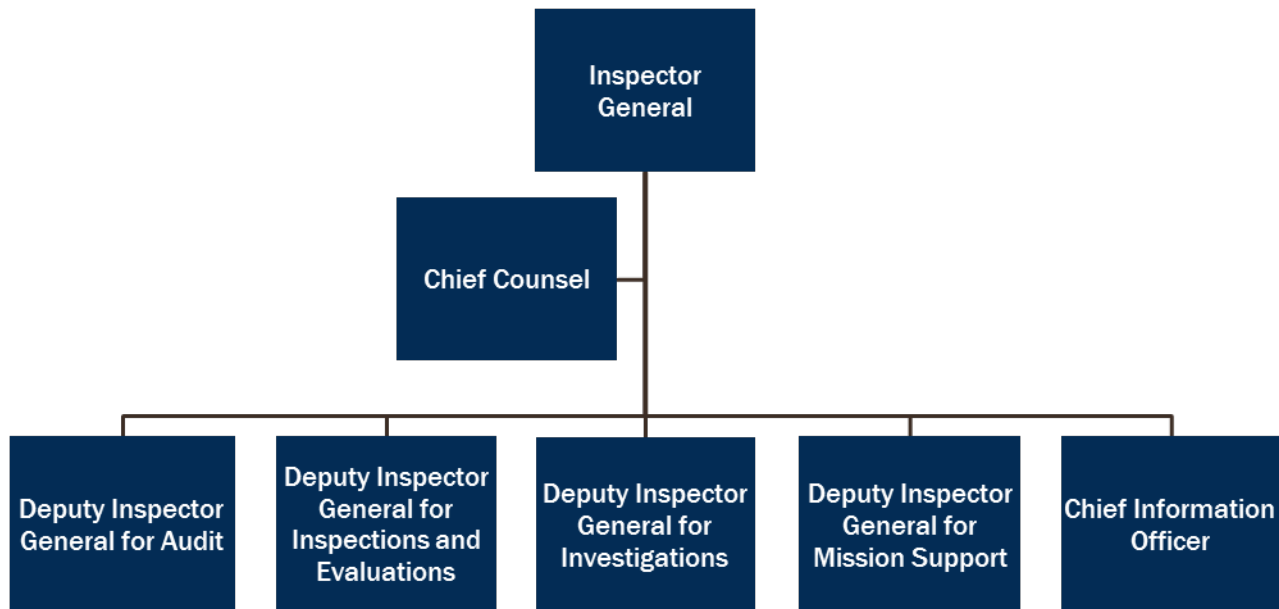


Inform the Secretary of the Treasury and Congress of problems and deficiencies identified and of the progress made in resolving them.

TIGTA oversees all aspects of activity related to the Federal tax system as administered by the IRS. TIGTA protects the public's confidence in the tax system by identifying and recommending strategies for addressing the IRS's management challenges and implementing the priorities of the Treasury Department.

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

Organizational Structure



Authorities

TIGTA has all 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 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.). § 401, *et seq.*

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

Inflation Reduction Act Oversight Efforts

On August 16, 2022, the President signed the Inflation Reduction Act of 2022 (IRA)³ into law. The legislation authorizes almost \$80 billion through September 30, 2031, to the IRS to improve taxpayer services, update antiquated computer systems, and increase compliance and enforcement actions against high-income taxpayers and large corporations that try to evade taxes. The law intended this new spending to supplement, not replace, the IRS's normal annual appropriations.

In addition, the legislation marks one of the largest investments in clean energy in United States history. The legislation provides numerous investments in climate protection, including tax credits for households to offset energy costs, investments in clean energy production, and tax credits aimed at reducing carbon emissions. To help offset expenses and generate revenue for clean energy investments, the IRA also imposes a minimum corporate tax of 15 percent and a 1 percent surcharge on corporate stock buybacks. These provisions have had, and will continue to have, a significant impact on IRS operations and Federal tax administration.

TIGTA's Role Overseeing IRA Funds

TIGTA will receive \$403 million in supplemental funding through September 30, 2031. TIGTA will use the IRA funds to provide oversight of the IRS and for support of TIGTA's operations.

The following summary provides highlights from the first in a series of TIGTA reviews examining the IRS and IRA funding. The report presented the results of TIGTA's evaluation assessing the IRS's standup of the IRA Transformation and Implementation Office, as well as its development processes and procedures to monitor, measure, and track implementation efforts.

Inflation Reduction Act: Assessment of the Internal Revenue Service Implementation Efforts ([Report Number 2023-IE-R003](#))

Enactment of the IRA legislation authorized almost \$80 billion to the IRS through September 30, 2031. Figure 1 highlights how the IRA funding will supplement the IRS's prior estimated budget projections.

For example, the IRS created the IRA Transformation and Implementation Program Office (Program Office), which is responsible for strategically coordinating agencywide activities to develop the Operational Plan required by the Secretary of the Treasury (Treasury Secretary). The Program Office is also responsible for engaging with IRS personnel and Treasury Department stakeholders, monitoring the implementation of IRA tax provisions, and

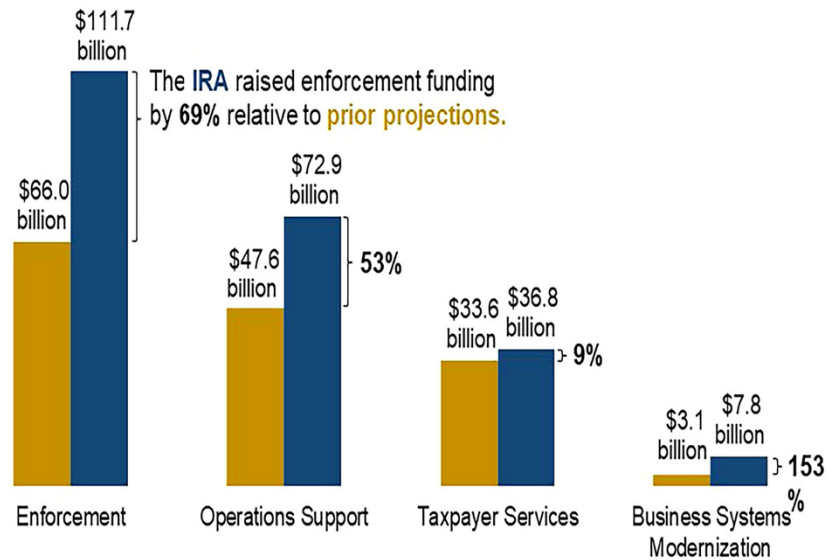
³ Pub. L. No. 117-169, 136 Stat. 1818.

coordinating the organizational transformation efforts the IRS plans to undertake over the next decade.

In addition, the Treasury Secretary outlined expectations for the IRS for the 2023 Filing Season in an effort to ensure that taxpayers will see real changes. The filing season improvements included:

- Staffing each of the IRS’s Taxpayer Assistance Centers.
- Improving the level of telephone service from approximately 15 percent to 85 percent and reducing average wait time from nearly 30 minutes to 15 minutes.
- Automating the scanning of millions of individual paper tax returns.
- Providing taxpayers the ability to receive and respond to notices online.

Figure 1: The IRS’s Budget Authority Through FY 2031 Under the IRA



Source: Congressional Research Service report, *IRS-Related Funding in the Inflation Reduction Act*, updated October 20, 2022. Note: The “prior projections” are for FY 2022 through FY 2031 and assumes there is no change in base appropriations.

TIGTA found that actions are being taken in an effort to meet these expectations.

The Treasury Secretary also required the IRS to produce an Operational Plan by February 17, 2023. The plan had to include details on how resources will be spent over the next decade on technology, service improvement, and personnel. This plan is key to ensuring that the public and Congress are able to hold the IRS accountable as it pursues needed improvements. To that end, the plan had to include metrics for areas of focus and time frames over the course of the coming years that the agency will strive to achieve.

This report was prepared to provide information only. No recommendations were made in the 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 2022 Through March 2023

Improving Taxpayer Service

Protecting Taxpayer Data and IRS Resources

Administering Tax Law Changes

Increasing Domestic and International Tax Compliance and Enforcement

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

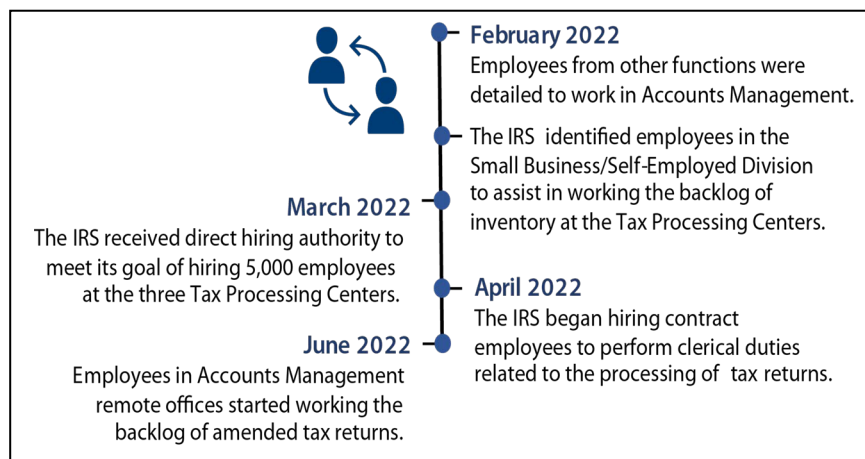
Improving Taxpayer Service

Backlogs of Tax Returns and Other Account Work Will Continue Into the 2023 Filing Season [\(Report Number 2023-46-007\)](#)

This audit was part of a series of reviews of the IRS's efforts to reduce significant backlogs at its Tax Processing Centers. Backlogs of tax returns and other types of tax account work from the 2021 Filing Season continued to affect the IRS's ability to provide timely service to taxpayers in the 2022 Filing Season. As of the week ending October 28, 2022, there were 9.6 million returns awaiting processing or other resolution compared to 10.8 million returns for the week ending October 30, 2021.

TIGTA reported that during the 2022 Filing Season, the IRS took several steps to address staffing needs at the Tax Processing Centers and Accounts Management function, as noted in Figure 2.

Figure 2: Analysis of the IRS's Approach to Staffing Shortages and Backlogs



Source: TIGTA analysis of the IRS approach used to address staffing shortages and the backlog of work at the Tax Processing Centers.

These efforts have recently resulted in increased productivity levels (*i.e.*, the number of returns processed); however, our assessment of remaining inventory indicates that the IRS will not meet all of its goals by the end of Calendar Year (CY) 2022. As a result, the IRS will continue to have a backlog into the 2023 Filing Season.

TIGTA will continue to assess the IRS's efforts to address the backlog of tax returns and other tax account work and issue additional reports in CY 2023. This report provided interim information only. No recommendations were made.

Protecting Taxpayer Data and IRS Resources

The Enterprise Case Management System Did Not Consistently Meet Cloud Security Requirements [\(Report Number 2023-20-018\)](#)

The Enterprise Case Management (ECM) system is designed to modernize and consolidate legacy case management systems across the IRS. The ECM system processes and stores sensitive information within the IRS, providing restricted access to IRS employees via the internet.

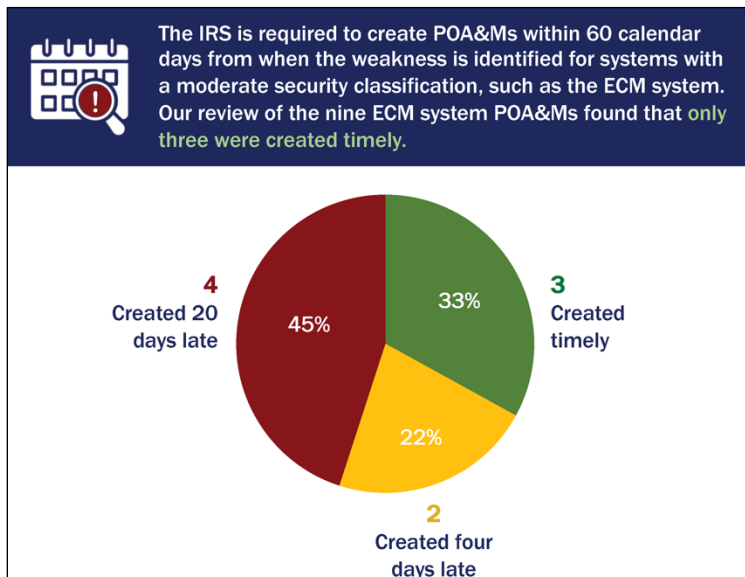
Control weaknesses within the ECM system can pose a substantial risk to taxpayer records currently residing in the system. The potential harm includes breach, unauthorized access, and disclosure of taxpayer information.

TIGTA found that the IRS followed the agency cloud authorization to operate process for the ECM system. However, the IRS did not meet agency guidelines for the timely creation and documentation of Plans of Action and Milestones (POA&M) to address nine security risks identified in the February 2021 Cloud Security Assessment Report. While the IRS created nine POA&Ms, only three (33 percent) were timely prepared and only two (22 percent) met documentation requirements. The IRS took corrective action during the audit to address this finding.

The IRS also tested 42 security controls in June 2022 and identified five risks previously reported in February 2021. TIGTA reviewed the risks and found that actions were taken to address or track the risks, including acceptance, remediation, and creating new POA&Ms. In addition, ECM system production servers residing in the cloud lacked required malicious code protection. During our audit work, the IRS initiated a pilot test of an application to provide malicious code protection for the servers.

The IRS agreed with all four TIGTA recommendations. The IRS plans to update the Internal Revenue Manual; complete development, testing, and implementation of an automated malicious code protection application for Linux servers; and monitor privileged user activity logs and regularly disable inactive privileged accounts.

Figure 3: Summary of ECM System POA&M



Source: TIGTA's analysis of the IRS's POA&M documentation.

Administering Tax Law Changes

Results of the 2022 Filing Season ([Report Number 2023-40-021](#))

This report reviewed whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2022 Filing Season. The IRS began processing Tax Year (TY) 2021 individual tax returns on January 24, 2022. As of May 6, 2022, the IRS had received 143.2 million individual income tax returns (94.7 percent electronically filed) and issued nearly 94.4 million refunds totaling approximately \$285.6 billion.

TIGTA found that during the 2022 Filing Season, the IRS took a number of actions to reduce the backlogs of unprocessed tax returns and other tax account work. These included hiring 9,000 new employees and using more than 2,400 employees from other IRS functional areas. However, as of September 30, 2022, the IRS still had 4.1 million unprocessed TY 2021 paper tax returns.

We also noted that more can be done to prevent the allowance of erroneous alimony deduction claims. While taxpayers are no longer allowed to deduct alimony paid as part of a divorce or separation agreement executed after December 31, 2018, the IRS's processes do not prevent taxpayers from receiving the deduction. Taxpayers were allowed potentially erroneous alimony deductions totaling \$68.4 million. TIGTA estimates these taxpayers reduced their tax liability by \$9.8 million as a result of these deductions.

The IRS continues to experience increased demand for toll-free telephone assistance in response to the processing backlogs, including the toll-free Taxpayer Assistance Center (TAC) appointment line. TIGTA tested the IRS's ability to answer the TAC appointment line by attempting to call the appointment line 15 times. We were unable to speak with an assistor to schedule an appointment on 12 of the 15 call attempts. We found that taxpayers are not being transferred into the waiting queue but being disconnected.



TIGTA made seven recommendations: five related to the processing of alimony claims; and two related to improving customer service at TACs. The IRS agreed with two of TIGTA's alimony recommendations but neither of the TAC recommendations.

Increasing Domestic and International Tax Compliance and Enforcement

The IRS Has Not Adequately Prioritized Federal Civilian Employee Nonfilers

(Report Number 2023-30-011)

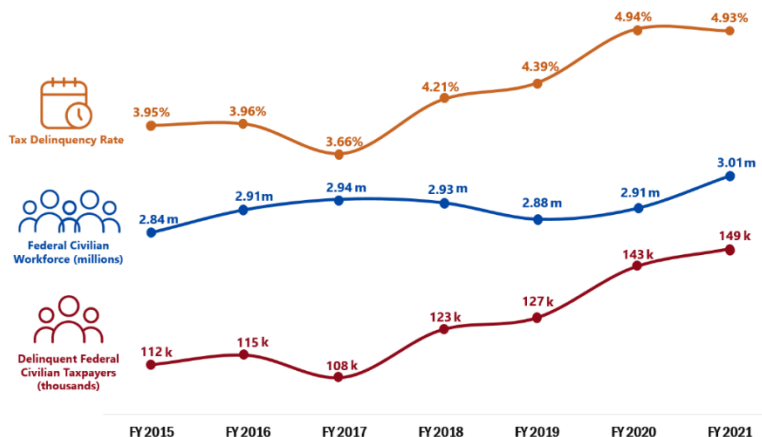
Like all taxpayers, Federal employees and retirees have a legal obligation to file tax returns and pay their taxes. However, Federal employees are held to a higher standard for a number of reasons, including that they draw their compensation and funds from Federal taxes.

As the agency primarily responsible for administering Federal tax law, the IRS must ensure that Federal employees comply with the tax law in order to maintain the public's confidence. In 1993, the IRS established the Federal Employee/Retiree Delinquency Initiative (FERDI) program to promote Federal tax compliance among current and retired Federal civilian and military employees.

The number of delinquent Federal civilian employees has increased by 32 percent from Fiscal Years (FYs) 2015 to 2021 (see Figure 4). In FY 2021, 149,000 Federal civilian employees owed \$1.5 billion in unpaid taxes.

Figure 4: Federal Civilian Delinquency Rates - FYs 2015 Through 2021⁴

The FERDI **tax delinquency rate** has steadily increased from FYs 2015 to 2021, with only FY 2017 showing a minor decrease. Although the **Federal civilian workforce** increased by 6 percent between FY 2015 and 2021, there was a 32 percent increase in the number of **delinquent Federal civilian taxpayers** during the same period.



Source: TIGTA's analysis of the IRS's FYs 2016 through 2021 FERDI Annual Reports.

TIGTA's analysis of FYs 2016 through 2020 FERDI data found that over 42,000 Federal civilian employees repeatedly failed to file a tax return for multiple years. While the IRS can identify and discipline its own tax delinquent employees, it cannot share with other Federal agencies their employees' return information because I.R.C. § 6103 generally protects the disclosure of taxpayer information.

⁴ In August 2022, the IRS provided TIGTA the final FY 2021 FERDI Annual Report.

The time the IRS dedicates to Federal employee nonfilers is minimal. In October 2021, during the course of TIGTA's review, IRS management started to dedicate one day per quarter for employees to work standalone FERDI nonfiler cases (an expansion from whenever collection representatives were available). Inadequate resources, challenges related to the pandemic, and management priorities led to backlogs and reduced workdays of FERDI nonfiler cases.

TIGTA made 11 recommendations to help the IRS address Federal nonfiler cases more efficiently and effectively. The IRS agreed with and provided planned corrective actions for 10 of the recommendations.

More Information Is Needed to Make Informed Decisions on Streamlined Applications for Tax Exemption ([Report Number 2023-10-001](#))

On July 1, 2014, the IRS released Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. The form is a simplified electronic application for smaller organizations to request and obtain exemption from Federal income tax as an organization described in I.R.C. § 501(c)(3) tax-exempt status.

Form 1023-EZ requires applicants to attest, rather than demonstrate, that they meet the requirements for I.R.C. § 501(c)(3) status. For example, Form 1023-EZ applicants are not required to submit their organizing documents to the IRS; they instead attest that they meet organizational requirements.

The majority of organizations seeking I.R.C. § 501(c)(3) tax-exempt status apply using the Form 1023-EZ application. In FY 2021, the IRS closed over 90,000 applications for I.R.C. § 501(c)(3) tax-exempt status and 75 percent of them were Form 1023-EZ applications.

Figure 5: Example of IRS Letter Granting Tax-Exempt Status to a Fictitious TIGTA-Created Entity

The image shows a sample IRS Letter 947. At the top left is the IRS logo and the text: "Department of the Treasury Internal Revenue Service Tax Exempt and Government Entities P.O. Box 2508 Cincinnati, OH 45201". To the right of this is the recipient's address: "PROJECT PROM DC 600 PENNSYLVANIA AVE SE 15590 WASHINGTON, DC 20003". On the far right is a list of details: "Date: 12/02/2021", "Employer ID number: 35-2724093", "Person to contact: Name: Customer Service ID number: 31954 Telephone: 877-829-5500", "Accounting period ending: December 31", "Public charity status: 170(b)(1)(A)(vi)", "Form 990 / 990-EZ / 990-N required: Yes", "Effective date of exemption: June 1, 2021", "Contribution deductibility: Yes", "Addendum applies: No", "DLN: 26053656006691". The main body of the letter starts with "Dear Applicant:" followed by a paragraph explaining the exemption under IRC Section 501(c)(3). It then states: "Organizations exempt under IRC Section 501(c)(3) are further classified as either public charities or private foundations. We determined you're a public charity under the IRC Section listed at the top of this letter." It continues with instructions about filing Form 990 or Form 990-EZ and the consequences of not filing. It also mentions that if an addendum applies, it is an integral part of the letter. At the bottom, it says "For important information about your responsibilities as a tax-exempt organization, go to www.irs.gov/charities. Enter '4221-PC' in the search bar to view Publication 4221-PC, Compliance Guide for 501(c)(3) Public Charities, which describes your recordkeeping, reporting, and disclosure requirements." The letter is signed "Sincerely, Stephen A. Martin, Director, Exempt Organizations Rulings and Agreements" with a handwritten signature above the name. At the bottom right, it says "Letter 947 (Rev. 2-2020) Catalog Number 35152P".

Source: IRS approval letter that TIGTA received after applying for tax-exempt status using a fictitious entity.

TIGTA determined that the information provided on the Form 1023-EZ is insufficient to make an informed determination about tax-exempt status and does not educate applicants about eligibility requirements for tax exemption. As a result, TIGTA was able to apply for and obtain I.R.C. § 501(c)(3) status for four of five nonexistent organizations (see Figure 5 example). The IRS correctly identified one of TIGTA’s fictitious applications as potentially ineligible and sent a request for additional documentation. TIGTA’s undercover testing illustrates vulnerabilities in the IRS’s tax-exempt status determination process.

The IRS relies on a Form 1023-EZ examination strategy to detect noncompliance after organizations are approved; however, less than 1 percent of tax-exempt organizations are examined each year. In addition, online guidance for the Form 1023-EZ is inaccurate. The online web page used to apply for tax-exempt status includes educational links to assist Form 1023-EZ applicants. However, one of the educational links takes the applicant to a web page containing inaccurate information for applicants using the Form 1023-EZ.

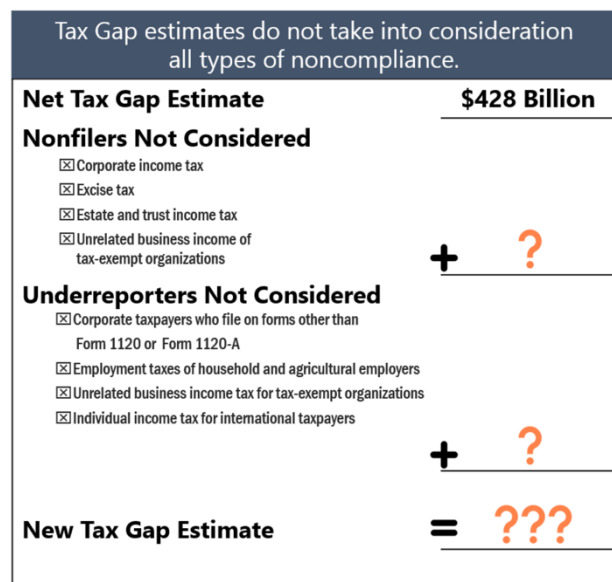
IRS management agreed with two of TIGTA’s four recommendations and will consider a third recommendation.

Actions Are Needed to Improve the Completeness, Development, and Review of IRS Tax Gap Estimates [\(Report Number 2023-10-016\)](#)

The Tax Gap provides an estimate of overall taxpayer noncompliance with Federal tax laws that occurred during a specified time period. In 2021, the Biden Administration and members of Congress expressed concerns about the size of the Tax Gap, suggesting revenue raised from narrowing the Tax Gap could help pay for various policy proposals. The topic also has been a matter of recent concern among members of Congress who held hearings to discuss the comprehensiveness and timeliness of the calculations used to produce the Tax Gap estimates. Interest in the Tax Gap demonstrates that these estimates can influence decisions about tax policy and have a significant effect on tax administration.

TIGTA found that the IRS’s Office of Research, Applied Analytics and Statistics (RAAS) has not developed estimates for certain aspects of the Tax Gap. Some sources of noncompliance may not be reflected in the Tax Gap estimates (see Figure 6). In addition, although the Tax Gap report identifies certain known limitations, it does not identify what actions, if any, are being taken to address other excluded areas of noncompliance, such as those associated with foreign activities and digital assets.

Figure 6:



Source: TIGTA analysis of the IRS’s Tax Gap data.

TIGTA also found that RAAS does not have documented policies or procedures for producing the Tax Gap estimates. We similarly noted that RAAS does not have written policies, procedures, or guidance to: 1) specify the frequency of issuing Tax Gap estimates; or 2) help RAAS analysts meet internal milestones for developing the Tax Gap estimates. In addition, TIGTA found that RAAS does not have formalized processes for internal or external review of its Tax Gap estimates. Internal reviews are performed at various points; however, these reviews are not documented and do not allow for any oversight.

IRS officials agreed with five of TIGTA's six recommendations and partially agreed with one. IRS management did not agree to develop consolidated, written policies and procedures but did agree to load the procedural documents and the code for running the Tax Gap estimation into a single project folder.

Opportunities Exist for the IRS to Develop a More Coordinated Approach to Examination Workplan Development and Resource Allocation ([Report Number 2023-30-008](#))

This report reviewed the process the IRS uses to allocate resources to the Examination functions. The IRS has four different business operating divisions that perform examination work: 1) Wage and Investment; 2) Small Business/Self-Employed; 3) Large Business and International; and 4) Tax Exempt and Government Entities. Each division covers different segments of taxpayers and performs various types of examinations.



TIGTA found that the IRS does not have a multiyear Examination Strategic Plan for allocating resources. The IRS has a general five-year strategic plan with broad goals for the agency; however, the strategic plan does not contain the detail needed for the different Examination functions to most effectively allocate resources.

TIGTA also reported that the IRS does not have a coordinated approach for developing an annual enterprise-wide Examination workplan that considers the various strategic and operational risks of all the Examination functions. Examination management from the four business operating divisions independently develop their annual workplans to determine how to allocate resources in their own work areas. TIGTA noted that the IRS would benefit from having an annual enterprise-wide Examination workplan, which would help to ensure a consistent, strategic approach and transparency for allocating resources in the Examination areas with the most significant needs.

In addition, we found the IRS does not use Tax Gap estimates to determine where Examination should allocate resources in its work planning. IRS management informed TIGTA that ongoing research on complex areas of noncompliance and planned future changes to the Tax Gap methodology should make the Tax Gap more useful for informing resource allocation decisions through enterprise examination planning.

TIGTA made four recommendations, and IRS management agreed with all four of the recommendations.

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

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



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 allegations of violations in these areas, and refers the findings to the U.S. Department of Justice or to State authorities for prosecution. We also refer allegations of violations involving IRS employee misconduct to IRS management.

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 effectively enforce tax laws. Employee misconduct can take many forms, such as: the misuse of IRS resources or authority;



theft; fraud; extortion; taxpayer abuse; unauthorized access to, and disclosure of, tax returns and return information; and identity theft.

During this reporting period, employee integrity investigations accounted for 38 percent of OI's work. OI conducted 262 employee misconduct investigations that were referred to the IRS for action. The IRS took action on 243 and closed 19 investigations without action.⁵

As part of its employee integrity focus, TIGTA also conducts proactive investigative initiatives to detect misconduct in the administration of IRS programs. During this reporting period, TIGTA initiated 15 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.

Addressing Employee Misconduct

The following cases represent OI's efforts to address employee misconduct during this six-month reporting period:⁶

Former IRS Employee Pleads Guilty to Selling Morphine and Contributing to Co-worker's Death

On February 21, 2023, in the Eastern District of California, Margarita Aispuro-Camacho pleaded guilty to illegally selling morphine and contributing to the death of her co-worker at the IRS. Aispuro-Camacho was a clerk at the IRS. In May 2020, she sold her own prescribed morphine pills to one of her co-workers. The next day, the co-worker died from an overdose of the morphine provided by Aispuro-Camacho, and other prescription drugs the co-worker obtained from other sources. At sentencing, Aispuro-Camacho faces 20 years' imprisonment and a \$1,000,000 fine.

IRS Employee Arrested for Stealing Government-Owned Vehicle

On January 11, 2023, in the Central District of California, Graham Hefner was arrested on one count of theft of IRS property. According to the court documents, on January 10, 2023, an IRS employee noticed the office's Government-owned vehicle was no longer in the parking lot. The same day, Hefner, a 13-year IRS employee, was seen in the office while on administrative "Leave Without Pay" status. On January 11, 2023, San Jacinto Sheriff's Department deputies stopped the Government-owned vehicle and identified Hefner as the driver. In a subsequent interview, Hefner admitted to taking the vehicle keys, the General Services Administration fuel card, and the vehicle for his personal use. If convicted, Hefner could receive a maximum term of 10 years in prison and a fine not to exceed \$10,000.

⁵ 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.

⁶ Facts in the summarized case narratives come from court documents of the jurisdiction named.

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:⁷

Former IRS Employee Found Guilty in Scheme to Defraud IRS and Commit Identity Theft

On January 26, 2023, in the Eastern District of California, Deena Vang Lee was found guilty of three counts of wire fraud, two counts of aggravated identity theft, five counts of aiding and assisting in the preparation and presentation of a false and fraudulent return, and three counts of making and subscribing a false and fraudulent tax return. Lee, who at certain times was an IRS employee, prepared and filed tax returns for other individuals that contained false and fraudulent statements, and filed false information regarding her taxable income on her personal tax returns. At sentencing, Lee faces a maximum of 20 years in prison and a \$250,000 fine for each of the wire fraud counts; three years in prison and a \$250,000 fine for each of the aiding and assisting in the preparation and presentation of a false and fraudulent return counts; three years in prison and a \$250,000 fine for each of the making and subscribing a false tax return counts; and a two-year mandatory minimum sentence and a \$250,000 fine for the aggravated identity theft counts.

Performance Area: Employee and Infrastructure Security

Threats and assaults directed at IRS employees, facilities, and infrastructure impede the effective and safe administration of the Federal tax system and the IRS's ability to collect tax revenue. OI receives referrals of all reports of threats, assaults, and forcible interference against IRS employees in the course of performing their official duties. TIGTA also actively pursues, investigates, and mitigates emerging threats to the IRS's ability to conduct Federal tax administration in cyberspace.



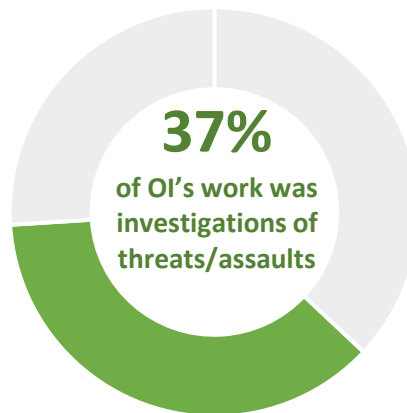
Contact with the IRS can be stressful and emotional for taxpayers. While the majority of taxpayer contacts are routine, some may become confrontational and even violent. TIGTA's special agents are statutorily mandated to provide physical security, known as "armed escorts," to IRS employees who have face-to-face contact with taxpayers who may pose a danger to the employee, and to ensure that IRS employees have a secure environment in which to perform their critical tax administration functions. During this six-month reporting period, OI provided eight armed escorts for IRS employees.

OI undertakes investigative initiatives to identify individuals who could commit violence against, or otherwise pose a threat to, IRS employees, facilities, or infrastructure. OI also provides intelligence to IRS officials to assist them in making proactive operational decisions

⁷ Facts in the summarized case narrative come from court documents of the jurisdiction named.

about potential violence or other activities that could pose a threat to IRS systems, operations, and employees.

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



During this six-month reporting period, employee and infrastructure security investigations accounted for 37 percent of OI's work.

The following cases represent OI's efforts to ensure the safety of IRS employees during the reporting period:⁸

IRS Employee Brandished Toy Gun at IRS Service Center

On January 31, 2023, in the District of Utah, Marc Bryner was charged by criminal complaint with two counts of providing a false statement during the attempted acquisition of a firearm. According to the court documents, in January 2023 Bryner made two attempts to purchase rifles from a firearms dealer. The firearms dealer did not finalize the transfer due to Bryner's erratic behavior, and because he appeared to be under the influence. On the same day as the second attempt to purchase a rifle, Bryner, who was employed as a tax examiner at the IRS, went to work, approached the security guard window, and brandished a toy gun. Bryner confirmed he attempted to purchase two rifles and stated he wanted an AR-15 rifle because the rounds could go "through a vest." If convicted, Bryner could receive up to 10 years' imprisonment.

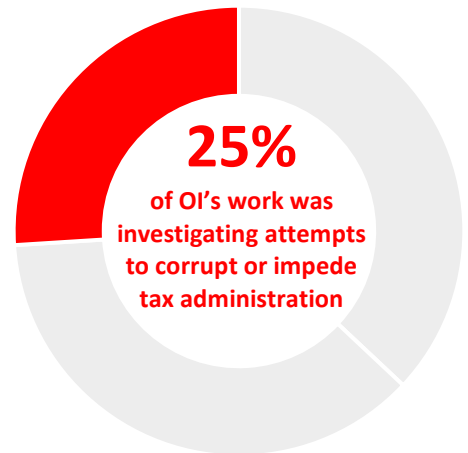
IRS Employee Pleads Guilty to Assaulting, Resisting, or Impeding Federal Officers

On January 4, 2023, in the Southern District of Texas, Ammar Bhatti pled guilty to one count of assaulting, resisting, or impeding Federal officers. Since March 29, 2021, Bhatti, an IRS employee, sent threatening and harassing emails and text messages to U.S. government officials. On June 2, 2021, Bhatti sent a threatening text message to numerous IRS employees stating the following, "Omw [On my Way] to POD [Post of Duty]. David Stay on site or die." During a subsequent interview, Bhatti told the investigating agents, "Your life will end in five minutes, enjoy your precious time." Bhatti was sentenced to three years' probation, and ordered to participate in a mental-health treatment program, and pay a \$25 special assessment.

⁸ Facts in the summarized case narratives come from court documents of the respective jurisdictions named.

Performance Area: External Attempts to Corrupt Tax Administration

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



During this reporting period, investigations into attempts to corrupt or impede tax administration accounted for 25 percent of OI's work.

The following cases represent OI's efforts in this area during the reporting period:⁹

Fighting Cybercrime

Massachusetts Man Sentenced for His Role in Paycheck Protection Program Fraud

On November 4, 2022, in the District of Massachusetts, Adley Bernadin was sentenced for one count of wire fraud for his role in Coronavirus Aid, Relief, and Economic Security Act, Paycheck Protection Program (PPP) fraud. According to the court documents, in April 2020, Bernadin obtained an Employer Identification Number (EIN) from the IRS for a home health care company. In May 2020, Bernadin submitted a fraudulent application for a PPP loan that falsely represented this company was in operation as of February 15, 2020, and had employees for whom it paid salaries and payroll taxes using the EIN that he had not obtained until April 2020. After receiving the PPP funds, Bernadin allegedly used the money to make home mortgage payments and write checks to individuals with whom he is believed to have a personal relationship. Bernadin was sentenced to 15 months' imprisonment, three years of supervised release, and ordered to pay \$229,704 in restitution.

Las Vegas Man Sentenced for Financial Fraud Associated With Misuse of IRS Systems

On January 4, 2023, in the District of Nevada, Jorge Abramovs was sentenced for one count of bank fraud, one count of monetary transactions in criminally derived property, and one count of willful failure to account for or pay over Federal Insurance Contribution Act (F.I.C.A.)

⁹ Facts in the summarized case narratives come from court documents of the respective jurisdictions named.

taxes. According to the court documents, beginning in April 2020, Abramovs submitted multiple PPP applications with numerous financial institutions. In order to obtain multiple PPP loans for the same company, Abramovs and others created multiple EINs with the IRS, using different company names, in order to obtain the EINs. Abramovs then used the various EINs on the loan applications and falsely claimed that they were associated with the relevant business. Abramovs was sentenced to five years in prison, followed by three years of supervised release. He was also ordered to pay restitution in the amount of \$2,508,831.

Impersonation Scams and Schemes

Las Vegas Tax Preparer Sentenced to Prison for Multiple Fraud Schemes, Including Filing False Tax Returns

On November 30, 2022, in the District of Nevada, King Isaac Umoren was sentenced to 13 years and three months in prison, and ordered to pay \$5,075,590 in restitution to the United States and the other victims for filing false tax returns, aggravated identity theft, wire fraud, money laundering, and impersonating an officer or employee of the United States. Umoren owned a tax preparation business where he prepared and filed with the IRS his clients' tax returns. Umoren included false deductions, included fictitious businesses, and used the names and the IRS Preparer Tax Identification Numbers of others without their knowledge. He also posed as a United States Government agent. Umoren induced a victim to purchase his tax preparation business by using fraudulent documents, including forged bank statements, fabricated return preparation fee reports, false personal tax returns, tax forms that had never been filed with the IRS, and stolen tax and personal identifying information of approximately 12,000 taxpayers who were not clients.

Mexican National Impersonates Internal Revenue Service Employee

On October 26, 2022, in the District of Nevada, Francisco Ivan Velazquez was arrested for wire fraud, impersonating an officer or employee of the United States, and aiding and assisting in the preparation of false tax returns. Velazquez appeared at meetings with victims and pretended to be an IRS employee. Velazquez told victims that funds were available from an IRS program that allowed people who previously lost a home to foreclosure to recoup money by applying to and filing certain documents with the IRS. Velazquez prepared and filed false tax returns that fraudulently claimed the victims were entitled to refunds in excess of \$100,000. Velazquez could receive up to 20 years in prison for each count of wire fraud and three years for each count of filing a false tax return and for impersonating an officer or employee of the United States. The court could also order Velazquez to pay a fine.

College Student Sentenced for Her Role in IRS Impersonation Scheme

On November 15, 2022, in the District of Kansas, Oyindamola Akinrinola was sentenced for conspiracy to commit wire fraud for her involvement in an IRS impersonation scheme. According to the court documents, between March 2018 and December 2019, Akinrinola and co-conspirators led victims to believe they won a \$130,000 grant and that FedEx would

deliver the money after a fee was paid. During the course of the scheme, victims received an image from a Facebook account claiming to be from the IRS, requesting \$15,000 before the grant funds could be released. Akinrinola later acknowledged that over \$162,000 in stolen funds were deposited into her bank account so she could keep a portion of the money for herself and send the remainder to Nigeria. Akinrinola was sentenced to six months' imprisonment, two years of supervised release, and ordered to pay \$52,202 in restitution.

Tax Preparer Outreach

New Jersey Attorney Indicted for Stealing From His IRS Offshore Voluntary Disclosure Program Clients

On January 11, 2023, in the District of New Jersey, James R. Lisa was indicted on three counts of wire fraud and four counts of aggravated identity theft. According to the U.S. Department of Justice press release, in 2014, Lisa was retained by a family to help repatriate millions of dollars that had been transferred by other family members to offshore bank accounts decades earlier. Lisa successfully repatriated more than \$6 million of the family's funds, but proceeded to falsely advise the family that the funds remained offshore. In 2016, Lisa sent the family fraudulent IRS documents reflecting an agreement with the IRS for the family to pay \$3 million in taxes and penalties for the repatriated funds. In 2018, Lisa sent the family fraudulent IRS documents reflecting another agreement with the IRS for the family to pay \$2 million in taxes and penalties because purportedly only \$4 million was purportedly repatriated. In fact, the IRS never entered into these agreements, and the IRS employees who purportedly signed the documents never did so. If convicted, each count of wire fraud carries a maximum of 20 years in prison and a fine not to exceed \$250,000. Each count of aggravated identity theft carries a mandatory statutory penalty of two years in prison, which must run consecutively to any other term of imprisonment, and a fine not to exceed \$250,000.

Advance Oversight of America's Tax System

TIGTA's Office of Inspections and Evaluations provides focused and expedited oversight to quickly assess emerging issues impacting tax administration and IRS operations. 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 multiagency issues; and
- Develop recommendations to streamline operations, enhance data quality, and minimize inefficient and ineffective procedures.

National Research Program Tax Return Selection Process for Tax Years 2017 and 2019 ([Report Number 2023-IE-R002](#))

The National Research Program (NRP) seeks to increase public confidence in the fairness of the tax system by helping the IRS identify where compliance problems occur so the IRS can efficiently and effectively utilize its resources to address those problems.

In July 2022, a media outlet reported that the process to select specific taxpayers for the TYs 2017 and 2019 NRP audits may not have been random. At the request of the Commissioner of Internal Revenue and representatives from Congress, TIGTA initiated this review to determine if the IRS randomly selected individual tax returns for TYs 2017 and 2019 NRP audits.



TIGTA found that for TYs 2017 and 2019, the RAAS organization in the IRS selected samples of

more than 10,900 tax returns for NRP audits. TIGTA's assessment of the original sample selection process concluded that the IRS randomly selected TYs 2017 and 2019 tax returns for NRP audits. Specifically, TIGTA found that RAAS determined and provided key decisions and information related to the tax return selection processes to the contractor prior to selecting tax returns.

Additionally, TIGTA found that computer programs: 1) categorized returns in the correct strata; 2) correctly selected tax returns for audit based on criteria for inclusion in the sample selection file; and 3) did not include malicious code that would force the selection of taxpayers for an NRP audit. TIGTA confirmed that the processes and computer programs worked as designed, which reduces the ability to select specific taxpayers for an NRP audit.

However, due to resource constraints, RAAS reduced the original samples of more than 10,900 returns to 4,000 tax returns for both TYs 2017 and 2019, hereafter referred to as the subsamples. RAAS deviated from the established return sample selection process when the subsamples were selected. Specifically, RAAS officials did not document the new seed numbers prior to initiating subsampling. Because the seed numbers were not selected independently and documented prior to initiating subsampling, there is a risk that the seed numbers used could have ensured that specific taxpayers from the original sample remained in the subsamples. TIGTA did not identify any IRS misconduct during the NRP review.

TIGTA did not make any recommendations for this review.

Investigations Statistical Reports

Significant Investigative Achievements (October 1, 2022, through March 31, 2023)

i	
Complaints Against IRS Employees	1,087
Complaints Against Non-Employees	1,351
Total Complaints/Allegations	2,438
Status of Complaints/Allegations Received by TIGTA	
Investigations Initiated	624
In Process Within TIGTA ¹⁰	390
Referred to IRS for Action	419
Referred to IRS for Information Only	320
Referred to a Non-IRS Entity ¹¹	0
Closed With No Referral	439
Closed Associated With Prior Investigation	119
Closed With All Actions Completed	127
Total Complaints/Allegations	2,438
Investigations Opened and Closed	
Total Investigations Opened	1,071
Total Investigations Closed	1,053
Financial Accomplishments	
Embezzlement/Theft Funds Recovered	\$506,093
Contract Fraud and Overpayments Recovered	\$0
Court-Ordered Fines, Penalties, and Restitution	\$54,286,526
Out-of-Court Settlements	\$0
Potentially Compromised by Bribery	\$0
Tax Liability of Taxpayers Who Threaten and/or Assault IRS Employees	\$3,804,816
IRS Assets and Resources Protected Against Malicious Loss	\$3,229
Total Financial Accomplishments	\$58,600,664

¹⁰ Complaints for which final determination had not been made at the end of the reporting period.

¹¹ 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	12	161	173
Referred – Declined for Prosecution	156	132	288
Referred – Pending Prosecutorial Decision	4	39	43
Total Criminal Referrals¹²	172	332	504
No Referral	217	313	530
Criminal Dispositions ¹³			
Criminal Disposition	Employee	Non-Employee	Total
Guilty (convicted)	1	6	7
Guilty (plea)	6	85	91
Nolo Contendere (no contest)	0	2	2
Pretrial Diversion	1	0	1
Deferred Prosecution ¹⁴	0	0	0
Not Guilty	0	0	0
Dismissed	2	8	10
Total Criminal Dispositions	10	101	111
Administrative Dispositions on Closed Investigations ¹⁵			
Removed/Terminated			17
Suspended/Reduction in Grade			15
Resigned/Retired/Separated Prior to Adjudication			60
Oral or Written Reprimand/Admonishment			44
Clearance Letter/Closed, No Action Taken			28
Alternative Discipline/Letter With Cautionary Statement/Other			31
Non-Employee Actions ¹⁶			260
Total Administrative Dispositions			455

¹² Criminal referrals include both Federal and State dispositions.

¹³ 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.

¹⁴ Generally, in a deferred prosecution, the defendant accepts responsibility for their actions and complies with certain conditions imposed by the court. Upon the defendant's completion of the conditions, the court dismisses the case. If the defendant fails to fully comply, the court reinstates prosecution of the charge.

¹⁵ 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.

¹⁶ 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	
Referred to the Department of Justice for Criminal Prosecution	412
Referred to State/Local Prosecuting Authorities	11
Number of Indictments and Criminal Informations	
Indictments	154
Criminal Informations	21

Source: TIGTA OI's Criminal Results Management System.

Interference

During the reporting period, there were no attempts by the IRS to interfere with the independence of TIGTA. Additionally, the IRS did not resist, object to oversight activities, or significantly delay access to information.

Instances of Whistleblower Retaliation

During the reporting period, there were no investigations of whistleblower retaliation.

Closed¹⁷ Investigations Involving IRS Senior Government Employees¹⁸

Detailed Description of the Facts and Circumstances of the Investigation ¹⁹	Disposition	Criminal Status	Date Referred	If Declined, Date of Declination
A senior Government employee allegedly sexually harassed several people.	Other	N/A	N/A	N/A
A senior Government employee allegedly physically assaulted a subordinate.	Other	N/A	N/A	N/A
A senior Government employee allegedly forged the name of an IRS employee on an IRS document.	Other	N/A	N/A	N/A
A senior Government employee allegedly provided preferential treatment to contacts.	Other	N/A	N/A	N/A
A senior Government employee was allegedly rude and unprofessional to a taxpayer.	Other	N/A	N/A	N/A

¹⁷ 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.

¹⁸ For this report, a “senior Government employee” refers to an officer or employee in the Executive branch who occupies a position classified at or above GS-15 of the General Schedule. 5 U.S.C. § 405(i)(7).

¹⁹ Investigations protected from disclosure by I.R.C. § 6103 are not reflected in this report.

Audit Statistical Reports

Audit Reports With Unimplemented Corrective Actions

The Inspector General Act requires the identification of any recommendations described in previous semiannual reports, including the potential cost savings of those recommendations for which corrective actions have not been completed. The following list is based on information from the Treasury Department’s Joint Audit Management Information System (JAMES).²⁰

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2016-40-028	March 2016	On Hold ²¹	<p>REVISING TAX DEBT IDENTIFICATION PROGRAMMING AND CORRECTING PROCEDURAL ERRORS COULD IMPROVE THE TAX REFUND OFFSET PROGRAM</p> <p><u>F-1, R-1</u>: 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.</p>
2017-40-037	May 2017	On Hold On Hold	<p>IMPROVEMENTS ARE NEEDED TO ENSURE THAT TAX ACCOUNTS ON THE AUTOMATED NON-MASTER FILE ARE ACCURATELY PROCESSED</p> <p><u>F-1, R-1</u>: 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 Taxpayer Identification Number (TIN) is an Employee Identification Number.</p> <p><u>F-1, R-2</u>: 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.</p> <p>Potential Increased Revenue: \$354,153</p>
2017-20-024	June 2017	12/15/23	<p>INFORMATION TECHNOLOGY: IMPROVEMENTS ARE NEEDED IN ENTERPRISE-WIDE DISASTER RECOVERY PLANNING AND TESTING</p> <p><u>F-2, R-1</u>: Reach consensus regarding the maximum tolerable downtime or recovery time objective for each mission-essential function.</p>
2017-40-038	July 2017	On Hold	<p>CASE SELECTION PROCESSES RESULT IN BILLIONS OF DOLLARS IN POTENTIAL EMPLOYER UNDERREPORTED TAX NOT BEING ADDRESSED</p> <p><u>F-3, R-1</u>: Establish a systemic process to match data fields to perfect unpostable Forms W-3, <i>Transmittal of Wage and Tax Statements</i>.</p>

²⁰ This summary data does not include recommendations that have been redacted in their entirety because they contain information specifically prohibited from disclosure in their entirety by any provision of law, such as I.R.C. § 6103, protecting tax returns and return information, or because they contain information the release of which could reasonably be expected to allow circumvention of the law.

²¹ Except where noted, recommendations designated as “On Hold” were agreed to by the IRS, but action was deferred pending the availability of funds.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2017-30-048	August 2017	On Hold	<p>ADDITIONAL CONTROLS ARE NEEDED TO HELP ENSURE THAT NONRESIDENT ALIEN INDIVIDUAL PROPERTY OWNERS COMPLY WITH TAX LAWS</p> <p><u>F-1, R-1</u>: 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.</p>
2017-40-085	September 2017	On Hold ²²	<p>FURTHER ACTIONS ARE NEEDED TO REDUCE THE RISK OF EMPLOYMENT TAX FRAUD TO BUSINESSES THAT USE THE SERVICES OF PROFESSIONAL EMPLOYER ORGANIZATIONS</p> <p><u>F-3, R-1</u>: 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.</p>
2018-40-010	January 2018	On Hold	<p>PROCESSES NEED TO BE IMPROVED TO IDENTIFY INCOMPLETE AND FRAUDULENT APPLICATIONS FOR INDIVIDUAL TAXPAYER IDENTIFICATION NUMBERS</p> <p><u>F-3, R-2</u>: 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).</p>
2018-40-013	February 2018	On Hold 04/15/23 On Hold	<p>ACTIONS ARE NEEDED TO REDUCE THE RISK OF FRAUDULENT USE OF EMPLOYER IDENTIFICATION NUMBERS AND TO IMPROVE THE EFFECTIVENESS OF THE APPLICATION PROCESS</p> <p><u>F-2, R-1</u>: Correct programming to reject Employer Identification Number applications when an Employer Identification Number has previously been assigned to the same sole proprietor and to reject applications when IRS data indicate that the sole proprietor is deceased.</p> <p><u>F-3, R-1</u>: Perform an assessment to determine how an additional field could be added to the Business Master File so that both the decedent Social Security Number and a responsible party TIN can be captured for estates and trusts.</p> <p><u>F-3, R-5</u>: Develop programming to reject estate applications if the decedent TIN is not that of a deceased individual.</p>
2018-20-034	June 2018	09/15/23	<p>ACTIVE DIRECTORY OVERSIGHT NEEDS IMPROVEMENT AND CRIMINAL INVESTIGATION COMPUTER ROOMS LACK MINIMUM SECURITY CONTROLS</p> <p><u>F-2, R-1</u>: Complete a cost analysis to: 1) determine the efficacy of relocating Criminal Investigation assets in each of the field offices to existing IRS computer rooms versus upgrading the Criminal Investigation 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.</p>

²² This recommendation was agreed to by the IRS, but was placed "On Hold" because the IRS is awaiting input from another agency.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2018-30-072	September 2018	On Hold	<p>IMPROVEMENTS ARE NEEDED IN THE WITHHOLDING COMPLIANCE PROGRAM</p> <p><u>F-3, R-2</u>: 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 under- withholding and the percentage of inventory that includes nonfilers.</p>
2019-40-044	August 2019	10/15/23	<p>BILLIONS OF DOLLARS OF POTENTIALLY ERRONEOUS CARRYFORWARD CLAIMS ARE STILL NOT BEING ADDRESSED</p> <p><u>F-1, R-2</u>: Identify and examine returns with discrepancies of General Business Credit carryforward claims.</p>
2019-40-048	August 2019	On Hold On Hold	<p>ADDITIONAL ACTIONS ARE NEEDED TO REDUCE ALIMONY REPORTING DISCREPANCIES ON INCOME TAX RETURNS</p> <p><u>F-2, R-1</u>: Include the validation of the alimony recipient TIN as part of the IRS's tax return processing systemic TIN validation process.</p> <p><u>F-2, R-2</u>: 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.</p>
2019-20-046	September 2019	09/15/23	<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 program application audit logs for the appropriate period and periodic review of the application audit logs by an independent source.</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>
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>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-40-009	February 2020	02/15/24	COMPLEXITY AND INSUFFICIENT OVERSIGHT OF THE FREE FILE PROGRAM RESULT IN LOW TAXPAYER PARTICIPATION F-1, R-2: Require Free File Inc. 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.
2020-20-022	June 2020	12/15/23	SOME CORRECTIVE ACTIONS TO ADDRESS REPORTED INFORMATION TECHNOLOGY WEAKNESSES WERE NOT FULLY AND EFFECTIVELY IMPLEMENTED AND DOCUMENTED F-1, R-3: 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.
2020-30-066	September 2020	On Hold ²³	THE INTERNAL REVENUE SERVICE CAN IMPROVE TAXPAYER COMPLIANCE FOR VIRTUAL CURRENCY TRANSACTIONS F-1, R-1: Continue efforts to close the virtual currency information gap by issuing guidance clarifying the proper information reporting associated with virtual currency transactions.
2021-40-008	December 2020	On Hold	EXPANSION OF SELF-CORRECTION FOR ELECTRONIC FILERS AND OTHER IMPROVEMENTS COULD REDUCE TAXPAYER BURDEN AND COSTS ASSOCIATED WITH TAX RETURN ERROR RESOLUTION F-4, R-2: Develop processes and procedures to retain and provide access to historical Error Resolution System data, including actions taken by tax examiners.
2021-45-017	February 2021	On Hold	ADDITIONAL SECURITY PROCESSES ARE NEEDED TO PREVENT UNAUTHORIZED RELEASE OF TAX INFORMATION THROUGH THE INCOME VERIFICATION EXPRESS SERVICE PROGRAM F-4, R-1: Allocate sufficient resources to the Income Verification Express Service Program to perform suitability checks that are consistent with other IRS programs at the time of enrollment and implement a continuous tax compliance check to ensure that they remain suitable for the program.
2021-25-025	May 2021	04/15/24	TAXPAYER FIRST ACT: DATA SECURITY IN THE IDENTITY THEFT TAX REFUND FRAUD INFORMATION SHARING AND ANALYSIS CENTER F-3, R-1: Ensure that the Information Sharing and Analysis Center's alternate processing site is converted to a ***** that achieves the maximum tolerable downtime to prevent any filing season delays. ²⁴

²³ This recommendation 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's sole control.

²⁴ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2021-30-033	June 2021	07/15/23	CRIMINAL RESTITUTION ASSESSMENT PROCEDURES NEED IMPROVEMENT <u>F-2, R-1</u> : Establish monitoring procedures to provide reasonable assurance that all interest and penalties incorrectly assessed to Restitution-Based Assessment accounts are removed.
2021-10-039	June 2021	06/30/23	CONTROLS OVER THE INTERNAL REVENUE SERVICE CONTRACTOR TAX CHECK PROCESS NEED TO BE IMPROVED <u>F-2, R-1</u> : Coordinate with the Treasury Suspension and Debarment Official to identify a required time frame and sample format for what information should be included in the reports that the IRS provides on contractors with Federal tax delinquencies. Revise the IRS Acquisition Policy Procedures, Guidance, and Information to specify a required time frame for the reporting to the Suspension and Debarment Official and include a sample reporting format to help ensure that all required information is included.
2021-30-042	August 2021	10/15/24	EFFORTS TO ADDRESS THE COMPLIANCE RISK OF UNDERREPORTING OF S CORPORATION OFFICERS' COMPENSATION ARE INCREASING, BUT MORE ACTION CAN BE TAKEN <u>F-3, R-2</u> : Evaluate the benefits of creating controls to identify invalid S corporations and mitigate the risk of noncompliance when shareholders are found to be nonresident aliens.
2021-20-059	September 2021	09/15/23	ENTERPRISE CASE MANAGEMENT DEPLOYED ITS INITIAL RELEASE, BUT PROCESS IMPROVEMENTS ARE NEEDED FOR FUTURE RELEASES <u>F-2, R-1</u> : Ensure that quantifiable metrics are in place to allow traceability of the ECM program progress from planning through decommissioning.
2021-20-063	September 2021	12/15/23	*****PLATFORM MANAGEMENT NEEDS IMPROVEMENT²⁵ <u>F-3, R-1</u> : Retire older ***** and migrate to more current ***** in accordance with the documented migration plan. ²⁶
2021-20-066	September 2021	08/15/23	THE DATA AT REST ENCRYPTION PROGRAM HAS MADE PROGRESS WITH IDENTIFYING ENCRYPTION SOLUTIONS, BUT PROJECT MANAGEMENT NEEDS IMPROVEMENT <u>F-2, R-1</u> : Ensure that data at rest is encrypted prior to being transferred from the IRS to the Private Collection Agencies.
2021-30-069	September 2021	05/15/23	FISCAL YEAR 2021 STATUTORY REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN ISSUING LEVIES <u>F-2, R-1</u> : Ensure that corrective programming is implemented so that the Automated Collection System will block levies for which the final Collection Due Process notice is reversed or disqualified.

²⁵ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

²⁶ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

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2022-10-003	October 2021	06/30/23	<p>FISCAL YEAR 2020 DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT REPORTING COMPLIANCE</p> <p>F-1, R-1: Implement the automated quality review program and use the results of the quality reviews to guide training focused on high error rate elements.</p>
2022-20-006	December 2021	09/15/23	<p>VULNERABILITY SCANNING AND REMEDIATION PROCESSES NEED IMPROVEMENT</p> <p>F-1, R-1: Establish an entity to oversee enterprise-wide vulnerability remediation to ensure that vulnerabilities are remediated within required time frames, the Plan of Action and Milestones and Risk-Based Decisions are documented as required, and vulnerability remediation metrics are reviewed and reported to appropriate leadership.</p>
2022-40-008	December 2021	12/15/25 12/15/25 12/15/25 12/15/25	<p>INCREASED AVAILABILITY OF TAX RESOURCES AND INFORMATION FOR LIMITED ENGLISH PROFICIENT AND VISUALLY IMPAIRED TAXPAYERS HAS ENHANCED ASSISTANCE, BUT ADDITIONAL IMPROVEMENTS ARE NEEDED</p> <p>F-4, R-1: Implement a more centralized and structured approach that includes an assessment of factors including high-volume notices and letters issued to taxpayers to ensure that frequently issued notices and letters as well as those that have significant impact on the taxpayer are translated into Spanish.</p> <p>F-5, R-2: Establish a process for Limited English Proficient (LEP) taxpayers to provide feedback on their experience using the Over-the-Phone Interpreter (OPI) service.</p> <p>F-5, R-3: Establish a customer satisfaction measurement system to assess the overall satisfaction with OPI service.</p> <p>F-6, R-1: Establish specific performance measures and goals to effectively assess the assistance provided to LEP and visually impaired taxpayers.</p>
2022-30-012	January 2022	10/15/23 10/15/23	<p>OVERSIGHT OF THE LOW-INCOME HOUSING TAX CREDIT PROGRAM CAN BE IMPROVED</p> <p>F-1, R-2: Establish an effective quality review system for the processing of Low Income Housing Tax Credit (LIHTC) forms received from the Housing Credit Agencies and building owners to identify areas requiring corrective action, employee training, or outreach.</p> <p>F-2, R-2: Determine the feasibility of establishing an examination selection process for taxpayers submitting questionable LIHTC claims on Forms 3800, <i>General Business Credit</i>, that do not correspond to supporting Forms 8609-A, <i>Annual Statement for Low-Income Housing Credit</i>, or pass-through Schedules K-1, <i>Partner's Share of Income, Deductions, and Credits</i>, etc.</p>
2022-40-013	January 2022	08/15/23 06/15/23 09/15/23	<p>ADMINISTRATION OF THE INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER PROGRAM</p> <p>F-1, R-1: Ensure that ITIN managers receive complete Real-Time System extracts for use in the monthly reviews to identify ITIN applications with duplicate entity information or supporting documents.</p> <p>F-1, R-5: Review the 5,298 tax returns that TIGTA identified for which the IRS incorrectly allowed retroactive credit claims and take steps to ensure that these erroneous benefits are recovered.</p> <p>Potential Funds Put to Better Use: \$5,634,868</p> <p>F-2, R-8: Ensure that the taxpayers associated with the 2,118 ITINs who had a tax return rejected because their ITIN was no longer valid receive the benefits to which they are entitled.</p>

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2022-10-014	February 2022	07/15/23	<p>EMPLOYEE PLANS EXAMINATION QUALITY REVIEW SCORES HAVE DECLINED, AND EFFORTS TO IDENTIFY TRENDS AND IMPLEMENT CORRECTIVE ACTIONS COULD BE IMPROVED</p> <p><u>F-1, R-6</u>: Ensure that Employee Plans Examinations' proposed corrective actions are implemented timely and should develop performance metrics and data collection methods to measure the effectiveness of the corrective actions to improve quality scores.</p>
2022-40-015	February 2022	02/15/24 06/15/23 12/15/24	<p>PLANS TO CLOSE THE AUSTIN TAX PROCESSING CENTER SHOULD BE HALTED UNTIL HIRING CHALLENGES AND SUBSTANTIAL BACKLOGS AT REMAINING CENTERS ARE ADDRESSED</p> <p><u>F-1, R-1</u>: Allocate adequate funding to support Submission Processing function's transition of its clerical staff to the new, higher-graded position descriptions.</p> <p><u>F-2, R-1</u>: Identify and implement interim solutions that will address the resource constraints currently being placed on the Submission Processing function due to its backlog.</p> <p><u>F-3, R-1</u>: Ensure that efforts to evaluate and purchase updated or new mail opening/sorting technology are timely addressed.</p>
2022-30-020	March 2022	10/15/23	<p>CENTRALIZED PARTNERSHIP AUDIT REGIME RULES HAVE BEEN IMPLEMENTED; HOWEVER, INITIAL NO-CHANGE RATES ARE HIGH AND MEASURABLE GOALS HAVE NOT BEEN ESTABLISHED</p> <p><u>F-2, R-1</u>: Implement a fully systemic method of monitoring and verifying pushouts to ensure that they are properly reported on partners' returns.</p>
2022-30-021	March 2022	11/15/23 11/15/23 11/15/23 11/15/23	<p>THE ADMINISTRATION OF PARTIAL PAYMENT INSTALLMENT AGREEMENTS NEEDS IMPROVEMENT</p> <p><u>F-1, R-1</u>: Inform taxpayers of the availability of Partial Payment Installment Agreements (PPIA) and provide outreach and information in the following areas: 1) tax topics and tips on the IRS public website; 2) instructions referencing PPIAs including what is required to qualify for a PPIA; and 3) collection notices.</p> <p><u>F-1, R-2</u>: Explore and consider additional potential changes to the instructions for Form 9465, <i>Installment Agreement Request</i>, concerning PPIAs.</p> <p><u>F-2, R-1</u>: Extend Accounts Management Services history note retention requirements pertaining to taxpayers' Forms 433-F, <i>Collection Information Statement</i>, and financial analyses.</p> <p><u>F-2, R-3</u>: Request a change to Computer Paragraph 522, Installment Agreement – Review Financial Condition, to notify taxpayers that the financial information that they provide may result in a higher or lower installment amount or no change to their installment amount.</p>

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2022-30-022	March 2022	10/15/23 08/15/23 08/15/23	<p>THE IRS PRIVATE DEBT COLLECTION PROGRAM HAS NOT EFFECTIVELY REPORTED ALL PROGRAM COSTS OR INCLUDED ADEQUATE DISCLOSURES</p> <p><u>F-1, R-1</u>: Address the growing balance of \$25.8 million in the Cost of Services Fund, disclose in its Annual Reports to Congress the net revenue sent from the Private Debt Collection (PDC) program to the General Fund, and determine the amount necessary to retain to pay the Private Collection Agencies without causing further growth in the Cost of Services Fund. Potential Funds Put to Better Use: \$25,763,453</p> <p><u>F-8, R-1</u>: Adjust the Special Compliance Personnel Fund by \$607,099 and disclose this in the next PDC and Special Compliance Personnel Program Annual Report to Congress. Potential Questioned Costs: \$607,099</p> <p><u>F-9, R-1</u>: Adjust the indirect costs by \$639,070 and disclose these adjustments in the next Annual Report to Congress.</p>
2022-40-024	March 2022	07/15/23 07/15/23 07/15/23	<p>RESULTS OF THE 2021 FILING SEASON</p> <p><u>F-1, R-2</u>: Review and correct the remaining 183 out of 191 cases that TIGTA identified and recover the Additional Child Tax Credit (ACTC) amounts that were issued in error. Potential Funds Put to Better Use: \$2,925,923</p> <p><u>F-1, R-3</u>: Review and correct the 14,030 tax returns for which the tax examiner did not allow the use of the Tax Year 2019 earned income to calculate the Earned Income Tax Credit (EITC) amount. Potential Funds Put to Better Use: \$485,415</p> <p><u>F-1, R-4</u>: Review and correct the 9,592 tax returns for which the tax examiner did not allow the Tax Year 2019 earned income to calculate the ACTC amount. Potential Funds Put to Better Use: \$1,523,473</p>
2022-10-025	March 2022	09/15/23 04/15/23 06/15/24 09/15/23	<p>IMPROVEMENTS ARE NEEDED WHEN DOCUMENTING AND MONITORING EMPLOYEE LEAVE</p> <p><u>F-1, R-1</u>: Ensure that the IRM and additional guidance available to employees and managers for requesting and approving Family and Medical Leave Act leave is clear and consistent.</p> <p><u>F-1, R-2</u>: Review the delivery methods of available training, guidance, and other resources to managers to ensure that managers comply with, and are aware of, the procedures for approving and administering leave options.</p> <p><u>F-2, R-2</u>: Update the manager's guidance for the Employee Performance File to be consistent with the revised records management guidance.</p> <p><u>F-3, R-1</u>: Revise the IRM so that it is consistent with U.S. Office of Personnel Management (OPM) guidance and the Manager's Guide to Penalty Determinations and clarifies the actions managers should take when employees are charged with Absence Without Leave.</p>

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2022-46-027	March 2022	09/15/23 06/15/23 10/15/24 06/15/23 06/15/23 10/15/24	<p>PROGRAM AND ORGANIZATIONAL CHANGES ARE NEEDED TO ADDRESS THE CONTINUED INADEQUATE TAX ACCOUNT ASSISTANCE PROVIDED TO TAXPAYERS</p> <p><u>F-2, R-1</u>: Evaluate establishing two distinct IRS programs as part of the IRS reorganization under the Taxpayer First Act – one dedicated to answering toll-free telephone calls and another dedicated to working Accounts Management inventory – with adequate staffing to provide appropriate service to taxpayers using each channel.</p> <p><u>F-3, R-3</u>: Complete a strategic review of all 10 Image Control Team (ICT) sites to determine what contributes to the ICT's inability to timely scan and validate documents.</p> <p><u>F-3, R-7</u>: Ensure that programming is updated to systemically reject electronic submissions of Forms 2848, <i>Power of Attorney and Declaration of Representative</i>, and 8821, <i>Tax Information Authorization</i>, when missing one of the five essential elements without manually mailing a rejection letter.</p> <p><u>F-3, R-9</u>: Develop an action plan to prioritize the continued expansion of documents that can be sent in via electronic fax and converted into a Correspondence Imaging System image.</p> <p><u>F-3, R-10</u>: Identify priority work that needs to be expedited by the ICT and assess the feasibility of creating an electronic fax number to receive this inventory.</p> <p><u>F-4, R-4</u>: Develop a process to systemically pull all controlled inventory for each Accounts Management site for the Accounts Management Inventory Report to ensure consistency, reduce human error, and increase efficiencies.</p>
2022-15-031	March 2022	06/15/23	<p>REDESIGN EFFORTS FOR MOST TAXPAYER FIRST ACT SECTION 1302 REQUIREMENTS WERE PLANNED OR COMPLETED; HOWEVER, IMPLEMENTATION SCHEDULES AND REORGANIZATION PLANS NEED TO BE FINALIZED</p> <p><u>F-1, R-1</u>: Ensure that requests for organizational change are properly prepared, submitted, and approved prior to implementing any additional changes to the IRS's organizational structure.</p>
2022-27-028	May 2022	06/30/23 09/15/24	<p>THE CHILD TAX CREDIT UPDATE PORTAL WAS SUCCESSFULLY DEPLOYED, BUT SECURITY AND PROCESS IMPROVEMENTS ARE NEEDED</p> <p><u>F-3, R-2</u>: Ensure that formal documentation is created that shows that all the privacy controls applicable to the Secure Access Digital Identity (SADI) system are properly selected, implemented, and assessed.</p> <p><u>F-5, R-1</u>: Ensure that all Child Tax Credit Update Portal and SADI system associated Plans of Actions and Milestones are completed timely based on IRS-defined timelines and processes.</p>
2022-46-032	May 2022	10/15/23 10/15/23	<p>PROCESSING OF RECOVERY REBATE CREDIT CLAIMS DURING THE 2021 FILING SEASON</p> <p><u>F-1, R-1</u>: Review the returns that TIGTA identified and provide the corrective actions that the IRS intends to take.</p> <p><u>F-1, R-3</u>: Review the returns that TIGTA identified and take the actions necessary to ensure that taxpayers receive the amount of the Recovery Rebate Credit they are entitled to receive.</p> <p>Potential Funds Put to Better Use: \$217,927,531</p>

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2022-40-036	May 2022	03/15/24	<p>A SERVICE-WIDE STRATEGY IS NEEDED TO ADDRESS CHALLENGES LIMITING GROWTH IN BUSINESS TAX RETURN ELECTRONIC FILING</p> <p><u>F-1, R-1</u>: Develop a Service-wide strategy to incorporate all forms for e-filing. This strategy should include processes and procedures to compile an accurate and comprehensive list of forms not available for e-filing along with prioritization and specific timelines for the continued addition of forms for e-filing.</p>
2022-10-043	August 2022	06/15/23 06/15/23	<p>REVIEW OF THE INDEPENDENT OFFICE OF APPEALS COLLECTION DUE PROCESS PROGRAM</p> <p><u>F-1, R-1</u>: Reinforce the existing procedures for Appeals personnel to ensure that the correct Collection Statute Expiration Dates (CSED) are posted to taxpayer accounts.</p> <p><u>F-1, R-2</u>: Update the inaccurate suspension dates for the 18 taxpayer cases that TIGTA identified with CSED errors.</p>
2022-35-049	August 2022	07/15/24 02/15/25 07/15/24	<p>COMPLIANCE EFFORTS ARE NEEDED TO ADDRESS REFUND CLAIMS REPORTED ON FORM 1139 THAT ARE BASED ON THE CARES ACT NET OPERATING LOSS CARRYBACK PROVISIONS</p> <p><u>F-1, R-1</u>: Track and monitor examination results for the 25 “still open” examinations of Forms 1120, <i>U.S. Corporation Income Tax Return</i>, with reported net operating losses (NOL) and an associated Form 1139, <i>Corporation Application for Tentative Refund</i>, excluding Joint Committee Refund cases which currently have specific monitoring requirements in place.</p> <p><u>F-1, R-2</u>: Use the examination results from Recommendation 1 to assess whether to increase the number of examinations of Forms 1120 with reported NOL and an associated Form 1139.</p> <p><u>F-2, R-1</u>: Review the examination results and computations of proposed NOL adjustments for the 25 “still open” Form 1120 examinations with associated Forms 1139, excluding Joint Committee Refund cases which currently have specific review requirements in place, to determine if the interim guidance regarding NOLs is being properly followed.</p>
2022-46-059	August 2022	10/15/23 12/15/23	<p>DELAYS CONTINUE TO RESULT IN BUSINESSES NOT RECEIVING PANDEMIC RELIEF BENEFITS</p> <p><u>F-2, R-1</u>: Review the 928 business entities identified that do not appear to qualify as a recovery startup business and take actions needed to recover the Employee Retention Credits that are determined to be erroneous.</p> <p><u>F-3, R-5</u>: Submit a request for the development of a systemic process to identify Form 941-X, <i>Adjusted Employers QUARTERLY Federal Tax Return or Claim for Refund</i>, claims that meet referral criteria and alert the Accounts Management employee when processing these claims of the need to refer the return to Examination.</p>
2022-10-046	September 2022	10/15/23 10/15/23	<p>THE PROCESS FOR TRACKING PHYSICAL SECURITY WEAKNESSES IDENTIFIED IN IRS FACILITIES DOES NOT ENSURE THAT VULNERABILITIES ARE PROPERLY ADDRESSED</p> <p><u>F-1, R-1</u>: Ensure that countermeasure recommendations, approvals or denials, implementation decisions and actions, risk acceptance decisions, and the associated cost of countermeasure implementation are adequately tracked and maintained in a central location.</p> <p><u>F-1, R-3</u>: Ensure that all recommended countermeasures identified in the most recent risk assessment for each facility are tracked until a new risk assessment is completed using the new countermeasure tracking mechanism.</p>

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2022-20-050	September 2022	04/15/23 07/15/23	<p>MAINFRAME PLATFORM CONFIGURATION COMPLIANCE CONTROLS NEED IMPROVEMENT</p> <p><u>F-1, R-3</u>: Ensure that the weighted configuration compliance scores include the results of completed *****.²⁷</p> <p><u>F-1, R-7</u>: Ensure that agency procedures are updated to include checklist adjudication requirements for the mainframe platforms.</p>
2022-20-052	September 2022	10/15/24 09/15/23	<p>CLOUD SERVICES WERE IMPLEMENTED WITHOUT KEY SECURITY CONTROLS, PLACING TAXPAYER DATA AT RISK</p> <p><u>F-1, R-1</u>: Expedite full implementation of the cloud security control infrastructure *****.²⁸</p> <p><u>F-1, R-2</u>: Develop an implementation plan for selected cloud capability gaps relating to identity and access management, data and infrastructure protection, continuous security monitoring, and program management.</p>
2022-20-053	September 2022	06/15/23	<p>THE END-USER INCIDENT MANAGEMENT PROCESS CAN BE IMPROVED</p> <p><u>F-1, R-1</u>: Ensure that incident ticket handling requirements are followed including selecting specific codes related to the issues, documenting actions taken including the reason for reassignments, and obtaining user concurrence before closing the incident ticket.</p>
2022-20-055	September 2022	06/15/23	<p>IMPROVEMENTS ARE NEEDED FOR AN EFFECTIVE USER BEHAVIOR ANALYTICS CAPABILITY</p> <p><u>F-2, R-1</u>: Ensure that the User Behavior Analytics Capability team implements a process to document feedback from stakeholders on referred incidents.</p>
2022-46-057	September 2022	01/15/29	<p>DELAYS IN MANAGEMENT ACTIONS CONTRIBUTE TO THE CONTINUED TAX PROCESSING CENTER BACKLOGS</p> <p><u>F-4, R-1</u>: Ensure that the various products and IRS.gov landing pages are updated to reflect acceptable methods for faxing information to the IRS.</p>

²⁷ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

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2022-30-058	September 2022	10/15/23 10/15/23 09/15/23 04/15/23	<p>FISCAL YEAR 2022 STATUTORY REVIEW OF DISCLOSURE OF COLLECTION ACTIVITY WITH RESPECT TO JOINT RETURNS</p> <p><u>F-1, R-1</u>: Update the Office of Appeals IRM to provide guidance on what collection activity must be disclosed and what collection activity must not be disclosed to taxpayers who jointly filed returns, whether they are married, divorced, or separated and whether or not they have mirrored accounts.</p> <p><u>F-1, R-2</u>: Require I.R.C. §§ 6103(e)(7) and (e)(8) refresher training for all appeals officers and settlement officers in Appeals regarding employee requirements to disclose collection activity on jointly filed returns when requested from individuals who are no longer married or no longer reside in the same household, whether or not they have mirrored accounts, and the nondisclosure of prohibited taxpayer information.</p> <p><u>F-1, R-3</u>: Update the Taxpayer Advocate Service’s (TAS) IRM 13.1.18, <i>Resolving TAS Cases</i>, to provide a cross-reference to IRM 13.1.16, <i>Receipt and Assignment of TAS Cases</i>, which contains commonly encountered scenarios, explaining what collection activity must be disclosed to taxpayers who jointly filed returns, whether they are married, divorced, or separated and whether or not they have mirrored accounts.</p> <p><u>F-1, R-4</u>: Require I.R.C. §§ 6103(e)(7) and (e)(8) refresher training for all case advocates and intake advocates in the TAS regarding employee requirements to disclose collection activity on jointly filed returns when requested from individuals who are no longer married or no longer reside in the same household, whether or not they have mirrored accounts, and the nondisclosure of prohibited taxpayer information.</p>
2022-30-061	September 2022	06/15/24 06/15/24 06/15/24	<p>FISCAL YEAR 2022 STATUTORY REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN ISSUING LEVIES</p> <p><u>F-1, R-3</u>: Ensure that the necessary programming changes are made to address the recommendations made in last year’s review.</p> <p><u>F-2, R-1</u>: Monitor the average processing time of Collection Due Process hearing requests and, if warranted, outline and make recommendations to revise procedures and/or develop automation tools to ensure the timely input of the transaction code.</p> <p><u>F-3, R-1</u>: Ensure that corrective programming is implemented so that the Integrated Collection System (ICS) looks for existing Centralized Authorization File (CAF) information, updates the system accordingly, and notifies the revenue officer when there is a discrepancy between the Power Of Attorney information in the ICS and the CAF.</p>
2022-34-062	September 2022	10/15/23 10/15/23 10/15/23	<p>ADDITIONAL ACTIONS ARE NEEDED TO ENSURE COMPLIANCE WITH THE SECTION 965 REPATRIATION TAX</p> <p><u>F-2, R-1</u>: Revise the CP56 and CP256 notices to add more information on how the Section 965 installment payments should be made.</p> <p><u>F-2, R-2</u>: Ensure that any business requirements developed by the “Section 965 Core Team” systemically identify all Section 965 payments that are applied to TY 2019 or later tax modules so they can be evaluated to determine if they were correctly processed.</p> <p><u>F-3, R-2</u>: Develop procedures to identify S Corporation shareholders who made an election under Section 965(i) and who did not annually submit the Form 965-A, <i>Individual Report of Net 965 Tax Liability</i>, or did not report the correct amount of the Section 965 deferral on the Form 965-A.</p> <p>Potential Increased Revenue: \$6,265,523</p>

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2022-20-065	September 2022	10/15/24 10/15/23 10/15/23 05/15/23 08/20/23	<p>THE IRS NEEDS TO IMPROVE ITS DATABASE VULNERABILITY SCANNING AND PATCHING CONTROLS</p> <p><u>F-1, R-1</u>: Ensure that *****²⁹ is performed on all IBM mainframe databases.</p> <p><u>F-2, R-1</u>: Ensure that *****³⁰ are performed on the cloud systems when possible.</p> <p><u>F-2, R-2</u>: Ensure that the IRS provides oversight to cloud service providers and obtains detailed scan results so the IRS can assess the database vulnerabilities.</p> <p><u>F-3, R-1</u>: Ensure that IRS policy is followed and create Plans of Action and Milestones for unresolved issues from *****³¹.</p> <p><u>F-4, R-1</u>: Ensure that databases are patched or upgraded to the latest version or appropriately document risk acceptance with a risk-based decision or Risk Acceptance Form and Tool.</p>
2022-30-067	September 2022	05/31/23 05/31/23	<p>FISCAL YEAR 2022 STATUTORY AUDIT OF COMPLIANCE WITH LEGAL GUIDELINES RESTRICTING THE USE OF RECORDS OF TAX ENFORCEMENT RESULTS</p> <p><u>F-1, R-1</u>: Ensure that the 12 RRA 98 § 1204(a) violations identified by TIGTA are discussed with the responsible managers to ensure that the managers understand the guidelines related to the use of the records of tax enforcement results.</p> <p><u>F-1, R-2</u>: Ensure that the four self-assessments that contained high-risk terms and phrases are discussed with the responsible employees and their managers so they understand IRS policy that these terms should not be used in self-assessments.</p>

²⁹ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

³⁰ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

³¹ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

Inspections and Evaluations Statistical Reports

Evaluation Reports With Unimplemented Corrective Actions

The Inspector General Act requires identification of recommendations described in previous semiannual reports, including the potential cost savings of those recommendations, for which corrective actions have not been completed. The following list is based on information from the Treasury Department’s Joint Audit Management Enterprise System (JAMES).

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2021-IE-R001	March 2021	06/30/23	<p>OVERSIGHT OF REPORTED SEXUAL HARASSMENT ALLEGATIONS NEEDS IMPROVEMENT</p> <p><u>F-2, R-3</u>: Review all relevant policies and procedures and ensure that guidance on how to address sexual harassment allegations is available to all employees.</p>

Appendix I

Other Reports

The Inspector General Act requires Inspectors General to address the following issues for the Offices of Audit and Inspections and Evaluations:³²

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, 2023, there were no attempts to interfere with the independence of TIGTA or 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, 2023, 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, 2023, 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, 2023, there were no prior reports for which management's response was not received within 60 days of issuance.</p>
<p>Management Decisions Issued in the Current Reporting Period For Any Reports Issued in a Prior Reporting Period</p> <p>Provide a summary of reports issued before the beginning of the current reporting period for which a management response was received during the current reporting period.</p>	<p>As of March 31, 2023, there were no reports issued during the prior reporting period for which management's response was received during the current reporting period.</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, 2023, there were no reports that were closed and 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 85 proposed regulations and legislative requests during this reporting period.</p>

³² Results listed are for this reporting period only.

Appendix II

Audit Products

Issued October 1, 2022, through March 31, 2023³³

Report Title	Report Number/ Link ³⁴
October 2022	
More Information Is Needed to Make Informed Decisions on Streamlined Applications for Tax Exemption	2023-10-001
November 2022	
More Should Be Done to Increase Use and Availability of the IRS's Taxpayer Digital Communication Tools	2023-30-003
Controls to Prevent and Recover From Ransomware Attacks Were Generally Effective	2023-20-002
December 2022	
Procedural Changes and Training Could Improve the Processing of Proposed Denied Applications for Tax Exemption	2023-10-004
Backlogs of Tax Returns and Other Account Work Will Continue Into the 2023 Filing Season	2023-46-007
Fiscal Year 2023 Biannual Independent Assessment of Private Collection Agency Performance	2023-30-005
January 2023	
Review of the Internal Revenue Service's Purchase Card Violations Report and the Status of Recommendations	2023-10-012
February 2023	
Opportunities Exist for the IRS to Develop a More Coordinated Approach to Examination Workplan Development and Resource Allocation	2023-30-008
Actions Have Been Taken to Implement Taxpayer First Act Provisions Related to the IRS Independent Office of Appeals; However, Some Improvements Are Still Needed	2023-15-010
Improvements to the Employment Tax Examination Process Are Needed to Increase Taxpayer Compliance and Collection Potential	2023-30-009

³³ Unless otherwise noted, IRS management decisions were made by the end of the reporting period for all audit products listed in this appendix.

³⁴ Dollar values for any recommendations with Questioned Costs and/or Funds Put to Better Use are available in the Outcome Measure Appendix of the report linked, if applicable.

March 2023	
The IRS Has Not Adequately Prioritized Federal Civilian Employee Nonfilers	2023-30-011
Additional Actions Are Needed to Improve and Secure the Income Verification Express Service Program	2023-45-014
Additional Actions Could Improve the Quality and Productivity of Employment Tax Examinations of Federal, State, and Local Governments	2023-10-015
The IRS Implemented the Business Entitlement Access Request System; However, Improvements Are Needed	2023-20-013
Actions Are Needed to Improve the Completeness, Development, and Review of IRS Tax Gap Estimates	2023-10-016
The Enterprise Case Management System Did Not Consistently Meet Cloud Security Requirements	2023-20-018
The IRS Eliminated Its Employee Suggestion Program Without Plans for a Replacement	2023-30-020
Significant Progress Has Been Made Implementing the Taxpayer First Act	2023-15-022
Results of the 2022 Filing Season	2023-40-021

Appendix III

Inspections and Evaluations Products

Issued October 1, 2022, through March 31, 2023³⁵

Report Title	Report Number/ Link ³⁶
October 2022	
Physical Security Controls at the ***** ³⁷	2023-IE-R001
November 2022	
National Research Program Tax Return Selection Process for Tax Years 2017 and 2019	2023-IE-R002
January 2023	
Inflation Reduction Act: Assessment of the Internal Revenue Service Implementation Efforts	2023-IE-R003

³⁵ Unless otherwise noted, IRS management decisions were made by the end of the reporting period for all audit products listed in this appendix.

³⁶ Dollar values for any recommendations with Questioned Costs and/or Funds Put to Better Use are available in the Outcome Measure Appendix of the report linked, if applicable.

³⁷ Redaction due to subject matter that might create security risk if publicly released.

Appendix IV

TIGTA's Statutory Reporting Requirements

The following table reflects the FY 2023 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.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
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.	Memorandum to IRS; Mar. 2023 TIGTA's review of taxpayer accounts on both the Individual and Business Master Files showed that the IRS did not reintroduce past Illegal Tax Protester codes or similar designations on taxpayer accounts during the review period of October 1, 2021 through June 30, 2022. Since our first review in FY 1999, when the IRS removed the Illegal Tax Protester code from the Master File, TIGTA has not identified any uses of the code or any other coding of a similar designation on the Master File.
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 29.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Administrative or Civil Actions With Respect to the Tax Collection Practices Act of 1996</p> <p>I.R.C. § 7803(d)(1)(G)</p> <p>I.R.C. § 6304</p> <p>RRA 98 § 3466</p>	<p>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.</p>	<p>Fieldwork currently in process.</p>
<p>Denials of Requests for Information</p> <p>I.R.C. § 7803(d)(1)(F)</p> <p>I.R.C. § 7803(d)(3)(A)</p>	<p>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).</p>	<p>Fieldwork currently in process.</p>
<p>Adequacy and Security of the Technology of the IRS</p> <p>I.R.C. § 7803(d)(1)(D)</p>	<p>Requires TIGTA to evaluate the IRS's adequacy and security of its technology.</p>	<p><u>Information Technology Reviews:</u> Report No. 2023-20-013; Mar. 2023</p> <p><u>Security Reviews:</u> Report No. 2023-20-002; Nov. 2022 Report No. 2023-20-018; Mar. 2023</p>
<p>Government Charge Card Abuse Prevention Act of 2012</p> <p>Pub. L. No. 112-194, 126 Stat. 1445 (codified as amended at 5 U.S.C. § 5701 note, 10 U.S.C. § 2784, and 41 § U.S.C. 1909)</p>	<p>Requires TIGTA to report on the IRS's progress in implementing purchase and travel card audit recommendations.</p>	<p>Report No. 2023-10-012; Jan. 2023 TIGTA's review of the IRS's purchase card program found that controls are generally effective, and the number of purchase card violations identified by the IRS Credit Card Services Branch were minimal and generally for nominal amounts.</p>
<p>Improper Payments Elimination and Recovery Act of 2010</p> <p>31 U.S.C. § 3321</p>	<p>Requires TIGTA to assess the IRS's compliance with improper payment requirements.</p>	<p>Fieldwork currently in process.</p>

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Fixing America's Surface Transportation Act</p> <p>Pub. L. No. 114-94, 129 Stat. 1312 (2015)</p>	<p>Requires TIGTA to perform an independent biannual assessment of private collection agency performance.</p>	<p>Report No. 2023-30-005; Dec. 2022</p> <p>During the second contract negotiation process, the IRS did not assign any new accounts to the private collection agencies for almost nine months. Two contractors from the first contract were not selected for the second contract, and payment arrangements that were set up by these contractors were summarily cancelled at the end of the first contract, causing burden to those taxpayers. Additionally, the Taxpayer First Act contains adjustments to private collection agency case inventory intended to protect certain low-income taxpayers from being subject to private collection agency collections. However, TIGTA identified 14,141 taxpayers with new tax years assigned to the private collection agencies on or after January 1, 2021, whose low incomes should have resulted in the IRS recalling their accounts.</p>

Appendix V

Inspector General Peer Review Activity

This appendix implements § 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act.³⁸

For the period October 1, 2022 – March 31, 2023:

Peer Reviews Conducted of TIGTA by Another Office of Inspector General

- A peer review of TIGTA was not conducted during the reporting period.

Outstanding Recommendations From Peer Reviews of TIGTA

- There are no outstanding recommendations from peer reviews of TIGTA.

Peer Reviews Conducted by TIGTA

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

Outstanding Recommendations From Peer Reviews Conducted by TIGTA

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


³⁸ Pub. L. 111-203, 124 Stat. 1376, 1945-46 (2010) (codified at 5 U.S.C. § 405(a)(8)-(10)).

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, 2022, through March 31, 2023. Also, data concerning substantiated RRA 98 § 1203 allegations for the same period are included. See Appendix VII for § 1203 Standards. IRS management conducted inquiries into the cases reflected in these tables.

Internal Revenue Service Memorandum



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

HUMAN CAPITAL OFFICE

April 5, 2023

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: Gerald Larkins Gerald Larkins | 2024-04-05 10:00:00 AM
Acting Director, Labor/Employee Relations and Negotiations (LERN)

SUBJECT: Input for the Treasury Inspector General for Tax Administration (TIGTA) Semiannual Report to Congress

In response to your memorandum dated January 11, 2023, 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, 2022, through March 31, 2023.

- 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)

The attached tables contain information about:

- Alleged misconduct reported to IRS managers
- Disposition of the allegations resolved during the period
- Status of the inventory as of March 31, 2023

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.

The Summary of Substantiated Section 1203 Allegations contains information on the disposition of substantiated Section 1203 allegations. During this period, IRS managers substantiated 122 Section 1203 allegations and removed 12 employees as a result. The remaining 110 substantiated allegations are still in the adjudication process.

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If you have any questions, please contact Mary Cummings, Associate Director, LERN Program Execution Office (240) 613-6414.

Attachments (3)

cc: Danny Werfel, Commissioner of Internal Revenue
Doug O'Donnell, Deputy Commissioner Services and Enforcement
Jeffrey Tribiano, Deputy Commissioner Operations Support
Terry Lemons, Chief, Communications & Liaison
Mark Kaizen, Associate Chief Counsel (GLS)
David Aten, IRS Human Capital Officer

The Following Tables Are Provided by the IRS:

Report of Employee Misconduct by Disposition Groups

Disposition	Administrative Case	Employee Character Investigation	Employee Tax Compliance Case	TIGTA Report of Investigation	Totals
REMOVAL (PROBATION PERIOD COMPLETE)	55	0	9	25	89
REMOVAL AT OPM DIRECTION	0	12	0	0	12
PROBATION/SEPARATION	271	11	0	9	291
SEPARATION OF TEMPORARY EMPLOYEE	0	0	0	0	0
RESIGNATION, RETIREMENT, ETC. (REASON NOTED ON SF50)	37	0	4	11	52
RESIGNATION, RETIREMENT, ETC. (REASON NOT NOTED ON SF50)	90	0	17	24	131
SUSPENSION, 14 DAYS OR LESS	72	0	15	23	110
SUSPENSION, MORE THAN 14 DAYS	17	0	6	12	35
INDEFINITE SUSPENSION	4	0	0	0	4
REPRIMAND	74	0	23	29	126
ADMONISHMENT	109	0	102	34	245
WRITTEN COUNSELING	74	9	134	41	258
ORAL COUNSELING	21	0	7	0	28
ALTERNATIVE DISCIPLINE: IN LIEU OF REPRIMAND	8	0	0	0	8
ALTERNATIVE DISCIPLINE: IN LIEU OF SUSPENSION	10	0	5	0	15
CLEARANCE LETTER	42	0	9	21	72
CLOSED WITHOUT ACTION CAUTIONARY LETTER	95	115	112	37	359
CLOSED WITHOUT ACTION LETTER	44	11	25	28	108
TERMINATION FOR ABANDONMENT OF POSITION	8	0	0	0	8
CASE SUSPENDED PENDING EMPLOYEE RETURN TO DUTY	0	0	0	0	0
PROSECUTION PENDING FOR TIGTA'S ROI	0	0	0	0	0
CLOSED - SUPPLEMENTAL REQUESTED	0	0	0	0	0
FORWARDED TO TIGTA	23	0	0	0	23
TOTAL	1,054	158	468	294	1,974

Source: ALERTS (extract date: April 1, 2023). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

Report of Employee Misconduct National Summary

Inventory Case Type	Open Inventory	Conduct Cases Received	Cases Closed			Ending Inventory
			Conduct Issues	Cases Merged With Other Cases	Non-Conduct Issues	
Administrative Case	1,106	1,172	1,218	31	6	1,023
Employee Character Investigation	78	212	194	0	0	96
Employee Tax Compliance Case	645	595	520	21	0	699
TIGTA Report of Investigation	380	385	387	0	0	378
Total	2,209	2,364	2,319	52	6	2196

Source: ALERTS (extract date: April 5, 2023). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

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

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	0	0	0	0	0	0	0
1203(b)(3): CIVIL RIGHTS/CONSTRUCTIVE VIOLATION	0	0	0	0	0	0	0
1203(b)(4): CONCEALED WORK ERROR	0	0	0	0	0	0	0
1203(b)(6): I.R.C./IRM/REG VIOLATION-RETALIATION	0	0	0	0	0	0	0
1203(b)(8): WILLFUL UNTIMELY RETURN	12	0	0	0	0	77	89
1203(b)(9): WILLFUL UNDERSTATED TAX	0	0	0	0	0	33	33
1203(b)(10): THREAT OF AUDIT FOR PERSONAL GAIN	0	0	0	0	0	0	0
Total	12	0	0	0	0	110	122

Source: ALERTS (extract date: April 1, 2023). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

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

Appendix VII

Section 1203 Standards

In general, the IRS Commissioner shall terminate any IRS employee if there is a final administrative or judicial determination that, in the performance of official duties, such employee committed any misconduct violations outlined below. Such termination shall be a removal for cause on charges of misconduct.

Misconduct violations include:

- Willfully failing to obtain the required approval signatures on documents authorizing the seizure of a taxpayer's home, personal belongings, or business assets;
- Providing a false statement under oath with respect to a material matter involving a taxpayer or taxpayer representative;
- Violating, with respect to a taxpayer, taxpayer representative, or other employee of the IRS, any right under the Constitution of the United States, or any civil right established under Title VI or VII of the Civil Rights Act of 1964; Title IX of the Education Amendments of 1972; Age Discrimination in Employment Act of 1967; Age Discrimination Act of 1975; Section 501 or 504 of the Rehabilitation Act of 1973; or Title I of the Americans With Disabilities Act of 1990;
- Falsifying or destroying documents to conceal mistakes made by any employee with respect to a matter involving a taxpayer or taxpayer representative;
- Committing assault or battery on a taxpayer, taxpayer representative, or another employee of the IRS, but only if there is a criminal conviction or a final judgment by a court in a civil case with respect to the assault or battery;
- Violating the I.R.C., the Treasury Department regulations, or policies of the IRS (including the IRM) for the purpose of retaliating against or harassing a taxpayer, taxpayer representative, or other employee of the IRS;
- Willfully misusing provisions of I.R.C. § 6103 for the purpose of concealing information from a congressional inquiry;
- Willfully failing to file any return of tax required under the I.R.C. on or before the date prescribed therefore (including any extensions), unless such failure is due to reasonable cause and not to willful neglect;
- Willfully understating Federal tax liability, unless such understatement is due to reasonable cause and not to willful neglect; and
- Threatening to audit a taxpayer for the purpose of extracting personal gain or benefit.

The IRS Commissioner may mitigate the penalty of removal for the misconduct violations outlined above. The exercise of this authority shall be at the sole discretion of the Commissioner and may not be delegated to any other officer. The Commissioner may establish a procedure that will be used to decide whether an individual should be referred to the Commissioner for determination. Any mitigation determination by the Commissioner in these matters may not be appealed in any administrative or judicial proceeding.

Glossary of Acronyms

ACTC	Additional Child Tax Credit
ALERTS	Automated Labor and Employee Relations Tracking System
CAF	Centralized Authorization File
CSED	Collection Statute Expiration Dates
CY	Calendar Year
ECM	Enterprise Case Management
EIN	Employer Identification Number
FERDI	Federal Employee/Retiree Delinquency Initiative
F.I.C.A.	Federal Insurance Contribution Act
FY	Fiscal Year
ICS	Integrated Collection System
ICT	Image Control Team
IRA	Inflation Reduction Act of 2022
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
ITIN	Individual Taxpayer Identification Number
JAMES	Joint Audit Management Information System
LEP	Limited English Proficient
LIHTC	Low Income Housing Tax Credit
NOL	Net Operating Loss
OI	Office of Investigations
OPI	Over-the-Phone Interpreter
OPM	U. S. Office of Personnel Management
PDC	Private Debt Collection

POA&M	Plans of Action and Milestones
PPIA	Partial Payment Installment Agreement
PPP	Paycheck Protection Program
RAAS	Office of Research, Applied Analytics and Statistics (IRS)
RRA 98	Restructuring and Reform Act of 1998
SADI	Secure Access Digital Identity
TAC	Taxpayer Assistance Center
TAS	Taxpayer Advocate Service
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
TY	Tax Year
U.S.C.	United States Code

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OR WRITE:

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P.O. Box 23291
Washington, DC 20026**

Information you provide is confidential and you may remain anonymous.



Department of the Treasury

**Office of the Inspector General for Tax Administration
901 D Street, SW., Suite 600
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