

Treasury Inspector General for Tax Administration



SEMIANNUAL REPORT TO CONGRESS

April 1, 2021 – September 30, 2021



Treasury Inspector General for Tax Administration (TIGTA)

TIGTA's Vision

Maintain a highly skilled, proactive, and diverse Inspector General organization dedicated to working in a collaborative environment with key stakeholders to foster and promote fair tax administration.

TIGTA's Mission

Provide quality professional audit, investigative, and inspection and evaluation services that promote integrity, economy, and efficiency in the administration of the Nation's tax system.

TIGTA's Core Values

Integrity – Maintain the highest professional standards of integrity, personal responsibility, independence, objectivity, and operational excellence in pursuit of TIGTA's mission.

Organizational Innovation – Model innovative practices in organizational structure, operational programs and processes, audit, investigative, and inspection and evaluation methodologies, and the application of advanced information technology.

Communication – Achieve effective organizational approaches and solutions by encouraging open, honest, and respectful communication among TIGTA's executives, employees, offices, and functions, as well as between TIGTA and its external stakeholders.

Value Employees – Respect the dignity, contributions, and work-life balance of our employees, and recognize diversity as fundamental to the strength of our organization.

Commitment to Collaboration – Establish and maintain collaborative and professional relationships with other Government and non-Government stakeholders.

Inspector General's Message to Congress

I am pleased to present this Semiannual Report to Congress, summarizing the accomplishments of the Treasury Inspector General for Tax Administration (TIGTA) during the period April 1, 2021 through September 30, 2021. Some of TIGTA's more notable achievements in the pursuit of its mission to provide oversight of the Internal Revenue Service (IRS) and protect the integrity of Federal tax administration are highlighted in the various audits, investigations, and inspections and evaluations summarized in this report.



During this reporting period, TIGTA's Office of Audit completed 52 audits, and its Office of Investigations completed 1,430 investigations. In addition, TIGTA's combined audit and investigative efforts resulted in the recovery, protection, and identification of monetary benefits totaling more than \$9 billion.

The Coronavirus Disease 2019 (COVID-19) pandemic continues to significantly impact IRS operations. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Consolidated Appropriations Act, 2021 were enacted to provide financial relief to Americans. Most notably, the CARES Act required the IRS to send the first of three Economic Impact Payments (EIPs) to eligible American households, while the Consolidated Appropriations Act, 2021 provided a second EIP payment. Subsequently, on March 11, 2021, the President signed the American Rescue Plan Act of 2021 into law. This Act includes approximately \$1.9 trillion in economic relief and stimulus to address the continuing impact of the COVID-19 pandemic on the economy, public health, State and local governments, individuals, and businesses. In addition to providing for a third round of EIPs, a key provision in the American Rescue Plan Act of 2021 is the expanded Child Tax Credit. Determining eligibility and the amount of the Child Tax Credit is a complex process. TIGTA continues to assess IRS processes and procedures to ensure that Child Tax Credit advanced periodic payments are accurate and made to only those taxpayers who meet eligibility requirements.

Although Tax Processing Centers were open for the 2021 Filing Season, the IRS was not always able to operate at full capacity due to social distancing requirements. As such, the IRS was unable to perform many of its essential functions. The backlog of individual tax returns and other types of taxpayer account work nearly doubled when compared to the 2020 Filing Season. As of August 16, 2021, the IRS reported having approximately 11 million paper tax returns waiting to be processed and approximately 9.6 million cases in other key tax processing functions that still needed to be addressed. At about the same time in 2020, the IRS reported having more than 4.8 million tax returns waiting to be processed and about 5.4 million cases in other key tax processing functions that still needed to be addressed. TIGTA is reviewing the IRS's actions to address the backlog of unworked returns and inventories.

TIGTA's Office of Investigations continues to work with the IRS to prevent and detect scams, including those involving the theft of EIPs. Similarly, TIGTA continues to investigate and deter attacks against online IRS applications, as part of its responsibility for investigating and deterring tax-related cybercrime and disrupting cyber-based schemes by illicit actors who seek to steal personal identifiers to impersonate taxpayers and IRS employees.

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

Sincerely,

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

J. Russell George
Inspector General

Table of Contents

| | |
|--|----|
| Inspector General’s Message to Congress | 3 |
| TIGTA’s Profile | 7 |
| Statutory Mandate | 7 |
| Organizational Structure | 8 |
| Authorities..... | 8 |
| Pandemic Relief Oversight Efforts | 9 |
| Promote the Economy, Efficiency, and Effectiveness of Tax Administration | 19 |
| Enhancing Security Of Taxpayer Data and Protection of IRS Resources..... | 19 |
| Modernizing IRS Operations | 21 |
| Improving Tax Reporting and Payment Compliance | 22 |
| Protect the Integrity of Tax Administration | 27 |
| The Performance Model | 27 |
| Performance Area: Employee Integrity..... | 27 |
| Performance Area: Employee and Infrastructure Security | 30 |
| Performance Area: External Attempts to Corrupt Tax Administration..... | 32 |
| Advance Oversight of America’s Tax System | 37 |
| Congressional Testimony | 38 |
| Audit Statistical Reports | 39 |
| Reports With Questioned Costs | 39 |
| Reports With Recommendations That Funds Be Put to Better Use..... | 40 |
| Reports With Additional Quantifiable Impact on Tax Administration | 41 |
| Investigations Statistical Reports | 44 |
| Significant Investigative Achievements | 44 |
| Summary of Investigative Reports and Criminal Referrals..... | 46 |
| Interference | 46 |
| Instances of Whistleblower Retaliation | 46 |
| Closed Investigations Involving IRS Senior Government Employees..... | 47 |
| Inspections and Evaluations Statistical Reports | 48 |
| Evaluation Reports With Significant Unimplemented Corrective Actions..... | 48 |
| Appendices | |
| Appendix I – Other Statistical Reports | 49 |
| Reports With Significant Unimplemented Corrective Actions | 49 |
| Other Statistical Reports | 63 |
| Appendix II – Audit Products | 64 |
| Appendix III – TIGTA’s Statutory Reporting Requirements | 69 |

| | |
|--|----|
| Appendix IV – Inspector General Peer Review Activity | 75 |
| Appendix V – Data Tables Provided by the Internal Revenue Service | 76 |
| Internal Revenue Service Memorandum | 76 |
| Report of Employee Misconduct by Disposition Groups | 77 |
| Report of Employee Misconduct National Summary | 78 |
| Summary of Substantiated I.R.C. Section 1203 Inquiries Recorded in ALERTS..... | 79 |
| Appendix VI – Section 1203 Standards | 80 |
| Glossary of Acronyms | 81 |

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.

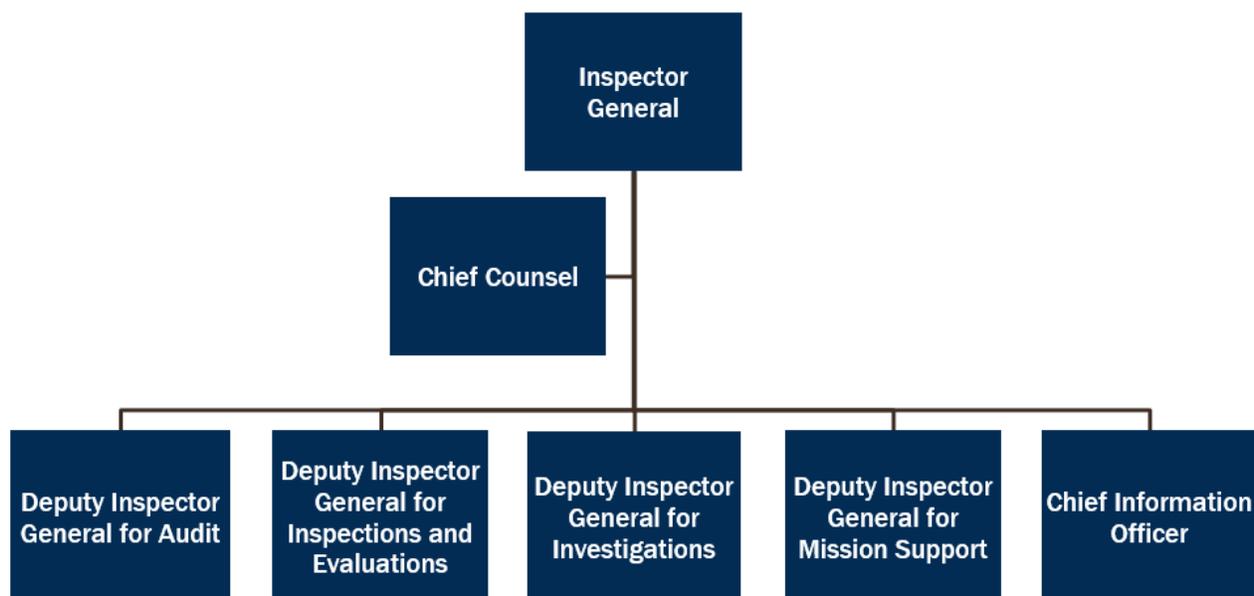


Inform the Secretary of the Treasury and Congress of problems and deficiencies identified and of the progress made in resolving them.

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

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 United States Code (U.S.C.). App. (2018).

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.).

Pandemic Relief Oversight Efforts

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021 were enacted to address the impact of the coronavirus pandemic on the economy, public health, and State and local governments.³ These relief packages also contained numerous tax-related provisions intended to provide assistance to individuals and businesses. These provisions have had, and will continue to have, a significant impact on IRS operations and Federal tax administration. Since the beginning of the pandemic, the IRS has received \$3.1 billion in supplemental funding to plan and execute three rounds of Economic Impact Payments, expand multiple tax credits, and modernize and secure IRS systems. Much of this additional funding will remain available to the IRS through Fiscal Year (FY) 2023.

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

Assessment of the Effects of the Coronavirus Pandemic on Customer Service Operations (Report Number 2021-46-029)

The IRS took unprecedented and drastic actions in response to the Coronavirus Disease 2019 (COVID-19) pandemic to protect the health and safety of its employees and taxpayers during the 2020 Filing Season. These actions included closing most customer service channels available to taxpayers. In an effort to restore service to taxpayers as quickly as possible, the IRS accelerated the implementation of several customer service options that it had been testing, and it expanded the use of existing technologies and capabilities. However, the IRS's ability to assist taxpayers continued to be affected by COVID-19.

As of March 31, 2020, the IRS shutdown 81 (93 percent) of its 87 toll-free telephone lines because all call center locations were closed. The IRS had reopened 78 of the 81 toll-free telephone lines by September 30, 2020, and all but one of the previously closed lines were open as of November 5, 2020. As of September 25, 2020, the IRS reported a 51.1 percent Level of Service (*i.e.*, rate at which taxpayers who called IRS toll-free telephone lines actually got through and received service), with an average speed of answer of 18 minutes.

The IRS worked with a third-party contractor to establish a dedicated toll-free telephone line to assist taxpayers with general questions about their Economic Impact Payment (EIP). As of November 28, 2020, this line had received nearly 24.6 million calls. The IRS also established a dedicated e-mail address to receive EIP inquiries from congressional staffers. The IRS estimated that it had received over 127,000 inquiries to this electronic mailbox as of November 27, 2020.

³ Pub. L. No. 116-136, 134 Stat. 281 (codified as amended in scattered sections of 2, 5, 12, 15, 20, 21, 29, 42, and 45 U.S.C.); Pub. L. No. 116-260, 134 Stat. 1182 (2020); and Pub. L. No. 117-2, 135 Stat. 4 (codified in scattered sections of 7, 12, 15, 19, 20, 26, 29, 42, and 45 U.S.C.).

The IRS closed all 358 Taxpayer Assistance Centers (TAC) in March 2020. As of November 16, 2020, 95 of the TACs remained closed due to staffing issues, many of which were related to COVID-19. The IRS was limiting the services it provided at its TACs to reduce the risk of exposure to COVID-19 for its employees and taxpayers. The IRS tested a virtual service option that would enable it to provide virtual face-to-face assistance to taxpayers from anywhere. However, continued expansion of the test was needed to provide taxpayers better access to face-to-face assistance.

As of March 31, 2020, there was a 91.1 percent decrease in the number of open volunteer tax preparation sites compared to FY 2019. TIGTA's analysis of taxpayers who used volunteer preparation services to file a Tax Year (TY) 2018 return in Calendar Year (CY) 2019 identified that 555,689 of the taxpayers had not filed a TY 2019 return as of October 22, 2020. As of February 15, 2021, the IRS reported that 8,369 sites were opened or planned to open, which was significantly fewer than the start of the FY 2020 filing season.

TIGTA made four recommendations to the IRS to further improve its ability to assist taxpayers during the 2021 Filing Season. IRS management agreed with three of the four recommendations. IRS management indicated that it did not plan to offer tax return preparation services at TACs during the 2021 Filing Season, as most taxpayers were seeking assistance from other sources.

Implementation of Economic Impact Payments (Report Number 2021-46-034)

One of the most significant parts of the CARES Act is a refundable Recovery Rebate Credit for individuals. The CARES Act authorized the IRS to make an advance payment of the Recovery Rebate Credit to eligible individuals by December 31, 2020. This advance payment is referred to as the EIP. As of December 31, 2020, the IRS had issued 168.2 million EIPs totaling \$280 billion.

The IRS, as required by the CARES Act, initiated a multipronged public awareness campaign to inform taxpayers about the availability of the EIP. These efforts included coordinating with local community organizations, food banks, and homeless shelters to reach unsheltered individuals; notifying approximately 9 million individuals who did not have a tax return filing requirement but may have qualified for an EIP; and designating a National EIP Registration Day. In addition, the IRS established processes to issue a notice to each EIP recipient as required by the CARES Act. The notice provided the recipient with the amount of their payment and the method used to send their payment, e.g., direct deposit or paper check/prepaid debit card.

As TIGTA reported in June 2020, the review of the more than 157 million EIPs issued as of May 21, 2020, found that the IRS correctly computed the EIP amount for 98 percent (154 million) of these payments. However, as of July 16, 2020, the IRS had issued more than 4.4 million EIPs totaling nearly \$5.5 billion to potentially ineligible individuals. This included payments made to deceased individuals, potentially nonqualified dependents, nonresidents, individuals in U.S. Territories (who had also received payments from the Territories), and individuals with filing status changes. In response to TIGTA alerting management of the

issuance of payments to the previously mentioned potentially ineligible individuals, the IRS added instructions to IRS.gov to inform these types of individuals of their ineligibility and the need to return the payments, including the process to be followed for returning the payment. As of October 1, 2020, individuals voluntarily returned 65,447 payments totaling more than \$80 million.

Finally, the IRS recognized that the EIP created a new risk for tax-related identity theft. In response, the IRS developed specific filters to identify potentially fraudulent filings. Once a return was identified as potentially fraudulent, it was sent to an IRS team for review. As of November 11, 2020, the IRS had identified for review 457,325 questionable tax returns associated with the EIP and determined that 38,273 returns were fraudulent EIP claims.

TIGTA recommended that the IRS implement a multipronged public awareness campaign to inform the public about the availability of the Recovery Rebate Credit related to individuals who died in CY 2020 and develop processes to identify and prevent the issuance of future EIPs to individuals who are ineligible based on applicable dependency requirements.

IRS management disagreed with both recommendations. The IRS believed that a public awareness campaign was not warranted and its systems did not have the ability to look to outside data sources to identify and prevent the issuance of future EIPs to ineligible individuals based on applicable dependency requirements.

Implementation of Tax Year 2020 Employer Tax Credits Enacted in Response to the COVID-19 Pandemic (Report Number 2021-46-043)

The IRS initiated an educational campaign to promote the availability of the various credits to employers; developed Form 7200, *Advance Payment of Employer Credits Due to COVID-19*; and developed processes and procedures to enable employers to request an advance payment of the employer tax credit even though the Tax Processing Centers were closed. The IRS started processing Forms 7200 on April 28, 2020. As of October 16, 2020, the IRS had processed 10,163 Forms 7200 and issued over \$583 million in employer tax credits.

TIGTA identified that the expediency required to implement the much-needed relief to employers did not allow for the development of complex systemic verifications, including prerefund controls (e.g., electronic business rules). As such, the IRS established procedures to manually review and process Forms 7200. TIGTA's review of 9,459 advance payment requests received as of June 4, 2020 determined that the IRS had accurately processed most of them. TIGTA identified processing errors on only 17 Forms 7200 that had incorrect credits totaling \$83,806. The errors included forms processed more than once, forms involving a government entity (which does not qualify), and forms that claimed an amount over the allowable threshold. The IRS was able to initiate actions to ensure that the taxpayers' accounts reflected the correct amount of employer tax credits.

TIGTA also identified 113 government entities that filed a TY 2020 Form 941, *Employer's Quarterly Federal Tax Return*, as of September 23, 2020, totaling \$2 million, that were not eligible for the employer tax credits claimed. In addition, as of December 17, 2020, the IRS

had identified another 420 government entities that had received \$7.2 million in erroneous employer tax credits, and it was working to reverse those credits.

The IRS has implemented processes and procedures to continue to identify erroneous employer tax credit claims associated with government entities. As a result, TIGTA made no recommendations as the IRS addressed all concerns during the review.

Interim Report – Status of Coronavirus Response Funding (Report Number 2021-16-026)

As of September 30, 2020, the IRS had spent \$438.5 million of the \$765.7 million⁴ in appropriated funds that it received for its coronavirus response, with \$327.2 million still available for use. TIGTA found that the IRS provided an initial spending plan to Congress, as required, describing its planned use of the \$765.7 million in coronavirus funding. The IRS did not, however, provide Congress with a quarterly report of its coronavirus response funding expenditures through June 30, 2020, as required. The first quarterly spending report provided to Congress was through September 30, 2020. The IRS stated that ongoing discussions with the Treasury Department over what information should have been included in the spending report caused the delay in its quarterly reporting.

The IRS advised TIGTA that, although the initial spend plan provided to Congress specified the need for 5,020 additional full-time equivalent (FTE) employees, in general, the employees who worked in support of the coronavirus response in FY 2020 were current employees. In the IRS's September 30, 2020 spend plan update, the IRS had increased its total FTE estimate for its coronavirus response efforts from 5,020 FTEs to 5,404 FTEs. The IRS stated that through hiring or devoting current employees to coronavirus response efforts, it had dedicated 2,144 FTEs of the 5,404 total FTEs estimated that it would need.

TIGTA identified three areas in which the IRS could improve tracking of its coronavirus response funding. These areas included: reporting actual expenditures by requirement area, reporting FTEs budgeted and dedicated by requirement area, and updating the employee awards and overtime budget amount reported to include all budgeted funds for this activity. Although preliminary observations and areas for IRS consideration were included in this report, TIGTA did not make any recommendations.

TIGTA issued this report to provide information about the status of the IRS's coronavirus response funding as of September 30, 2020, and plans to issue a subsequent report in FY 2022 that will supplement the information in this report.

Effects of the COVID-19 Pandemic on Business Tax Return Processing Operations (Report Number 2021-46-064)

The IRS took unprecedented and drastic actions to protect the health and safety of its employees and the public. These actions included closing its Tax Processing Centers

⁴ Subsequently, the IRS received additional funding for its pandemic-related response for a total of \$3.1 billion.

nationwide as of April 6, 2020. In addition, the Treasury Department extended to July 15 the Federal income tax filing due date for various tax filings and payments due between April 1, 2020 and July 15, 2020. As a result, affected businesses had until July 15, 2020, to file returns and pay any taxes that were originally due during this period.

The closure of Tax Processing Centers created a significant backlog of business tax returns, correspondence, and other types of business taxpayer-related work that needed to be processed. The following figure compares the backlog for CYs 2019 and 2020.

Comparison of Business Return Inventory as of the End of CYs 2019 and 2020

| Type of Inventory | | | |
|-------------------------------|---------|-----------|--------|
| Unprocessed Paper Returns | 239,285 | 7,967,182 | 3,230% |
| Error Resolution ⁵ | 6,867 | 34,303 | 400% |
| Rejects ⁶ | 31,052 | 82,476 | 166% |
| Unpostables ⁷ | 310,557 | 746,294 | 140% |
| Amended Returns ⁸ | 372,339 | 291,763 | (22%) |

Source: IRS Filing Season Statistics and IRS inventory numbers provided to TIGTA for the end of CYs 2019 and 2020.

As of the week ending December 31, 2020, the IRS had more than 7.9 million paper-filed business returns that still needed to be processed. In comparison, the IRS had 239,285 paper-filed business returns that were in process as of December 31, 2019.

Some penalties were inappropriately assessed due to delays in processing payments or tax forms. Some examples included the IRS erroneously assessing 211 Failure to Pay penalties totaling \$45,451 due to a programming error, and incorrectly assessing 1,256 estimated tax penalties from April 1, 2020 through December 31, 2020. The IRS submitted an information technology work request on July 15, 2020, to update penalty processing, but the programming was not implemented until January 2021. As a result, estimated tax penalties assessed for business taxpayers with tax years ending from April 2020 through December 2020 (and filed before January 2021) had penalties calculated without considering the relief.

Finally, redirecting more payments to the lockbox sites could have facilitated reducing the backlog.⁹ While the majority of paper payments were directed to a lockbox location, more

⁵ Tax returns identified with an error condition are suspended from processing and sent to a tax examiner for correction.

⁶ Tax returns that cannot be processed, usually due to missing or incomplete information. Tax examiners correspond with the taxpayer to clarify an entry on a return. When the taxpayer responds, the tax examiner will resolve the issue and the return will continue processing.

⁷ Transactions that will not post to the taxpayer’s account because of failed validity checks. The unpostable condition must be resolved in order to complete processing of the transaction.

⁸ Corrected tax returns filed that are either being worked by the Submission Processing or Accounts Management functions.

⁹ An IRS lockbox is a facility operated by a Federally insured bank with which the IRS has contracted for the purpose of, among other things, processing Federal tax remittances.

than 6.9 million payments totaling more than \$37.6 billion were processed at the IRS's Tax Processing Centers during FY 2020. This included more than 339,000 payments totaling \$3.4 billion received by IRS field office employees.

TIGTA recommended that the IRS ensure that the incorrectly assessed estimated tax penalties were corrected and evaluate the feasibility of directing additional types of payments from Tax Processing Centers to lockbox sites. IRS management agreed with both recommendations.

People First Initiative Actions Helped Taxpayers During the Pandemic; However, Many Taxpayers Received Inaccurate Collection Notices (Report Number 2021-36-060)

The IRS announced the People First Initiative to reduce the tax compliance burden on taxpayers by temporarily adjusting and suspending key compliance programs in order to help people facing the challenges of COVID-19.

During the start of COVID-19, the IRS was impacted in many ways. IRS sites closed for months, thus postponing everyday operations such as mailing notices and receiving and processing correspondence from taxpayers. During that time, the IRS had to act and make decisions as to how to proceed, and some of the decisions potentially caused confusion and undue burden to numerous taxpayers who received erroneous Collection notices. Upon reopening its print sites, the IRS decided to issue millions of notices to taxpayers that had generated during the shutdown, many with erroneous notice dates and payment due dates.

TIGTA's review of these notices identified that the IRS issued 89,338 premature Notices and Demand for tax that were generated for 87,542 individual taxpayers who filed TY 2019 tax returns before the COVID-19 filing date extension of July 15, 2020. The notices showed that balances were owed even though the taxes were not actually due because of the filing extension. Although the majority of these Notices and Demand included enclosures to explain the correct notice and payment due dates, taxpayers could have been confused as to how to proceed, whether they received an enclosure of explanation with their notice or not, simply due to the original notices including incorrect information. The IRS had the opportunity to prevent undue burden to taxpayers by purging the outdated and incorrect notices and sending them at a later date.

However, the IRS was effective in providing relief to taxpayers as outlined in its People First Initiative, including properly suspending defaults on Installment Agreements, passport certifications to the State Department, new account transfers to private collection agencies, systemic filings of Notices of Federal Tax Lien, systemic and automated levies, and seizures. TIGTA did identify that, for 23 levies (14 taxpayers) issued by revenue officers, there was no indication of the required levy approvals during the People First Initiative time frame. The IRS took corrective action by contacting these taxpayers and issuing refunds or credit transfers on the levied funds. Additionally, TIGTA identified that 40 of 49 Notice of Federal Tax Lien filings by revenue officers were made in error, but the IRS took corrective action to withdraw them.

TIGTA recommended that the IRS implement changes to its processes to avoid sending erroneous notices causing taxpayer burden. IRS management partially agreed with the

recommendation. While they acknowledged that this was not an action management would take under ideal conditions, they believed their solution (to send the incorrect notices) was appropriate given the extraordinary situation. However, management further stated that, should future circumstances cause the IRS to be faced with a similar decision, they will take this report's recommendation into consideration.

Taxpayers Were Notified About the CARES Act Retirement Plan Provisions; However, Additional Actions Could Be Taken to Identify Potential Noncompliance (Report Number 2021-16-044)

Section (§) 2202 of the CARES Act allowed taxpayers to take coronavirus-related early distributions from their retirement plans, up to \$100,000, without paying the early distribution tax. Additionally, § 2203 of the CARES Act waived Required Minimum Distributions for taxpayers for TY 2020.

The IRS took a number of steps to oversee the retirement-related provisions of the CARES Act, including educating taxpayers and the development of high-level compliance plans to enforce taxpayer compliance with the provisions. For example, the IRS created and distributed various news releases, notices, and a tax tip to educate taxpayers of the new retirement provisions.

Additionally, IRS management developed compliance plans for §§ 2202 and 2203 to assess the impact on examination activities and outline the steps necessary to efficiently encourage and enforce taxpayer compliance. IRS management stated that it was adding § 2202 training to examiners' FY 2021 Continuing Professional Education training, and it planned to add information to the Knowledge Management and Transfer program to increase tax examiner and revenue agent awareness about coronavirus-related distribution risks.

Reports from investment management companies and other news sources indicated that millions of taxpayers took coronavirus-related distributions in TY 2020. Although the § 2202 Compliance Plan assessed the effect on examination activities and outlined the steps necessary to encourage and enforce taxpayer compliance, it could have been improved. For example, IRS management could have included objective criteria that would warrant a research project or a compliance initiative project. IRS management could have also ensured the assignment of a sufficient number of cases involving coronavirus-related distributions or the creation of a § 2202 Lead Sheet.¹⁰

TIGTA recommended that the IRS ensure that its management had sufficient information available to assess compliance with § 2202 of the CARES Act, and consider creating a Lead Sheet to assist examiners when reviewing cases for potential noncompliance.

IRS management disagreed with both recommendations. TIGTA believes that these actions would help the IRS assess potential noncompliance and would assist examiners in reviewing returns with coronavirus-related distributions for potential noncompliance.

¹⁰ Lead Sheets are used to document the adjustments, conclusions, audit steps, facts, laws, and taxpayer's positions for examined issues and to index and reference supporting workpapers.

Steps Were Taken to Protect Employee Health and Safety, but Additional Efforts Are Needed to Ensure Compliance With Federal Guidelines During Pandemics (Report Number 2021-16-073)

The COVID-19 pandemic continues to affect the IRS's ability to perform its responsibilities. The pandemic also threatens the health and safety of IRS employees. As such, the IRS has had to balance the completion of its mission with the health and safety of its employees.

Overall, the IRS completed necessary actions related to the requirements outlined in its Pandemic Incident Management Plan and continues to take steps to ensure the health and safety of its employees. In addition, the IRS leveraged data related to employee infection and transmission rates, employee telework eligibility and status, and facility status to allow for informed decision-making during the pandemic.

During unannounced site visits to the IRS's eight campuses, TIGTA confirmed that the IRS provided employees with personal protective equipment such as disposable masks, hand sanitizer, and disinfectant wipes. While adequate signage pertaining to health and safety guidelines was found, TIGTA observed instances where signage was missing or damaged, or unofficial signage was used. Following discussions with IRS officials, signage was updated and replaced. Additionally, the IRS generally continued to ensure that its COVID-19 guidance aligned with Federal policies. However, during the unannounced site visits, TIGTA observed instances of noncompliance with Federal mask requirements and social distancing guidelines.

The IRS designated direct supervisors as responsible for addressing noncompliance issues. However, there were a number of circumstances under which direct supervisors could not or might not feel comfortable addressing an employee's failure to adhere to COVID-19 guidance. Noncompliance with Federally-mandated guidance could jeopardize the health and safety of all employees in the workplace. Further, COVID-19 infections in IRS facilities could result in the temporary closure of IRS workspaces and the inability of employees to work, thereby impacting the IRS's ability to fulfill its mission.

TIGTA also noted that IRS officials had varying degrees of understanding of the types of paid leave available to employees who had COVID-19-related needs. While the IRS had internal guidance, in some instances, IRS guidance had been superseded by newly enacted Federal laws, and had yet to be updated while the IRS awaited additional direction from the Office of Personnel Management and the Treasury Department. As a result, COVID-19 leave options were not clearly understood by the IRS workforce.

TIGTA recommended that the IRS update the Pandemic Incident Management Plan to help ensure that employees are following policies and guidance issued in response to emergency conditions. IRS management agreed with the recommendation. In addition, as a result of TIGTA's finding and unannounced site visits, the IRS updated existing guidance clarifying the leave options, reminded employees of the current mask wearing requirements, and updated (or replaced) signage where needed.

Inspection of Health and Safety Measures at Select IRS Facilities During the COVID-19 Pandemic (Report Number 2021-IE-R003)

There are approximately 550 IRS managed facilities throughout the United States. In response to the COVID-19 pandemic, in CY 2020, the IRS closed and then reopened facilities for mission-essential functions and nonportable work.

TIGTA determined that the IRS generally implemented health and safety measures to help protect individuals physically present at selected IRS facilities during the COVID-19 pandemic. In March 2021, TIGTA conducted unannounced health and safety inspections of nine judgmentally selected IRS facilities. Overall, the IRS generally implemented health and safety measures to help protect individuals at the nine facilities. The IRS had an adequate supply of face masks, hand sanitizer, disinfecting wipes, or other cleaning supplies on-site, and these items were generally available in common areas or near shared equipment for individuals to use.

In response to the pandemic, the IRS developed printable COVID-19 health and safety posters to help inform and remind individuals of health and safety procedures. TIGTA observed that most of these were posted at all nine facilities.

According to the Centers for Disease Control and Prevention, masks are a critical step to help prevent individuals from getting and spreading COVID-19. At the time of TIGTA's inspection, all individuals, whether vaccinated or not, were required to wear masks while in an IRS facility. While most individuals were wearing face masks correctly, TIGTA observed some who were wearing them improperly. For example, TIGTA observed individuals within the facilities with the face mask below the chin or off the face completely. TIGTA also observed that the IRS implemented modifications at all nine facilities to help maintain social distancing. Examples of these modifications include separating employee desks, posting occupancy limit signs at elevators and in conference and meeting rooms, and limiting seating and self-service food tasks in cafeterias and break rooms.

Although TIGTA observed most individuals maintaining social distance, TIGTA identified some who were not maintaining at least six feet of separation as required by IRS guidance. For example, TIGTA observed individuals walking together in hallways, sitting together and eating in the cafeteria or break rooms, and working together in cubicles.

TIGTA made no recommendations in this report.

Inspection of Health and Safety Measures at Select IRS Taxpayer Assistance Centers During the COVID-19 Pandemic (Report Number 2021-IE-R004)

There are approximately 350 IRS TACs throughout the United States. In April 2021, TIGTA conducted unannounced inspections of 20 judgmentally selected TACs. TIGTA determined that the IRS generally implemented health and safety measures to help protect individuals (both IRS employees and taxpayers). The IRS had an adequate supply of face masks, hand sanitizer, disinfecting wipes, or other cleaning supplies on-site, and these items were generally available in common areas or near shared equipment for individuals to use. In response to the pandemic, the IRS developed printable posters to help inform and remind individuals of COVID-19 health and safety procedures. TIGTA observed that these were generally posted at each of the 20 TACs.

According to the Centers for Disease Control and Prevention, face masks are a critical step to help prevent individuals from getting and spreading COVID-19. At the time of TIGTA's inspection, all individuals, whether vaccinated or not, were required to wear face masks while in an IRS facility. While most individuals were wearing face masks correctly, TIGTA observed some who were wearing them improperly. TIGTA also observed that the IRS implemented modifications at all 20 TACs to help maintain social distancing. Examples of these modifications include alternating employee workstations or cubicles, installing glass barriers, limiting seating in waiting areas, and limiting TAC entry to taxpayers with appointments only. Although TIGTA observed most individuals maintaining social distance, some were not maintaining at least six feet of separation.

The Centers for Disease Control and Prevention recommends routine cleaning and disinfection of frequently touched surfaces. During our inspections, TIGTA observed instances in which employees did not clean their workstation between meetings with taxpayers, cleaned only the employee side of the workstation, or cleaned both sides of the workstation.

TAC employees are allotted 15 minutes for cleaning between appointments with taxpayers due to a system limitation in the appointment scheduling system. However, the IRS acknowledged that the 15 minutes allotted for cleaning may be more time than is needed and could potentially limit the number of appointments each day. The IRS considered modifying the scheduling system to allow increments of time less than 15 minutes for cleaning workstations between appointments. However, the IRS determined it would be too costly and require a two- to four-month period to update the design and configuration of the system.

TIGTA made no recommendations in this report.

Promote the Economy, Efficiency, and Effectiveness of Tax Administration

TIGTA's Office of Audit (OA) 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 OA places audit emphasis on statutory coverage required by the RRA 98 and other laws, as well as areas of concern to Congress, the Secretary of the Treasury, the IRS Commissioner, and other key stakeholders.

Audit Emphasis Areas for April 2021 Through September 2021

Enhancing Security of Taxpayer Data and Protection of IRS Resources
Modernizing IRS Operations
Improving Tax Reporting and Payment Compliance

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

Enhancing Security of Taxpayer Data and Protection of IRS Resources

The Endpoint Detection and Response Solution Has Been Deployed to Most Workstations and Is Operating As Intended, but Improvements Are Needed (Report Number 2021-20-065)

Endpoint devices (e.g., laptops, desktops, and other applicable devices) are computer components that connect end users to an organization's networks and systems. These devices can also be a major source of vulnerabilities and a frequent target of attackers against networks. The IRS implemented an Endpoint Detection and Response solution to obtain a more complete picture of security incidents that occur on the IRS network by

monitoring and obtaining detailed records of the incident from the affected workstation(s), which allows the IRS to conduct root cause analysis of identified threats. As a result, the security of taxpayer data on the IRS systems and network is improved.

On May 7, 2020, the IRS began deploying the Endpoint Detection and Response solution, which analyzes various items, including the processes running on the workstations, memory artifacts, and other data points, and collects them on the computer. The collected data are correlated and compared to rules that have been established or associated with known indicators of compromise (e.g., nation-state attackers and organized crime attacks). If anything is detected, the Endpoint Detection and Response security software agent will generate an alert. From January 1, 2021, through April 30, 2021, Computer Security Incident Response Center analysts reviewed 735 alerts to determine whether these alerts should be elevated to an incident. As of the date of this review, TIGTA found that none of the alerts were elevated to an incident and that the Endpoint Detection and Response solution was effectively generating alerts from the workstations. The alerts were being tracked and worked.

While the IRS was effective with the alerts, the IRS could have improved accounting for and deployment of the Endpoint Detection and Response solution to all workstations enterprise-wide. In its *4th Quarter Fiscal Year 2020 Information Technology Investment Report*, the IRS reported that the Endpoint Detection and Response solution was at full operating capability. However, TIGTA found 91 confirmed workstations that were on the network and should have had the solution and 7,032 workstations that required further investigation to determine whether they were valid workstations and should have had the solution installed. As a result, the Endpoint Detection and Response solution was not at full operating capability on all enterprise workstations.

Security management for operating the Endpoint Detection and Response solution could have been strengthened. For example, Homeland Security Presidential Directive-12 credentials had not been implemented.¹¹ In addition, system administrator accounts were not timely disabled for inactivity, e.g., TIGTA found that two of the six system administrators had not accessed their accounts in the solution for more than 60 days, yet the accounts were not disabled.

TIGTA recommended that the IRS ensure that (1) All workstations in use are properly updated with the Endpoint Detection and Response solution; (2) The Homeland Security credentials are used for access to the solution; and, (3) An effective process is developed to identify all users who are inactive beyond time requirements.

The IRS agreed with all of the recommendations.

¹¹ The Homeland Security Presidential Directive-12 is designed to enhance security, increase Government efficiency, reduce identity fraud, and protect personal privacy.

Modernizing IRS Operations

Enterprise Case Management Deployed Its Initial Release, but Process Improvements Are Needed for Future Releases (Report Number 2021-20-059)

Tax administration in the IRS is supported by more than 60 different case management systems that widely vary in complexity, size, and customization. The IRS implemented these case management systems over many years to support the individual needs of multiple business units. The Enterprise Digitalization and Case Management Office is working to provide an enterprise solution for performing case management functions utilizing a Treasury Department Cloud platform that increases operational efficiency, innovation, and security. The solution is designed to streamline case and workload management and improve resource alignment, resulting in integrated information technology programs that enable improved services to the taxpayer.

The Enterprise Case Management program developed a formal Sequencing Plan which provides a documented, repeatable method to select business processes for migration prioritization. The selected processes are intended to balance near-term business value, leadership priorities, and long-term scalability while working to establish operational footprints within IRS organizations.

However, the Enterprise Case Management program has not finalized its Scaled Agile Framework configuration. An Enterprise Case Management team with contractor support is evaluating how the program aligns with agile best practices. It began reporting quarterly results in January 2021. The quarterly reports and internal review are being used to evaluate the current Scaled Agile Framework configuration. In addition, a contractor's Independent Verification and Validation reported that the Enterprise Case Management program met or exceeded some best practices, but there were areas for improvement. For example, the program has yet to finalize a roadmap to achieve its goals, and program benefits were not specifically defined.

In April 2021, the Enterprise Case Management program completed a draft of its decommissioning strategy to enable and expedite the retirement of legacy case management systems. It also completed an initial inventory of legacy case management systems and tools.

TIGTA made four recommendations that included ensuring that the Enterprise Case Management program optimizes and fully implements the selected Scaled Agile Framework configuration's core competencies and that end users are involved early in development.

The IRS agreed with all four of the recommendations.

Improving Tax Reporting and Payment Compliance

Backup Withholding Noncompliance and Underreported Employment Taxes Continue to Contribute Billions of Dollars to the Tax Gap (Report Number 2021-40-030)

Prior TIGTA reviews identified that, due to a lack of adequate processes, billions of dollars in underreported tax by employers were not addressed and taxpayers avoided payment of billions of dollars in backup withholding. This review was initiated to assess the IRS's progress in making improvements to its Federal tax withholding processes and procedures. In response to recommendations included in the prior reviews, the IRS enacted several corrective actions. However, our analysis of information return filings identified continued significant backup withholding noncompliance and employer underreporting of employment tax and discrepancy cases that remain unworked.

Backup withholding noncompliance continues to result in payers avoiding payment of billions of dollars in withholding each year. For TY 2018, TIGTA identified 182,075 payers that submitted 440,404 information returns for which the payee Taxpayer Identification Number (TIN) was either missing or incorrect, yet the payers did not backup withhold \$13.3 billion on \$55.6 billion in reported income.

In addition, payers continue to report billions of dollars in payments associated with TINs of deceased individuals. We identified 52,500 payers that submitted 2.7 million information returns for which the payee was deceased at least three years prior to the issuance of the information return. These 2.7 million information returns had reportable payments totaling \$3.7 billion. Generally, payers should not submit information returns using the TIN of a deceased taxpayer for identification of the payee.

Finally, due to a programming error, the IRS did not select Combined Annual Wage Reporting discrepancy cases with the highest assessment potential. TIGTA's analysis of TY 2017 IRS discrepancy cases determined that the IRS worked 21,372 cases and assessed \$58.8 million. However, for the 21,372 cases worked, the IRS still did not select cases with the highest potential tax assessment. Had the programming been working as intended, the IRS could have selected and worked cases with a higher potential assessment, resulting in an additional \$133.1 million in assessments.

As a result of these findings, TIGTA recommended that the IRS develop processes and procedures to identify and address the reporting of income on information returns using a deceased payee TIN and conduct an analysis of additional worked discrepancy cases to evaluate the use of the repeater indicator as another characteristic to prioritize Combined Annual Wage Reporting discrepancy cases.

IRS management agreed with the first recommendation; however, it did not agree with the recommendation to conduct an analysis on the use of the repeater indicator on discrepancy cases. IRS management did not believe there was any evidence that such a study was worth the diversion of its limited resources.

Criminal Restitution Assessment Procedures Need Improvement (Report Number 2021-30-033)

The Firearms Excise Tax Improvement Act of 2010 authorized the IRS to assess criminal restitution ordered after August 16, 2010, so that the IRS could collect the amount as if it were a tax.¹² Prior to this change in the law, the IRS accepted payments of restitution but could not assess the amount of restitution ordered or use its administrative collection tools to collect the restitution. Only the Department of Justice could collect the amount of restitution.

During FYs 2016 through 2020, defendants were ordered to pay over \$2.7 billion in criminal restitution to the IRS but paid only \$844 million, or 31 percent during that same period. TIGTA found that in cases for which the IRS had the authority to assess the restitution ordered, a higher percentage of restitution was paid.

Improvements can be made to ensure that the restitution ordered is properly assessed. IRS Criminal Investigation did not always send closing documents to the IRS's Small Business/Self-Employed (SB/SE) Division for the assessment of restitution, and it incorrectly assessed interest and penalties on some restitution-based assessments.

TIGTA also found that a lack of resources within Criminal Investigation and the SB/SE Divisions contributed to the IRS not being able to adequately monitor defendants' compliance with the conditions of probation or supervised release. Internal controls could have been improved to prevent the IRS from issuing erroneous refunds for restitution payments. Lastly, TIGTA identified numerous errors in the Criminal Investigation Management Information System related to defendants who were sentenced for tax-related crimes and ordered to pay restitution.

TIGTA recommended that the IRS (1) Develop procedures to ensure that Criminal Investigation timely sends restitution closing investigative documents to the SB/SE Division Technical Services Unit; (2) Review existing controls to ensure that restitution assessments are made in a timely manner; (3) Establish monitoring procedures to provide reasonable assurance that all interest and penalties incorrectly assessed are removed; and, (4) Ensure that review of Criminal Investigation Management Information System information related to restitution and the monitoring of probation and supervised release are included in existing quality reviews mechanisms.

IRS management agreed with all of the recommendations.

¹² Pub. L. No. 111-237, § 3, 124 Stat. 2497, 2497-98.

The IRS Continued Compliance Efforts for High-Income Taxpayers After Disbanding the High Income High Wealth Strategy, but With Less Effective Outcomes (Report Number 2021-30-041)

The High Income High Wealth (HIHW) strategy started in 2010, and the IRS defines high-income taxpayers as those whose total positive income (TPI) was at least \$200,000 on Form 1040, *U.S. Individual Income Tax Return*. The HIHW strategy consisted of two subcategories: filed returns for High Income Underreported (HIU)¹³ taxpayers and High Income Nonfiler (HINF). The HIHW strategy continued until it was disbanded at the end of FY 2017. The primary focus of this review was specific to the HIHW strategy before and after disbanding.

The SB/SE Division's high-income examinations increased as a percentage of all closures from 20 percent in FY 2015 to 26 percent in FY 2019. However, total closures continued to drop during this time based on a reduction in available resources and resulted in actual high-income return closures dropping from 47,024 for FY 2015 to 29,610 for FY 2019 resulting in potential lost assessments totaling \$1.9 billion.

The HIHW strategy closures with TPI of less than \$200,000 represented the majority (73 percent) of the individual returns closed from the strategy for FYs 2015 through 2017. The examination case selection and assignment process for HIHW strategy returns did not appear to have been focused on the selection of returns with TPI of at least \$200,000. HIHW strategy examinations that did focus on high-income taxpayers resulted in more dollars per hour on average than any of the other SB/SE Division strategies during FYs 2015 through 2017. Additionally, the overall HIHW strategy dollars per hour were diluted with the inclusion of closures with TPI of less than \$200,000. The examination plan for high-income taxpayers with TPI over \$1 million fell short of planned examinations for FYs 2016 and 2017.

When the HIHW strategy was disbanded, the SB/SE Division moved the HINF inventory to a nonfiler strategy that started in FY 2018 and moved the HIU inventory to the Other Priority Programs strategy. The dollars per hour for HINF remained steady after disbanding while the HIU dollars per hour fluctuated. After disbanding the HIHW strategy, the IRS increased examinations of high-income taxpayers using the discriminant function rather than maintaining or increasing HIU examinations. This change resulted in \$121.5 million in potential lost assessments for FYs 2018 and 2019, affecting 1,534 tax returns. The outcome of \$121.5 million did not consider examiner attrition, resource limitations by location, or the diminishing returns of examining additional tax returns. The IRS had requested three new activity codes, but had no plans to create them.

TIGTA recommended that the IRS improve the monitoring of the results of high-income taxpayer examinations by (1) Creating a dedicated work stream focused on high-income taxpayer underreporting; (2) Increasing the monitoring of closures by income categories to ensure that planned examination closures are met; (3) Developing Compliance Initiative

¹³ The HIU acronym referenced in this report was created by TIGTA for reporting purposes and represents high-income filers within the HIHW strategy.

Projects to address the high-income taxpayer underreporting segment of the Tax Gap; and, (4) Adding additional activity codes similar to income categories for high-income taxpayers in the IRS Data Book.

IRS management disagreed with three of the four recommendations because it believes the current processes to monitor the examination results of high-income taxpayers are sufficient. For the second recommendation, the IRS noted that planned changes were already made independent of this review.

Improvements to the Correspondence Examination Process May Increase Taxpayer Compliance and Collection Potential (Report Number 2021-30-061)

Correspondence examinations are generally narrower in focus than a traditional in-person audit of a taxpayer's return and they enable the IRS to reach more taxpayers at a lower cost. The IRS relies heavily on correspondence examinations as a more economical means to address taxpayers with suspected underreporting of tax liabilities.

From FY 2017 to FY 2019, the IRS conducted almost 2 million correspondence examinations and recommended approximately \$12.2 billion in additional taxes. During those fiscal years, correspondence examinations accounted for nearly 80 percent of all IRS examinations completed but accounted for less than one-half of the recommended additional tax after examination.

TIGTA's review of the SB/SE Division's correspondence examination case selection process found that the issues the IRS examined most frequently were not the most productive issues. This was due in part to the IRS not prioritizing the annual workplan based on prior year results.

In addition, TIGTA's analysis of 743,648 examinations closed from FY 2017 to FY 2019 found that the IRS conducted 139,492 (19 percent) subsequent examinations identified by the subsequent return process, and 23,741 (17 percent) of these examinations were closed with the taxpayers agreeing to the additional tax assessed. However, the IRS did not open the correspondence examination on the subsequent year return until after it closed the examination on the current year. This increases the burden to the taxpayers, subjecting them to two separate correspondence examinations instead of one examination for multiple tax years.

According to the Internal Revenue Manual (IRM), IRS correspondence examiners are to consider subsequent year returns containing the same issues as in the year examined. However, TIGTA interviewed 15 tax examiners who stated that they are instructed only to review the specific issue and year that was selected for the examination and not to expand their work into the following year. TIGTA identified 53,969 correspondence examinations that had an issue on an individual tax form or the taxpayer was identified as a nonfiler. Further review showed that these examinations had a subsequent year tax return with the same potential issue that had not been examined and met the IRS's criteria for potential audit selection.

TIGTA recommended that the IRS (1) Evaluate closed correspondence examination cases to identify the issues that result in the most significant noncompliance and develop a workplan to include most of these cases; (2) Change the subsequent return process to only address returns about which the taxpayer did not respond; and, (3) Provide a reminder to ensure that employees are following processes for subsequent year returns during the correspondence examination process.

The IRS agreed with two of the three recommendations. However, the IRS disagreed with the recommendation to evaluate closed correspondence examination cases to identify the issues that result in the most significant noncompliance, stating that historical business results are already utilized in the case selection process.

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 its employees, whose efforts are guided by a performance model that focuses on three primary areas of investigative responsibility:



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

IRS employee misconduct undermines the IRS's ability to deliver taxpayer services, to enforce tax laws effectively, and to collect taxes owed to the Federal Government. External threats against the IRS impede its ability to fairly, efficiently, and safely carry out its role as the Nation's revenue collector. Individuals who attempt to corrupt or otherwise interfere with the IRS through various schemes and frauds adversely impact the IRS's ability to collect revenue.

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

Performance Area: Employee Integrity

In order for the country's tax system to operate successfully, taxpayers must have confidence in the fair and impartial administration of Federal tax laws and regulations. IRS employee misconduct can erode the public's trust and impede the IRS's ability to 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 27 percent of OI's work. OI conducted 381 employee misconduct investigations that were referred to the IRS for action. The IRS took action on 357, and closed 24 investigations without action.¹⁴



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 12 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.

Identity Theft and the Insider Threat

The following cases represent OI's efforts to address identity theft and the insider threat during the reporting period:¹⁵

IRS Special Agent Pleads Guilty to Identity Theft and Wire Fraud

On June 4, 2021, in the Eastern District of New York, IRS Criminal Investigations Special Agent Bryan Cho pled guilty to aggravated identity theft, and wire fraud. Cho additionally consented to a forfeiture money judgment in the amount of \$394,374.63. Cho, who has been employed with IRS Criminal Investigations since 2008, used information he obtained during the course of his official duties to engage in various unlawful activities.

According to the court documents, in or around 2018, law enforcement agents in South Korea learned that public officials who worked at South Korea's National Intelligence Service and National Tax Service paid Cho bribes in exchange for information Cho obtained through his employment with IRS Criminal Investigations. In 2018, while Cho was visiting Asia for personal reasons, law enforcement agents from South Korea contacted Cho and sought to question him about his knowledge of and participation in the alleged bribery scheme.

During the course of his employment, Cho worked on an investigation through which he obtained identifying information for an individual described as "John Doe." The investigation was eventually closed, but Cho retained items he obtained during the investigation and used John Doe's identifying information to create false identification documents and open a corporate entity overseas in John Doe's name. The fraudulent documents included purported

¹⁴ 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.

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

identification cards for the Philippines and the Republic of the Marshall Islands in the name of John Doe, but bearing photos of Cho, and a purported passport in the name of John Doe for the Republic of Guinea-Bissau.

Cho later made false statements during a background investigation, including denying that he possessed any foreign identification documents. Cho also denied any contact with foreign officials, even though law enforcement officials from South Korea had communications with him regarding allegations that South Korean government personnel had paid bribes to Cho in exchange for information about ongoing U.S. criminal investigations.

Cho also submitted multiple false documents in connection with the purchase of a co-op apartment on the Upper East Side of Manhattan, New York, including forged tax returns and bank statements. These false documents inflated his income and assets to secure the co-op board's approval for the purchase, and funneled hundreds of thousands of dollars from a foreign bank account associated with an entity he created using John Doe's identity to fund the purchase. Cho, deemed a potential flight risk, was remanded to custody.

At sentencing, Cho could receive more than 20 years' imprisonment.

IRS Employee Sentenced for Impeding a Criminal Investigation

On July 23, 2021, in the Northern District of Texas, former IRS Revenue Officer Sonya Vivar was sentenced for corruptly endeavoring to obstruct or impede the due administration of the Internal Revenue laws. Vivar entered a plea of guilty on November 10, 2020.

According to the court documents, from in or around 1987 through 2019, Vivar's duties as a Revenue Officer included the collection of taxes from taxpayers. Beginning in or around January 2009, and continuing through in or around September 2017, Vivar was assigned, or at times requested that she be assigned, to employment tax collection cases that involved various individual taxpayers and businesses. Vivar developed a personal friendship with one taxpayer who owned several businesses, and prepared that taxpayer's individual income tax returns. During this time, the taxpayer failed to pay the IRS delinquent employment taxes associated with their businesses.

In or around 2017, Vivar learned that IRS criminal investigators had opened an investigation into the taxpayer she developed a personal friendship with and other taxpayers. In response, Vivar contacted IRS employees with corrupt intent to impede and obstruct the investigation. During these conversations with IRS employees, Vivar failed to identify herself as a Revenue Officer. On or about September 18, 2017, during an interview with criminal investigators, Vivar stated her association with the taxpayer was only professional. Furthermore, she denied attending a meeting with, and on behalf of the taxpayer, which involved a U.S. Department of Labor employee pay withholding matter.

Vivar received 36 months' imprisonment, one year of supervised release, and was ordered to pay a \$100 assessment fee.

Employee Integrity

The following case represents OI's efforts to address employee integrity during this six-month reporting period:¹⁶

Former Internal Revenue Service Employee Pleads Guilty in Fraudulent Tax Return Scheme

On June 4, 2021, in the Eastern District of California, former IRS employee Angela Milton pled guilty to aiding and assisting in the preparation and presentation of false and fraudulent tax returns. Milton knowingly added materially false information to Federal income tax returns (FITRs) to increase the refund amount. Milton was indicted on April 12, 2018.

According to the court documents, between 2007 and 2014, as an IRS Tax Examining Technician in Fresno, California, Milton reviewed amended FITRs. Between 2010 and 2013, Milton prepared and filed numerous false and fraudulent FITRs for others and herself, for which she received a preparation fee from the taxpayers. She included false or inflated wage income, erroneous tax withholdings, false claims of dependents, and fabricated Schedule C (Form 1040) Profit or Loss From Business with false income and expenses.

For some taxpayers, without their authorization, Milton filed FITRs and split the refund so a portion was delivered to the taxpayer and the remainder to a bank account or prepaid debit or credit card controlled by Milton. In other instances, Milton filed FITRs without the knowledge or consent of the taxpayer, and caused the deposit of the entire refund amount to her bank account or prepaid debit or credit card. Milton defrauded the IRS of more than \$170,000.

As part of the plea agreement, Milton agreed to pay \$101,475 in full restitution to the IRS, and a special assessment of \$100. At sentencing, Milton faces up to three years' imprisonment and one year of supervised release.

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.



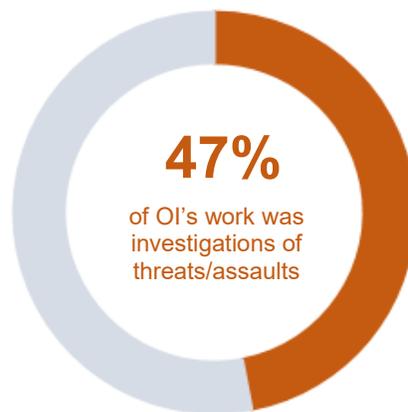
Contact with the IRS can be stressful and emotional for taxpayers. While the majority of taxpayer contacts are routine, some may become confrontational and even violent. TIGTA's special agents are statutorily mandated to provide physical security, known as "armed

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

escorts,” to IRS employees who have face-to-face contact with taxpayers who may pose a danger to the employee, and to ensure that IRS employees have a secure environment in which to perform their critical functions of tax administration. During this six-month reporting period, OI provided 10 armed escorts for IRS employees.

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

The 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 47 percent of OI’s work.

The following cases represent OI’s efforts to ensure the safety of IRS employees during the reporting period:¹⁷

Texas Man Shoots at Federal Agents Attempting to Serve a Subpoena

On August 25, 2021, in the Southern District of Texas, Earnest Jerome Taylor, Jr. was charged via criminal complaint, with assault on a Federal agent and felon in possession of a firearm. Taylor, a convicted felon, fired a weapon at IRS Criminal Investigations Federal agents who were attempting to serve a subpoena at his residence.

According to the court documents, on or about August 24, 2021, IRS Criminal Investigations Federal agents attempted to serve a subpoena issued through the U.S. District Court for the Eastern District of Kentucky. Federal agents went to an address in Houston, Texas that was associated with Taylor. As they attempted to make contact with Taylor, he fired several gunshots at the Federal agent’s vehicle.

Taylor’s criminal history includes a conviction for a crime punishable by imprisonment for a term exceeding one year. As a convicted felon, Taylor was unlawfully in possession of a firearm.

¹⁷ The facts in the summarized case narratives come from court documents of the respective jurisdictions named.

If convicted, Taylor could receive up to 20 years' imprisonment and potentially pay a fine.

Internal Revenue Service Employee Charged with Threatening Colleagues

On June 3, 2021, in the Southern District of Texas, IRS Revenue Officer Ammar Bhatti was charged by criminal complaint for stalking numerous U.S. Government officials. Bhatti used electronic media to communicate his intent to kill, injure, harass, and intimidate Government officials.

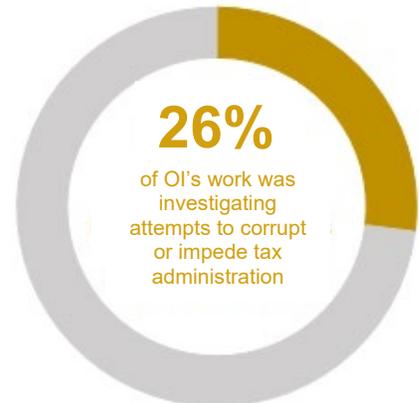
According to the court documents, Bhatti has been employed with the IRS since March 2020, at the IRS office located in Corpus Christi, Texas. In March 2021, Bhatti began sending threatening e-mails and text messages to his co-workers, supervisor, and the National Treasury Employees Union. On May 31, 2021, Bhatti received an IRS management directive prohibiting his return to the IRS building. Subsequently, Bhatti sent a text to an IRS employee that stated, "Omw [On my Way] to POD [Post of Duty]. David Stay on site or die [sic]." Shortly thereafter, Bhatti was arrested at the IRS office in Corpus Christi for criminal trespassing.

On June 11, 2021, based on evidence presented at the preliminary examination, the court ordered that Bhatti be placed in an appropriate medical facility for a period not to exceed 30 days to have a competency examination by a psychiatrist or licensed clinical psychologist.

If convicted, Bhatti could receive a maximum sentence of five years' imprisonment.

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. For example, they may impersonate IRS employees or misuse IRS seals and symbols; file false or frivolous documents against IRS employees; use fraudulent IRS documentation to perpetrate criminal activity; offer bribes to IRS employees to influence their tax cases; commit fraud in contracts the IRS awards to contractors; or commit cybercrimes. In addition, unscrupulous tax preparers can impede tax administration by including errors or false information on a customer's return.



During this reporting period, investigations into attempts to corrupt or impede tax administration accounted for 26 percent of OI's work.

Impersonation Scams and Schemes

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

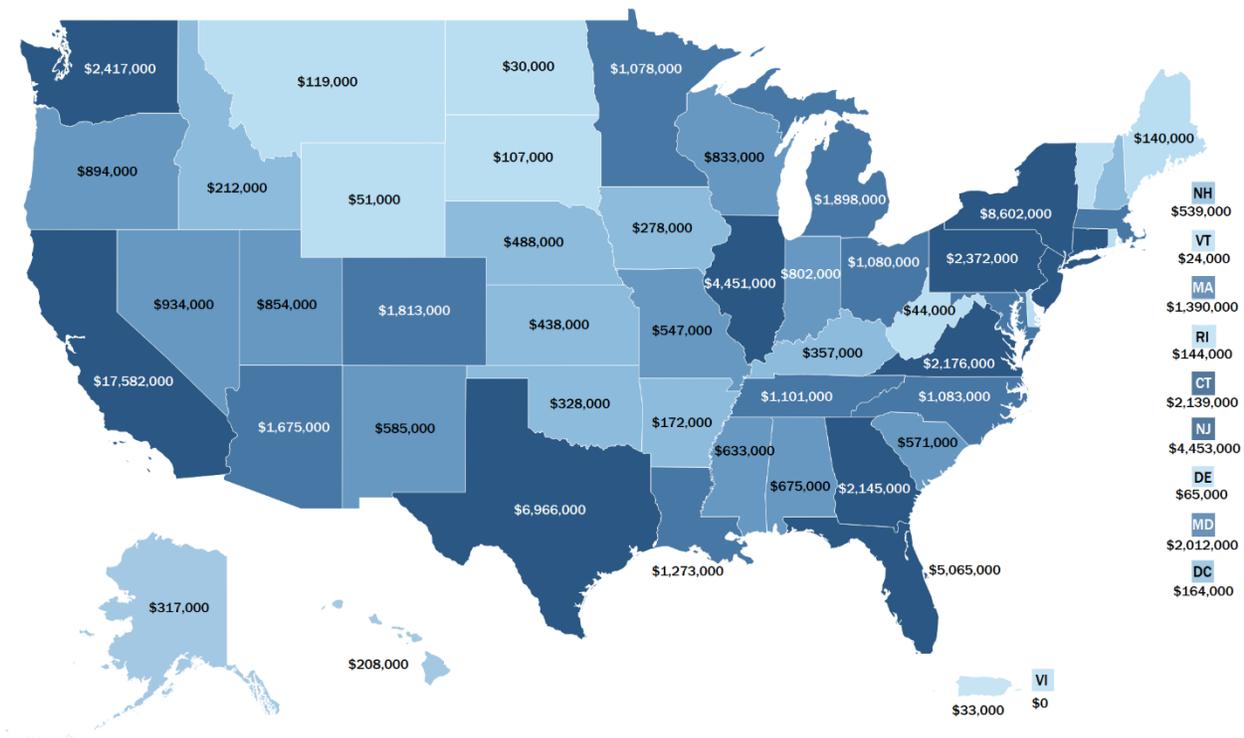
TIGTA aggressively investigates these criminal activities to ensure that taxpayers maintain confidence in the integrity of Federal tax administration.

For more than 10 years, the IRS has compiled an annual list of commonly encountered scams, called the “Dirty Dozen” list of tax scams. Many of these scams peak during the tax filing season, as people prepare their returns or use the services of paid preparers.

Between October 2013 and September 2021, TIGTA logged more than 2.5 million contacts from taxpayers who reported that they had communicated with individuals who claimed to be IRS employees. The impersonators told the victims that they owed additional tax and that if they did not immediately pay, they would be arrested or face other adverse consequences. As of September 30, 2021, 16,012 victims have reported to TIGTA that they had lost more than \$83 million, collectively, to the scam’s perpetrators.

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

Financial Losses by State



Source: TIGTA's Office of Investigations.

Since the IRS scam's inception, 284 individuals have been charged in Federal court for their role, 37 of which were charged during this reporting period. In addition, 105 of those individuals have been sentenced and collectively received a total of more than 415 years' imprisonment. This effort has resulted in more than 877 impersonation scam-related investigations, and financial restitutions totaling more than \$168 million.

The following cases are representative of OI's efforts to investigate IRS impersonation scams during this six-month reporting period:¹⁸

Man Pleads Guilty to Internal Revenue Service Impersonation Scheme

On April 6, 2021, in the Western District of Pennsylvania, Michael Galanis pled guilty to wire fraud conspiracy. Galanis conspired with others to automatically forward calls to numbers used by individuals impersonating IRS employees who then extorted money from victims within the United States. Galanis was indicted on January 16, 2020.

According to the court documents, from March 2016, and continuing thereafter until August 2017, Galanis conspired with others to activate Subscriber Identity Module cards and

¹⁸ The facts in the summarized case narratives come from court documents of the respective jurisdictions named.

program prepaid cell phones to automatically forward calls to Voice over Internet Protocol phone numbers. These calls were routed to IRS impersonators who left voicemails instructing victims to contact the IRS at specific phone numbers. When victims called these numbers, their calls were automatically forwarded to the Voice over Internet Protocol phone numbers then routed to the IRS impersonators. Victims were directed to wire money or purchase iTunes and retail store gift cards to pay their alleged tax debt. Galanis and his coconspirators defrauded victims of approximately \$89,000.

If convicted, Galanis could receive not more than 20 years' imprisonment, three years of supervised release, a fine of \$250,000, and a \$100 assessment.

Man Involved in Internal Revenue Service Impersonation Scheme Indicted for Wire Fraud

On June 23, 2021, in the Southern District of Florida, Matthew Shackell was indicted for wire fraud and conspiracy to commit wire fraud. The object of the conspiracy was for Shackell and his coconspirators to unjustly enrich themselves by calling individuals and falsely telling them they owed money to the IRS. Shackell and his coconspirators then directed these individuals to make payments, for these false IRS debts, to bank accounts controlled by Shackell.

According to the court documents, sometime in or about June or July 2017, the coconspirators, posing as IRS employees, contacted victims via phone and falsely stated there were arrest warrants for their arrest for unpaid Federal taxes. Victims were instructed to deposit money into two different bank accounts controlled by Shackell. For the purpose of executing this scheme to defraud victims by means of materially false and fraudulent pretenses, Shackell knowingly caused the transmittal of \$31,300 through interstate commerce.

If convicted, Shackell could receive a maximum of twenty years' imprisonment, three years of supervised release, and potentially pay a fine of up to \$250,000.

Tax Preparer Outreach

In addition to promoting employee integrity, TIGTA also is committed to tax preparers' education on integrity. Tax preparers play an important role to ensure the integrity of tax administration because of their frequent contact with the IRS and their influence on tax compliance or noncompliance. Tax preparers can either assist in the enforcement of tax administration to ensure that taxpayers comply with Internal Revenue laws, or they can impede it.

During this reporting period, TIGTA special agents provided integrity presentations to more than 8,150 tax preparers at various locations nationwide. The presentations detailed TIGTA's role in protecting the integrity of Federal tax administration; the differences between the respective jurisdictions of TIGTA and the IRS; how to identify various forms of preparer misconduct; and common IRS impersonation scams.

The following case represent Ol's efforts to protect tax administration from unscrupulous tax preparers during this six-month reporting period:¹⁹

Tax Preparer Sentenced for Defrauding Clients Out of Approximately \$4,000,000

On May 3, 2021, in the Central District of California, Edgardo Montalban was sentenced for conspiracy to commit wire fraud. Montalban devised a scheme to defraud taxpayers of their money. On November 13, 2020, Montalban was charged with aggravated identity theft and conspiracy to commit wire fraud, and pled guilty to conspiracy to commit wire fraud.

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

Montalban was sentenced to seven years' imprisonment, ordered to pay \$4,710,400 in restitution, a \$100 assessment fee, and three years of supervised release.

¹⁹ The facts in the summarized case narrative comes from court documents of the jurisdiction named.

Advance Oversight of America's Tax System

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

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



Inspections are intended to:

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

Evaluations are intended to:

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

I&E's publicly issued reports during this reporting period are included in the Pandemic Relief Oversight section on page 17.

Congressional Testimony

On May 11, 2021, the Inspector General testified before the U.S. Senate Finance Subcommittee on Taxation and The Internal Revenue Service during a hearing titled: “Closing The Tax Gap: Lost Revenue From Noncompliance And The Role Of Offshore Tax Evasion.”

In his testimony, the Inspector General discussed the challenges faced by the IRS in reducing the Tax Gap, which is the difference between the estimated amount taxpayers owe and the amount they voluntarily and timely pay for a tax year.

The IRS’s challenges include a decline in the number of employees tasked with conducting audits and examinations between 2010 and 2018. During the same period, the number of examinations of taxpayers dropped by about 40 percent, even as the number of returns filed grew by 5 percent. The percentage decline in the examination rate was larger for higher income returns. For returns with more than \$1 million in total income, the examination rate dropped from 8 percent in 2010 to 3 percent in 2018, a 63 percent decline.

The Inspector General also discussed a series of reports issued by TIGTA in recent years identifying opportunities for the IRS to increase the amount of revenue collected and the commensurate decline in the Tax Gap. These reports concluded that the IRS could more effectively prioritize high-income taxpayers who owed delinquent taxes but do not pay. Another TIGTA report expressed concerns that in 2015 the SB/SE Division of the IRS terminated its High Income High Wealth strategy, which was designed to address high-income taxpayers who had not reported all of their earned income.

In his testimony, the Inspector General also described TIGTA reports that studied the gig economy’s²⁰ impact on tax compliance and the increasing use of virtual currency, also called cryptocurrency. These reports concluded that the IRS is not working cases with billions of dollars in potential tax discrepancies involving taxpayers who earn income in the gig economy. Many cases were not selected to be worked by the IRS due to resource constraints and the large volume of discrepancies identified. Many taxpayers who earn income in the gig economy do not receive a Form 1099-K, *Payment Card and Third Party Network Transactions*, so their income is not reported to the IRS. In addition, TIGTA concluded that it is difficult for the IRS to identify taxpayers with virtual currency transactions because of the lack of third-party information reporting that specifically identifies virtual currency transactions. As of October 2018, both the Large Business & International and SB/SE Divisions’ examination functions have started a small number of examinations of taxpayers based on potential virtual currency issues, and the SB/SE Division’s examination function has few known open examinations of virtual currency exchanges.

²⁰ The gig economy allows individuals and groups to use technology advancements to arrange transactions to generate revenue from assets they possess (such as ride sharing and apartment or home rentals) or services they provide (such as on demand household chores or demand technology services).

Audit Statistical Reports

Reports with Questioned Costs

TIGTA issued one audit report with questioned costs during this semiannual reporting period. The phrase “questioned costs” means costs that are questioned because of:

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

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

| Report Category | Number | Amount (in thousands) | Unsupported Costs (in thousands) |
|---|--------|--------------------------|--|
| 1. Reports with no management decision at the beginning of the reporting period | 0 | \$0 | \$0 |
| 2. Reports issued during the reporting period | 1 | \$894 | \$0 |
| 3. Subtotals (Item 1 plus Item 2) | 1 | \$894 | \$0 |
| 4. Reports for which a management decision was made during the reporting period: | | | |
| a. Value of disallowed costs | 0 | \$0 | \$0 |
| b. Value of costs not allowed | 1 | \$894 | \$0 |
| 5. Reports with no management decision at the end of the reporting period (Item 3 minus Item 4) | 0 | \$0 | \$0 |
| 6. Reports with no management decision within six months of issuance | 0 | \$0 | \$0 |

Reports With Recommendations That Funds Be Put to Better Use

TIGTA issued seven audit reports during this semiannual reporting period with the recommendation that funds be put to better use.²¹ The phrase “recommendation that funds be put to better use” means funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

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

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

| Report Category | Number | Amount (in thousands) ²² |
|--|-----------------|--|
| 1. Reports with no management decision at the beginning of the reporting period | 0 | \$0 |
| 2. Reports issued during the reporting period | 7 | \$4,591,387 |
| 3. Subtotals (Item 1 plus Item 2) | 7 | \$4,591,387 |
| 4. Reports for which a management decision was made during the reporting period (Item a plus Item b) | 7 ²³ | \$4,591,387 |
| a. Value of recommendations to which management agreed | 6 | \$2,731,684 |
| i. Based on proposed management action | 6 | \$2,731,684 |
| ii. Based on proposed legislative action | 0 | \$0 |
| b. Value of recommendations to which management did not agree | 4 | \$1,859,703 |
| 5. Reports with no management decision at the end of the reporting period (Item 3 minus Item 4) | 0 | \$0 |
| 6. Reports with no management decision within six months of issuance | 0 | \$0 |

²¹ See Appendix II for identification of audit reports involved.

²² Taxpayer information is redacted in underlying report(s) because TIGTA has determined that it is tax return information related to taxpayer privacy.

²³ Two reports included several outcome measures where IRS agreed with some and disagreed with others.

Reports With Additional Quantifiable Impact on Tax Administration

In addition to questioned costs and funds put to better use, OA has identified measures that demonstrate the value of audit recommendations to tax administration and business operations. These issues are of interest to executives at the IRS and the Treasury Department, Members of Congress, and the taxpaying public, and are expressed in quantifiable terms to provide further insight into the value and potential impact of OA's products and services. Including this information also promotes adherence to the intent and spirit of the Government Performance and Results Act.²⁴

Definitions of these additional measures are:

Increased Revenue: Assessment or collection of additional taxes.

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

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

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

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

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

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

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

²⁴ Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5, 31, and 39 U.S.C.).

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

| Outcome Measure Category ²⁵ | Number of Reports ²⁶ | Number of Taxpayer Accounts | Dollar Value (in thousands) |
|--|---------------------------------|-----------------------------|-----------------------------|
| Increased Revenue | 4 | 3,764 | \$599,432 |
| Revenue Protection | 5 | 18,641 | \$3,786,474 |
| Reduction of Burden on Taxpayers | 5 | 111,200 | \$66,670 |
| Taxpayer Rights and Entitlements at Risk | 6 | 7,459 | \$929 |
| Taxpayer Privacy and Security | 2 | 634,314 | \$0 |
| Inefficient Use of Resources | 0 | 0 | \$0 |
| Reliability of Management Information | 1 | 2,443,042 | \$0 |
| Protection of Resources | 0 | 0 | \$0 |

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

- Increased Revenue: Reference Numbers 2021-40-030 and 2021-30-041;
- Revenue Protection: Reference Number 2021-40-030, 2021-46-035, and 2021-40-045;
- Taxpayer Rights and Entitlements: Reference Number 2021-30-069;
- Reduction of Burden on Taxpayers: Reference Number 2021-30-069

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

- Taxpayer Burden: Reference Number 2021-30-068;
- Taxpayer Rights and Entitlements: Reference Numbers 2021-10-047 and 2021-30-068;

²⁵ Taxpayer information is redacted in underlying report(s) because TIGTA has determined that it is tax return information related to taxpayer privacy.

²⁶ See Appendix II for identification of audit reports involved.

- Reliability of Information: Reference Numbers 2021-10-037, 2021-20-024, 2021-20-046, 2021-30-068, 2021-20-056, 2021-10-071, 2021-20-065, and 2021-25-058;
- Protection of Resources: Reference Numbers 2021-10-039, 2021-20-065, and 2021-20-063;
- Taxpayer Privacy and Security: Reference Number 2021-20-056.

Investigations Statistical Reports²⁷

Significant Investigative Achievements (April 1, 2021 through September 30, 2021)

| Complaints/Allegations Received by TIGTA | |
|--|---------------------|
| Complaints Against IRS Employees | 1,993 |
| Complaints Against Non-Employees | 2,055 |
| Total Complaints/Allegations | 4,048 |
| Status of Complaints/Allegations Received by TIGTA | |
| Investigations Initiated | 893 |
| In Process Within TIGTA ²⁸ | 261 |
| Referred to IRS for Action | 456 |
| Referred to IRS for Information Only | 1134 |
| Referred to a Non-IRS Entity ²⁹ | 0 |
| Closed With No Referral | 527 |
| Closed Associated With Prior Investigation | 409 |
| Closed With All Actions Completed | 368 |
| Total Complaints/Allegations | 4,048 |
| Investigations Opened and Closed | |
| Total Investigations Opened | 1,364 |
| Total Investigations Closed | 1,430 |
| Financial Accomplishments | |
| Embezzlement/Theft Funds Recovered | \$8,441,486 |
| Contract Fraud and Overpayments Recovered | \$22,950 |
| Court-Ordered Fines, Penalties, and Restitution | \$33,311,924 |
| Out-of-Court Settlements | 0 |
| Potentially Compromised by Bribery | \$901,863 |
| Tax Liability of Taxpayers Who Threaten and/or Assault IRS Employees | \$6,640,065 |
| IRS Assets and Resources Protected Against Malicious Loss | \$392,491 |
| Total Financial Accomplishments | \$49,710,779 |

²⁷ Includes the reporting requirements under the Inspector General Empowerment Act of 2016, Pub. L. No. 114-317, 130 Stat. 1595 (codified in 5 U.S.C. App. (2018)).

²⁸ Complaints for which final determination had not been made at the end of the reporting period.

²⁹ 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 | 5 | 142 | 147 |
| Referred – Declined for Prosecution | 125 | 246 | 371 |
| Referred – Pending Prosecutorial Decision | 7 | 64 | 71 |
| Total Criminal Referrals³⁰ | 137 | 452 | 589 |
| No Referral | 220 | 545 | 765 |
| Criminal Dispositions ³¹ | | | |
| Criminal Disposition | Employee | Non-Employee | Total |
| Guilty | 4 | 87 | 91 |
| Nolo Contendere (no contest) | 0 | 0 | 0 |
| Pretrial Diversion | 0 | 0 | 0 |
| Deferred Prosecution ³² | 0 | 0 | 0 |
| Not Guilty | 5 | 0 | 5 |
| Dismissed | 1 | 2 | 3 |
| Total Criminal Dispositions | 10 | 89 | 99 |
| Administrative Dispositions on Closed Investigations ³³ | | | |
| Removed/Terminated | | | 22 |
| Suspended/Reduction in Grade | | | 56 |
| Resigned/Retired/Separated Prior to Adjudication | | | 88 |
| Oral or Written Reprimand/Admonishment | | | 86 |
| Clearance Letter/Closed, No Action Taken | | | 47 |
| Alternative Discipline/Letter With Cautionary Statement/Other | | | 74 |
| Non-Employee Actions ³⁴ | | | 714 |
| Total Administrative Dispositions | | | 1087 |

³⁰ Criminal referrals include both Federal and State dispositions.

³¹ 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.

³² Generally, in a deferred prosecution, the defendant accepts responsibility for his/her actions and complies with certain conditions imposed by the court. Upon the defendant's completion of the conditions, the court dismisses the case. If the defendant fails to fully comply, the court reinstates prosecution of the charge.

³³ 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.

³⁴ 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 | 518 |
| Referred to the Department of Justice for Criminal Prosecution | 498 |
| Referred to State/Local Prosecuting Authorities | 20 |
| Number of Indictments and Criminal Informations | 150 |
| Indictments | 122 |
| Criminal Informations | 28 |

Source: TIGTA OI's Criminal Results Management System.

Interference

During the reporting period, there was no attempt 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 was one investigation regarding whistleblower retaliation.

Closed³⁵ Investigations Involving IRS Senior Government Employees³⁶

| Detailed Description of the Facts and Circumstances of the Investigation: | Disposition: | Criminal Status: | Date Referred: | If Declined, Date of Declination: |
|--|-----------------------------------|------------------|----------------|-----------------------------------|
| A senior Government employee displayed their credentials to a State Trooper in order to exert influence and avoid a speeding ticket. | Training Administered/Reprimanded | Declined | 10/28/2020 | 4/1/2021 |
| A senior Government employee allegedly improperly removed a manager due to retaliation. | Other | N/A | N/A | N/A |
| A senior Government employee's official laptop and other electronic device were stolen from their personal vehicle. The stolen devices were reported to local police and added to the State's crime database for possible identification and recovery. | Other | N/A | N/A | N/A |
| A senior Government official allegedly extorted contractors. | Other | N/A | N/A | N/A |
| A senior Government official allegedly laundered money. | Other | N/A | N/A | N/A |
| A senior Government official admitted to engagement in inappropriate behavior with a subordinate employee. | Other | N/A | N/A | N/A |

³⁵ 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.

³⁶ For this report, a "senior Government employee" refers to an officer or employee in the Executive branch who occupies a position classified at or above GS-15 of the General Schedule. 5 U.S.C App. § 5(f)(7).

Inspections and Evaluations Statistical Reports

Evaluation Reports with Significant Unimplemented Corrective Actions

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

| Reference Number | Issued | Projected Completion Date | Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.) |
|------------------|------------|--|---|
| 2021-IE-R001 | March 2021 | 12/15/21 12/15/21 09/30/22 | <p>OVERSIGHT OF REPORTED SEXUAL HARASSMENT ALLEGATIONS NEEDS IMPROVEMENT</p> <p><u>F-2, R-1</u>: Update guidance to ensure that management consistently administers appropriate offenses and penalties when misconduct is substantiated.</p> <p><u>F-2, R-2</u>: Implement procedures to ensure that management adequately documents the reasons and circumstances for selecting the appropriate offenses and penalties suggested in the IRS Penalty Guide to ensure consistency. In addition, ensure that the Labor Relations electronic case record is updated to accurately reflect final disciplinary decisions.</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 Statistical Reports

Reports With Significant Unimplemented Corrective Actions

The Inspector General Act, as amended, requires the identification of any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations described in previous semiannual reports for which corrective actions have not been completed. The following list is based on information from the Treasury Department's Joint Audit Management Information System (JAMES).^{37,38}

| Report Number | Issued | Projected Completion Date | Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.) |
|---------------|----------------|---------------------------|--|
| 2007-10-068 | May 2007 | 12/15/21 | INEFFICIENCIES IN PROCESSING OPERATIONS ASSISTANCE REQUESTS CAUSED TAXPAYERS UNNECESSARY DELAYS F-3, R-1: Revise Form 12412, <i>Operations Assistance Request</i> , to allow requests to be closed as completed or as misrouted only if they had been sent to the wrong Operations liaison. |
| 2008-20-176 | September 2008 | 02/09/22 | THE OFFICE OF RESEARCH, ANALYSIS, AND STATISTICS NEEDS TO ADDRESS COMPUTER SECURITY WEAKNESSES F-1, R-5: Ensure that audit and accountability controls are sufficient by requiring audit logs to be maintained a minimum of six years and to be periodically reviewed by the security officer. |
| 2011-20-111 | September 2011 | 11/15/21 | CONTINUED CENTRALIZATION OF THE WINDOWS ENVIRONMENT WOULD IMPROVE ADMINISTRATION AND SECURITY EFFICIENCIES F-2, R-2: Ensure that scanning tools, such as the <i>Business DNA</i> software, are utilized to locate unauthorized servers, workstations, and domains on the IRS network, and adequate procedures are developed and implemented to ensure that they are removed. |
| 2012-20-112 | September 2012 | 11/15/21 | AN ENTERPRISE APPROACH IS NEEDED TO ADDRESS THE SECURITY RISK OF UNPATCHED COMPUTERS F-1, R-1: Ensure that the IRS completes the deployment of an automated asset discovery tool (or tools if needed) and builds an accurate and complete inventory of information technology assets (including hardware and software) that reside on the IRS network. |

³⁷ This summary data does not include recommendations that are specifically prohibited from disclosure by any provision of law, such as I.R.C. § 6103, protecting tax returns and return information, or that are specifically required by Executive Order to be protected from disclosure in the interest of national defense or national security or in the conduct of foreign affairs.

³⁸ The Office of Audit has previously designated two reports with unimplemented recommendations as Sensitive But Unclassified. These Sensitive But Unclassified reports include subject matter that might create a risk of circumvention of the law if publicly released. There are no potential cost savings associated with any unimplemented recommendations from these reports.

| Report Number | Issued | Projected Completion Date | Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.) |
|---------------|--------------|-----------------------------------|--|
| 2016-40-028 | March 2016 | On Hold ³⁹ 03/15/23 | <p>REVISING TAX DEBT IDENTIFICATION PROGRAMMING AND CORRECTING PROCEDURAL ERRORS COULD IMPROVE THE TAX REFUND OFFSET PROGRAM</p> <p>F-1, R-1: Revise identification processes to include sole proprietor information from Form SS-4, <i>Application for Employer Identification Number</i>, to identify individual tax refunds to offset to business tax debt.</p> <p>F-3, R-1: Revise computer programming to use the Limited Liability Company indicator on the business tax account to ensure that individual tax refunds are not offset to the associated Limited Liability Company's business tax debt.</p> |
| 2017-30-010 | October 2016 | 12/15/21 | <p>EMPLOYEES SOMETIMES DID NOT ADHERE TO E-MAIL POLICIES WHICH INCREASED THE RISK OF IMPROPER DISCLOSURE OF TAXPAYER INFORMATION</p> <p>F-3, R-1: Update the Enterprise Electronic Fax system to allow encrypted messages to be sent to the system server.</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>F-1, R-1: Correct Automated Non-Master File programming to compute and assess the Failure to File penalty on Form 1040NR, <i>U.S. Nonresident Alien Income Tax Return</i>, accounts in which the TIN is an Employee Identification Number (EIN).</p> <p>F-1, R-2: Correct Automated Non-Master File programming to use the correct date when computing the Failure to File penalty. In addition, programming should be corrected to ensure that the proper penalty rate is used to compute the penalty amount.</p> <p>Potential Increased Revenue: \$354,153</p> |
| 2017-20-024 | June 2017 | 07/15/22 | <p>INFORMATION TECHNOLOGY: IMPROVEMENTS ARE NEEDED IN ENTERPRISE-WIDE DISASTER RECOVERY PLANNING AND TESTING</p> <p>F-2, R-1: 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>F-3, R-1: Establish a systemic process to match data fields to perfect unpostable Forms W-3, <i>Transmittal of Wage and Tax Statements</i>.</p> |

³⁹ Except for two reports, recommendations designated as "On Hold" were agreed to by the IRS, but action was deferred pending the availability of funds. The recommendation for Report Number 2017-40-085 was agreed to by the IRS, but was placed on "On Hold" because the IRS is awaiting input from another agency. The recommendation for Report Number 2020-30-066 was agreed to by the IRS, but was placed on "On Hold" because the process by which guidance is developed is not within the IRS's sole control.

| 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 | <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 TIN (ITIN).</p> |
| 2018-40-013 | February 2018 | On Hold On Hold 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 EIN applications when an EIN has previously been assigned to the same sole proprietor and to reject applications when IRS data indicate that the sole proprietor is deceased.</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 (CI) assets in each of the field offices to existing IRS computer rooms versus upgrading CI computer rooms to ensure that assets are protected in accordance with Federal and IRM security requirements and 2) implement the most cost-effective solution.</p> |
| 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> |

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|---------------|----------------|---------------------------|---|
| 2019-20-017 | April 2019 | 02/15/23 | <p>ELECTRONIC AUTHENTICATION SECURITY CONTROLS HAVE IMPROVED, BUT CONTINUED PROGRESS IS NEEDED TO ENSURE THE PROTECTION OF PUBLIC-FACING APPLICATIONS</p> <p><u>F-1, R-1</u>: Ensure that public-facing legacy applications are complying with National Institute of Standards and Technology Special Publication 800-63-3 and that an implementation plan includes specific timelines for accomplishing full compliance of legacy applications.</p> |
| 2019-34-033 | May 2019 | On Hold | <p>IMPLEMENTATION OF THE TAX CUTS AND JOBS ACT DEEMED REPATRIATION TAX PRESENTED SIGNIFICANT CHALLENGES</p> <p><u>F-2, R-1</u>: Take steps to ensure that Section 965 payments are recorded with the correct designated payment code.</p> |
| 2019-40-044 | August 2019 | 10/15/21 12/15/21 | <p>BILLIONS OF DOLLARS OF POTENTIALLY ERRONEOUS CARRYFORWARD CLAIMS ARE STILL NOT BEING ADDRESSED</p> <p><u>F-1, R-1</u>: Ensure that criteria is added to the Research Credit selection risk tool to identify high-risk carryforward Research Credit discrepancy claims on returns selected for examination and determine if the carryforward claims taken by the taxpayers are accurate.</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 | 10/15/21 10/15/21 | <p>THE BRING YOUR OWN DEVICE PROGRAM'S SECURITY CONTROLS NEED IMPROVEMENT</p> <p><u>F-3, R-1</u>: Ensure the retention of Bring Your Own Device (BYOD) program application audit logs for the appropriate period and periodic review of the application audit logs by an independent source.</p> <p><u>F-4, R-1</u>: Update BYOD program procedures and guidelines to include: 1) providing malware prevention training to users; 2) updating the documentation for device operating system and technical baseline configurations; 3) maintaining and reviewing application audit logs, specifically time frames for each; 4) clarifying the Computer Security Incident Response Center reporting procedures for a lost or stolen device; 5) informing the BYOD program when a device is lost or stolen so that the application data are remotely wiped; and 6) tracking the manual and systemic application data wipes by the BYOD program on a periodic basis.</p> |

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|---------------|----------------|---------------------------|--|
| 2019-40-074 | September 2019 | On Hold On Hold | ADDITIONAL ACTIONS ARE NEEDED TO FURTHER REDUCE UNDELIVERABLE MAIL <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. <u>F-2, R-1</u> : Install and use hygiene software to perfect taxpayer addresses on the ITIN Real-Time System. |
| 2019-30-078 | September 2019 | 11/15/21 | THE USE OF SCHEDULE K-1 DATA TO ADDRESS TAXPAYER NONCOMPLIANCE CAN BE IMPROVED <u>F-1, R-3</u> : Establish a process to use more e-filed Schedule K-1 data for noncompliance identification and determine the feasibility of transcribing more data from paper Schedule K-1. |
| 2020-40-005 | November 2019 | On Hold | IMPROVEMENTS ARE NEEDED TO ENSURE THAT CONSISTENT SUITABILITY CHECKS ARE PERFORMED FOR PARTICIPATION IN INTERNAL REVENUE SERVICE PROGRAMS <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. |
| 2020-10-001 | January 2020 | 10/29/21 | MANY ORGANIZATIONS ARE NOT NOTIFYING THE INTERNAL REVENUE SERVICE OF THEIR INTENT TO OPERATE UNDER INTERNAL REVENUE CODE SECTION 501 (c)(4) AS REQUIRED BY LAW <u>F-1, R-2</u> : Use internal sources of information, e.g., applications for tax-exempt status filed after July 8, 2016, to assist with detecting I.R.C. § 501(c)(4) organizations that have not filed Forms 8976, <i>Notice of Intent to Operate Under Section 501(c)(4)</i> , and update the Exempt Organizations Determinations Unit procedures to include verifying that I.R.C. § 501(c)(4) organizations have met their Form 8976 notification requirement when processing applications for tax-exempt status. |
| 2020-44-007 | January 2020 | On Hold On Hold | RESULTS OF THE 2019 FILING SEASON <u>F-2, R-2</u> : Implement programming to compute the correct allowable increase in the standard deduction for tax returns for which a taxpayer does not have an entry for the spouse but checks one or more of the checkboxes that indicate that the spouse was age 65 or older and/or was blind. <u>F-2, R-11</u> : Create a business rule to reject tax returns when a casualty and theft loss deduction is included on Schedule A, <i>Itemized Deductions</i> , and Form 4684, <i>Casualties and Thefts</i> , does not include the required Federal Emergency Management Agency disaster declaration number. |

| Report Number | Issued | Projected Completion Date | Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.) |
|---------------|---------------|---------------------------|--|
| 2020-20-006 | February 2020 | 12/15/21 12/15/24 | <p>ACTIVE DIRECTORY OVERSIGHT NEEDS IMPROVEMENT</p> <p><u>F-1, R-3</u>: Prioritize all computer rooms housing Integrated Submission and Remittance Processing domain controllers for access control upgrades to ensure that these rooms are compliant with Federal multifactor authentication requirements.</p> <p><u>F-2, R-6</u>: Ensure that business role account passwords are appropriately configured to expire and require that Personal Identity Verification cards be used in accordance with policy.</p> |
| 2020-40-008 | February 2020 | On Hold On Hold | <p>AUTHORITIES PROVIDED BY THE INTERNAL REVENUE CODE ARE NOT EFFECTIVELY USED TO ADDRESS ERRONEOUS REFUNDABLE CREDIT AND WITHHOLDING CREDIT CLAIMS</p> <p><u>F-2, R-2</u>: Develop processes and procedures to manually set a recertification indicator on tax accounts associated with refundable credit claims that were disallowed through the Automated Questionable Credit program until a systemic process is implemented.</p> <p><u>F-2, R-4</u>: Ensure that a systemic process is implemented to set the recertification indicator on taxpayers' accounts when refundable credit claims are disallowed as part of the IRS's Automated Questionable Credit program.</p> |
| 2020-40-009 | February 2020 | 10/15/21 | <p>COMPLEXITY AND INSUFFICIENT OVERSIGHT OF THE FREE FILE PROGRAM RESULT IN LOW TAXPAYER PARTICIPATION</p> <p><u>F-1, R-2</u>: 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.</p> |
| 2020-20-012 | March 2020 | 02/15/22 | <p>WHILE PROGRESS IS BEING MADE ON DIGITAL IDENTITY REQUIREMENTS, COMPLETION DATES TO ACHIEVE COMPLIANCE WITH IDENTITY PROOFING STANDARDS HAVE NOT BEEN ESTABLISHED</p> <p><u>F-2, R-1</u>: Ensure that the Identity and Access Management Design and Innovation Branch performs the planned tests; completes a go/no-go evaluation of the Secure Access Digital Identity (SADI) platform based on the results from the tests; determines and incorporates the additional needs for the initial release of the SADI platform; and develops and implements the plan to successfully migrate all of the online applications from the current system of processes to the SADI platform, as expeditiously as is possible.</p> |
| 2020-40-014 | March 2020 | On Hold | <p>MILLIONS OF DOLLARS IN DISCREPANCIES IN TAX WITHHOLDING REQUIRED BY THE FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT ARE NOT BEING IDENTIFIED OR ADDRESSED</p> <p><u>F-2, R-1</u>: Implement processes and procedures to ensure that tax examiners accurately determine and assess the proper amount of Foreign Investment in Real Property Tax Act withholding tax a buyer should report and pay when the application for the Withholding Certificate attached to the Form 8288, <i>U.S. Withholding Tax Return for Dispositions by Foreign Persons of U.S. Real Property Interests</i>, was not filed on or before the date of transfer of the property.</p> |

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|---------------|-------------|---------------------------|---|
| 2020-30-017 | March 2020 | 10/15/21 | <p>THE GROWTH OF THE MARIJUANA INDUSTRY WARRANTS INCREASED TAX COMPLIANCE EFFORTS AND ADDITIONAL GUIDANCE</p> <p><u>F-3, R-1</u>: Leverage publically available State tax information and expand use of Federal/State agreements to identify nonfilers and unreported income in the marijuana industry. Potential Increased Revenue: \$19,345,235</p> |
| 2020-40-025 | April 2020 | 09/15/22 | <p>IMPROPER PAYMENT REPORTING HAS IMPROVED; HOWEVER, THERE HAVE BEEN NO SIGNIFICANT REDUCTIONS TO THE BILLIONS OF DOLLARS OF IMPROPER PAYMENTS</p> <p><u>F-1, R-1</u>: Work with the Department of Health and Human Services to develop a comprehensive risk assessment of improper Premium Tax Credit payments, including the risk of Advanced Premium Tax Credit improper payments.</p> |
| 2020-10-030 | May 2020 | 10/15/21 10/15/21 | <p>UNDERCOVER TRAVEL EXPENSES WERE GENERALLY SUPPORTED; HOWEVER, CONTROLS COULD BE IMPROVED</p> <p><u>F-1, R-1</u>: Ensure that management's approval is obtained when reserving hotel rooms exceeding the applicable temporary duty location rate and the use of luxury vehicles and require agents to include management's prior approval in their travel voucher documentation. <u>F-2, R-1</u>: Periodically assess undercover travel on a function-wide basis to identify potential areas for improved efficiency, to identify best practices to ensure agents' safety, and to ensure that the investigative imprest fund is only used for travel costs when needed to maintain the security of undercover operations.</p> |
| 2020-20-022 | June 2020 | 06/15/22 | <p>SOME CORRECTIVE ACTIONS TO ADDRESS REPORTED INFORMATION TECHNOLOGY WEAKNESSES WERE NOT FULLY AND EFFECTIVELY IMPLEMENTED AND DOCUMENTED</p> <p><u>F-1, R-3</u>: Verify through testing that the IRS Information Technology organization is able to recover mission-essential functions identified by the Cybersecurity function within the maximum tolerable downtimes or recovery time objectives.</p> |
| 2020-10-032 | June 2020 | 11/15/21 | <p>PERFORMANCE MEASURES ARE NEEDED TO EVALUATE THE RESULTS OF DIRECT PAY BOND PROCESSING CHARGES</p> <p><u>F-1, R-1</u>: Develop performance measures that track the efficiency of subsidy payment request processing, including processing time, employee's total direct time, the number of subsidy payment requests that require error resolution and correspondence, the number of payments that are rejected, and the amount of interest paid.</p> |
| 2020-20-036 | August 2020 | 02/15/22 | <p>STRATEGIES AND PROTOCOLS TO AUTHENTICATE NETWORK USER IDENTITIES ARE EFFECTIVE; HOWEVER, MORE ACTION IS NEEDED TO VERIFY THE IDENTITY OF DEVICES</p> <p><u>F-1, R-1</u>: Require the User and Network Services and Cybersecurity functions to coordinate with AT&T to implement certificate-based authentication for devices connecting to the internal network through a Virtual Private Network.</p> |

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|---------------|----------------|--|---|
| 2020-20-044 | August 2020 | 06/15/22 | LEGACY SYSTEMS MANAGEMENT NEEDS IMPROVEMENT F-2, R-1: Capture operations and maintenance costs for its current information technology infrastructure at the subsystem level. |
| 2020-10-051 | August 2020 | 03/10/22 | CONTROLS OVER THE MANAGEMENT AND SECURITY OF OFFICIAL PASSPORTS NEED IMPROVEMENT F-3, R-1: Consider including a requirement for independent periodic or annual surprise security reviews of the passport offices to ensure that passport personnel are adhering to updated guidelines for securing and safeguarding passports. |
| 2020-30-055 | September 2020 | 11/15/21 | THE ACCURACY OF CURRENCY TRANSACTION REPORT DATA IN IRS SYSTEMS SHOULD BE IMPROVED TO ENHANCE ITS USEFULNESS FOR COMPLIANCE PURPOSES F-1, R-1: Improve the case identification and selection process by using currency transaction reports data to systemically identify potentially noncompliant taxpayers and nonfilers. |
| 2020-20-061 | September 2020 | 09/15/23 | THE ENTERPRISE CASE MANAGEMENT SOLUTION DEVELOPMENT IS DELAYED, AND ADDITIONAL ACTIONS ARE NEEDED TO DEVELOP A DECOMMISSIONING STRATEGY F-3, R-1: Coordinate with the business operating divisions to perform the fit-gap analysis on all case management systems to maximize the Enterprise Case Management solution's functionality and ensure that the majority of legacy case management systems are consolidated. |
| 2020-20-063 | September 2020 | 12/15/21 12/15/21 11/15/21 12/15/21 | IMPROVEMENTS ARE NEEDED TO ENSURE THAT WIRELESS NETWORKS ARE SECURE F-1, R-1: Ensure that the 25 wireless network security-related weaknesses are resolved and that the evidence supporting the weakness closures is updated in the Treasury Federal Information Security Modernization Act of 2014 Inventory Management System for subsequent testing and closure approval. F-2, R-1: Correct the wireless access point inventory issues that TIGTA identified and shared with management. F-2, R-3: Improve the current inventory management system and platform to ensure that all changes to wireless access point components are updated simultaneously. F-3, R-2: Ensure that the User and Network Services function disables and locks the wireless capability in multifunction printers to comply with IRM policy. |

| Report Number | Issued | Projected Completion Date | Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.) |
|---------------|----------------|--|---|
| 2020-40-064 | September 2020 | 12/15/21 12/15/21 On Hold | <p>PROCESSES DO NOT ENSURE THAT INDIVIDUAL TAXPAYER IDENTIFICATION NUMBERS ARE ISSUED ONLY TO QUALIFYING INDIVIDUALS WITH A TAX ADMINISTRATION NEED</p> <p><u>F-3, R-4</u>: Review the 2,239 ITINs with duplicate documents that TIGTA identified and take appropriate actions to revoke or deactivate the ITINs.</p> <p><u>F-3, R-6</u>: Review the 89 ITINs identified as revoked and still active and the 51 ITINs assigned to deceased individuals that are not locked that TIGTA identified and take appropriate action to deactivate the ITINs or add a deceased lock on the tax account.</p> <p><u>F-7, R-1</u>: Develop processes and procedures to identify retroactive claims erroneously paid and erroneously disallowed due to tax examiner errors. Once these claims are identified, take steps to recover erroneous credit payments or ensure that taxpayers receive the benefits to which they are entitled.</p> |
| 2020-30-065 | September 2020 | 02/15/22 02/15/22 02/15/22 02/15/22 | <p>FISCAL YEAR 2020 STATUTORY REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN ISSUING LEVIES</p> <p><u>F-1, R-1</u>: Ensure that corrective programming is implemented so that, when a revenue officer generates a disqualified employment tax levy, the Integrated Collection System (ICS) properly posts in the case history and notifies employees to send the post-levy Collection Due Process (CDP) notice.</p> <p><u>F-1, R-2</u>: Ensure that corrective programming is implemented so that, when a revenue officer levies a tax module that is not in Field Collection status, they are notified to verify the proper time has passed since the CDP notice issuance.</p> <p><u>F-1, R-3</u>: Ensure that corrective programming is implemented so that, when a jeopardy levy is issued, the ICS posts in the case history and notifies employees to send the post-levy CDP notice.</p> <p><u>F-1, R-4</u>: Ensure that corrective programming is implemented so that, when a revenue officer levies an ICS-only balance due module in the ICS, they are notified to verify the CDP notices were properly issued.</p> |
| 2020-30-066 | September 2020 | On Hold | <p>THE INTERNAL REVENUE SERVICE CAN IMPROVE TAXPAYER COMPLIANCE FOR VIRTUAL CURRENCY TRANSACTIONS</p> <p><u>F-1, R-1</u>: Continue efforts to close the virtual currency information gap by issuing guidance clarifying the proper information reporting associated with virtual currency transactions.</p> |

| Report Number | Issued | Projected Completion Date | Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.) |
|---------------|----------------|----------------------------------|--|
| 2020-30-071 | September 2020 | 01/15/22 01/15/22 01/15/22 | <p>MORE ENFORCEMENT AND A CENTRALIZED COMPLIANCE EFFORT ARE REQUIRED FOR EXPATRIATION PROVISIONS</p> <p><u>F-1, R-2</u>: Update the Letter 2399C, <i>Failure to File – Initial Form 8854</i>, and Letter 4135C, <i>Failure to Respond to Initial Form 8854 Request</i>, for compliance under the Heroes Earnings Assistance and Relief Tax Act and develop IRM procedures to use these letters to obtain Form 8854, <i>Initial and Annual Expatriation Statement</i>, when a Form DS-4083, <i>Certificate of Loss of Nationality of the United States</i>, is received and no Form 8854 is received.</p> <p><u>F-2, R-1</u>: Evaluate the information reported on Form 8854 and determine what data fields should be added to the expatriate database to ensure tax compliance of taxpayers who expatriate, e.g., Form 8854, Part IV, Section B, <i>Property Owned on Date of Expatriation</i>.</p> <p><u>F-2, R-2</u>: Develop IRM procedures for transcribing Form 8854 data, correct Form 8854 data when information as filed by expatriates is missing or incomplete, and prepare analysis as needed to determine if the expatriate is a covered expatriate and subject to tax under I.R.C. § 877A.</p> |
| 2021-30-002 | December 2020 | 02/15/22 10/15/22 | <p>BILLIONS IN POTENTIAL TAXES WENT UNADDRESSED FROM UNFILED RETURNS AND UNDERREPORTED INCOME BY TAXPAYERS THAT RECEIVED FORM 1099-K INCOME</p> <p><u>F-1, R-2</u>: Evaluate the Start Date criteria for business nonfilers to determine whether it can be eliminated or revised, so that these cases will have the opportunity to be identified and worked. Potential Increased Revenue: \$9,927,653</p> <p><u>F-1, R-3</u>: Define high-income business nonfilers and create a strategy to work these cases so that all high-income business nonfiler cases will have the opportunity to be selected and worked. Include the business high-income strategy in the IRS Nonfiler Strategy plan. Potential Increased Revenue: \$1,197,629,572</p> |
| 2021-10-005 | December 2020 | 02/15/22 | <p>CONSOLIDATION OF EXAMINATION CASE SELECTION AND ASSIGNMENT IN THE TAX EXEMPT AND GOVERNMENT ENTITIES DIVISION CREATED BENEFITS, BUT ADDITIONAL IMPROVEMENTS ARE NEEDED</p> <p><u>F-2, R-2</u>: Explore the feasibility of reassigning resources from compliance functions to the Compliance Planning and Classification function to improve the efficiency of identifying, classifying, and monitoring productive examination workloads related to all Tax Exempt and Government Entities functions.</p> |
| 2021-10-007 | December 2020 | On Hold 10/15/22 | <p>IMPROVEMENTS HAVE BEEN MADE, BUT CONTROLS NEED TO BE STRENGTHENED TO DETECT IMPROPER SELF-EMPLOYED RETIREMENT DEDUCTIONS</p> <p><u>F-1, R-1</u>: Revise procedures for determining eligibility for the self-employed retirement deduction to include Schedule SE, <i>Self-Employment Tax</i>, as evidence of self-employment.</p> <p><u>F-2, R-1</u>: Consider for examination the 16 tax returns with retirement contribution deductions over \$400,000 for which TIGTA identified only as an associated Defined Contribution Plan.</p> |

| Report Number | Issued | Projected Completion Date | Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.) |
|---------------|---|---------------------------|---|
| 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 |
| | | 12/15/21 | <u>F-1, R-1</u> : Develop processes and procedures that provide taxpayers with the opportunity to self-correct errors on accepted e-filed returns that are suspended from processing for manual error resolution in an effort to reduce unnecessary burden on taxpayers and processing costs incurred by the IRS. Funds Put to Better Use: \$2,438,358 |
| | | 12/15/21 | <u>F-2, R-1</u> : Expand processes and procedures for developing error resolution criteria to include an assessment of the potential reduction in taxpayer burden and cost savings to the IRS that can be gained by using additional tax return data to develop systemic error resolution processes. Funds Put to Better Use: \$961,196 |
| | | 08/15/22 | <u>F-2, R-2</u> : Review existing error codes to identify opportunities to expand the use of available tax return data to systemically resolve the error condition for both paper and e-filed tax returns and reduce the number of e-filed tax returns from unnecessarily being identified for manual review. <u>F-3, R-1</u> : Develop processes to systemically suspend and reactivate tax returns when processing must be suspended until computer programming or other actions necessary to ensure the accurate processing of these returns can be completed. Funds Put to Better Use: \$176,277 |
| | | On Hold | <u>F-4, R-1</u> : Develop processes to systemically monitor the Error Resolution program, including processes to monitor error code volumes real-time as well as in comparison to historical data. |
| | | On Hold | <u>F-4, R-2</u> : Develop processes and procedures to retain and provide access to historical Error Resolution System data, including actions taken by tax examiners. |
| | | On Hold | <u>F-5, R-1</u> : Develop processes and procedures to identify and correct tax examiner entries in verified fields that exceed statutory limits, including a process to ensure that tax returns with verified amounts are systemically reprocessed through Error Resolution System programming before being released for processing. |
| | | 10/15/21 | <u>F-5, R-2</u> : Review the 8,397 tax returns that TIGTA identified in which taxpayers received more in the Child Tax Credit or the Additional Child Tax Credit than they were entitled to receive and take actions to recover the erroneous credits. Funds Put to Better Use: \$8,033,779 |
| 10/15/21 | <u>F-5, R-3</u> : Review 12,147 tax returns TIGTA identified in which taxpayers did not receive the amount of the Child Tax Credit or the Additional Child Tax Credit to which they were entitled and ensure that they receive their allowable credit amount. | | |
| 2021-40-012 | January 2021 | On Hold | PROCESSES EXIST TO ASSIST TAXPAYERS WITH MISDIRECTED REFUNDS, BUT ADDITIONAL CONTROLS COULD FURTHER HELP TO PREVENT THEM <u>F-2, R-1</u> : Create a closing code to be entered onto a tax account when a refund inquiry is closed that denotes the cause of the refund being misdirected, i.e., IRS error, taxpayer error, or bank error. |

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|---------------|---------------|----------------------------------|---|
| 2021-30-016 | February 2021 | 10/15/21 04/15/22 04/15/22 | <p>EMPHASIS ON UNRELATED BUSINESS INCOME TAX ENFORCEMENT SHOULD BE ENHANCED</p> <p><u>F-1, R-3</u>: Require that examiners request any missing Forms 990-T, <i>Exempt Organization Business Income Tax Return</i>, and inform taxpayers of the potential risks if they do not comply with their filing requirements in accordance with Treasury Regulation § 1.6012-2(e).</p> <p><u>F-3, R-1</u>: Implement safeguards to ensure the accuracy of the Reporting Compliance Case Management System Closing Record to avoid material errors that affect information reports based on these inputs, which are relied upon by internal and external stakeholders.</p> <p><u>F-3, R-2</u>: Replace the respective IRM sections that provide instructions on the Form 5599, <i>TE/GE Examined Closing Record</i>, with the revised Reporting Compliance Case Management System Closing Record, and clarify any differences in how examiners should complete this process for appealed examinations.</p> |

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|---------------|--|---------------------------|---|
| 2021-45-017 | February 2021 | | ADDITIONAL SECURITY PROCESSES ARE NEEDED TO PREVENT UNAUTHORIZED RELEASE OF TAX INFORMATION THROUGH THE INCOME VERIFICATION EXPRESS SERVICE PROGRAM |
| | | 10/15/21 | <u>F-1, R-1</u> : Ensure that sufficient resources are allocated to the Income Verification Express Service (IVES) Program to timely identify and suspend IVES participants that do not complete the electronic signature certification and submit the annual independent audit report as required. |
| | | 10/15/21 | <u>F-1, R-2</u> : Maintain a current list of all IVES participants approved to submit electronically signed requests and that are meeting all electronic signature program requirements. |
| | | 10/15/21 | <u>F-1, R-3</u> : Update the transcript request form to include a box indicating whether the form was signed electronically by the taxpayer, or require IVES participants to submit electronically signed transcript requests in a separate batch from those that are not electronically signed. |
| | | On Hold | <u>F-1, R-4</u> : Implement a process to compare electronically signed transcript requests received from IVES participants to a current list of all IVES participants allowed to submit electronically signed requests to prevent the processing of any requests submitted by IVES participants that are not approved to participate in the electronic signature program. |
| | | 10/15/21 | <u>F-1, R-5</u> : Provide clear guidance on the content of the annual independent audit report to be submitted by IVES participants using electronic signatures. |
| | | 10/15/21 | <u>F-2, R-1</u> : Ensure that the project schedule and cost estimate are finalized and the user fee increase amount is adjusted as necessary to cover the development cost. |
| | | 10/15/21 | <u>F-3, R-1</u> : Update the transcript request form to include a separate line to identify the client, such as the client's business name, address, and telephone number. |
| | | 10/15/21 | <u>F-3, R-2</u> : Update the transcript request form instructions to require identifying information for the client in cases in which the transcript request is submitted by an IVES participant on behalf of their client that will ultimately receive the taxpayer's transcript. |
| | | 10/15/21 | <u>F-3, R-4</u> : Allocate sufficient resources to the IVES Program to ensure that compliance reviews of participants are timely and consistently performed each fiscal year. |
| | | On Hold | <u>F-4, R-1</u> : Allocate sufficient resources to the IVES 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. |
| | | 10/15/21 | <u>F-4, R-2</u> : Perform suitability assessment checks on the 319 IVES participants that did not undergo suitability checks prior to acceptance and are still active in the IVES Program. |
| | | 10/15/21 | <u>F-5, R-2</u> : Develop processes and procedures to ensure that clerks are rejecting transcript requests for accounts identified with an Identity Theft marker. |
| 01/15/22 | <u>F-6, R-1</u> : Ensure that IVES Program internal guidelines are updated in the IRM to include key processes and procedures. | | |

| Report Number | Issued | Projected Completion Date | Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.) |
|---------------|------------|--|---|
| 2021-30-015 | March 2021 | 01/15/22 11/15/21 | <p>HIGH-INCOME TAXPAYERS WHO OWE DELINQUENT TAXES COULD BE MORE EFFECTIVELY PRIORITIZED</p> <p><u>F-2, R-1</u>: Evaluate the predictive model to determine whether refinements could improve the correlation of the predicted recovery rate and actual recovery rate for the highest income individual taxpayers with a balance due.</p> <p><u>F-3, R-1</u>: Consider conducting Revenue Officer Compliance Sweeps that focus on high-income Taxpayer Delinquent Account cases in locations where high-income taxpayer cases far outweigh the number of revenue officers assigned to those areas.</p> |
| 2021-30-018 | March 2021 | 01/15/22 11/15/21 01/15/22 01/15/22 | <p>COMPLIANCE SERVICES COLLECTION OPERATIONS SHOULD IMPROVE THE TIMELINESS OF RESPONDING TO TAXPAYER CORRESPONDENCE</p> <p><u>F-1, R-1</u>: Review Compliance Services Collection Operations (CSCO) over-aged inventory that has not been assigned to be worked or has not had any actions taken on or before the 45th day after the IRS received date and determine what steps can be taken to minimize the over-aged inventory status, taking into consideration available resources to timely resolve taxpayer requests.</p> <p><u>F-1, R-2</u>: Create clear time frame criteria for CSCO Embedded Quality Review System Attribute 913 against which employees should be measured for adherence to this timeliness quality standard and clarify the IRM for any difference in dates used to evaluate employee versus organizational compliance with timeliness requirements.</p> <p><u>F-1, R-3</u>: Analyze and address issues preventing CSCO correspondence from being batched within the current three-business-day requirement and encourage the timely assignment of incoming correspondence so that resolution to taxpayer issues are not further delayed.</p> <p><u>F-2, R-1</u>: Conduct a study to determine options for timelier processing of CSCO undelivered mail.</p> |

Other Statistical Reports

The Inspector General Empowerment Act of 2016 requires Inspectors General to address the following issues for the Offices of Audit and Inspections and Evaluations:⁴⁰

| 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 September 30, 2021, there were no attempts to interfere with the independence of TIGTA or any instances of restricted or significantly delayed access to information.</p> |
| <p>Disputed Recommendations</p> <p>Provide information on significant management decisions in response to recommendations with which the Inspector General disagrees.</p> | <p>As of September 30, 2021, there were no instances in which significant recommendations were disputed.</p> |
| <p>Revised Management Decisions</p> <p>Provide a description and explanation of the reasons for any significant revised management decisions made during the reporting period.</p> | <p>As of September 30, 2021, there were no significant revised management decisions.</p> |
| <p>Reports Issued in the Prior Reporting Period With No Management Response</p> <p>Provide a summary of each report issued before the beginning of the current reporting period for which no management response was received within 60 days of the report issuance date.</p> | <p>As of September 30, 2021, there were no prior reports for which management's response was not received within 60 days of issuance.</p> |
| <p>Disclosure</p> <p>Provide detailed descriptions of the circumstances of each inspection, evaluation, and audit that was closed by the agency and was not disclosed to the public.</p> | <p>As of September 30, 2021, there were no reports that had been closed and were not disclosed to the public.</p> |
| <p>Review of Legislation and Regulations</p> <p>Review existing and proposed legislation and regulations, and make recommendations concerning the impact of such legislation or regulations.</p> | <p>TIGTA's Office of Chief Counsel reviewed 175 proposed regulations and legislative requests during this reporting period.</p> |

⁴⁰ Results listed are for this reporting period only.

Appendix II

Audit Products (issued from April 1, 2021 and through September 30, 2021)

| Report Number | Report Title | Outcome Measure(s) |
|---------------|---|---|
| April 2021 | | |
| 2021-40-027 | Actions Were Taken to Improve the Identification of Prisoner Tax Returns | Revenue Protection: \$24,423 impacting 8 taxpayer accounts; Cost Savings (Funds Put to Better Use): \$4,839,871 |
| 2021-46-029 | Assessment of the Effects of the Coronavirus Pandemic on Customer Service Operations | |
| 2021-30-022 | The Internal Revenue Service Faces Challenges in Addressing the Growth of Peer-to-Peer Payment Application Use | |
| May 2021 | | |
| 2021-10-031 | Fiscal Year 2019 Statistical Trends Review of the Tax Exempt and Government Entities Division | |
| 2021-30-021 | Internal Controls and Oversight in Criminal Investigation's Fleet Management Program Can Be Improved | Cost Savings (Funds Put to Better Use): \$3,603,231 |
| 2021-16-026 | Interim Report - Status of Coronavirus Response Funding | |
| 2021-40-038 | Interim Results of the 2021 Filing Season | |
| 2021-40-036 | Improper Payment Rates for Refundable Tax Credits Remain High | |
| 2021-40-030 | Backup Withholding Noncompliance and Underreported Employment Taxes Continue to Contribute Billions of Dollars to the Tax Gap | Revenue Protection: \$3,375,430,338; Increased Revenue: \$133,071,799; Reliability of Information: 2,443,042 information returns impacted |
| 2021-46-034 | Implementation of Economic Impact Payments | Cost Savings (Funds Put to Better Use): \$4,452,240,419 |
| 2021-10-040 | The Indian Tribal Government Function Needs to Strengthen Internal Controls and Performance Measures | |

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|-------------|--|--|
| 2021-25-032 | Streamlined Critical Pay Authority for Information Technology Positions Is Being Successfully Implemented | |
| 2021-10-037 | Improvements Are Needed to Identify Contractors Meeting the Criteria for Potential Suspension or Debarment | Reliability of Information: 26 contract records impacted |
| 2021-25-025 | Taxpayer First Act: Data Security in the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center | Taxpayer Privacy and Security: 634,314 taxpayers impacted |
| June 2021 | | |
| 2021-20-028 | Opportunities Exist to Improve Hiring and Retaining Employees With Information Technology Expertise | |
| 2021-46-035 | Assessment of Processes to Verify Tentative Carryback Refund Eligibility | Revenue Protection: \$186,462,114; Cost Savings (Funds Put to Better Use): \$32,295,762 |
| 2021-20-024 | Improvements Are Needed to More ***** the Virtual Host Infrastructure Platform | Reliability of Information: ⁴¹ |
| 2021-30-033 | Criminal Restitution Assessment Procedures Need Improvement | Increased Revenue: \$344,817,010 impacting 720 taxpayer accounts; Taxpayer Burden: \$66,670,106 impacting 676 taxpayer accounts |
| 2021-10-039 | Controls Over the Internal Revenue Service Contractor Tax Check Process Need to Be Improved | Protection of Resources: 2,435 contract awards impacted |
| July 2021 | | |
| 2021-30-041 | The IRS Continued Compliance Efforts for High-Income Taxpayers After Disbanding the High Income High Wealth Strategy, but With Less Effective Outcomes | Increased Revenue: \$121,543,122 impacting 1,534 taxpayer accounts |
| 2021-10-047 | Fiscal Year 2021 Mandatory Review of Compliance With the Freedom of Information Act | Taxpayer Rights and Entitlements: 330 responses to FOIA requests impacted |
| 2021-46-043 | Implementation of Tax Year 2020 Employer Tax Credits Enacted in Response to the COVID-19 Pandemic | Cost Savings (Funds Put to Better Use): \$10,668,440 ⁴² |

⁴¹ Information is redacted because TIGTA has determined that it is related to law enforcement techniques/procedures and guidelines for law enforcement investigations or prosecutions.

⁴² Taxpayer information is redacted from the underlying report because TIGTA has determined that it is tax return information related to taxpayer privacy.

| | | |
|--------------------|--|--|
| 2021-40-045 | Casualty and Theft Loss Deductions Continue to Be Erroneously Processed Without a Valid Federal Emergency Management Agency Number | Revenue Protection: \$206,770,795 impacting 11,902 taxpayer accounts |
| 2021-16-044 | Taxpayers Were Notified About the CARES Act Retirement Plan Provisions; However, Additional Actions Could Be Taken to Identify Potential Noncompliance | |
| 2021-10-053 | Review of the Internal Revenue Service's Purchase Card Violations Report | |
| August 2021 | | |
| 2021-10-049 | Review of the Independent Office of Appeals Collection Due Process Program | Taxpayer Rights and Entitlements: 3,623 taxpayers impacted; Increased Revenue: 1,510 taxpayers impacted |
| 2021-20-046 | Select Post-Award Financial Management and Documentation Controls for Information Technology Service Contracts Need Improvement | Reliability of Information: 6,502 invoice payments impacted; Reliability of Information: \$7,469,962 misreported contract award amounts; Question Costs: \$893,804 |
| 2021-30-042 | Efforts to Address the Compliance Risk of Underreporting of S Corporation Officers' Compensation Are Increasing, but More Action Can Be Taken | |
| 2021-30-050 | Fiscal Year 2021 Statutory Review of Disclosure of Collection Activity With Respect to Joint Returns | Taxpayer Burden: 29 taxpayers impacted; Taxpayer Privacy and Security: ⁴³ |
| 2021-30-048 | Fiscal Year 2021 Statutory Audit of Compliance With Legal Guidelines Prohibiting the Use of Illegal Tax Protester and Similar Designations | |
| 2021-30-054 | Fiscal Year 2021 Statutory Review of Restrictions on Directly Contacting Represented Taxpayers | Taxpayer Rights and Entitlements: 1,043 taxpayers impacted |
| 2021-30-062 | Fiscal Year 2021 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute | |
| 2021-30-052 | Fiscal Year 2021 Statutory Audit of Compliance With Legal Guidelines Restricting the Use of Records of Tax Enforcement Results | |

⁴³ Taxpayer information is redacted from the underlying report because TIGTA has determined that it is tax return information related to taxpayer privacy.

| September 2021 | | |
|----------------|---|--|
| 2021-46-064 | Effects of the COVID-19 Pandemic on Business Tax Return Processing Operations | Taxpayer Rights and Entitlements: \$921,572 impacting 1,467 taxpayer accounts |
| 2021-30-051 | The Earned Income Tax Credit Examination Compliance Strategy Can Be Improved | |
| 2021-30-055 | Fiscal Year 2021 Review of Compliance with Legal Guidelines When Conducting Seizures of Taxpayers' Property | Taxpayer Rights and Entitlements: 8 taxpayers impacted |
| 2021-36-060 | People First Initiative Actions Helped Taxpayers During the Pandemic; However, Many Taxpayers Received Inaccurate Collection Notices | Taxpayer Burden: 87,542 taxpayers impacted; Taxpayer Rights and Entitlements: \$7,487 impacting 14 taxpayer accounts |
| 2021-16-073 | Steps Were Taken to Protect Employee Health and Safety, but Additional Efforts Are Needed to Ensure Compliance With Federal Guidelines During Pandemics | |
| 2021-20-056 | Laptop and Desktop Sanitization Practices Need Improvement | Taxpayer Privacy and Security: 45 computers impacted; Reliability of Information: 89 computers impacted |
| 2021-10-071 | Enhanced Controls Are Needed to Ensure Compliance With Federal Travel Regulations and IRS Travel Policy | Cost Savings (Funds Put to Better Use): \$1,449,337; Reliability of Information: \$9,576,098 impacting 25,268 travel claims |
| 2021-30-068 | Fiscal Year 2021 Statutory Review of Potential Fair Tax Collection Practices Violations | Taxpayer Rights and Entitlements: 40 cases impacted; Reliability of Information: 27 cases impacted; Taxpayer Burden: 10 cases impacted |
| 2021-40-057 | Improvements Are Needed to Identify Potentially Fraudulent Individual International Tax Returns During Processing | Revenue Protection: \$17,786,343 impacting 6,731 tax returns; Cost Savings (Fund Put to Better Use): \$86,289,755 |
| 2021-30-067 | Fiscal Year 2021 Statutory Review of Compliance With Notice of Federal Tax Lien Filing Due Process Procedures | |
| 2021-40-070 | Addressing Complex and Inconsistent Earned Income Tax Credit and Additional Child Tax Credit Rules May Reduce Unintentional Errors and Increase Participation | |
| 2021-30-069 | Fiscal Year 2021 Statutory Review of Compliance With Legal Guidelines When Issuing Levies | Taxpayer Rights & Entitlements: 1,304 taxpayer accounts impacted; ⁴⁴ Taxpayer Burden: 1,186 taxpayer accounts impacted |

⁴⁴ Taxpayer information is redacted from the underlying report because TIGTA has determined that it is tax return information related to taxpayer privacy.

| | | |
|-------------|---|--|
| 2021-20-066 | The Data at Rest Encryption Program Has Made Progress With Identifying Encryption Solutions, but Project Management Needs Improvement | |
| 2021-20-065 | The Endpoint Detection and Response Solution Has Been Deployed to Most Workstations and Is Operating As Intended, but Improvements Are Needed | Reliability of Information: 7,032 workstations impacted; Protection of Resources: 91 workstations impacted |
| 2021-20-063 | *****Platform Management Needs Improvement ⁴⁵ | Protection of Resources: 746 servers impacted |
| 2021-20-072 | Fiscal Year 2021 IRS Federal Information Security Modernization Act Evaluation | |
| 2021-25-058 | Efforts to Implement Taxpayer First Act Section 2101 Have Been Mostly Successful | Reliability of Information: 25 shopping carts impacted ⁴⁶ |
| 2021-30-061 | Improvements to the Correspondence Examination Process May Increase Taxpayer Compliance and Collection Potential | Taxpayer Burden: 21,767 taxpayers impacted |
| 2021-20-059 | Enterprise Case Management Deployed Its Initial Release, but Process Improvements Are Needed for Future Releases | |

⁴⁵ Information is redacted because TIGTA has determined that it is related to law enforcement techniques/procedures and guidelines for law enforcement investigations or prosecutions.

⁴⁶ IRS business units use “shopping carts” in the Procurement for Public Sector application to request external products and services and to secure the necessary approval and funding for those products and services prior to their acquisition.

Appendix III

TIGTA's Statutory Reporting Requirements

The following table reflects the FY 2021 statutory reviews.

| Reference to Statutory Coverage | Explanation of the Provision | Comments/TIGTA Audit Status |
|--|--|---|
| <p>Enforcement Statistics I.R.C. § 7803(d)(1)(A)</p> | <p>Requires TIGTA to evaluate the IRS's compliance with restrictions under RRA 98 § 1204 on the use of enforcement statistics to evaluate IRS employees.</p> | <p>Rep. No. 2021-30-052; Aug. 2021</p> <p>TIGTA identified instances of noncompliance with RRA 98 § 1204 requirements. Specifically, TIGTA identified the following noncompliance: four instances in which a Record of Tax Enforcement Results was used to evaluate an employee § 1204(a); and six instances in which IRS management failed to either maintain the retention standard documentation or ensure that it was appropriately signed (§ 1204(b)). Additionally, the IRS self-reported one instance of § 1204(a) noncompliance and 14 instances of § 1204(b) noncompliance.</p> |
| <p>Restrictions on Directly Contacting Taxpayers I.R.C. § 7803(d)(1)(A)(ii)</p> | <p>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.</p> | <p>Rep. No. 2021-30-054; Aug. 2021</p> <p>TIGTA determined that the IRM section covering Earned Income Tax Credit examinations does not provide clear guidance on who the examiner should contact when a valid power of attorney is on file. Further, TIGTA found that in 18 of 75 cases reviewed, taxpayer rights were infringed upon because the IRS did not send notices and letters to authorized representatives as required by the IRM.</p> |

| Reference to Statutory Coverage | Explanation of the Provision | Comments/TIGTA Audit Status |
|--|--|--|
| <p>Filing of a Notice of Lien I.R.C. § 7803(d)(1)(A)(iii)</p> | <p>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.</p> | <p>Rep. No. 2021-30-067; Sept. 2021</p> <p>Tests of a statistically valid sample of 116 Notice of Federal Tax Liens (NFTL) determined that the IRS timely and correctly mailed the NFTL filings and Collection Due Process appeal rights to the taxpayers' last known addresses. However, tests of a judgmental sample of 69 returned (i.e., undelivered, unclaimed, or refused) lien notices identified 10 cases for which the address on the original lien notice and the address on the IRS computer system did not agree. In three of these cases, the address on the IRS computer system was updated before the cycle (week) on which the NFTL was prepared, and the IRS resent the notices.</p> |
| <p>Extensions of the Statute of Limitations for Assessment of Tax I.R.C. § 7803(d)(1)(C) I.R.C. § 6501(c)(4)(B)</p> | <p>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.</p> | <p>Rep. No. 2021-30-062; Aug. 2021</p> <p>TIGTA's review of a statistical sample of 40 closed taxpayer audit files with assessment statute extensions found that the IRS was substantially compliant with I.R.C. § 6501(c)(4)(B). However, TIGTA found instances in which the audit files did not contain documentation to support that the IRS complied with procedures requiring notification of a taxpayer's representative when an authorization for third-party representation exists.</p> |
| <p>Levies I.R.C. § 7803(d)(1)(A)(iv)</p> | <p>Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. § 6330 regarding levies.</p> | <p>Report No. 2021-30-069; Sept. 2021</p> <p>TIGTA reviewed levies issued for over 2 million taxpayers by IRS Collection functions during the period October 1, 2019, through September 30, 2020, and found that the IRS generally complied with legal and administrative requirements. However, there were some instances of noncompliance in which an estimated 1,306 taxpayers' rights were potentially violated and 1,186 taxpayers were potentially burdened.</p> |

| Reference to Statutory Coverage | Explanation of the Provision | Comments/TIGTA Audit Status |
|--|---|--|
| <p>Collection Due Process I.R.C. §§ 7803(d)(1)(A)(iii) and (iv)</p> | <p>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.</p> | <p>Rep. No. 2021-10-049; Aug. 2021 Similar to prior audits, TIGTA identified processing errors in 16 (20 percent) of 81 sampled taxpayer cases. Processing errors related to proper classification of hearing requests and incorrect Collection Statute Expiration Dates on the taxpayers' accounts.</p> |
| <p>Seizures I.R.C. § 7803(d)(1)(A)(iv)</p> | <p>Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. §§ 6330 through 6344 when conducting seizures.</p> | <p>Rep. No. 2021-30-055; Sept. 2021 TIGTA reviewed 90 of the 145 seizures the IRS conducted from July 1, 2019, through June 30, 2020. The IRS generally adhered to procedures that help ensure compliance with I.R.C. §§ 6330 through 6344. However, TIGTA identified some instances in which the IRS did not comply with a particular I.R.C. section or internal procedure and identified ways to strengthen internal procedures.</p> |
| <p>Taxpayer Designations – Illegal Tax Protester Designation and Similar Designations I.R.C. § 7803(d)(1)(A)(v)</p> | <p>An evaluation of the IRS's compliance with restrictions under RRA 98 § 3707 on designation of taxpayers.</p> | <p>Rep. No. 2021-30-048; Aug. 2021 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 FY 2020. However, TIGTA's review of nearly 3 million records from cases closed during FY 2020 in the Correspondence Examination Automation Support system identified 32 instances of the use of Illegal Tax Protester or similar designations on 14 taxpayers' accounts. Fourteen of these instances were potential violations of § 3707, and 18 instances were procedural violations.</p> |
| <p>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)</p> | <p>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.</p> | <p>Rep. No. 2021-30-050; Aug. 2021 TIGTA reviews determined that disclosure requirements were not followed in 26 (21 percent) of 124 Accounts Management customer service representatives' history files and three (15 percent) of 20 Field Assistance individual taxpayer advisory specialists' history files in the Wage and Investment Division.</p> |

| Reference to Statutory Coverage | Explanation of the Provision | Comments/TIGTA Audit Status |
|---|---|---|
| <p>Taxpayer Complaints I.R.C. § 7803(d)(2)(A)</p> | <p>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.</p> | <p>Statistical results on the number of taxpayer complaints received are shown on page 44.</p> |
| <p>Administrative or Civil Actions With Respect to the Tax Collection Practices Act of 1996 I.R.C. § 7803(d)(1)(G) I.R.C. § 6304 RRA 98 § 3466</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>Rep. No. 2021-30-068; Sept. 2021 TIGTA's review of the 21 Fair Tax Collection Practices (FTCP) violations identified that one of the 18 unsubstantiated violations should have been substantiated. In addition, TIGTA's review of the 167 issues coded as non-FTCP violations identified two cases that should have been coded as FTCP violations.</p> |
| <p>Denials of Requests for Information I.R.C. § 7803(d)(1)(F) 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>Rep. No. 2021-10-047; July 2021 TIGTA reviewed a statistical sample of 73 of the 2,768 FY 2020 Freedom of Information Act (FOIA) requests for which the IRS: denied the requested information either partially or fully based on exemption (b)(7), replied that no responsive records were available, or closed the request as imperfect. TIGTA also reviewed all 62 FY 2020 I.R.C. § 6103(c) and (e) requests documented in the Automated FOIA and FOIAExpress systems for which the IRS withheld information from the requestor. While TIGTA determined that information was properly withheld in most cases, the Disclosure Office did not follow FOIA requirements when redacting information in 12 (16 percent) cases.</p> |

| Reference to Statutory Coverage | Explanation of the Provision | Comments/TIGTA Audit Status |
|---|---|---|
| <p>Adequacy and Security of the Technology of the IRS 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>IT Reviews:</u> Rep. No. 2021-20-001; Oct. 2020 Rep. No. 2021-IE-R002; Mar. 2021 Rep. No. 2021-25-032; May 2021 Rep. No. 2021-20-028; June 2021 Rep. No. 2021-20-046; Aug. 2021 Rep. No. 2021-20-059; Sept. 2021 Rep. No. 2021-25-058; Sept. 2021</p> <p><u>Security Reviews:</u> Rep. No. 2021-20-003; Dec. 2020 Rep. No. 2021-26-006; Dec. 2020 Rep. No. 2021-30-010; Dec. 2020 Rep. No. 2021-45-017; Feb. 2021 Rep. No. 2021-25-025; May 2021 Rep. No. 2021-20-024; June 2021 Rep. No. 2021-20-056; Sept. 2021 Rep. No. 2021-20-065; Sept. 2021 Rep. No. 2021-20-066; Sept. 2021 Rep. No. 2021-20-072; Sept. 2021 Rep. No. 2021-20-063; Sept. 2021</p> |
| <p>Government Charge Card Abuse Prevention Act of 2012 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>Rep. No. 2021-10-014; Jan. 2021 TIGTA's review of the IRS's purchase card program found that controls were generally effective, and the number of purchase card violations identified by the IRS Credit Card Services Branch were minimal and generally for nominal amounts.</p> <p>Rep. No. 2021-10-053; July 2021 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> |

| Reference to Statutory Coverage | Explanation of the Provision | Comments/TIGTA Audit Status |
|---|--|--|
| <p>Improper Payments Elimination and Recovery Act of 2010 31 U.S.C. § 3321</p> | <p>Requires TIGTA to assess the IRS's compliance with improper payment requirements.</p> | <p>Rep. No. 2021-40-036; May 2021</p> <p>The IRS has not reduced overall improper payment rates for the Earned Income Tax Credit, the Additional Child Tax Credit, or the American Opportunity Tax Credit to less than 10 percent; however, an exception to the annual reduction target reporting requirement has been approved. The IRS provided all required improper payment information for these refundable tax credits to the Treasury Department for inclusion in its Agency Financial Report FY 2020.</p> |
| <p>Digital Accountability and Transparency Act of 2014 (DATA Act) Pub. L. No. 113-101, 128 Stat. 1124 (codified at 31 U.S.C. §§ 3512, 3716, and 6101 note)</p> | <p>Requires TIGTA to assess the completeness, timeliness, quality, and accuracy of data that the IRS submits to comply with the Act.</p> | <p>Fieldwork currently in process.</p> |
| <p>Fixing America's Surface Transportation Act Pub. L. No. 114-94, 129 Stat. 1312 (2015)</p> | <p>Requires TIGTA to perform an independent biannual assessment of private collection agency performance.</p> | <p>Rep. No. 2021-30-010; Dec. 2020</p> <p>TIGTA identified a risk that too many private collection agency employees have access to taxpayer banking information, which increases the risk of fraud. Additionally, TIGTA determined that the methodology being used by the IRS to exclude low-income taxpayers at or below 200 percent of the Federal Poverty Level may not prevent all of these taxpayers from being assigned to private collection agencies.</p> |

Appendix IV

Inspector General Peer Review Activity

This appendix implements § 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act.⁴⁷

For the period April 1, 2021 – September 30, 2021:

Peer Reviews Conducted of TIGTA by Another Office of Inspector General

During the reporting period, the Department of Energy Office of Inspector General began a peer review of TIGTA's OA. This review should be completed by December 31, 2021.

Outstanding Recommendations From Peer Reviews of TIGTA

There are no outstanding recommendations from peer reviews of TIGTA.

Peer Reviews Conducted by TIGTA

During this reporting period, OA completed a peer review of the Environmental Protection Agency Office of Inspector General. The final report for this peer review was issued on April 15, 2021.

During this reporting period, TIGTA OI conducted a qualitative assessment review of investigative operations at the Department of Justice Office of the Inspector General. TIGTA OI reviewed their system of internal safeguards and management procedures in effect from April 1, 2019 through March 31, 2020. The final report was issued on July 16, 2021.

Outstanding Recommendations From Peer Reviews Conducted by TIGTA

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

⁴⁷ Pub. L. 111-203, 124 Stat. 1376, 1945-46 (2010) (codified at 5 U.S.C. App. §5(a)(14)-(16)).

Appendix V

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 April 1, 2021 through September 30, 2021. Also, data concerning substantiated RRA 98 § 1203 allegations for the same period are included. See Appendix VI for § 1203 Standards. IRS management conducted inquiries into the cases reflected in these tables.

Internal Revenue Service Memorandum

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|  <p style="text-align: center;">DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE WASHINGTON, DC 20224</p> <p style="text-align: center;">October 6, 2021</p> <p>MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION</p> <p style="text-align: center;">Christina V. Balance <small>Digitally signed by Christina V. Balance DN: cn=Christina V. Balance, o=IRS, ou=IRS, email=cbalance@irs.gov</small></p> <p>FROM: Christina V. Balance Acting Director, Labor/Employee Relations and Negotiations</p> <p>SUBJECT: Input for the Treasury Inspector General for Tax Administration (TIGTA) Semiannual Report to Congress</p> <p>In response to your memorandum dated August 3, 2021, I am providing the following information to meet your reporting requirements, as defined in Table 26, United States Code (USC) Section 7903(d)(1)(E), Commissioner of Internal Revenue; other officials, and 26 USC Section 7903(d)(2)(A)(i), Commissioner of Internal Revenue; other officials, for April 1, 2021, through September 30, 2021.</p> <ul style="list-style-type: none"> • Report of Employee Misconduct by Disposition Groups • Report of Employee Misconduct – National Summary • Summary of Substantiated Section 1203 Inquiries Recorded in Automated Labor and Employee Relations Tracking System (ALERTS) <p>The attached tables contain information about:</p> <ul style="list-style-type: none"> • Alleged misconduct reported to IRS managers; • Disposition of the allegations resolved during the period; and • Status of the inventory as of September 30, 2021. <p>The tables contain information about alleged misconduct that both TIGTA and IRS management investigated. The IRS received these allegations from taxpayers, IRS employees, and other sources, and recorded them in ALERTS.</p> <p>The Summary of Substantiated Section 1203 Allegations contains information on the disposition of substantiated Section 1203 allegations. During this period, IRS managers substantiated 243 Section 1203 allegations and removed 14 employees as a result, 17 employees retired or resigned before a final administrative action by management. The Commissioner of Internal Revenue mitigated proposed removals in 21 cases. The remaining 191 substantiated allegations are still in the adjudication process.</p> | <p style="text-align: center;">2</p> <p>If you have any questions, please contact me at 202-317-3931, or a member of your staff may contact Micalyn Baker-Jones, Associate Director, Program Execution Office, at 214-413-5758.</p> <p>Attachments (3)</p> <p>cc: Charles P. Rettig, Commissioner of Internal Revenue John Cardone, Deputy Commissioner for Services and Enforcement Jeffrey Tribiano, Deputy Commissioner for Operations Support Terry Lemons, Chief, Communications and Liason Mark Kaizen, Associate Chief Counsel (GLS) Kevin McIver, IRS Human Capital Officer</p> |
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The Following Tables Are Provided by the IRS

Report of Employee Misconduct by Disposition Groups

| Disposition | TIGTA Report of Investigation | Administrative Case | Employee Tax Compliance Case | Employee Character Investigation | Totals |
|--|-------------------------------|---------------------|------------------------------|----------------------------------|--------------|
| REMOVAL (PROBATION PERIOD COMPLETE) | 23 | 48 | 9 | - | 80 |
| REMOVAL AT OPM DIRECTION | - | - | - | 12 | 12 |
| PROBATION/SEPARATION | 4 | 194 | 5 | 7 | 210 |
| SEPARATION OF TEMPORARY EMPLOYEE | - | 5 | 0 | - | 5 |
| RESIGNATION, RETIREMENT, ETC. (REASON NOTED ON SF50) | 12 | 23 | 13 | 0 | 48 |
| RESIGNATION, RETIREMENT, ETC. (REASON NOT NOTED ON SF50) | 16 | 84 | 21 | 4 | 125 |
| SUSPENSION, 14 DAYS OR LESS | 46 | 88 | 82 | 0 | 216 |
| SUSPENSION, MORE THAN 14 DAYS | 20 | 17 | 16 | 0 | 53 |
| INDEFINITE SUSPENSION | 0 | 0 | - | - | 0 |
| REPRIMAND | 44 | 107 | 51 | 5 | 207 |
| ADMONISHMENT | 27 | 109 | 161 | 7 | 304 |
| WRITTEN COUNSELING | 27 | 73 | 128 | 31 | 259 |
| ORAL COUNSELING | - | 8 | 0 | - | 8 |
| ALTERNATIVE DISCIPLINE: IN LIEU OF REPRIMAND | 3 | 8 | 3 | - | 14 |
| ALTERNATIVE DISCIPLINE: IN LIEU OF SUSPENSION | 9 | 9 | 12 | 0 | 30 |
| CLEARANCE LETTER | 28 | 34 | 32 | - | 94 |
| CLOSED WITHOUT ACTION CAUTIONARY LETTER | 47 | 114 | 87 | 155 | 403 |
| CLOSED WITHOUT ACTION LETTER | 23 | 47 | 20 | 19 | 109 |
| TERMINATION FOR ABANDONMENT OF POSITION | - | 25 | - | - | 25 |
| CASE SUSPENDED PENDING EMPLOYEE RETURN TO DUTY | - | - | - | - | - |
| PROSECUTION PENDING FOR TIGTA'S ROI | - | - | - | - | - |
| CLOSED - SUPPLEMENTAL REQUESTED | - | - | - | - | - |
| FORWARDED TO TIGTA | - | 0 | - | - | 0 |
| TOTAL | 329 | 993 | 640 | 240 | 2,202 |

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

Report of Employee Misconduct National Summary

| Inventory Case Type | Open Inventory | Conduct Cases Received | Cases Closed | | | Ending Inventory |
|----------------------------------|----------------|------------------------|----------------|-------------------------------|--------------------|------------------|
| | | | Conduct Issues | Cases Merged With Other Cases | Non-Conduct Issues | |
| Administrative Case | 432 | 1,174 | 1,123 | 27 | 58 | 398 |
| Employee Character Investigation | 90 | 354 | 293 | 9 | - | 142 |
| Employee Tax Compliance Case | 804 | 500 | 686 | 34 | - | 584 |
| TIGTA Report of Investigation | 410 | 371 | 417 | 6 | - | 358 |
| Total | 1,736 | 2,399 | 2,519 | 76 | 58 | 1,482 |

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

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

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

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

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

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

| § 1203 Violation | Removals | Resigned/ Retired | Probation Separation | Removed On Other Grounds | Penalty Mitigated | In Personnel Process | Total |
|--|-----------|----------------------|-------------------------|--------------------------------|----------------------|----------------------------|------------|
| 1203(b)(2): FALSE STATEMENT UNDER OATH | - | - | - | - | - | - | - |
| 1203(b)(3): CIVIL RIGHTS/CONSTRUCTIVE VIOLATION | - | - | - | - | - | - | - |
| 1203(b)(4): CONCEALED WORK ERROR | 0 | - | - | - | - | 0 | 0 |
| 1203(b)(6): I.R.C./IRM/REG VIOLATION-RETALIATION | - | - | - | - | - | - | - |
| 1203(b)(8): WILLFUL UNTIMELY RETURN | 7 | 14 | - | - | 15 | 106 | 142 |
| 1203(b)(9): WILLFUL UNDERSTATED TAX | 7 | 13 | - | 0 | 6 | 85 | 101 |
| 1203(b)(10): THREAT OF AUDIT FOR PERSONAL GAIN | - | - | - | - | - | 0 | 0 |
| Total | 14 | 17 | - | 0 | 21 | 191 | 243 |

Source: ALERTS (extract date: October 1, 2021). Columns containing numbers of two 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 VI

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

| | |
|-----------|--|
| ALERTS | Automated Labor and Employee Relations Tracking System |
| CARES Act | Coronavirus Aid, Relief, and Economic Security Act |
| CDP | Collection Due Process |
| COVID-19 | Coronavirus Disease 2019 |
| CY | Calendar Year |
| EIP | Economic Impact Payment |
| FTE | Full-Time Equivalent |
| FY | Fiscal Year |
| HIHW | High Income High Wealth |
| HIU | High Income Underreported |
| I&E | Office of Inspections and Evaluations |
| I.R.C. | Internal Revenue Code |
| IRM | Internal Revenue Manual |
| IRS | Internal Revenue Service |
| OI | Office of Investigations |
| RRA 98 | Restructuring and Reform Act of 1998 |
| SB/SE | Small Business/Self-Employed |
| TAC | Taxpayer Assistance Center |
| TIGTA | Treasury Inspector General for Tax Administration |
| TIN | Taxpayer Identification Number |
| TPI | Total Positive Income |
| TY | Tax Year |
| U.S.C. | United States Code |

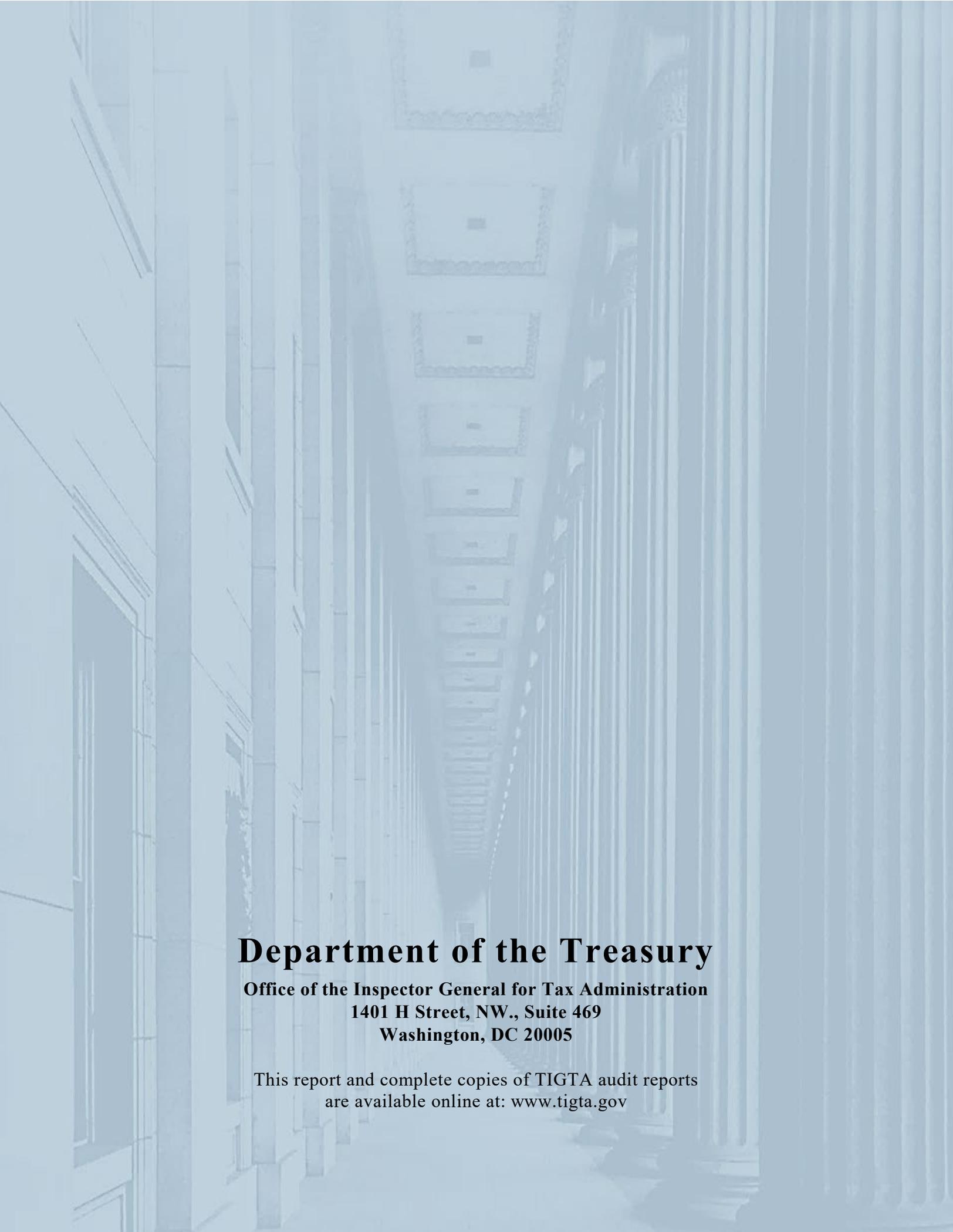
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Treasury Inspector General for Tax Administration
P.O. Box 589
Ben Franklin Station
Washington, DC 20044-0589**

Information you provide is confidential and you may remain anonymous.



Department of the Treasury

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