

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **American Rescue Plan Act: Assessment of the Child Tax Credit Update Portal's Capabilities and Related Processes**

July 25, 2022

Report Number: 2022-47-042

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

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**HIGHLIGHTS: American Rescue Plan Act: Assessment of the  
Child Tax Credit Update Portal's Capabilities and Related Processes**

**Final Audit Report issued on July 25, 2022**

**Report Number 2022-47-042**

**Why TIGTA Did This Audit**

The *American Rescue Plan Act of 2021* requires the IRS to develop an online portal to provide taxpayers with the ability to unenroll from receiving advance payments. The portal would also allow taxpayers to update their mailing address, bank account information, number of qualifying children, filing status, and annual income.

This audit was initiated to assess the IRS's customer service efforts to assist taxpayers with the *Child Tax Credit Update Portal* and nonportal update methods.

**Impact on Tax Administration**

On July 15, 2021, the IRS issued the first of six advance Child Tax Credit payments. As of December 2021, the IRS issued approximately 216.9 million advance payments totaling \$93.5 billion.

The *Child Tax Credit Update Portal* allows taxpayers to unenroll from advance payments and update the following: mailing address, bank account information, and annual income. However, not all capabilities were made available to taxpayers during Calendar Year 2021. The IRS did not deploy the capabilities for taxpayers to update the number of qualifying children and to update their filing status.

**What TIGTA Found**

In preparation for issuing advance monthly Child Tax Credit payments, the IRS launched a series of comprehensive and far-reaching education and awareness campaigns. The IRS also coordinated with internal and external stakeholders to identify the taxpayers most impacted from these changes to focus outreach efforts. The IRS's collective outreach efforts included providing information on [www.irs.gov](http://www.irs.gov); updating tax publications; developing and distributing marketing materials; using traditional and social media, including YouTube videos; and conducting in-person outreach events.

On January 24, 2022, the Department of the Treasury and the White House announced the relaunch of a revamped website, [www.ChildTaxCredit.gov](http://www.ChildTaxCredit.gov), with new features to help taxpayers file their tax returns and get updates on the Child Tax Credit. TIGTA reviewed the revamped website and notified IRS management of potential inaccuracies (*e.g.*, inoperable links and references to filing status thresholds).

In addition, the IRS established controls to track advance Child Tax Credit updates and detect potentially fraudulent tax returns filed through the Child Tax Credit *Non-filer Sign-up Tool*. As of December 28, 2021, the IRS selected 133,057 nonfiler tax returns as potential identity theft, of which 1,349 tax returns were confirmed identity theft.

Finally, the legislation requires taxpayers to reduce their Child Tax Credit by the amount of advance payments received when filing their Tax Year 2021 tax return. Although the IRS has developed a process to identify discrepancies between the advance payments reported on the tax return and advance payments recorded on the taxpayer's account, the process did not account for undelivered checks.

**What TIGTA Recommended**

TIGTA made two recommendations, including that the IRS notify the Department of the Treasury regarding concerns with the accuracy of the information on the [www.ChildTaxCredit.gov](http://www.ChildTaxCredit.gov) web page and develop programming that will account for undelivered checks during the reconciliation process.

IRS management agreed with and has implemented both recommendations.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

## U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20024

July 25, 2022

### MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

**FROM:**

*Heather Hill*

Heather M. Hill  
Deputy Inspector General for Audit

**SUBJECT:**

Final Audit Report – American Rescue Plan Act: Assessment of the  
Child Tax Credit Update Portal's Capabilities and Related Processes  
(Audit # 202140731)

This report presents the results of our review to assess the Internal Revenue Service's customer service efforts to assist taxpayers with the Child Tax Credit Update Portal and nonportal update methods. This review is part of our Fiscal Year 2022 Annual Audit Plan and addresses the major management and performance challenges of *Implementing Tax Law Changes* and *Supporting an Enhanced Taxpayer Experience*.

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

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. If you have any questions, please contact me or Diana M. Tengesdal, Acting Assistant Inspector General for Audit (Returns Processing and Account Services).

# Table of Contents

<b><u>Background</u></b> .....	Page 1
<b><u>Results of Review</u></b> .....	Page 2
<u>Recommendation 1:</u> .....	Page 3
<u>Some Legislatively Mandated Features of the Child Tax Credit Update Portal Were Not Deployed</u> .....	Page 4
<u>Controls Were Established to Track Advance Child Tax Credit Updates and Detect Potentially Erroneous Reporting</u> .....	Page 5
<u>Programming to Identify Discrepancies Resulting From the Reconciliation of Advance Child Tax Credit Payments Is Being Developed</u> .....	Page 6
<u>Recommendation 2:</u> .....	Page 7
<b><u>Appendices</u></b>	
<u>Appendix I – Detailed Objective, Scope, and Methodology</u> .....	Page 8
<u>Appendix II – Management’s Response to the Draft Report</u> .....	Page 10
<u>Appendix III – Abbreviations</u> .....	Page 14

## **Background**

The *American Rescue Plan Act of 2021* (ARPA),<sup>1</sup> enacted on March 11, 2021, enhances the Child Tax Credit for Tax Year<sup>2</sup> 2021 by increasing the amount of the credit from \$2,000 to \$3,000 per child under the age of 18 (\$3,600 per child under 6) and making the credit fully refundable for taxpayers who meet the principle abode requirements.<sup>3</sup> In addition, this legislation directs the Internal Revenue Service (IRS) to establish a program to allow taxpayers to receive advance periodic payments during Calendar Year 2021, equal to 50 percent of the IRS's estimate of the credit allowed for Tax Year 2021. Taxpayers will receive the remaining half of the credit in Calendar Year 2022 when they file their Tax Year 2021 tax return.

Finally, the legislation requires the IRS to develop an online portal, which the IRS named the *Child Tax Credit Update Portal* (CTC Update Portal). This portal is to provide taxpayers with the ability to unenroll from receiving advance payments. The portal would also allow taxpayers to update their mailing address, bank account information, number of qualifying children, filing status, and annual income. Updates made to the taxpayer's information via the CTC Update Portal will be reflected in the IRS's records and will be factored into the taxpayer's advance monthly payment. The IRS began developing the CTC Update Portal immediately upon implementation of the ARPA and, on June 21, 2021, deployed the first release, which allowed taxpayers to check if they were eligible to receive or unenroll from receiving the advance payments. As of March 3, 2022, the IRS expended \$31.5 million in developing, implementing, and maintaining the CTC Update Portal.

### **Processes and procedures for taxpayers to access the CTC Update Portal and make nonelectronic updates**

Taxpayers can access the CTC Update Portal either by using their existing IRS online service account (*e.g.*, *Get Transcript Application*)<sup>4</sup> or creating an account using the Secure Access Digital Identity system. Because the Secure Access Digital Identity system is intended to improve taxpayer access to IRS online services as well as provide the next generation identification proofing,<sup>5</sup> the IRS accelerated the launch of this system.

For those taxpayers who may not have access to the Internet, the IRS developed alternative, nonelectronic processes to enable these taxpayers to perform many of the functionalities that the CTC Update Portal provides. For example, the IRS created a dedicated telephone line for taxpayers to call and unenroll or provide the IRS with updated information. The dedicated

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<sup>1</sup> Pub. L. No. 117-2.

<sup>2</sup> A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.

<sup>3</sup> The Treasury Inspector General for Tax Administration (TIGTA) has an audit reviewing the accuracy of advance payments and ensuring that the IRS identifies all qualified taxpayers (TIGTA, Audit No. 202140727, *Implementation of Child Tax Credit Advanced Periodic Payments*).

<sup>4</sup> Allows taxpayers to view and download their tax information, such as account transactions, line-by-line tax return information, and income reported to the IRS. Taxpayers can download or print five distinct transcript types: tax account, tax return, record of account, wage and income, and verification of nonfiling.

<sup>5</sup> Verifying the claimed identity of an applicant by collecting and validating sufficient information, *e.g.*, identity history, credentials, and documents, about a person.

telephone line was also available in Spanish and made use of Over-the-Phone Interpretation service for other languages. In addition, taxpayers had the option to visit a Taxpayer Assistance Center,<sup>6</sup> where updates like those offered via the IRS dedicated telephone line could be made. The IRS's customer service representatives,<sup>7</sup> by phone or in person (at a Taxpayer Assistance Center), will authenticate the taxpayer and then enter the taxpayer's request or updated information in the Accounts Management System.<sup>8</sup> Similar to the CTC Update Portal, changes made in the Accounts Management System will update the IRS's records and will be factored into the taxpayer's next monthly advance payment. It should be noted that taxpayers can update their bank account information only through the CTC Update Portal.

## **Results of Review**

In preparation for issuing advance monthly Child Tax Credit payments, the IRS launched a series of comprehensive and far-reaching education and awareness campaigns. This was to ensure that taxpayers understood changes to the eligibility requirements and inform taxpayers of the Child Tax Credit *Non-filer Sign-up Tool* as well as the CTC Update Portal and nonelectronic processes to unenroll or update their information. The IRS also coordinated with internal and external stakeholders to identify the taxpayers most impacted by these changes to focus outreach efforts. The IRS's collective outreach efforts included providing information on [www.irs.gov](http://www.irs.gov); updating tax publications; developing and distributing marketing materials; using traditional and social media, including YouTube videos; and conducting in-person outreach events. For example, the IRS:

- Created a *Frequently Asked Questions* page on the IRS web page dedicated to the Child Tax Credit and advance payments. The web page, which was translated into seven languages, includes information on eligibility, calculating the advance payment, reconciling the credit, *etc.* The web page also includes information on how to access and use the CTC Update Portal as well as nonelectronic update methods. The IRS continues to update the information on this web page as needed with new topics and updated information.
- Partnered with the Free File Alliance to develop the Child Tax Credit *Non-filer Sign-up Tool* to help taxpayers who do not have a Federal tax return filing requirement to submit the needed tax return for eligibility for the advance Child Tax Credit payments or Economic Impact Payments. As of December 4, 2021, the IRS accepted approximately

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<sup>6</sup> An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face-to-face.

<sup>7</sup> Receives or initiates contact with taxpayers or their representatives to encourage voluntary compliance and resolves account inquiries, performs research on taxpayer accounts to facilitate case resolution, coordinates with external collection partners to resolve identified issues that impede case resolution, and adjusts taxpayer accounts.

<sup>8</sup> A system that provides employees access to multiple IRS systems through their computers and allows for inventory management, case delivery, history narratives, print-to-fax capabilities for sending information to taxpayers, and electronic referral generation.

390,200 tax returns filed through the nonfiler tools (including the Child Tax Credit *Non-filer Sign-up Tool* and the third-party filing tool).<sup>9</sup>

- Hosted outreach events throughout the country to assist taxpayers, including assistance with their advance payment eligibility. These events were staffed by IRS personnel, which allowed the taxpayers to visit an IRS or non-IRS location to get assistance in filling out the Child Tax Credit *Non-filer Sign-up Tool* or checking their eligibility for advance Child Tax Credit payments.
- Launched survey questions throughout the advance Child Tax Credit payment process, from June 2021 to November 2021, to track and evaluate the taxpayer's experience. For example, survey questions included whether the taxpayer visited the IRS website, [www.irs.gov](http://www.irs.gov), as a result of the advance Child Tax Credit and what specific task (*i.e.*, unenroll, update taxpayer information) the taxpayer was looking to accomplish. As a result of these surveys, the IRS was able to clarify guidance/responses for taxpayers. For example, the IRS informed taxpayers that, although bank account updates will be processed, the updates will not show in the CTC Update Portal right away.
- Issued approximately 70 million letters notifying taxpayers of potential eligibility for advance payments and the potential amount of payments.<sup>10</sup> Additionally, the letters provided basic eligibility requirements, pointed taxpayers to resources on the IRS's web page, and provided the taxpayers with the dedicated telephone line.

In addition to the IRS's efforts detailed above, on January 24, 2022, the Department of the Treasury and the White House announced the relaunch of a revamped website, [www.ChildTaxCredit.gov](http://www.ChildTaxCredit.gov), with new features to help taxpayers file their tax returns and get updates on the Child Tax Credit.

**Recommendation 1 (e-mail alert):** On January 25, 2022, we notified the Director, Return Integrity and Compliance Services, of potential inaccuracies and other areas of concern based on our review of information on [www.ChildTaxCredit.gov](http://www.ChildTaxCredit.gov). For example, the website references Publication 972, *Child Tax Credit and Credit for Other Dependents*, which the IRS made obsolete for Tax Year 2021, and did not reference thresholds for single or married filing separately taxpayers. We recommended that the IRS review our concerns and share them with the Department of the Treasury to address.

**Management Action in Response to Alert:** The IRS agreed with this recommendation. On January 27, 2022, IRS management shared our concerns with the Department of the Treasury, which has since updated several website links to provide taxpayers with correct information.

As mentioned above, the IRS, as required by legislation, developed an online portal to enable taxpayers to unenroll from receiving advance Child Tax Credit payments as well as to update key information used to compute their monthly advance payment amounts. In addition, the IRS created a nonelectronic process that also allows taxpayers to unenroll from receiving advance

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<sup>9</sup> On September 1, 2021, a third-party entity, in collaboration with the White House and the Department of the Treasury, developed a similar nonfiler tool to allow taxpayers another tool to gain eligibility for advance payments through November 15, 2021.

<sup>10</sup> These letters include the Letter 6416 and 6416-A, *Advance Child Tax Credit Outreach*; Letter 6417, *Advance Child Tax Credit Payment*; and Letter 6472, *Advance Child Tax Credit Outreach (Treasury)*.

Child Tax Credit payments and update similar information. Since becoming available on June 21, 2021, the IRS reports that the CTC Update Portal has been accessed 39.6 million times by approximately 5 million users through December 3, 2021. Key information as to the actions taken on the CTC Update Portal include:

- 2.1 million taxpayers unenrolled.
- 2 million bank accounts were updated.
- 447,000 taxpayer mailing addresses were updated.
- 40,000 taxpayers updated their adjusted gross income.

For those taxpayers seeking assistance via nonelectronic processes, the IRS reports receiving 4.6 million calls on the dedicated telephone line between June 6, 2021, and January 1, 2022, regarding the Child Tax Credit and more than 550,000 taxpayers visiting a Taxpayer Assistance Center for face-to-face appointments between July 1, 2021, and December 31, 2021.<sup>11</sup> Finally, the IRS developed a Spanish version of the CTC Update Portal, which was made available to users on November 23, 2021. As of December 3, 2021, the Spanish version had been accessed approximately 7,800 times by taxpayers.

The IRS issued the first of six monthly advance Child Tax Credit payments on July 15, 2021, four months after the ARPA was enacted. As of December 2021, the IRS issued approximately 216.9 million advance payments totaling \$93.5 billion. This required a significant undertaking on the part of the IRS as it needed to develop processes and procedures to determine eligibility, compute payment amounts, and develop an online portal and nonelectronic assistance options for taxpayers to provide the IRS with updates to key information used to compute the payment amounts. This was all accomplished while the IRS was also tasked with rolling out a third round of Economic Impact Payments, mid-filing season changes in processing of tax returns (*e.g.*, systems, tax forms, instructions, publications, letters, and notices) due to the retroactive effect of some of the ARPA provisions, and digitalization efforts to mitigate the impact of the pandemic on in-person processes. Although we brought some concerns to the IRS's attention, overall the actions taken on the part of IRS employees involved with the implementation of this legislation directly assisted millions of taxpayers in obtaining much-needed advance Child Tax Credit payments.

### **Some Legislatively Mandated Features of the Child Tax Credit Update Portal Were Not Deployed**

The IRS did not provide the ability for taxpayers using CTC Update Portal or nonelectronic processes to update the number of qualifying children or their filing status as required by legislation. Figure 1 provides the status of the required functionalities and the dates of implementation.

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<sup>11</sup> The IRS did not track if the specific visits to the Taxpayer Assistance Center were related to the Child Tax Credit.



**Figure 1: CTC Update Portal Release Schedule**

Functionality	Release Date	Portal	Nonportal
Check eligibility and unenroll from advance payments	June 21, 2021	✓	✓
Update direct deposit account information <sup>12</sup>	June 30, 2021	✓	
Update mailing address	August 20, 2021	✓	✓
Update adjusted gross income	November 1, 2021	✓	
Update number of qualifying children <sup>13</sup>	Not Deployed		
Update filing status	Not Deployed		

*Source: Review of the Child Tax Credit Frequently Asked Questions on [www.irs.gov](http://www.irs.gov).*

IRS management stated that, on November 12, 2021, the Department of the Treasury made the decision to only release the Spanish version of the CTC Update Portal and not release the last functionalities scheduled for November 23, 2021. As a result, taxpayers were not able to update the number of qualifying children or their filing status for Calendar Year 2021. At the time of our reporting, legislation had not been enacted to extend the advance Child Tax Credit payments. In our ongoing conversations, IRS management stated they continue to work with the Department of the Treasury and prepare themselves in the event legislation is enacted.

### **Controls Were Established to Track Advance Child Tax Credit Updates and Detect Potentially Erroneous Reporting**

The IRS created processes to update tax accounts associated with taxpayers initiating specific actions on the CTC Update Portal, thereby ensuring that the IRS had the most current information needed to update the advance Child Tax Credit payment amounts. Depending on the specific action initiated, the IRS developed separate codes that would post to the taxpayer's account to identify these updates. Our review of these codes identified the following concerns that we brought to management's attention:

- As of July 31, 2021, we identified 289 taxpayers who unenrolled using the CTC Update Portal; however, there was no corresponding entry on the taxpayer's tax account to prevent the taxpayer from receiving the advance monthly payment. When we brought this concern to management's attention, management responded that these taxpayers did not successfully complete the unenrollment process or did not have an account on the Master File. Taxpayers without an account would not be eligible to receive the advance payments. As a result, these taxpayers did not receive an advance payment even though there was no code on the taxpayer's account. Additionally, on

<sup>12</sup> The bank account updates are only made in the CTC Update Portal to ensure that only the taxpayer would be responsible for entering their banking information.

<sup>13</sup> This capability was being developed for the last release of the CTC Update Portal; however, it was not deployed (along with the update for filing status).

September 9, 2021, the IRS resolved many of these accounts that did not successfully complete the unenrollment process.

- As of August 7, 2021, we identified 24 taxpayers who potentially unenrolled from advance Child Tax Credit payments using a nonportal method, but their tax account did not reflect the appropriate unenrollment code. When asked to explain why this occurred, IRS management stated that customer service representatives were putting a note in their system on the taxpayer's account who called and their spouse's account when only one taxpayer was calling to unenroll. Each taxpayer, individually, must unenroll from the advance payments. The IRS communicated the issue with the customer service representatives to ensure that they follow the procedures to place unenrollment notes on only the correct taxpayer in the Accounts Management System.
- As of August 15, 2021, we identified 13 bank account and routing number combinations used a total of 335 times to update taxpayers' information in the CTC Update Portal. This indicated there could be a potential for fraud. Management subsequently reviewed the 13 bank accounts and determined that there were no other common characteristics [REDACTED], that would lead the IRS to conclude that these were potentially fraudulent updates. Management determined that these accounts may be for taxpayers using a third-party entity to receive their advance Child Tax Credit payment. The IRS converted the fourth and subsequent direct deposits over to paper checks on these 13 bank accounts.
- As of November 30, 2021, we identified 1,895 taxpayer requests for a paper check that did not receive the appropriate update to prevent a direct deposit. IRS management stated that there was a known issue with taxpayers in a married filing jointly status for which one taxpayer does not have a tax account on which to post the paper check request. IRS management stated that, due to other priorities, programming updates were not implemented because the taxpayers still received an advance payment. The IRS is continuing to analyze these cases to ensure that all taxpayers identified are associated with this known issue. The IRS has also been tracking all the known issues that should be addressed if legislation is passed to extend advance payments of the Child Tax Credit.

Additionally, the IRS created a new filter in the Dependent Database<sup>14</sup> to detect potentially fraudulent tax returns filed through the Child Tax Credit *Non-filer Sign-up Tool*. Moreover, all tax returns filed through the Child Tax Credit *Non-filer Sign-up Tool*, including the third-party tool, were run through the identity theft filters. As of December 28, 2021, the IRS selected 133,057 nonfiler tax returns as potential identity theft, of which 1,349 tax returns were confirmed identity theft.

### **Programming to Identify Discrepancies Resulting From the Reconciliation of Advance Child Tax Credit Payments Is Being Developed**

The ARPA also required the taxpayer to reduce their Child Tax Credit by the amount of advance payments received when filing their Tax Year 2021 tax return. In response to this provision, the

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<sup>14</sup> An IRS system that uses a set of sophisticated rules and scoring models along with internal and external data to evaluate tax returns and validate taxpayers' entitlement to refunds. This system scores tax returns and selects questionable returns for audit.

IRS updated Schedule 8812, *Credits for Qualifying Children and Other Dependents*, and the instructions to assist taxpayers with this required reconciliation. Specifically, instructions were updated on how to figure the Child Tax Credit, report the advance Child Tax Credit payments received, and calculate any additional tax owed if the taxpayer receives excess advance payments. Schedule 8812 assists taxpayers with reducing their Child Tax Credit by the amount of advance payments, thus reconciling their advance payments. Taxpayers will receive a Letter 6419, *2021 Total Advance Child Tax Credit (AdvCTC) Payments*, that reports to the taxpayer the aggregate amount of advance payments received during Calendar Year 2021 and the number of qualifying children used to determine the amount of advance payment.

Additionally, on January 31, 2022, the IRS released an *Advance Child Tax Credit Payment Summary* page in the Online Account platform. This page contains similar information to the Letter 6419, except that it is updated daily to reflect any payment reversals due to undeliverable checks and rejected direct deposits. The IRS has developed a process to identify discrepancies between the advance Child Tax Credit payments reported on the tax return via the Letter 6419 and recorded on the taxpayer's account. The IRS will update the taxpayer's tax return to reflect what is recorded on the tax account and then correspond with the taxpayer regarding the changes. Additionally, the Letter 6419 instructs taxpayers to contact the IRS's dedicated Child Tax Credit phone line if there is a concern with the amount on the letter.

**Recommendation 2 (e-mail alert):** On January 28, 2022, we notified the Director, Return Integrity and Compliance Services, of our concerns with the reconciliation process when there are undelivered checks. This concern arises when the taxpayer files their Tax Year 2021 tax return but has a check for an advance Child Tax Credit payment that was returned undelivered after the taxpayer filed their tax return. In these situations, the taxpayer will not receive the payment from the undelivered check and will need to work with the IRS, after filing their tax return, to recover their payment. We recommended that the IRS develop a process to continue to proactively identify and correct accounts with undelivered advance Child Tax Credit that post to accounts after the IRS processes the Tax Year 2021 tax return.

**Management Action in Response to Alert:** The IRS agreed with this recommendation and has updated its programming as of March 3, 2022, to generate a new internal account transcript when an advance Child Tax Credit payment (or Economic Impact Payment) is returned after the tax return posts. This allows the IRS to proactively adjust the account without the taxpayer contacting the IRS. We are conducting a separate review to evaluate the reconciliation of the advance Child Tax Credit payments and will include this new process as part of that review.<sup>15</sup>

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<sup>15</sup> TIGTA, Audit No. 202240712, *American Rescue Plan Advanced Child Tax Credit Tax Filing Reconciliation for Individuals*.

## **Appendix I**

### **Detailed Objective, Scope, and Methodology**

The overall objective of this review was to assess the IRS's customer service efforts to assist taxpayers with the CTC Update Portal and nonportal update methods. To accomplish our objective, we:

- Determined if taxpayers using the CTC Update Portal are accurately receiving (or not receiving) the benefits they have elected or not elected. Specifically, we evaluated the CTC Update Portal unenrollment requests effective for the August 2021 advance payment, CTC Update Portal mailing address updates effective for the October 2021 advance payment, and all CTC Update Portal bank account update requests effective for the December 2021 advance payment.
- Determined if taxpayers using the nonportal methods to update their account for the advance Child Tax Credit are accurately receiving (or not receiving) the benefits they have elected or not elected. Specifically, we evaluated all unenrollment requests and mailing address updates made through nonportal methods effective for the September 2021 advance payment.
- Assessed the status of the service being provided to taxpayers who use the nonportal method to update the information for the advance Child Tax Credit.
- Assessed the IRS's process to evaluate tax returns filed through the Child Tax Credit *Non-filer Sign-up Tool* for potential fraud and identity theft.
- Assessed the IRS's outreach and communication plan to determine if the IRS is following its plans and issuing clear and accurate guidance.

### **Performance of This Review**

This review was performed with information obtained from the IRS Wage and Investment Division's Return Integrity and Compliance Services operation during the period August 2021 through March 2022. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services); Diana M. Tengesdal, Director; Jonathan Lloyd, Audit Manager; Tina Fitzsimmons, Lead Auditor; Lauren Bourg, Senior Auditor; Michael Russell, Senior Auditor; and Aranxa Delgado, Auditor.

### **Validity and Reliability of Data From Computer-Based Systems**

During this review, we relied on data obtained from the CTC Update Portal (which contained the unenrollment, bank account, and mailing address update requests) and the Accounts Management System (which contained the details of taxpayers' discussions with the IRS). We

also relied on the Individual Master File<sup>1</sup> entity and tax account data on Treasury Inspector General for Tax Administration's Data Center Warehouse<sup>2</sup> to review transaction codes.<sup>3</sup> Before relying on the data, we ensured that each file contained the specific data elements we requested and selected random samples of each extract and verified that the data in the extracts were the same as the data captured in the CTC Update Portal, Accounts Management System, and Integrated Data Retrieval System.<sup>4</sup> Based on the results of our testing, we believe the data files used in our review are reliable.

## **Internal Controls Methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: controls to ensure that the taxpayer updates were accurately posted to the taxpayer's account, IRS procedures in the Internal Revenue Manual related to the advance Child Tax Credit, and the IRS's publicly issued guidance such as, *Frequently Asked Questions* and tax forms, instructions, and letters. We evaluated these controls by assessing the CTC Update Portal and nonportal updates, reviewing IRS procedures in the Internal Revenue Manual, meeting with IRS management and subject matter experts, and evaluating IRS publicly issued guidance.

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<sup>1</sup> The IRS database that maintains transactions or records of individual tax accounts.

<sup>2</sup> A TIGTA repository of IRS data.

<sup>3</sup> A three-digit code used to identify actions being taken on a taxpayer's account.

<sup>4</sup> An IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.

## Appendix II

### Management's Response to the Draft Report



COMMISSIONER  
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

June 24, 2022

MEMORANDUM FOR MICHAEL E. MCKENNEY  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Kenneth C. Corbin   
Commissioner, Wage and Investment Division

Digitally signed by Kenneth C.  
Corbin  
Date: 2022.06.24 11:50:36 -04'00'

SUBJECT:

Draft Audit Report – American Rescue Plan Act: Assessment of  
the Child Tax Credit Update Portal's Capabilities and Related  
Processes. (Audit # 202140731)

Thank you for the opportunity to review and provide comments on the subject draft report. We appreciate the Treasury Inspector General for Tax Administration's input, analysis, and collaborative efforts to improve the taxpayer experience during implementation of the advance payment provision for the Child Tax Credit (CTC) under the American Rescue Plan Act of 2021 (ARPA)<sup>1</sup>. The ARPA was enacted on March 11, 2021, during filing season, prescribing significant changes to the CTC for the 2021 tax year. Notably, the changes increased the amount of the credit from \$2,000 per qualifying child to \$3,000 or, for a qualifying child under the age of six years, \$3,600; expanded the definition of "qualifying child" to include those seventeen years of age; made the credit fully refundable for taxpayers with a principal place of abode in the United States; and provided for the advance payment of one-half of the estimated CTC allowable for the year. The advance payments were to be made periodically between July 1, 2021, and December 31, 2021. We began issuing payments on July 15, 2021, and continued with monthly payments through December 15, 2021.

The ARPA also called for the establishment of an online information portal through which taxpayers could elect not to receive advance payments and to provide changes to the number of qualifying children; marital status; and income. Accomplishing this directive required a significant amount of collaboration and a marshalling of resources among several functions within the IRS and, within three months of enactment, we developed and made available for use online the Child Tax Credit Update Portal (CTCUP). The CTCUP provided taxpayers the ability to update their address and indicate their preferred payment method, whether direct deposit or paper check, thus improving payment delivery accuracy. Additionally, a new authentication system,

<sup>1</sup> Pub. L. No. 117-2.



## **American Rescue Plan Act: Assessment of the Child Tax Credit Update Portal's Capabilities and Related Processes**

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Secure Access Digital Identity, was implemented to provide enhanced security and assurance that the CTCUP and other online IRS applications were being accessed by the true account owners. We also established a dedicated telephone line to assist those without Internet access and did an initial mailing informing the public of their potential eligibility for the advance payments.

These achievements were accomplished while the IRS was distributing a third round of Economic Impact Payments, also authorized by the ARPA, addressing digitalization efforts to mitigate the impact of COVID on in-person processes, and implementing retroactive legislation that affected tax year 2020 returns after the filing season was underway. The legislative changes affected tax return processing systems, and required updates to forms, publications, instructions, letters, and notices. Within the span of nine months, we:

- Issued more than 200 million advance CTC payments totaling over \$93 billion and impacting nearly 61 million children.
- Mailed more than 129 million letters to taxpayers.
- Created a new Advance CTC page on IRS.gov that received over 60 million visits and served as a one-stop shop for information and resources (e.g., Frequently Asked Questions (FAQs), step-by-step guides, videos, guidance, etc.).
- Opened a dedicated telephone line for CTC that received over 4.6 million calls.
- Conducted 550,000 face-to-face visits at Taxpayer Assistance Centers.
- Held in-person outreach events in 28 cities.
- Developed and released the online CTCUP, with additional functionality introduced in five releases through the end of 2021.
- Developed two additional online tools: the Eligibility Assistant and the Non-Filer Sign Up Tool.

Our responses to your specific recommendations are enclosed. If you have any questions, please contact me, or a member of your staff may contact Mike Beebe, Director, Return Integrity and Compliance Services, at 470-639-3250.

Attachment

**American Rescue Plan Act: Assessment of the Child Tax Credit  
Update Portal's Capabilities and Related Processes**

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Attachment

**Recommendations**

**RECOMMENDATION 1 (e-mail alert)**

On January 25, 2022, we notified the Director, Return Integrity and Compliance Services, of potential inaccuracies and other areas of concern based on our review of information on [www.ChildTaxCredit.gov](http://www.ChildTaxCredit.gov). For example, the website references Publication 972, Child Tax Credit and Credit for Other Dependents, which the IRS made obsolete for Tax Year 2021 and did not reference thresholds for single or married filing separately taxpayers. We recommended that the IRS review our concerns and share them with the Department of the Treasury to address.

**CORRECTIVE ACTION**

On January 27, 2022, IRS management shared the concerns raised in the email alert with the Department of Treasury, which has since updated its website to address them.

**IMPLEMENTATION DATE**

Implemented

**RESPONSIBLE OFFICIAL**

Director, Refundable Credits Program Management, Return Integrity and Compliance Services, Wage and Investment Division

**CORRECTIVE ACTION MONITORING PLAN**

N/A.

**RECOMMENDATION 2 (e-mail alert)**

On January 28, 2022, we notified to *[sic]* the Director, Return Integrity and Compliance Services, of our concerns with the reconciliation process when there are undelivered checks. This concern arises when the taxpayer files their Tax Year 2021 tax return but has a check for an advance Child Tax Credit payment that was returned undelivered after the taxpayer filed their tax return. In these situations, the taxpayer will not receive the payment from the undelivered check and will need to work with the IRS, after filing their tax return, to recover their payment. We recommended that the IRS develop a process to continue to proactively identify and correct accounts with undelivered advance Child Tax Credit that post to accounts after the IRS processes the Tax Year 2021 tax return.

**CORRECTIVE ACTION**

Programming was updated as of March 3, 2022, to generate a new internal account transcript when an advance Child Tax Credit payment (or Economic Impact Payment) is returned after the tax return posts. This allows the IRS to proactively adjust the account without the taxpayer having to contact the IRS.



2

**IMPLEMENTATION DATE**

Implemented

**RESPONSIBLE OFFICIAL**

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

**CORRECTIVE ACTION MONITORING PLAN**

N/A

## Appendix III

### Abbreviations

ARPA	<i>American Rescue Plan Act of 2021</i>
CTC Update Portal	<i>Child Tax Credit Update Portal</i>
IRS	Internal Revenue Service
TIGTA	Treasury Inspector General for Tax Administration



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Treasury Inspector General for Tax Administration

P.O. Box 589

Ben Franklin Station

Washington, D.C. 20044-0589

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