

Treasury Inspector General for Tax Administration



SEMIANNUAL REPORT TO CONGRESS April 1, 2023 – September 30, 2023



TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION (TIGTA)

TIGTA'S VISION

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

TIGTA'S MISSION

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

TIGTA'S CORE VALUES

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

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

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

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

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

Acting Inspector General's Message to Congress

In this Semiannual Report to Congress, I am pleased to share some accomplishments the Treasury Inspector General for Tax Administration (TIGTA) achieved during the April 1 through September 30, 2023, reporting period. Several of the accomplishments include TIGTA's work providing oversight of the Internal Revenue Service (IRS) and the almost \$78 billion in supplemental funding the IRS received from the Inflation Reduction Act (IRA) through September 30, 2031.¹

With IRA funding lasting for eight more years, TIGTA's work and reporting will be ongoing. We will use the \$403 million in supplemental IRA funding that we received to continue our enhanced oversight of the IRS's taxpayer services, enforcement, operations support, business systems modernization, and reporting requirements. Supplemental funds will also help support TIGTA's business operations.



We especially want to draw attention to the IRA section of this semiannual report. This section highlights several audit reports and evaluations completed during this reporting period. Two of the reports highlighted discuss IRA interim results and the IRS's efforts to show improvements during the 2023 Filing Season. Other IRA reports highlighted call for the IRS to take action on Taxpayer Assistance Centers and the information they provide to taxpayers; encourage the IRS to leverage in-house training for revenue agents examining high-income taxpayers; and assess the IRS's audit selection process for the Qualified Plug-In Electric Drive Motor Vehicle Credit. As we move forward, we plan to share ongoing IRA oversight efforts in our semiannual reporting to Congress and on [TIGTA.gov](https://www.tigta.gov).

Highlights From This Reporting Period

For this reporting period, our Office of Audit issued 47 reports; Office of Inspections and Evaluations issued 9 reports; and Office of Investigations completed 1,054 investigations. TIGTA's combined audit and investigative efforts resulted in the recovery, protection, and identification of monetary benefits totaling more than \$6.8 billion.

Additional highlights from our audit and evaluation work include reports that address improving taxpayer services, IRS efforts to hire employees to conduct audits of high earners and large businesses, protection of taxpayer data, and IRS processes for examining presidential tax returns.

¹ The IRS received approximately \$79.4 billion in supplemental funding from the Inflation Reduction Act of 2022 (Pub. L. No. 117-169, 136 Stat. 1818). Approximately \$1.4 billion in IRA funding was later rescinded under the Fiscal Responsibility Act of 2023 (Pub. L. No. 118-5, 137 Stat. 10). The available IRA supplemental funding was reduced to approximately \$78 billion.

Our investigative highlights include several cases that involve persons sentenced for schemes to defraud the IRS, commit identity theft, and impersonate an IRS representative. In one such scheme, in the District of Arizona, a woman was arrested for conspiracy to defraud, theft of public money, and conspiracy to commit money laundering, transferring more than \$2.5 million in fraudulent 2019 tax refunds to obtain Bitcoin.²

We remain vigilant in our efforts to oversee how the IRS spends IRA funds and implements programs resulting from the increased funding. We are committed to working with Congress, the Administration, the IRS, and other stakeholders to ensure the effective and efficient administration of our Nation's tax system.

Sincerely,



Heather M. Hill
Acting Inspector General

² Facts in the summarized case narrative come from court documents of the jurisdiction named.

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TIGTA's Profile

The Treasury Inspector General for Tax Administration (TIGTA) provides audit, investigative, and inspection and evaluation services that promote economy, efficiency, and integrity in the administration of the Internal Revenue laws. TIGTA provides independent oversight of matters of the Department of the Treasury (Treasury Department) involving activities of the Internal Revenue Service (IRS), the IRS Oversight Board, and the IRS Office of Chief Counsel. Although TIGTA is placed organizationally within the Treasury Department and reports to the Secretary of the Treasury and to Congress, it functions independently from all other offices and bureaus within the Treasury Department.

Statutory Mandate



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



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



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



Promote economy and efficiency in the administration of tax laws.



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

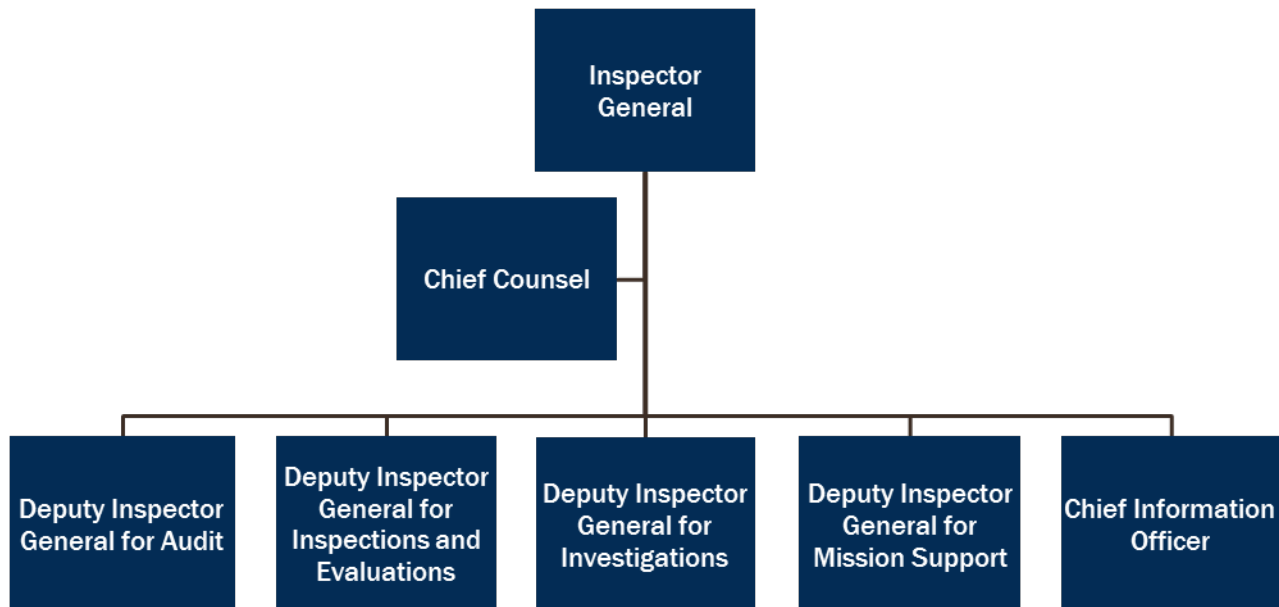


Inform the Secretary of the Treasury and Congress of problems and deficiencies identified and of the progress made in resolving them.

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

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

Organizational Structure



Authorities

TIGTA has all of the authorities granted under the Inspector General Act of 1978 (Inspector General Act).³ 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 appropriate. 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) 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).⁴

³ 5 United States Code (U.S.C.). § 401, et seq.

⁴ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2, 5, 16, 19, 22, 23, 26, 31, 38, and 49 U.S.C.).

Inflation Reduction Act Oversight Activities



On August 16, 2022, the President signed the Inflation Reduction Act of 2022 (IRA) into law.⁵ The legislation authorized approximately \$79.4 billion in supplemental funding for the IRS through September 30, 2031. Approximately \$1.4 billion in IRA funding was later rescinded under the Fiscal Responsibility Act of 2023, which reduced the IRS's supplemental funding to almost \$78 billion.⁶ The IRS will use the supplemental funding to improve taxpayer services, update antiquated computer

systems, and increase compliance and enforcement actions against high-income taxpayers and large corporations that try to evade taxes.

TIGTA received \$403 million in supplemental funding from the IRA through September 30, 2031. The IRA funds will be used to provide oversight of the IRS and to support TIGTA's operations. More information about TIGTA's IRA oversight activities is available on [TIGTA.gov](https://www.tigta.gov).

The following summaries highlight several TIGTA reviews examining the IRS and its use of IRA funding.

Interim Results of the 2023 Filing Season (Report Number [2023-40-029](#))

During the 2023 Filing Season, the IRS made significant progress to reduce backlogged tax return inventories closer to levels maintained prior to the Coronavirus Disease 2019 pandemic (pandemic). For example, more than 2 million individual tax returns and transactions remained in inventory as of the end of Calendar Year (CY) 2022, compared to more than 8.4 million as of the end of CY 2021. This backlogged work will continue to have a significant impact on associated taxpayers.

IRS management stated that for the first time since the pandemic began, individual tax return processing and related activities are returning to normal timeliness goals. The IRS cleared the carryover inventory of unprocessed individual tax returns received during CY 2022 by February 4, 2023. However, the IRS continues to have backlogs in other inventory categories.

The primary legislation affecting the 2023 Filing Season was the IRA. Most IRA tax provisions affect future tax years. However, a small number of provisions affected individual tax filers for Tax Year (TY) 2022. Table 1 identifies the three provisions most relevant to the 2023 Filing Season and provides the estimated tax impact for each provision for CYs 2023 through 2026.

⁵ Pub. L. No. 117-169, 136 Stat. 1818.

⁶ Pub. L. No. 118-5, 137 Stat. 10.

Table 1: Summary of IRA Provisions Affecting the 2023 Filing Season

Provision	Overview of Related Provisions	Tax Impact CYs 2023–2026
Energy Efficient Home Improvement Credit (13301)	Renamed and replaced the existing Nonbusiness Energy Property Credit, and extended the credit through December 31, 2032.	\$5.9 billion
Residential Clean Energy Credit (13302)	Renamed and replaced the existing Residential Energy Efficient Property Credit, and increased the credit rate to 30 percent for property placed into service beginning in TY 2022.	\$6.9 billion
Clean Vehicle Credit (13401)	Renamed and replaced the existing Qualified Plug-In Electric Drive Motor Vehicle Credit. For TY 2022, transition rules for the requirement that qualifying vehicles must undergo final assembly in North America apply for vehicles placed into service on or after August 16, 2022.	\$1.8 billion

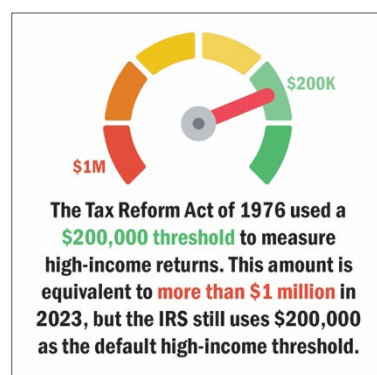
Source: *The IRA and the Joint Committee on Taxation JCX-18-22.*

This report provided interim information only. No recommendations were made.

The IRS Needs to Leverage the Most Effective Training for Revenue Agents Examining High-Income Taxpayers (Report Number [2023-30-054](#))

In August 2022, the Secretary of the Treasury stated that IRA funding was intended in part to increase examinations of high-income taxpayers. The Secretary also directed that no additional resources, including any new hires, shall be used to increase the share of small businesses or households below the \$400,000 threshold that are audited relative to historical levels. In the report, TIGTA assessed the IRS’s strategy to train employees hired specifically to conduct audits of high earners and large businesses that underreport income.

TIGTA found that while the Large Business and International (LB&I) Division has expertise in training revenue agents on examining high-income taxpayers, IRS efforts to train new hires do not appear to be fully leveraging this expertise. The IRS treats this training as specialized and only offers it when necessary for employees auditing in this area. As the IRS prioritizes examinations of high-income taxpayers with IRA funding, it should leverage the specialized training and provide it to an expanded pool of revenue agents. In other words, the IRS’s approach to training should be commensurate with the significant enforcement funding and the purposes for which it was provided.



In addition, TIGTA found that the IRS does not have a unified or updated definition for individual high-income taxpayers. The Tax Reform Act of 1976 required annual publication

of data on individual income tax returns reporting income of \$200,000 or more. The current examination activity code schema still uses \$200,000 as the main threshold. TIGTA stated that at a minimum, the IRS should accept the Treasury Secretary's \$400,000 directive as the new high-income floor on which IRS leadership can focus enforcement efforts.

TIGTA made six recommendations, including that the IRS leverage the LB&I Division's extensive knowledge base by embracing its current high-income individual training content and ensure that examination plans follow the Secretary of Treasury's Directive to prioritize coverage of individual high-income earners over \$400,000. The IRS agreed or partially agreed with five of the six recommendations and disagreed with one recommendation.

Opportunities Exist to Improve the Audit Selection Process for the Qualified Plug-In Electric Drive Motor Vehicle Credit (Report Number [2023-30-065](#))

The Energy Improvement and Extension Act of 2008 created the Qualified Plug-In Electric Drive Motor Vehicle Credit. This credit was amended by the American Recovery and Reinvestment Act of 2009, and then modified and extended under the IRA and renamed the Clean Vehicle Credit. The nature of these changes will have an impact on the data available to the IRS and its future controls and compliance strategy.



This credit of up to \$7,500 helps taxpayers offset the purchase of a qualifying plug-in electric drive motor vehicle. The Joint Committee on Taxation estimated the credit will cost \$5 billion from Fiscal Years (FY) 2022 through 2026.

TIGTA assessed whether the IRS is adequately reviewing the Qualified Plug-In Electric Drive Motor Vehicle Credit claimed by taxpayers. Additionally, TIGTA assessed the IRS's actions in response to past recommendations and sought to review the IRS's plans for addressing the changes made to the credit in the IRA.

In response to TIGTA's recommendations in a prior audit, the IRS developed filters to identify returns with potentially erroneous Qualified Plug-In Electric Drive Motor Vehicle Credit claims. TIGTA's review found that while the IRS has taken steps to address past recommendations, problems with the implementation of some of the filters have made existing issues worse.

TIGTA found that 74 percent of the tax returns flagged by the filter to identify non-qualifying vehicle models flagged qualifying vehicle models in error, resulting in taxpayer burden and unproductive examinations. In addition, due to issues with the filter, many credit claims for non-qualified vehicles were not examined. TIGTA identified 13,518 unexamined returns with credits totaling approximately \$63 million potentially paid for unqualified vehicles.

TIGTA made five recommendations. The IRS agreed with four of the five recommendations and disagreed with one.

Inflation Reduction Act: Assessment of the IRS's Efforts to Deliver Expected Improvements for the 2023 Filing Season (Report Number [2023-IE-R010](#))

After passage of the IRA, the Treasury Secretary outlined 2023 Filing Season expectations for the IRS. The expectations included fully resolving the backlogs, improving telephone service, fully staffing the Taxpayer Assistance Centers (TAC), scanning millions of individual paper tax returns, and providing taxpayers the ability to provide IRS documentation online.

TIGTA found that the IRS met two of the Secretary's expectations, including reporting a level of service average of 85 percent and reducing the average wait time to answer a taxpayer's call to approximately three minutes. The IRS also provided taxpayers with the ability to respond to nine of the highest volume notices via its Document Upload Tool.

However, the IRS was unable to meet the Secretary's other three expectations to:

- **Fully resolve its backlog of tax returns and other tax account work.** As of December 30, 2022, the IRS reduced its volume of CY 2022 individual paper-filed tax returns to be processed to approximately 437,000. However, the IRS continues to be challenged in its ability to fully resolve backlogs of tax account inventory.
- **Fully staff the TACs.** Forty-three TACs were closed at some point during the 2023 Filing Season and 230 TACs were not fully staffed. While the IRS exceeded the number of taxpayers assisted in the prior year, it still fell short of its estimated assistance to 2.7 million taxpayers.
- **Scan millions of individual paper-filed returns.** As of April 30, 2023, the IRS reported scanning 4,154 Forms 1040, *U.S. Individual Income Tax Return*. As of July 31, 2023, the IRS reported that scanning was going well. The IRS increased the scanning to 50,810 individual income tax returns and expanded the scanning to include 25 different attachments that can be included with the paper-filed Form 1040.

Figure 1: IRS Performance of Secretary's Expectations



Source: Remarks made by the Secretary on September 15, 2022, and analysis of IRS documentation.

This report was prepared to provide information only. No recommendations were made.

Promote the Economy, Efficiency, and Effectiveness of Tax Administration

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



The IRS's implementation of audit recommendations results in:

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

Each year, TIGTA identifies and addresses the IRS's major management and performance challenges. The Office of Audit places audit emphasis on statutory coverage required by 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 2023 Through September 2023

Improving Taxpayer Service

Protecting Taxpayer Data and IRS Resources

Administering Tax Law Changes

Increasing Domestic and International Tax Compliance and Enforcement

The following summaries highlight significant audits completed in each area of emphasis during this 6-month reporting period.

Improving Taxpayer Service

Services to Underserved Communities Have Been Ongoing; However, an Agencywide Strategy Has Not Been Developed (Report Number [2023-15-027](#))

In July 2019, Congress enacted the Taxpayer First Act to re-imagine and enhance the way the IRS serves taxpayers, enforces the tax laws, and trains its employees.⁷ The Taxpayer First Act consists of 45 provisions, including one provision that requires the IRS to develop the Taxpayer Experience Strategy (TXS).

The TXS outlines six key focus points, including focused strategies to engage with underserved communities. The goal of the TXS is for the IRS to provide interactions that are efficient, informative, personalized, and convenient and to ensure that taxpayers have the information they need to understand and comply with their tax obligations.

TIGTA conducted this audit to determine the progress made in implementing service improvements to taxpayers in underserved communities as described in the TXS. We found that the TXS included details about how the IRS would implement service improvements for two of the eight underserved communities, but the IRS has not yet developed detailed plans to address the other six communities, nor has it created a comprehensive agencywide strategy to implement and monitor service improvements.

In addition, the IRS has not yet defined the underserved communities or identified their populations. Many underserved communities overlap with each other, so defining the populations would allow for more efficient use of IRS resources. The TXS requires the IRS to develop customized strategies for each underserved community based on focused research that will improve outreach, education, communications, and services to support taxpayers. Focused research should include establishing the definitions and populations of each underserved community.

TIGTA recommended that the Chief Taxpayer Experience Officer work with other IRS functions to define and identify the populations of each underserved community, and to develop and implement a comprehensive agencywide strategy to improve programs, products, and services for underserved communities when the Taxpayer Experience Office is fully operational. The IRS partially agreed with this recommendation.

The TXS identifies the following eight underserved communities:

- Limited English proficiency
- Native American communities
- Armed forces members
- Taxpayers with disabilities
- Elderly taxpayers
- Low-income taxpayers
- Taxpayers living in rural communities
- International taxpayers






⁷ Pub L. No. 116-25, 133 Stat. 981 (codified in scattered sections of 26 U.S.C.).

Additional Actions Are Needed to Reduce Accounts Management Function Inventories to Below Pre-Pandemic Levels (Report Number [2023-46-026](#))

This audit continued TIGTA’s assessment of the IRS’s efforts to reduce significant backlogs in the Accounts Management function inventories during CY 2022, including Forms 1040-X, *Amended U.S. Individual Tax Return*.

On March 10, 2022, the IRS announced its initiatives to address the continuing backlog of tax returns and other tax account work during the 2022 Filing Season. These initiatives, referred to as the *Get Healthy Plan*, were intended to return the IRS to healthy inventory levels by the end of CY 2022. The IRS defines “healthy” inventory levels as pre-pandemic inventory levels.

TIGTA reported previously that the Accounts Management function inventories would not return to pre-pandemic levels by the end of CY 2022. Although management took actions to address concerns identified during this review, backlogs of inventory remained in the 2023 Filing Season. TIGTA identified the following contributing factors to the remaining backlogs.

	Fewer than anticipated Surge Team employees to Accounts Management
	Unspecified goals without a clear plan to accomplish the goals
	Higher than anticipated incoming Accounts Management Inventory
	Lower than anticipated efficiency of Form 1040-X Surge Team members
	Delays in automating the processing of Forms 1040-X

TIGTA found that while employees assigned to the Accounts Management function’s Surge Team contributed to the additional closures of its inventory, there were fewer employees available than anticipated. In addition, the loss of employees from other IRS functions resulted in an estimated \$2.6 billion in potential lost or delayed revenue, due to fewer examination and collection cases being worked.

TIGTA also noted that the Surge Team’s Form 1040-X closure rates were less than one-half of the normal employees’ closure rates. Automating the processing of these amended returns would reduce the burden on taxpayers waiting for their amended returns to be processed, and the benefits far outweigh the associated costs. For example, TIGTA estimated that the IRS would potentially save more than \$322.2 million in yearly processing costs by automating the processing of Forms 1040-X. This is in addition to any interest saved.

The IRS agreed with 10 of TIGTA’s 13 recommendations. The IRS disagreed with three recommendations, including that management establish goals and a plan for all inventory types to reach pre-pandemic levels.

Protecting Taxpayer Data and IRS Resources

Security Weaknesses Are Not Timely Resolved and Effectively Managed

(Report Number [2023-20-042](#))

The Federal Information Security Modernization Act of 2014 mandates all Federal agencies develop and implement a corrective action plan, known as a Plan of Action and Milestones (POA&M), to identify and document the resolution of information technology security weaknesses.⁸



Between January 1, 2005, and August 26, 2022, the IRS created 12,089 POA&Ms. Of these POA&Ms, remediation efforts for 9,534 have been finalized while 2,555 are open with efforts still ongoing. TIGTA selected a judgmental sample of 401 POA&Ms for analysis.

TIGTA determined that 291 (73 percent) of the 401 POA&Ms selected for analysis were not timely reviewed based on agency security policies. Newly created POA&Ms are required to be reviewed within 45 days of creation, Late POA&Ms are required to be reviewed within 45 days of entering Late status, and closure reviews are required to be conducted within 60 days of POA&M closure. TIGTA also found that the closure reviews were not performed within the required 60-day time period for 138 (49 percent) of 282 POA&Ms marked as either Accepted, Completed, or Validated.

While the required reviews were ultimately completed, the continued extensions of remediation timelines may lengthen the period of exposure of critical tax systems to known information security vulnerabilities. This may provide expanded opportunities for threat actors to access and exploit data.

From January 1, 2018, through August 26, 2022, the IRS finalized remediation efforts for 3,139 of the 12,089 POA&Ms. However, during the closure process, the IRS did not reevaluate the estimated budget and update it with actual costs at closure, as required. Tracking associated resources required to resolve POA&Ms facilitates informed decisionmaking.

TIGTA made four recommendations to the IRS Chief Information Officer. The IRS agreed with all four recommendations.

⁸ 44 U.S.C. § 3551, *et seq.* (2018)

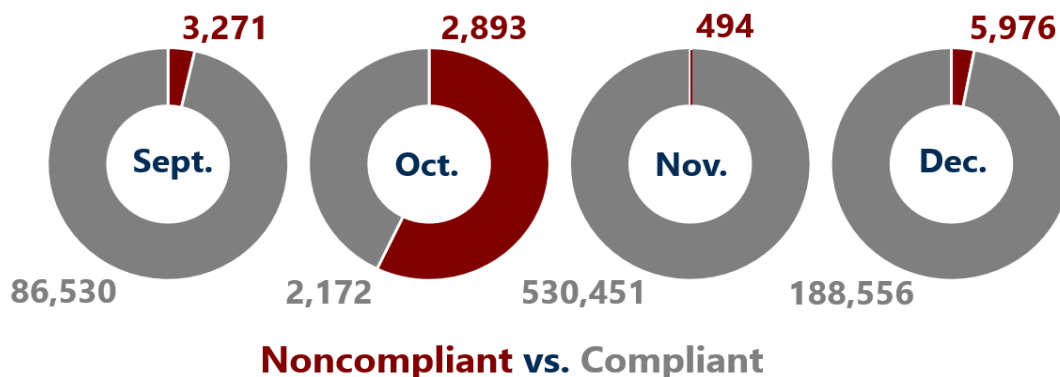
Known Exploited Vulnerabilities That Remain Unremediated Could Put the IRS Network at Risk (Report Number [2023-20-048](#))

TIGTA reviewed the IRS's compliance with the Department of Homeland Security's Binding Operational Directive 22-01, *Reducing the Significant Risk of Known Exploited Vulnerabilities* (KEV). Issued November 3, 2021, the directive required Federal agencies to update internal vulnerability management procedures by January 2, 2022. The directive focuses on vulnerabilities that are active threats and should be Federal agencies' top priority.

The IRS uses its asset and vulnerability repository to track KEVs. Ineffective tracking and untimely remediation of KEVs increase the risk to the overall security of IRS assets and allow affected assets to become targets of external exploitation with the intent to steal taxpayer data. In addition, failure to isolate or remove vulnerable assets from the network increases the risk of malicious attacks.

TIGTA found that from September through December 2022, there were between 494 and 5,976 KEVs past the remediation period.

Figure 2: Unremediated KEVs From September Through December 2022



Source: The IRS's asset and vulnerability repository reports from September through December 2022. Note: An asset may have one or more KEVs.

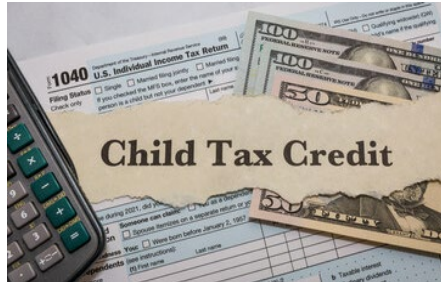
The repository reflected 91,559 assets with at least one KEV as of December 15, 2022. TIGTA was unable to determine the timeliness of remediation of the affected assets with a KEV because the attack signature change date in the IRS's asset and vulnerability repository is not reliable. TIGTA also found that the IRS was not following established guidance to isolate or remove all vulnerable assets from its network.

Further, the directive specifies that Federal agencies are required to track all KEVs from the Cybersecurity and Infrastructure Security Agency's KEV Catalog. However, between September and December 2022, the IRS did not track 14 KEVs. During the audit, the IRS implemented an action to correct this issue.

Administering Tax Law Changes

American Rescue Plan Act: Review of the Reconciliation of the Child Tax Credit

(Report Number [2023-47-035](#))



The American Rescue Plan Act of 2021 provided taxpayers the ability to receive up to one-half of the estimated TY 2021 Child Tax Credit in advance payments between July and December 2021.⁹ The IRS issued 216.9 million advance payments totaling \$93.5 billion. The IRS estimated the advance payments based on prior year tax return information and information reported through its nonfiler tools.

TIGTA previously reported that the IRS erroneously issued 3.3 million advance payments to 1.5 million taxpayers who were not eligible to receive an advance payment. The IRS's reconciliation process addressed both potentially ineligible taxpayers and eligible taxpayers who had not received advance payments when they filed their TY 2021 tax return. However, our review showed that as of October 12, 2022, approximately 4.1 million taxpayers who were issued about \$9 billion in advance payments had not yet filed a tax return.

TIGTA's seven recommendations to the IRS included: identifying and reviewing the instances where taxpayers received more or less Child Tax Credit than they were eligible to receive; sending letters to taxpayers with advance Child Tax Credit payments who have yet to file a TY 2021 tax return; and creating a process to recover potentially erroneous advance payments.

The IRS agreed with four of the seven recommendations and partially agreed with another. The IRS did not agree to identify additional taxpayers with excess Child Tax Credits or to develop a process to recover erroneous advance payments from nonfilers. TIGTA continues to believe that taxpayers received excess Child Tax Credit after the IRS implemented a programming change and that processes are needed to recover erroneous advance payments totaling \$1 billion.

⁹ 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.).

Increasing Domestic and International Tax Compliance and Enforcement

Planning Efforts to Hire Employees Who Conduct Audits of High Earners and Large Businesses Could Be Improved (Report Number [2023-10-025](#))

IRS enforcement function full-time equivalent employees have declined from Fiscal Years (FYs) 2010 through 2021 due to budget decreases. This reduction to enforcement function staffing levels has affected the total enforcement revenue collected by the IRS. TIGTA performed this audit to evaluate the IRS's strategy to recruit employees to conduct audits of high earners and large businesses. This is the first in a series of reviews related to the IRS's enforcement hiring.

The IRA provided the IRS with approximately \$45.6 billion dedicated to enforcement activities. On May 19, 2021, in written testimony to the Subcommittee on Financial Services and General Government, the IRS Commissioner stated that, among other operational directives, this appropriation will facilitate the hiring and training of auditors to focus on complex investigations of large businesses, partnerships, and global high-wealth taxpayers. The IRS has initiated planning efforts to hire these employees, with the majority working in the IRS's LB&I Division and the Small Business/Self-Employed Division.



After passage of the IRA, the Secretary of the Treasury issued a memorandum in August 2022 requiring the IRS to produce a Strategic Operating Plan detailing how these new resources will be spent in the categories of technology, service improvement, and personnel. This Strategic Operating Plan was issued on April 5, 2023. The memorandum also stated that the increase in enforcement funding will not result in increased chances of being audited for small businesses or households earning \$400,000 per year or less.

TIGTA noted that an ineffective recruitment and hiring strategy could negatively impact the IRS's ability to increase audits of high earners and large businesses that underreport income. Ineffective planning can limit a business unit's capability to complete its mission. This in turn can reduce the likelihood that the IRS will accomplish its strategic goals. One of those goals is to enforce the tax law fairly and efficiently to increase voluntary compliance and narrow the Tax Gap.

TIGTA recommended that the IRS establish a plan to effectively manage changes in hiring volume and improve communication channels across business units to mitigate the effects of large hiring surges. The IRS agreed with TIGTA's recommendations.

The IRS Large Business and International Division Should Consider Shifting Individual Examination Resources to More Productive Examinations (Report Number [2023-30-019](#))

TIGTA initiated this audit to evaluate the use of resources and examination productivity for individual returns examined by the LB&I Division and determine whether it is making the most efficient use of examination resources and staffing.

The LB&I Division's Withholding Exchange and International Individual Compliance (WEIIC) practice area completed most of the Division's individual examinations and is responsible for examining returns with an international component. The LB&I Division also examines high-wealth individuals and the enterprises they control as part of the Global High Wealth program. The LB&I Division has in its scope international individual returns, as well as the most complex individual and business income tax returns to address significant levels of suspected underreporting of tax liabilities and nonfiling of tax returns.

While the LB&I Division spends most of its time and resources auditing businesses, during FYs 2017 through 2021, 67 percent of the examinations that the LB&I Division closed consisted of individual taxpayers. According to the LB&I Division, a significant majority were conducted by tax

examiners and tax compliance officers who generally work single-issue cases. Individual examinations comprised between 12 and 19 percent of the LB&I Division's time during this same period. Ninety percent of WEIIC individual examination closures reported less than \$200,000 total positive income (TPI) for FYs 2017 through 2021.

TIGTA recommended that the Commissioner, LB&I Division: 1) evaluate the composition of International Individual Compliance cases to ensure the highest compliance risk work is selected and assigned to International Individual Compliance examiners in alignment with their skills; and 2) monitor the activity code for International Individual Compliance substitute for return case closures to ensure that the activity code accurately represents the taxpayer's TPI. The IRS agreed with and implemented the two recommendations.

Table 2: WEIIC Examination Closures by TPI During FYs 2017–2021

Total Positive Income	Totals	Percent
TPI of less than \$200,000	57,054	90%
TPI of at least \$200,000 and up to \$1 million	4,390	7%
TPI more than \$1 million	1,976	3%
Total Individual Examinations	63,420	100%

Source: LB&I Division Key Stats reports, FYs 2018 and 2021.

The Knowledge Management Program Will Benefit From Addressing User Concerns and Improving Performance Measures and Controls Over Employee Costs

(Report Number [2023-30-024](#))



In FY 2017, the IRS implemented the enterprise-wide Knowledge Management program. Knowledge Management is a strategy that captures, shares, and applies employee knowledge to enhance learning, performance, collaboration, and decisionmaking. A well-designed and properly administered Knowledge Management program should allow employees to work more efficiently and effectively.

In its Knowledge Management Business Plan, the IRS acknowledged that the loss of knowledge and expertise from retiring IRS employees is a significant top risk facing the agency. The IRS has estimated that 63 percent of its current workforce will resign or be eligible to retire by FY 2028.

TIGTA evaluated the Knowledge Management program and its impact on improving performance and taxpayer compliance. We surveyed around 6,300 IRS employees to gauge the effectiveness of the enterprise-wide program. Some of those surveyed expressed concerns about locating pertinent information on the Virtual Library website. Also, some of the employees who located the site found the information hard to use and lacking in relevant information. Additionally, employees designated as subject-matter experts were sometimes unhelpful due to their limited experience level. Further, not all business units use customer satisfaction surveys to identify improvements to Knowledge Management programs.

TIGTA found that Knowledge Management performance measures are incomplete because they focus exclusively on high-level activity measures, such as the number of employees viewing the Virtual Library and the amount of content developed. Measures that would make the Knowledge Management program more effective include tracking subject-matter expert response time and the number of accesses that result in the resolution of users' questions.

We also found that the efficiency of the Knowledge Management program could be improved by monitoring employee costs. The reviewed business units were not consistent when capturing their employee costs pertaining to Knowledge Management.

TIGTA made seven recommendations to improve the operation, establish performance measures, and ensure the accountability of the IRS Knowledge Management program. The IRS agreed with all seven recommendations and plans to take appropriate corrective actions.

Advance Oversight of America's Tax System

TIGTA's Office of Inspections and Evaluations provides focused and expedited oversight to quickly assess emerging issues impacting tax administration and IRS operations. This function has two primary product lines: inspections and evaluations.



Inspections are intended to:

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

Evaluations are intended to:

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

Sensitive Business and Individual Tax Account Information Stored on Microfilm Cannot Be Located (Report Number [2023-IE-R008](#))

The IRS is required to create and store backups of both business and individual tax records to ensure that these records are available to conduct business, document IRS activities adequately, and protect the interests of the Federal Government and the American taxpayers. The IRS uses microfilm cartridges to store photographic records of sensitive business and individual tax information.

TIGTA determined that significant deficiencies exist in the IRS's accounting for microfilm backup cartridges. Deficiencies result in the inability of the IRS to account for thousands of microfilm cartridges containing millions of sensitive business and individual tax account records. Sensitive business and individual taxpayer information stored on the unaccounted for cartridges can be used to commit tax refund fraud identity theft.

Onsite visits to the Kansas City and Ogden Tax Processing Centers provided examples of unaccounted for microfilm cartridges. The photo shows an empty box on the shelf in Ogden with a note inside.

TIGTA also found the IRS is not in compliance with records management requirements. IRS management stated that 15 large pallets containing microfilm cartridges required to be sent to the Federal Records Center have been stored at the IRS's National Distribution Center since 2018. As of April 2023, IRS management noted that they have yet to secure a contract to have the microfilm cartridges sent.

In addition, TIGTA determined that the IRS is not in compliance with microfilm destruction time frames. TIGTA identified individual microfilm cartridges stored at all three IRS Tax Processing Centers that exceed the 30-year storage requirement. Management noted that no process has been established to timely dispose of microfilm backup cartridges.



Source: An October 2022 TIGTA photo taken in the Microfilm Storage Area during a site visit to the Ogden Tax Processing Center.

TIGTA made 13 recommendations. The IRS agreed with 11 recommendations and disagreed with 2 recommendations.

Actions Are Needed to Address Inaccurate, Incomplete, and Inconsistent Taxpayer Assistance Center Information Provided to Taxpayers (Report Number [2023-IE-R006](#))

The IRS will receive almost \$78 billion in supplemental funds from the IRA through September 30, 2031, with a portion of the funding dedicated to improving taxpayer services.¹⁰ Approximately \$3.2 billion is to be expended on taxpayer services, such as filing and account services, pre-filing assistance, and education.

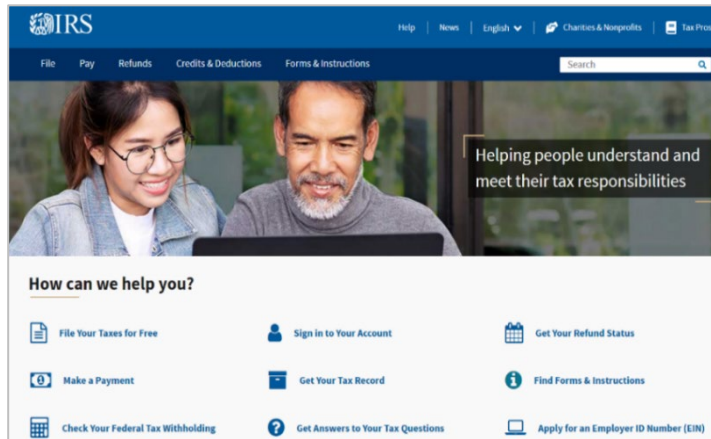
TIGTA found that taxpayers seeking face-to-face assistance may experience difficulty obtaining key contact information regarding TACs, e.g., office addresses, hours of operation, services provided. This includes taxpayers seeking this information on the IRS's website (IRS.gov), the IRS2Go mobile App, or calling the local telephone number for a TAC.

For example, the *How can we help you?* screen located on the IRS.gov homepage provides links to the various avenues of assistance for taxpayers seeking help. However, absent in this list of options is a link to information on how to find a local TAC. Figure 3 provides a screenshot of the *How can we help you?* section on the IRS.gov homepage.

¹⁰ The IRS received approximately \$79.4 billion in supplemental funding from the Inflation Reduction Act of 2022 (Pub. L. No. 117-169, 136 Stat. 1818). Approximately \$1.4 billion in IRA funding was later rescinded under the Fiscal Responsibility Act of 2023 (Pub. L. No. 118-5, 137 Stat. 10).

We also noted that information on the recorded messages on the local telephone numbers was not always consistent, up-to-date, or accurate and did not provide an option to listen to the message in Spanish. Additionally, taxpayers are not being adequately informed of TAC closures, and information regarding whether TACs offer walk-in services is inconsistent and unclear.

Figure 3: How can we help you? Screen on IRS.gov



Source: <https://www.irs.gov>.

TIGTA issued an e-mail alert to the IRS on January 26, 2023, detailing our initial concerns, so IRS management could take actions deemed appropriate to improve service to taxpayers for the 2023 Filing Season.

The IRS agreed with 8 of the 10 TIGTA recommendations. For the other two recommendations, IRS management indicated that updating the local TAC recorded messages to provide taxpayers with current information is not feasible and that current processes and procedures prevent appointments from being scheduled outside of each TAC’s hours of operation.

Assessment of the Internal Revenue Service’s Active Shooter Readiness and Training

(Report Number [2023-IE-R005](#))

An active shooter or other mass casualty event at a TAC or any IRS facility can result in significant damage to the facility and even greater physical and psychological trauma to the staff.

TIGTA found that the IRS has developed an active shooter training program that educates its employees on the “Run, Hide, Fight” response that aligns with the Department of Homeland Security guidelines for dealing with an active shooter situation. This training is given to IRS employees and contractors to provide comprehensive information on IRS security policies, procedures, and actions that should be taken to prepare for and respond to potential security incidents and emergencies.



Source: U.S. Department of Homeland Security.

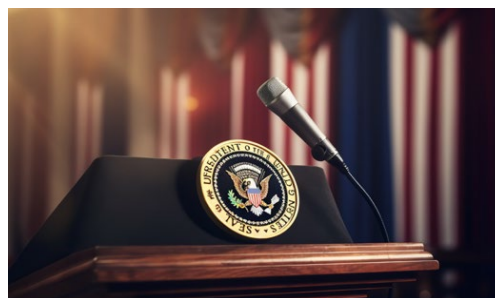
While the IRS has provided employees with materials to raise awareness about Active Shooter situations, TIGTA noted that additional actions were needed to ensure that

contractors are aware of security protocols. In addition to training, employees need to fully understand their response options to empower them to react decisively.

TIGTA made five recommendations to the Chief, Facilities Management and Security Services, such as ensuring that action is taken if contractors do not timely complete security briefings, and that policies are updated to require after-action reports of active shooter drills or events to assess the efficacy of the response. TIGTA also noted that IRS officials need to update the annual security briefing to emphasize that employees need to discuss emergency preparedness with their managers annually. The IRS agreed with all recommendations.

Review of the IRS's Process to Perform Mandatory Annual Examinations of Presidential Returns for Tax Years 2000 Through 2021 (Report Number [2023-IE-R011](#))

In December 2022, Congress and media outlets reported concerns regarding the IRS's mandatory Presidential examination program. In response to these concerns, TIGTA initiated a review to assess the IRS's processes and procedures for conducting required annual mandatory examinations of Presidential returns filed for TYs 2000 through 2021.



TIGTA found that the IRS's internal guidelines for mandatory Presidential examinations are incomplete and inaccurate. For example, key procedures performed by the Office of the Deputy Commissioner for Services and Enforcement are not detailed in IRS guidelines. In addition, although guidelines require the expeditious handling of the Presidential returns to ensure prompt completion of the examinations, the IRS has not developed guidance defining time frames for processing, transferring, and starting examinations of Presidential returns.

Also, the process for identifying examination issues prior to assigning non-Presidential returns to an examiner is different than the process used for Presidential returns. For non-Presidential returns, the returns are generally sent to the examiner with pre-identified issues for the examiner to consider. However, for Presidential returns, the examiner receives the return without pre-identified examination issues.

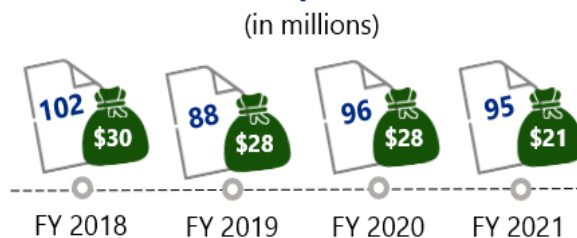
TIGTA made five recommendations, including: the IRS update internal guidelines for mandatory Presidential examinations; establish time frames for the expeditious handling of Presidential returns; and evaluate whether the IRS can use an independent process to identify potential examination issues prior to assigning Presidential returns to an examiner.

The IRS agreed with three recommendations, partially agreed with one recommendation, and disagreed with another recommendation.

Federal Acquisition Regulation Requirements Were Either Not Performed or Documented When Awarding and Administering Expert Witness Contracts (Report Number [2023-IE-R012](#))

The IRS's Office of Chief Counsel represents the IRS in litigation and can obtain the services of expert witnesses. The primary consideration in selecting an expert witness is the degree to which a specific witness will be helpful to the Tax Court in understanding and determining the matter at issue. TIGTA assessed the IRS's compliance with the Federal Acquisition Regulation and IRS policies and procedures for awarding and administering expert witness contracts.

Figure 4:
Dollars Awarded for Expert Witness Contracts



Source: TIGTA's analysis of the IRS's Procurement for Public Sector System.

TIGTA found that the IRS was not in compliance with all Federal Acquisition Regulation and IRS requirements when awarding and administering expert witness contracts. These include performing a tax compliance check, obtaining the contractor's assertion regarding delinquent tax liability or a felony conviction, completing security awareness training, and considering an internal expert prior to seeking the services of an external expert.

TIGTA's review of 27 expert witness contract files awarded during FYs 2019 through 2021, totaling nearly \$39 million, found that documentation supporting key required actions taken to award the contract were either not included in the contract file or the IRS was unable to provide documentation when requested. For those actions where documentation was not provided, TIGTA was unable to determine whether the required action was taken.

In addition, TIGTA found that all 27 contracts were classified as Firm-Fixed-Price in the Government's Federal Procurement Data System but managed like Labor-Hour contracts. Further, for 16 (59 percent) of the 27 contracts reviewed, the IRS did not provide evidence to support its oversight and/or monitoring of the expert witness's performance and compliance with contract terms.

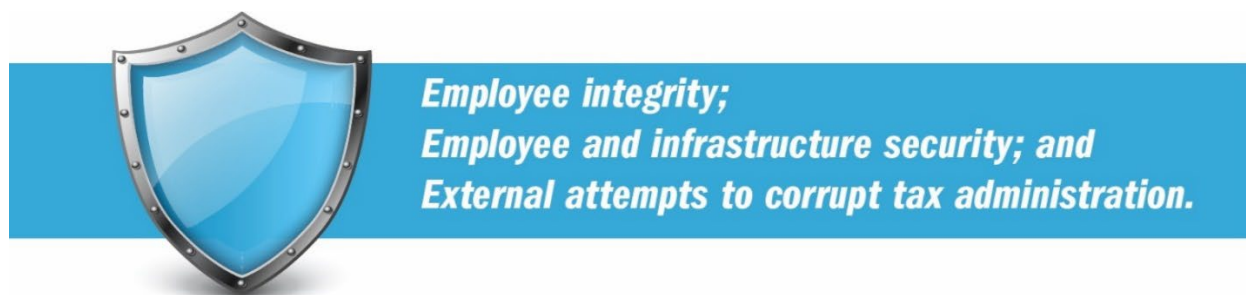
TIGTA made six recommendations. IRS management agreed with five recommendations. The IRS disagreed with TIGTA's recommendation to review all closed expert witness contracts to determine if the contract type should be corrected in the IRS procurement system and the Federal Procurement Data System.

Protect the Integrity of Tax Administration

TIGTA is statutorily mandated to protect the integrity of Federal tax administration. TIGTA accomplishes this mission through the investigative work conducted by the Office of Investigations (OI). Through its investigative programs, OI protects the integrity of the IRS and its ability to collect revenue owed to the Federal Government by investigating violations of criminal and civil law that adversely impact Federal tax administration, as well as administrative misconduct by IRS employees.

The Performance Model

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



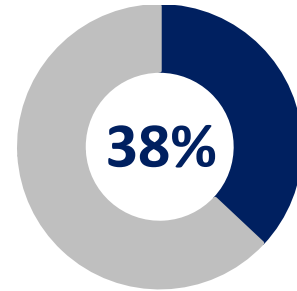
IRS employee misconduct undermines the IRS's ability to deliver taxpayer services, to enforce tax laws effectively, and to collect taxes owed to the Federal Government. External threats against the IRS impede its ability to fairly, efficiently, and safely carry out its role as the Nation's revenue collector.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

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

In each of the following performance areas, we include examples of cases from the current reporting period. For additional details about individual cases, visit the [TIGTA Investigative Activities](#) page or click on the hyperlink in the case titles below.

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.



of OI’s work was employee integrity investigations.

During this reporting period, employee integrity investigations accounted for 38 percent of OI’s work. OI conducted 156 employee misconduct investigations that were referred to the IRS for action. The IRS took action on 144 and closed 12 investigations without action.¹¹

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 three proactive projects to detect systemic weaknesses or potential IRS program vulnerabilities. TIGTA’s most successful integrity project involves the detection of IRS employees who abuse their access to taxpayer information to commit identity theft and other crimes.

Addressing Employee Misconduct

The following case represents OI’s efforts to address employee misconduct during this 6-month reporting period:¹²

IRS Employee Pleads Guilty to Cyberstalking Colleague

On May 25, 2023, in the District of Utah, Daimion Brown pled guilty to one count of cyberstalking. Brown, who worked at the IRS office in Utah, used a digital communication service to send a colleague several threatening and intimidating text messages.

According to court documents, beginning around March 31, 2022, and continuing until June 10, 2022, Brown sent a colleague harassing text messages describing how he watched this colleague all day and night. Brown also sent a text message that discussed the method in which he would torture a friend of this colleague, followed by an image of a name and phone number of an acquaintance of this colleague.

¹¹ 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.

¹² Facts in the summarized case narrative come from court documents of the jurisdiction named.

At sentencing, the maximum penalties Brown could receive are 5 years' imprisonment, a \$250,000 fine, and 3 years' supervised release.

Identity Theft and the Insider Threat

The following case represents OI's efforts to address identity theft and the insider threat during the reporting period:¹³

IRS Case Advocate Sentenced for Unauthorized Inspection of Returns or Return Information

On August 28, 2023, in the Western District of New York, Lisa Hughes, Case Advocate within the IRS's Taxpayer Advocate Service, in Buffalo, New York, pled guilty to one count of unauthorized inspection of returns or return information and was sentenced to 1 year of probation.

According to the court documents, while she worked as a Case Advocate within the IRS, Hughes accessed return information for a local tax preparation firm on more than 120 occasions. Two individuals who worked for the tax preparation firm would inquire about returns filed for their clients. Hughes would then access the returns or other return information in the IRS's Integrated Data Retrieval System. The calls received from the two individuals were not part of Hughes' job responsibilities. Hughes knew that she was not authorized to access the return information in response to these calls, but she nevertheless intentionally accessed the requested return information.

Performance Area: Employee and Infrastructure Security

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



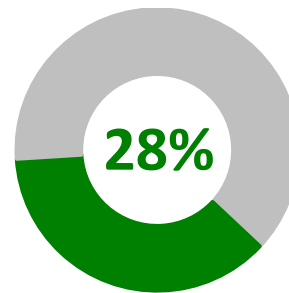
Contact with the IRS can be stressful and emotional for taxpayers. While the majority of taxpayer contacts are routine, some may become confrontational and even violent. TIGTA's special agents are statutorily mandated to provide physical security, known as "armed escorts," to IRS employees who have face-to-face contact with taxpayers who may pose a danger to the employee, and to ensure that IRS employees have a secure environment in

¹³ Facts in the summarized case narrative come from court documents of the jurisdiction named.

which to perform their critical tax administration functions. During this 6-month reporting period, OI provided eight armed escorts for IRS employees.

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

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



of OI's work was investigations of threats/assaults.

During this 6-month reporting period, employee and infrastructure security investigations accounted for 28 percent of OI's work.

The following case represents OI's efforts to ensure the safety of IRS employees during the reporting period:¹⁴

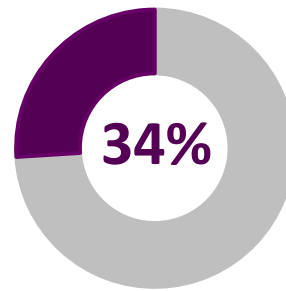
Bomb Threat at IRS Building in Austin, Texas

On June 13, 2023, in the Western District of Texas, Caleb Augustine pled guilty to damage of government property. According to the court documents, beginning on or about November 12, 2020, and continuing through June 23, 2021, Augustine willfully wrote on stalls and walls of the men's bathroom at the IRS building in Austin, Texas. Augustine intentionally conveyed false and misleading information, specifically that bombs would go off in the IRS building within one to two days of the threat. At sentencing, Augustine could receive a maximum of 1 year imprisonment and be ordered to pay a fine.

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

Performance Area: External Attempts to Corrupt Tax Administration

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



of OI's work was investigating attempts to corrupt or impede tax administration.

During this reporting period, investigations into attempts to corrupt or impede tax administration accounted for 34 percent of OI's work.

The following cases represent OI's efforts in this area during the reporting period:¹⁵

Illegal Agents of the People's Republic of China Charged in IRS Bribery Scheme

On May 24, 2023, in the Southern District of New York, John Chen, a U.S. citizen and Lin Feng, a People's Republic of China (PRC) citizen were charged with acting and conspiring to act in the United States as unregistered agents of the PRC Government, conspiring to bribe, bribing a public official, and conspiracy to commit money laundering.

According to a U.S. Department of Justice press release, from January 2023 to May 2023, Chen and Feng allegedly engaged in a scheme directed by the PRC Government to manipulate the IRS Whistleblower Program in an effort to strip the tax-exempt status of an entity run and maintained by Falun Gong practitioners. Chen and Feng paid \$5,000 in cash bribes to an undercover officer, Chen gave the officer a \$1,000 cash bribe, and Feng paid the officer a \$4,000 cash bribe.

If convicted, Chen and Feng could each receive a maximum term of 5 years' imprisonment for count one, 10 years' imprisonment for count two, 15 years' imprisonment for count three, and 20 years' imprisonment for count four.

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

Man Pleads Guilty for Role in IRS Refund Check Scheme

On June 9, 2023, in the Northern District of Georgia, Joseph Kolawole pled guilty to mail fraud. According to the court documents, between December 2014 and May 2019, Kolawole prepared and filed fraudulent Federal corporate tax returns on Forms 1120, *U.S. Corporation Income Tax Return*, and demanded payment of refunds purportedly due to the corporations.

The IRS paid refunds for the fraudulent returns in Kolawole's scheme. U.S. Treasury checks were mailed to the sham corporations based on the addresses specified on the tax returns. Once the U.S. Treasury checks were received, Kolawole and others fraudulently altered the payees on the checks and deposited them into bank accounts owned and controlled by Kolawole. The scheme resulted in more than 100 fraudulent refund checks being issued, totaling over \$4.5 million.

At sentencing, Kolawole faces a maximum prison term of 20 years, a maximum fine of \$250,000, and a maximum of 3 years of supervised release.

Fighting Cybercrime

Leader of Worldwide Tax Return Scheme Sentenced¹⁶

On September 18, 2023, in the Northern District of West Virginia, Ayodele Arasokun was sentenced to 34 years of imprisonment, 3 years' supervised release, and ordered to pay over \$2.24 million in restitution. Arasokun was convicted by a jury in October 2022 of wire fraud and aggravated identity theft.

From January 2016 and continuing to November 2017, Arasokun devised a scheme to unlawfully obtain tax refund money by filing fraudulent Federal income tax returns. Arasokun collected the names, dates of birth, and Social Security numbers for multiple individuals. Using this information, Arasokun compromised the IRS's Electronic Filing Pin application, an online electronic portal. Arasokun then electronically filed and attempted to file fraudulent Federal income tax returns. These fraudulent Federal income tax returns contained fictitious income amounts, withholdings, and other false information. He then directed tax refunds to be deposited into prepaid debit cards and bank accounts that he monitored. Investigators discovered that Arasokun was tracking approximately 700 U.S.-based accounts containing more than \$50 million. Of the \$9.1 million claimed by Arasokun in false Federal income tax returns, the IRS ultimately paid out \$2.2 million in fraudulently obtained refunds.

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

Impersonation Scams and Schemes

Man Pleads Guilty for His Role in IRS Impersonation Scheme

On July 20, 2023, in the District of Maryland, Wen Fu Zeng was sentenced to 10 months in prison and 3 years of supervised release after he pleaded guilty to wire fraud. He was also ordered to pay restitution in the amount of \$145,228 and a special assessment of \$100. In July 2018, Zeng was part of a scheme where a victim received a telephone call from someone purporting to be a representative of the IRS. The victim was told they owed taxes to the IRS and that they would be arrested if their outstanding taxes were not paid. The victim was informed they could resolve the IRS debt by purchasing gift cards from Target and Wal-Mart. Transactional records and video footage from Target revealed that less than one hour after the victim purchased the gift card, Zeng redeemed the gift card at a Target store in Maryland. Zeng redeemed \$1,492.39 of the victim's gift card toward the purchase of two Apple products.

Woman Arrested for Her Role in \$2.5 Million Fraudulent Tax Refund Scheme

On June 28, 2023, in the District of Arizona, Jackie Peters was arrested for conspiracy to defraud, conspiracy to commit money laundering, and for theft of public money. In total, Peters and others transferred more than \$2.5 million in fraudulent 2019 tax refunds, from bank accounts in her control, to obtain Bitcoin.

According to the court documents, beginning in or around late February 2020, Peters used stolen taxpayer information to prepare and submit fraudulent tax returns to the IRS. Peters routinely falsified components of the tax returns, including earned income, itemized expenses, and itemized deductions, in order to obtain a higher refund than would otherwise be due to the legitimate taxpayer. In some instances, the false refunds were deposited into accounts created and controlled by Peters; in other instances, the false returns were first deposited into accounts controlled by others, and then transferred to an account controlled by Peters. In addition to fraudulent tax refunds, the bank accounts controlled by Peters also received U.S. Treasury deposits in the form of pandemic relief funds that were intended for the named taxpayers. The contents of these bank accounts were then transferred for the purpose of purchasing Bitcoin.

Tax Preparer Outreach

Former IRS Employee Schemed to Defraud the IRS and Commit Identity Theft

On May 8, 2023, in the Eastern District of California, Deena Vang Lee was sentenced to 54 months of imprisonment, 3 years' supervised release, and ordered to pay \$191,597 in restitution. Lee was found guilty of wire fraud, aggravated identity theft, aiding and assisting in the preparation and presentation of a false and fraudulent tax return, and making and subscribing false and fraudulent tax returns. From 2012 through 2016, Lee at certain times was an IRS employee who prepared and filed tax returns for other individuals that contained false and fraudulent statements. In her role as a tax preparer, Lee used false information

on customers' tax returns and submitted those returns to the IRS. As part of this scheme, Lee obtained the identification of multiple individuals and falsely listed these individuals as childcare providers on multiple customers' tax returns. Lee also falsely reported her income related to the payments she received for tax preparation services on her tax returns for TYs 2013, 2014, and 2015.

Investigations Statistical Reports

Significant Investigative Achievements (April 1, 2023, Through September 30, 2023)

Complaints/Allegations Received by TIGTA	
Complaints Against IRS Employees	1,240
Complaints Against Non-Employees	1,541
Total Complaints/Allegations	2,781
Status of Complaints/Allegations Received by TIGTA	
Investigations Initiated	604
In Process Within TIGTA ¹⁷	383
Referred to IRS for Action	666
Referred to IRS for Information Only	271
Referred to a Non-IRS Entity ¹⁸	0
Closed With No Referral	516
Closed Associated With Prior Investigation	195
Closed With All Actions Completed	146
Total Complaints/Allegations	2,781
Investigations Opened and Closed	
Total Investigations Opened	1,069
Total Investigations Closed	1,054
Financial Accomplishments	
Embezzlement/Theft Funds Recovered	\$724,637
Contract Fraud and Overpayments Recovered	\$0
Court-Ordered Fines, Penalties, and Restitution	\$27,551,945
Out-of-Court Settlements	\$0
Potentially Compromised by Bribery	\$0
Tax Liability of Taxpayers Who Threaten and/or Assault IRS Employees	\$172,566
IRS Assets and Resources Protected Against Malicious Loss	\$0
Total Financial Accomplishments	\$28,449,148

¹⁷ Complaints for which final determination had not been made at the end of the reporting period.

¹⁸ 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	7	201	208
Referred – Declined for Prosecution	148	173	321
Referred – Pending Prosecutorial Decision	13	40	53
Total Criminal Referrals¹⁹	168	414	582
No Referral	218	189	407
Criminal Dispositions ²⁰			
Criminal Disposition	Employee	Non-Employee	Total
Guilty (convicted)	0	5	5
Guilty (plea)	7	78	85
Nolo Contendere (no contest)	0	1	1
Pretrial Diversion	0	1	1
Deferred Prosecution ²¹	1	0	1
Not Guilty	0	0	0
Dismissed	0	7	7
Total Criminal Dispositions	8	92	100
Administrative Dispositions on Closed Investigations ²²			
Removed/Terminated			5
Suspended/Reduction in Grade			4
Resigned/Retired/Separated Prior to Adjudication			36
Oral or Written Reprimand/Admonishment			4
Clearance Letter/Closed, No Action Taken			9
Alternative Discipline/Letter With Cautionary Statement/Other			4
Non-Employee Actions ²³			197
Total Administrative Dispositions			259

¹⁹ Criminal referrals include both Federal and State dispositions.

²⁰ 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. This table does not include investigations whose existence is protected from disclosure by I.R.C. § 6103.

²¹ Generally, in a deferred prosecution, the defendant accepts responsibility for their actions and complies with certain conditions imposed by the court. Upon the defendant's completion of the conditions, the court dismisses the case. If the defendant fails to fully comply, the court reinstates prosecution of the charge.

²² 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.

²³ Administrative actions taken by the IRS against non-IRS employees, e.g., contractors.

Summary of Investigative Reports and Criminal Referrals

Criminal Referral Breakdown	
Number of Investigative Reports Issued	
Referred to the Department of Justice for Criminal Prosecution	511
Referred to State/Local Prosecuting Authorities	16
Number of Indictments and Criminal Informations	
Indictments	188
Criminal Informations	22

Source: TIGTA OI's Criminal Results Management System.

Summary of Activity Relating to Complaints of Human Trafficking

Activity Relating to Complaints of Human Trafficking	
Number of Suspected Violations Reported	0
Number of Investigations	0
Status of Investigations	N/A
Outcome of Investigations	N/A

Source: TIGTA OI's Criminal Results Management System.

Interference

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

Instances of Whistleblower Retaliation

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

Closed²⁴ Investigations Involving IRS Senior Government Employees²⁵

Detailed Description of the Facts and Circumstances of the Investigation	Disposition	Criminal Status	Date Referred	If Declined, Date of Declination
N/A	N/A	N/A	N/A	N/A

During the reporting period, there were no investigations involving IRS senior government employees.

²⁴ 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.

²⁵ For this report, a “senior Government employee” refers to an officer or employee in the Executive branch who occupies a position classified at or above GS-15 of the General Schedule. 5 U.S.C. § 405(i)(7).

Audit Statistical Reports

Audit Reports With Unimplemented Corrective Actions

The Inspector General Act requires the identification of any recommendations described in previous semiannual reports, including the potential cost savings of those recommendations for which corrective actions have not been completed. The following list is based on information from the Treasury Department’s Joint Audit Management Information System (JAMES).²⁶

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2016-40-028	March 2016	On Hold ²⁷	<p>REVISING TAX DEBT IDENTIFICATION PROGRAMMING AND CORRECTING PROCEDURAL ERRORS COULD IMPROVE THE TAX REFUND OFFSET PROGRAM</p> <p><u>F-1, R-1</u>: Revise identification processes to include sole proprietor information from Form SS-4, <i>Application for Employer Identification Number</i>, to identify individual tax refunds to offset to business tax debt.</p>
2017-40-037	May 2017	On Hold On Hold	<p>IMPROVEMENTS ARE NEEDED TO ENSURE THAT TAX ACCOUNTS ON THE AUTOMATED NON-MASTER FILE ARE ACCURATELY PROCESSED</p> <p><u>F-1, R-1</u>: Correct Automated Non-Master File programming to compute and assess the Failure to File penalty on Form 1040NR, <i>U.S. Nonresident Alien Income Tax Return</i>, accounts in which the Taxpayer Identification Number (TIN) is an Employee Identification Number (EIN).</p> <p><u>F-1, R-2</u>: Correct Automated Non-Master File programming to use the correct date when computing the Failure to File penalty. In addition, programming should be corrected to ensure that the proper penalty rate is used to compute the penalty amount. Potential Increased Revenue: \$354,153</p>
2017-40-038	July 2017	On Hold	<p>CASE SELECTION PROCESSES RESULT IN BILLIONS OF DOLLARS IN POTENTIAL EMPLOYER UNDERREPORTED TAX NOT BEING ADDRESSED</p> <p><u>F-3, R-1</u>: Establish a systemic process to match data fields to perfect unpostable Forms W-3, <i>Transmittal of Wage and Tax Statements</i>.</p>
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>

²⁶ This summary data does not include recommendations that have been redacted in their entirety because they contain information specifically prohibited from disclosure in their entirety by any provision of law, such as I.R.C. § 6103, protecting tax returns and return information, or because they contain information the release of which could reasonably be expected to allow circumvention of the law.

²⁷ Except where noted, recommendations designated as “On Hold” were agreed to by the IRS, but action was deferred pending the availability of funds.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2017-40-085	September 2017	On Hold ²⁸	<p>FURTHER ACTIONS ARE NEEDED TO REDUCE THE RISK OF EMPLOYMENT TAX FRAUD TO BUSINESSES THAT USE THE SERVICES OF PROFESSIONAL EMPLOYER ORGANIZATIONS</p> <p><u>F-3, R-1</u>: Establish processes and procedures to reduce unnecessary resources expended notifying employers of an address change when programming incorrectly identifies an address change resulting from minor formatting revisions.</p>
2018-40-010	January 2018	On Hold	<p>PROCESSES NEED TO BE IMPROVED TO IDENTIFY INCOMPLETE AND FRAUDULENT APPLICATIONS FOR INDIVIDUAL TAXPAYER IDENTIFICATION NUMBERS</p> <p><u>F-3, R-2</u>: Ensure that programming changes are made to require mandatory review when the Real-Time System alerts tax examiners that an applicant is using duplicate supporting documents as has previously been used to obtain an Individual Taxpayer Identification Number (ITIN).</p>
2018-40-013	February 2018	On Hold 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-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	01/15/24	<p>ACTIVE DIRECTORY OVERSIGHT NEEDS IMPROVEMENT AND CRIMINAL INVESTIGATION COMPUTER ROOMS LACK MINIMUM SECURITY CONTROLS</p> <p><u>F-2, R-1</u>: Complete a cost analysis to: 1) determine the efficacy of relocating Criminal Investigation assets in each of the field offices to existing IRS computer rooms versus upgrading the Criminal Investigation computer rooms to ensure that assets are protected in accordance with Federal and Internal Revenue Manual (IRM) security requirements, and 2) implement the most cost-effective solution.</p>
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>

²⁸ This recommendation was agreed to by the IRS but was placed “On Hold” because the IRS is awaiting input from another agency.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2019-40-048	August 2019	On Hold On Hold	<p>ADDITIONAL ACTIONS ARE NEEDED TO REDUCE ALIMONY REPORTING DISCREPANCIES ON INCOME TAX RETURNS</p> <p><u>F-2, R-1</u>: Include the validation of the alimony recipient TIN as part of the IRS's tax return processing systemic TIN validation process.</p> <p><u>F-2, R-2</u>: Modify Error Resolution System programming to send both e-filed and paper tax returns that contain an invalid recipient TIN to the Error Resolution function for review and correspondence with the taxpayer.</p>
2019-20-046	September 2019	09/15/24	<p>THE BRING YOUR OWN DEVICE PROGRAM'S SECURITY CONTROLS NEED IMPROVEMENT</p> <p><u>F-3, R-1</u>: Ensure the retention of Bring Your Own Device program application audit logs for the appropriate period and periodic review of the application audit logs by an independent source.</p>
2019-40-074	September 2019	On Hold On Hold	<p>ADDITIONAL ACTIONS ARE NEEDED TO FURTHER REDUCE UNDELIVERABLE MAIL</p> <p><u>F-1, R-1</u>: Develop Service-wide processes and procedures to ensure that all operating divisions suppress the issuance of nonstatutory notices to taxpayers that have an undelivered mail indicator on their account; suppress the issuance of correspondence when a taxpayer's address of record is an IRS campus; and research and update taxpayer addresses for which the U.S. Postal Service returns undeliverable mail with a yellow label that provides a more current address.</p> <p><u>F-2, R-1</u>: Install and use hygiene software to perfect taxpayer addresses on the ITIN Real-Time System.</p>
2020-40-005	November 2019	On Hold	<p>IMPROVEMENTS ARE NEEDED TO ENSURE THAT CONSISTENT SUITABILITY CHECKS ARE PERFORMED FOR PARTICIPATION IN INTERNAL REVENUE SERVICE PROGRAMS</p> <p><u>F-4, R-2</u>: Develop processes and procedures to ensure that continuous criminal background checks are conducted on all program participants as part of the Federal Bureau of Investigations Records of Arrests and Prosecutions Back Program.</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-30-066	September 2020	On Hold ²⁹	<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>
2021-40-008	December 2020	On Hold	<p>EXPANSION OF SELF-CORRECTION FOR ELECTRONIC FILERS AND OTHER IMPROVEMENTS COULD REDUCE TAXPAYER BURDEN AND COSTS ASSOCIATED WITH TAX RETURN ERROR RESOLUTION</p> <p><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.</p>
2021-45-017	February 2021	On Hold	<p>ADDITIONAL SECURITY PROCESSES ARE NEEDED TO PREVENT UNAUTHORIZED RELEASE OF TAX INFORMATION THROUGH THE INCOME VERIFICATION EXPRESS SERVICE PROGRAM</p> <p><u>F-4, R-1</u>: Allocate sufficient resources to the Income Verification Express Service Program to perform suitability checks that are consistent with other IRS programs at the time of enrollment and implement a continuous tax compliance check to ensure that they remain suitable for the program.</p>
2021-25-025	May 2021	04/15/24	<p>TAXPAYER FIRST ACT: DATA SECURITY IN THE IDENTITY THEFT TAX REFUND FRAUD INFORMATION SHARING AND ANALYSIS CENTER</p> <p><u>F-3, R-1</u>: Ensure that the Information Sharing and Analysis Center's alternate processing site is converted to a ***** that achieves the maximum tolerable downtime to prevent any filing season delays.³⁰</p>
2021-10-039	June 2021	12/15/23	<p>CONTROLS OVER THE INTERNAL REVENUE SERVICE CONTRACTOR TAX CHECK PROCESS NEED TO BE IMPROVED</p> <p><u>F-2, R-1</u>: Coordinate with the Treasury Suspension and Debarment Official to identify a required time frame and sample format for what information should be included in the reports that the IRS provides on contractors with Federal tax delinquencies. Revise the IRS Acquisition Policy Procedures, Guidance, and Information to specify a required time frame for the reporting to the Suspension and Debarment Official and include a sample reporting format to help ensure that all required information is included.</p>

²⁹ This recommendation was agreed to by the IRS but was placed on "On Hold" because the process by which guidance is developed is not within the IRS's sole control.

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

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2021-30-042	August 2021	10/15/24	<p>EFFORTS TO ADDRESS THE COMPLIANCE RISK OF UNDERREPORTING OF S CORPORATION OFFICERS' COMPENSATION ARE INCREASING, BUT MORE ACTION CAN BE TAKEN</p> <p><u>F-3, R-2</u>: Evaluate the benefits of creating controls to identify invalid S corporations and mitigate the risk of noncompliance when shareholders are found to be nonresident aliens.</p>
2021-20-063	September 2021	12/15/23	<p>*****PLATFORM MANAGEMENT NEEDS IMPROVEMENT³¹</p> <p><u>F-3, R-1</u>: Retire older ***** and migrate to more current ***** in accordance with the documented migration plan.³²</p>
2022-40-008	December 2021	12/15/25 12/15/25 12/15/25 12/15/25	<p>INCREASED AVAILABILITY OF TAX RESOURCES AND INFORMATION FOR LIMITED ENGLISH PROFICIENT AND VISUALLY IMPAIRED TAXPAYERS HAS ENHANCED ASSISTANCE, BUT ADDITIONAL IMPROVEMENTS ARE NEEDED</p> <p><u>F-4, R-1</u>: Implement a more centralized and structured approach that includes an assessment of factors including high-volume notices and letters issued to taxpayers to ensure that frequently issued notices and letters, as well as those that have significant impact on the taxpayer, are translated into Spanish.</p> <p><u>F-5, R-2</u>: Establish a process for Limited English Proficient taxpayers to provide feedback on their experience using the Over-the-Phone Interpreter service.</p> <p><u>F-5, R-3</u>: Establish a customer satisfaction measurement system to assess the overall satisfaction with Over-the-Phone Interpreter service.</p> <p><u>F-6, R-1</u>: Establish specific performance measures and goals to effectively assess the assistance provided to Limited English Proficient and visually impaired taxpayers.</p>
2022-40-013	January 2022	08/15/24	<p>ADMINISTRATION OF THE INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER PROGRAM</p> <p><u>F-1, R-1</u>: Ensure that ITIN managers receive complete Real-Time System extracts for use in the monthly reviews to identify ITIN applications with duplicate entity information or supporting documents.</p>

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

³² Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-40-015	February 2022	03/15/24 12/15/24	<p>PLANS TO CLOSE THE AUSTIN TAX PROCESSING CENTER SHOULD BE HALTED UNTIL HIRING CHALLENGES AND SUBSTANTIAL BACKLOGS AT REMAINING CENTERS ARE ADDRESSED</p> <p><u>F-2, R-1</u>: Identify and implement interim solutions that will address the resource constraints currently being placed on the Submission Processing function due to its backlog.</p> <p><u>F-3, R-1</u>: Ensure that efforts to evaluate and purchase updated or new mail opening/sorting technology are timely addressed.</p>
2022-30-020	March 2022	10/15/23	<p>CENTRALIZED PARTNERSHIP AUDIT REGIME RULES HAVE BEEN IMPLEMENTED; HOWEVER, INITIAL NO-CHANGE RATES ARE HIGH AND MEASURABLE GOALS HAVE NOT BEEN ESTABLISHED</p> <p><u>F-2, R-1</u>: Implement a fully systemic method of monitoring and verifying pushouts to ensure that they are properly reported on partners' returns.</p>
2022-30-021	March 2022	11/15/23 11/15/23 11/15/23	<p>THE ADMINISTRATION OF PARTIAL PAYMENT INSTALLMENT AGREEMENTS NEEDS IMPROVEMENT</p> <p><u>F-1, R-1</u>: Inform taxpayers of the availability of Partial Payment Installment Agreements (PPIA) and provide outreach and information in the following areas: 1) tax topics and tips on the IRS public website; 2) instructions referencing PPIAs including what is required to qualify for a PPIA; and 3) collection notices.</p> <p><u>F-1, R-2</u>: Explore and consider additional potential changes to the instructions for Form 9465, <i>Installment Agreement Request</i>, concerning PPIAs.</p> <p><u>F-2, R-1</u>: Extend Accounts Management Services history note retention requirements pertaining to taxpayers' Forms 433-F, <i>Collection Information Statement</i>, and financial analyses.</p> <p><u>F-2, R-3</u>: Request a change to Computer Paragraph 522, Installment Agreement – Review Financial Condition, to notify taxpayers that the financial information that they provide may result in a higher or lower installment amount or no change to their installment amount.</p>
2022-30-022	March 2022	10/15/23	<p>THE IRS PRIVATE DEBT COLLECTION PROGRAM HAS NOT EFFECTIVELY REPORTED ALL PROGRAM COSTS OR INCLUDED ADEQUATE DISCLOSURES</p> <p><u>F-1, R-1</u>: Address the growing balance of \$25.8 million in the Cost of Services Fund, disclose in its Annual Reports to Congress the net revenue sent from the Private Debt Collection program to the General Fund, and determine the amount necessary to retain to pay the Private Collection Agencies without causing further growth in the Cost of Services Fund. Potential Funds Put to Better Use: \$25,763,453</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-46-027	March 2022	12/15/23	PROGRAM AND ORGANIZATIONAL CHANGES ARE NEEDED TO ADDRESS THE CONTINUED INADEQUATE TAX ACCOUNT ASSISTANCE PROVIDED TO TAXPAYERS F-2, R-1: Evaluate establishing two distinct IRS programs as part of the IRS reorganization under the Taxpayer First Act – one dedicated to answering toll-free telephone calls and another dedicated to working Accounts Management inventory – with adequate staffing to provide appropriate service to taxpayers using each channel.
		10/15/24	F-3, R-7: Ensure that programming is updated to systemically reject electronic submissions of Forms 2848, <i>Power of Attorney and Declaration of Representative</i> , and 8821, <i>Tax Information Authorization</i> , when missing one of the five essential elements without manually mailing a rejection letter.
		10/15/24	F-4, R-4: Develop a process to systemically pull all controlled inventory for each Accounts Management site for the Accounts Management Inventory Report to ensure consistency, reduce human error, and increase efficiencies.
2022-15-031	March 2022	06/15/24	REDESIGN EFFORTS FOR MOST TAXPAYER FIRST ACT SECTION 1302 REQUIREMENTS WERE PLANNED OR COMPLETED; HOWEVER, IMPLEMENTATION SCHEDULES AND REORGANIZATION PLANS NEED TO BE FINALIZED F-1, R-1: Ensure that requests for organizational change are properly prepared, submitted, and approved prior to implementing any additional changes to the IRS's organizational structure.
2022-27-028	May 2022	09/15/24	THE CHILD TAX CREDIT UPDATE PORTAL WAS SUCCESSFULLY DEPLOYED, BUT SECURITY AND PROCESS IMPROVEMENTS ARE NEEDED F-5, R-1: Ensure that the Child Tax Credit Update Portal and the Secure Access Digital Identity system associated POA&Ms are completed timely based on IRS-defined timelines and processes.
2022-46-032	May 2022	10/15/23	PROCESSING OF RECOVERY REBATE CREDIT CLAIMS DURING THE 2021 FILING SEASON F-1, R-1: Review the returns that TIGTA identified and provide corrective actions the IRS intends to take.
		10/15/23	F-1, R-3: Review the returns that TIGTA identified and take actions necessary to ensure that taxpayers receive the amount of the Recovery Rebate Credit they are entitled to receive. Potential Funds Put to Better Use: \$217,927,531

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-40-036	May 2022	03/15/24	<p>A SERVICE-WIDE STRATEGY IS NEEDED TO ADDRESS CHALLENGES LIMITING GROWTH IN BUSINESS TAX RETURN ELECTRONIC FILING</p> <p><u>F-1, R-1</u>: Develop a Service-wide strategy to incorporate all forms for e-filing. This strategy should include processes and procedures to compile an accurate and comprehensive list of forms not available for e-filing, along with prioritization and specific timelines for the continued addition of forms for e-filing.</p>
2022-10-043	August 2022	11/15/23	<p>REVIEW OF THE INDEPENDENT OFFICE OF APPEALS COLLECTION DUE PROCESS PROGRAM</p> <p><u>F-1, R-1</u>: Reinforce the existing procedures for Appeals personnel to ensure that the correct Collection Statute Expiration Dates (CSED) are posted to taxpayer accounts.</p>
2022-35-049	August 2022	07/15/24 02/15/25 07/15/24	<p>COMPLIANCE EFFORTS ARE NEEDED TO ADDRESS REFUND CLAIMS REPORTED ON FORM 1139 THAT ARE BASED ON THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT NET OPERATING LOSS CARRYBACK PROVISIONS</p> <p><u>F-1, R-1</u>: Track and monitor examination results for the 25 “still open” examinations of Forms 1120, <i>U.S. Corporation Income Tax Return</i>, with reported net operating losses (NOL) and an associated Form 1139, <i>Corporation Application for Tentative Refund</i>, excluding Joint Committee Refund cases which currently have specific monitoring requirements in place.</p> <p><u>F-1, R-2</u>: Use the examination results from Recommendation 1 to assess whether to increase the number of examinations of Forms 1120 with reported NOL and an associated Form 1139.</p> <p><u>F-2, R-1</u>: Review the examination results and computations of proposed NOL adjustments for the 25 “still open” Form 1120 examinations with associated Forms 1139, excluding Joint Committee Refund cases which currently have specific review requirements in place, to determine if the interim guidance regarding NOLs is being properly followed.</p>
2022-46-059	August 2022	10/15/23 12/15/23	<p>DELAYS CONTINUE TO RESULT IN BUSINESSES NOT RECEIVING PANDEMIC RELIEF BENEFITS</p> <p><u>F-2, R-1</u>: Review the 928 business entities identified that do not appear to qualify as a recovery startup business and take actions needed to recover the Employee Retention Credits that are determined to be erroneous.</p> <p><u>F-3, R-5</u>: Submit a request for the development of a systemic process to identify Form 941-X, <i>Adjusted Employers QUARTERLY Federal Tax Return or Claim for Refund</i>, claims that meet referral criteria and alert the Accounts Management employee when processing these claims of the need to refer the return to Examination.</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-10-046	September 2022	10/15/23 10/15/23	<p>THE PROCESS FOR TRACKING PHYSICAL SECURITY WEAKNESSES IDENTIFIED IN IRS FACILITIES DOES NOT ENSURE THAT VULNERABILITIES ARE PROPERLY ADDRESSED</p> <p><u>F-1, R-1</u>: Ensure that countermeasure recommendations, approvals or denials, implementation decisions and actions, risk acceptance decisions, and the associated cost of countermeasure implementation are adequately tracked and maintained in a central location.</p> <p><u>F-1, R-3</u>: Ensure that all recommended countermeasures identified in the most recent risk assessment for each facility are tracked until a new risk assessment is completed using the new countermeasure tracking mechanism.</p>
2022-20-052	September 2022	10/15/24	<p>CLOUD SERVICES WERE IMPLEMENTED WITHOUT KEY SECURITY CONTROLS, PLACING TAXPAYER DATA AT RISK</p> <p><u>F-1, R-1</u>: Expedite full implementation of the cloud security control infrastructure *****³³</p>
2022-20-053	September 2022	11/15/23	<p>THE END-USER INCIDENT MANAGEMENT PROCESS CAN BE IMPROVED</p> <p><u>F-1, R-1</u>: Ensure that incident ticket handling requirements are followed including selecting specific codes related to the issues, documenting actions taken including the reason for reassignments, and obtaining user concurrence before closing the incident ticket.</p>
2022-46-057	September 2022	01/15/29	<p>DELAYS IN MANAGEMENT ACTIONS CONTRIBUTE TO THE CONTINUED TAX PROCESSING CENTER BACKLOGS</p> <p><u>F-4, R-1</u>: Ensure that various products and IRS.gov landing pages are updated to reflect acceptable methods for faxing information to the IRS.</p>
2022-30-058	September 2022	10/15/23 10/15/23 03/15/24	<p>FISCAL YEAR 2022 STATUTORY REVIEW OF DISCLOSURE OF COLLECTION ACTIVITY WITH RESPECT TO JOINT RETURNS</p> <p><u>F-1, R-1</u>: Update the Office of Appeals IRM to provide guidance on what collection activity must be disclosed and what collection activity must not be disclosed to taxpayers who jointly filed returns, whether they are married, divorced, or separated, and whether or not they have mirrored accounts.</p> <p><u>F-1, R-2</u>: Require I.R.C. §§ 6103(e)(7) and (e)(8) refresher training for all appeals officers and settlement officers in Appeals regarding employee requirements to disclose collection activity on jointly filed returns when requested from individuals who are no longer married or no longer reside in the same household, whether or not they have mirrored accounts, and the nondisclosure of prohibited taxpayer information.</p> <p><u>F-1, R-3</u>: Update the Taxpayer Advocate Service's (TAS) IRM 13.1.18, <i>Resolving TAS Cases</i>, to provide a cross-reference to IRM 13.1.16, <i>Receipt and Assignment of TAS Cases</i>, which contains commonly encountered scenarios, explaining what collection activity must be disclosed to taxpayers who jointly filed returns, whether they are married, divorced, or separated, and whether or not they have mirrored accounts.</p>

³³ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-30-061	September 2022	06/15/24 06/15/24 06/15/24	<p>FISCAL YEAR 2022 STATUTORY REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN ISSUING LEVIES</p> <p><u>F-1, R-3</u>: Ensure that the necessary programming changes are made to address the recommendations made in last year's review.</p> <p><u>F-2, R-1</u>: Monitor the average processing time of Collection Due Process hearing requests and, if warranted, outline and make recommendations to revise procedures and/or develop automation tools to ensure the timely input of the transaction code.</p> <p><u>F-3, R-1</u>: Ensure that corrective programming is implemented so that the Integrated Collection System looks for existing Centralized Authorization File information, updates the system accordingly, and notifies the revenue officer when there is a discrepancy between the Power of Attorney information in the Integrated Collection System and the Centralized Authorization File.</p>
2022-34-062	September 2022	10/15/23 10/15/23 10/15/23	<p>ADDITIONAL ACTIONS ARE NEEDED TO ENSURE COMPLIANCE WITH THE SECTION 965 REPATRIATION TAX</p> <p><u>F-2, R-1</u>: Revise the CP56 and CP256 notices to add more information on how the Section 965 installment payments should be made.</p> <p><u>F-2, R-2</u>: Ensure that any business requirements developed by the "Section 965 Core Team" systemically identify all Section 965 payments that are applied to TY 2019 or later tax modules so they can be evaluated to determine if they were correctly processed.</p> <p><u>F-3, R-2</u>: Develop procedures to identify S Corporation shareholders who made an election under Section 965(i) and who did not annually submit the Form 965-A, <i>Individual Report of Net 965 Tax Liability</i>, or did not report the correct amount of the Section 965 deferral on the Form 965-A. Potential Increased Revenue: \$6,265,523</p>
2022-20-065	September 2022	10/15/24	<p>THE IRS NEEDS TO IMPROVE ITS DATABASE VULNERABILITY SCANNING AND PATCHING CONTROLS</p> <p><u>F-1, R-1</u>: Ensure that *****³⁴ is performed on all IBM mainframe databases.</p>
2023-30-003	November 2022	05/15/24 05/15/24	<p>MORE SHOULD BE DONE TO INCREASE USE AND AVAILABILITY OF THE IRS'S TAXPAYER DIGITAL COMMUNICATION TOOLS</p> <p><u>F-2, R-1</u>: Ensure that an evaluation plan is developed and implemented to thoroughly assess the Taxpayer Digital Communication (TDC) program and its management of the TDC installations. At a minimum, the evaluation plan should include clearly stated objectives that measure success against well-defined standards and detailed steps for verifying that sufficient benefits are being realized in relation to the costs being incurred.</p> <p><u>F-3, R-1</u>: Develop a method by which detailed information is obtained from stakeholders, both taxpayers and IRS employees, to determine why users may not be interested in TDC installations, what barriers to adoption may exist within the IRS, and how IRS employees may be able to support taxpayer adoption.</p>

³⁴ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2023-30-005	December 2022	01/15/26	<p>FISCAL YEAR 2023 BIENNIAL INDEPENDENT ASSESSMENT OF PRIVATE COLLECTION AGENCY PERFORMANCE</p> <p><u>F-2, R-1</u>: Ensure that the IRS does not burden taxpayers in existing payment agreements when Private Collection Agency contracts are ending by developing a solution to continue to service taxpayers in active payment arrangements.</p>
2023-30-008	February 2023	04/15/24	<p>OPPORTUNITIES EXIST FOR THE IRS TO DEVELOP A MORE COORDINATED APPROACH TO EXAMINATION WORKPLAN DEVELOPMENT AND RESOURCE ALLOCATION</p> <p><u>F-1, R-1</u>: Consider adopting a multiyear, comprehensive Examination Strategic Plan that addresses all workstreams from all divisions to rank them by risk and priority that can be used to guide resource allocation. In addition, the plan should contain specific and measurable performance goals or expected outcomes to help measure progress.</p>
		09/15/24	<p><u>F-2, R-1</u>: Establish a documented annual enterprise-wide examination planning process that aligns with the multiyear, comprehensive Examination Strategic Plan.</p>
		10/15/23	<p><u>F-3, R-1</u>: Establish a process to use Tax Gap data annually to identify opportunities to better align resources that more effectively narrow the net Tax Gap.</p>
		04/15/24	<p><u>F-4, R-1</u>: Develop a tool to consider risk and other relevant variables to inform examination resource allocation decisions, then expand its use to include Examination workstreams from all divisions.</p>
2023-30-009	February 2023	11/15/23	<p>IMPROVEMENTS TO THE EMPLOYMENT TAX EXAMINATION PROCESS ARE NEEDED TO INCREASE TAXPAYER COMPLIANCE AND COLLECTION POTENTIAL</p> <p><u>F-1, R-1</u>: Require that quality reviews of the Employment Workload Selection and Delivery Employment Workload Selection and Delivery Gatekeeper be documented and create a segregation of duties for managerial reviews to provide effective oversight of the Gatekeeper function.</p>
		11/15/23	<p><u>F-1, R-2</u>: Ensure that all required managerial reviews are properly conducted and documented.</p>
		11/15/23	<p><u>F-2, R-2</u>: Issue a policy alert to remind examiners of the procedures and guidance on the proper language/information that should be included on Form 4666, <i>Summary of Employment Tax Examination</i>.</p>
		11/15/23	<p><u>F-3, R-1</u>: Ensure that Employment Tax examination managers are verifying that all required and applicable documentation is included in the Issue Management System case file prior to case closure, such as by completing a Manager's Quality Checklist.</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2023-15-010	February 2023	10/15/23	ACTIONS HAVE BEEN TAKEN TO IMPLEMENT TAXPAYER FIRST ACT PROVISIONS RELATED TO THE IRS INDEPENDENT OFFICE OF APPEALS; HOWEVER, SOME IMPROVEMENTS ARE STILL NEEDED
		01/15/24	<u>F-1, R-1</u> : Establish a process with the appropriate Business Operating Divisions to identify, track, and update forms, letters, publications, notices, websites, and social media that still require the new IRS Independent Office of Appeals name.
		12/15/24	<u>F-2, R-1</u> : Re-emphasize the requirements for Appeals personnel to: 1) input the proper Appeals Centralized Database System coding and documentation in their case history related to the I.R.C. case file access rights, and 2) provide the case file to the specified taxpayer at least 10 calendar days before the date of the Appeals conference or document in the case history if the taxpayer waives this right. <u>F-3, R-1</u> : Develop and implement: 1) guidance that clearly defines matters for which Appeals consideration has been denied and is required to follow I.R.C. § 7803(e)(5), 2) a process for obtaining approval to deny a taxpayer's appeal under I.R.C. § 7803(e)(5) as well as a mechanism to track these types of cases, and 3) procedures to respond to a taxpayer's protest of a denied appeal under I.R.C. § 7803(e)(5).
2023-30-011	March 2023	03/15/24	<u>F-1, R-1</u> : Enhance IRM procedures and develop annual refresher training to the Federal Employee/Retiree Delinquency Initiative (FERDI) staff that can be used to develop potential fraud referrals.
		02/15/24	<u>F-1, R-2</u> : Revise IRM 5.19.18 to refer employees to the Fraud Handbook for fraud and/or willfulness procedures as soon as indications of fraud are present in any FERDI nonfiler case.
		03/15/24	<u>F-1, R-3</u> : Conduct an annual analysis on open FERDI cases that have multiple nonfiling years and determine the next course of action dependent upon this analysis and recommendations from the Office of Fraud Enforcement. Cases that are deemed to have indicators of willfulness and/or fraud should be referred to Criminal Investigation.
		07/15/24	<u>F-2, R-1</u> : Prioritize all FERDI Taxpayer Delinquent Account and Taxpayer Delinquency Investigations (TDI) work at the designated campus site.
		03/15/25	<u>F-2, R-2</u> : Consider systemically sending the letter LT 26, <i>We Have No Record of Receiving Your Tax Returns</i> , to the taxpayer within 30 days of the case moving into standalone TDI inventory.
		03/15/25	<u>F-2, R-3</u> : Add verbiage to the letter LT 39, <i>Reminder Notice</i> , including the outstanding TDI and how the taxpayer can resolve it.
		03/15/25	<u>F-2, R-4</u> : Implement a programming fix to ensure that FERDI TDIs are properly blocked when a shelved transaction code is being used. Additionally, update IRM 5.19.17 to improve instructions when working FERDI accounts to reduce the risk of FERDI accounts being shelved incorrectly.
		03/15/25	<u>F-2, R-5</u> : Complete Individual Master File Case Creation Nonfiler Identification Process processing for TY 2020 as soon as a determination has been made that all TY 2020 returns have been processed.

Report Number		Projected Completion Date	Report Title and Recommendation Summary (F= Finding No. and R=Recommendation No.)
2023-45-014	March 2023	07/15/24 02/15/25 01/15/25	<p>ADDITIONAL ACTIONS ARE NEEDED TO IMPROVE AND SECURE THE INCOME VERIFICATION EXPRESS SERVICE PROGRAM</p> <p><u>F-2, R-1</u>: Ensure that the business transcript request capability is implemented as soon after the January 2023 legislative deadline as possible.</p> <p><u>F-3, R-1</u>: Complete a usage study and document a decision regarding if the IRS will mandate that participants use the Taxpayer First Act Income Verification Express Service system.</p> <p><u>F-6, R-1</u>: Develop a process to ensure that transcript requests for victims of identity theft are not processed erroneously. These processes should include systemic tools to prevent employees from processing the requests. In addition, the processes should continually identify and address tax examiners processing the transcript requests erroneously.</p>
2023-10-016	March 2023	10/15/23 08/30/24 10/15/24	<p>ACTIONS ARE NEEDED TO IMPROVE THE COMPLETENESS, DEVELOPMENT, AND REVIEW OF IRS TAX GAP ESTIMATES</p> <p><u>F-1, R-2</u>: Improve the transparency of the Tax Gap estimates in future revisions of the Tax Gap report by including an enhanced discussion of the limitations of the Tax Gap estimates, including the types of taxpayer noncompliance that are not included in the estimates and those types that may not be fully captured.</p> <p><u>F-3, R-2</u>: Reestablish an advisory group to review any updates to the Tax Gap methodology that would significantly affect the estimates.</p> <p><u>F-3, R-3</u>: Develop a formal process for documenting the advisory group's feedback on the Tax Gap estimates, including making a high-level summary of its feedback available to the public.</p>
2023-20-018	March 2023	02/15/24 02/15/24	<p>THE ENTERPRISE CASE MANAGEMENT SYSTEM DID NOT CONSISTENTLY MEET CLOUD SECURITY REQUIREMENTS</p> <p><u>F-1, R-2</u>: Complete the development and testing of an automated malicious code protection application and implement the application on all Linux servers.</p> <p><u>F-2, R-1</u>: Ensure that privileged user activity logs are regularly monitored and inactive accounts deactivated in accordance with agency security requirements.</p>
2023-30-020	March 2023	03/15/24 11/15/24	<p>THE IRS ELIMINATED ITS EMPLOYEE SUGGESTION PROGRAM WITHOUT PLANS FOR A REPLACEMENT</p> <p><u>F-1, R-1</u>: Contact comparable Federal agencies with the highest levels of engagement and employee satisfaction scores and identify best practices of those agencies' Employee Suggestion Programs.</p> <p><u>F-1, R-2</u>: Develop options for a new Service-wide employee feedback process to support the agency's transformation efforts under the Inflation Reduction Act.</p>

Inspections and Evaluations Statistical Reports

Evaluation Reports With Unimplemented Corrective Actions

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

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2023-IE-R001	October 2022	2/15/2024 8/15/2024 7/15/2024	PHYSICAL SECURITY CONTROLS AT THE *****³⁵ <u>F-1, R-1</u> : Recommendation was redacted in its entirety. <u>F-5, R-1</u> : Recommendation was redacted in its entirety. <u>F-6, R-1</u> : Recommendation was redacted in its entirety.

³⁵ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.



Appendix I

Other Reports

The Inspector General Act requires Inspectors General to address the following issues for the Offices of Audit and Inspections and Evaluations:³⁶

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, 2023, there were no attempts to interfere with the independence of TIGTA or instances of restricted or significantly delayed access to information.</p>
<p>Disputed Recommendations</p> <p>Provide information on significant management decisions in response to recommendations with which the Inspector General disagrees.</p>	<p>As of September 30, 2023, there were no instances in which significant recommendations were disputed.</p>
<p>Revised Management Decisions</p> <p>Provide a description and explanation of the reasons for any significant revised management decisions made during the reporting period.</p>	<p>As of September 30, 2023, there were no significant revised management decisions.</p>
<p>Reports Issued in the Prior Reporting Period With No Management Response</p> <p>Provide a summary of each report issued before the beginning of the current reporting period for which no management response was received within 60 days of the report issuance date.</p>	<p>As of September 30, 2023, there were no prior reports for which management's response was not received within 60 days of issuance.</p>
<p>Management Decisions Issued in the Current Reporting Period For Any Reports Issued in a Prior Reporting Period</p> <p>Provide a summary of reports issued before the beginning of the current reporting period for which a management response was received during the current reporting period.</p>	<p>As of September 30, 2023, there were no reports issued during the prior reporting period for which management's response was received during the current reporting period.</p>

³⁶ Results listed are for this reporting period only.

<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, 2023, there were no reports that were closed and not disclosed to the public.</p>
<p>Review of Legislation and Regulations</p> <p>Review existing and proposed legislation and regulations, and make recommendations concerning the impact of such legislation or regulations.</p>	<p>TIGTA's Office of Chief Counsel reviewed 165 proposed regulations and legislative requests during this reporting period.</p>

Appendix II

Audit Products

Issued April 1, 2023, Through September 30, 2023³⁷

Report Title	Report Number/Link ³⁸
April 2023	
Annual Assessment of the IRS's Information Technology Program for Fiscal Year 2022	2023-20-006
Implementation of the Taxpayer First Act Provision Regarding the Management and Purchase of Information Technology Resources Needs Improvement	2023-25-017
May 2023	
The Knowledge Management Program Will Benefit From Addressing User Concerns and Improving Performance Measures and Controls Over Employee Costs	2023-30-024
Disaster Recovery of Information Systems That Support Mission Essential Functions Needs Improvement	2023-20-023
Interim Results of the 2023 Filing Season	2023-40-029
Additional Actions Are Needed to Reduce Accounts Management Function Inventories to Below Pre-Pandemic Levels	2023-46-026
Fiscal Year 2022 Improper Payment Reporting Requirements Were Largely Met; However, Improper Payment Estimates Are Less Precise	2023-40-032
Plans Were Made to Implement the Taxpayer Experience Strategy, but Progress Is Not Monitored	2023-15-028
Recurring Identification Is Needed to Ensure That Employers Full Pay the Deferred Social Security Tax	2023-46-030
Opportunities Exist to Improve the Accuracy of Information in the Centralized Authorization File and Increase the Use of the Tax Pro Account System	2023-40-033
The IRS Large Business and International Division Should Consider Shifting Individual Examination Resources to More Productive Examinations	2023-30-019
Services to Underserved Communities Have Been Ongoing; However, an Agencywide Strategy Has Not Been Developed	2023-15-027
June 2023	
Planning Efforts to Hire Employees Who Conduct Audits of High Earners and Large Businesses Could Be Improved	2023-10-025
Additional Actions Are Needed to Improve Data Collection and Analysis of Whistleblower Claims and Ensure Full Compliance With the Taxpayer First Act	2023-35-031
Actions Have Been Taken to Improve the Privacy Program; However, Some Privacy Controls Have Not Been Fully Implemented and Assessed	2023-20-034
American Rescue Plan Act: Continued Review of Premium Tax Credit Provisions	2023-47-036
American Rescue Plan Act: Review of the Reconciliation of the Child Tax Credit	2023-47-035
American Rescue Plan Act: Assessment of the Expanded Child and Dependent Care and Earned Income Tax Credits	2023-47-037

³⁷ Unless otherwise noted, IRS management decisions were made by the end of the reporting period for all audit products listed in this appendix.

³⁸ Dollar values for any recommendations with Questioned Costs and/or Funds Put to Better Use are available in the Outcome Measure Appendix of the report linked, if applicable.

July 2023	
Actions Are Needed to Improve the Zero Trust Architecture Implementation	2023-20-039
The Cyber Threat Hunting Program Properly Conducts Analysis to Identify Threats; However, Guidance, Documentation, and Controls Need to Be Improved	2023-20-040
The Customer Callback System Benefits Taxpayers; However, Performance Measures Are Not Comprehensive and More Callers Could Qualify for Callback Offers	2023-10-046
Review of the IRS Independent Office of Appeals Collection Due Process Program	2023-10-038
Review of the Internal Revenue Service's Purchase Card Violations Report	2023-10-052
August 2023	
Fiscal Year 2023 IRS Federal Information Security Modernization Act Evaluation	2023-20-041
Expanded Use of Special Payment Incentives Could Help Improve Recruitment and Retention Efforts	2023-10-043
Indicators Used to Prevent Filing of Tax Returns for Deceased Taxpayers Were Incorrectly Placed on Some Taxpayer Accounts	2023-40-044
Security Weaknesses Are Not Timely Resolved and Effectively Managed	2023-20-042
Fiscal Year 2023 Statutory Review of Restrictions on Directly Contacting Represented Taxpayers	2023-30-051
Processing of Recovery Rebate Credit Claims During the 2022 Filing Season	2023-47-056
Processes Are in Place to Identify and Address Potential Conflicts of Interest in Large Corporate Tax Administration	2023-40-047
Known Exploited Vulnerabilities That Remain Unremediated Could Put the IRS Network at Risk	2023-20-048
Fiscal Year 2023 Statutory Review of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute	2023-10-049
The IRS Needs to Leverage the Most Effective Training for Revenue Agents Examining High-Income Taxpayers	2023-30-054
September 2023	
The Internal Revenue Service Has Experienced Challenges in Transitioning to Electronic Records	2023-10-050
Actions Have Been Taken to Enhance Fuel Tax Credit Screening and Examination Processes; However, Improvements Are Still Needed	2023-30-053
Fiscal Year 2023 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property	2023-30-059
Fiscal Year 2023 Mandatory Review of Compliance With the Freedom of Information Act	2023-10-055
Fiscal Year 2023 Statutory Audit of Compliance With Legal Guidelines Restricting the Use of Records of Tax Enforcement Results	2023-30-058
Actions Need to Be Taken to Improve the Cyber Security Assessment and Management Application Security Controls	2023-20-064
Fiscal Year 2023 Statutory Review of Compliance With Notice of Federal Tax Lien Filing Collection Due Process Procedures	2023-30-057
Fiscal Year 2023 Mandatory Review of Disclosure of Collection Activity With Respect to Joint Returns	2023-30-063

Fiscal Year 2023 Statutory Review of Potential Fair Tax Collection Practices Violations	2023-30-060
The IRS Implemented Processes to Prevent Future Unauthorized Disclosures of Form 990-T Information	2023-2S-069
Fiscal Year 2023 Statutory Review of Compliance With Legal Guidelines When Issuing Levies	2023-30-066
The Enterprise Physical Access Control System Implementation and Physical Security Controls Need Improvement	2023-20-062
Key Events of the IRS's Planning Efforts to Implement Login.gov for Taxpayer Identity Verification	2023-2S-070
Opportunities Exist to Improve the Audit Selection Process for the Qualified Plug-In Electric Drive Motor Vehicle Credit	2023-30-065

Appendix III

Inspections and Evaluations Products

Issued April 1, 2023, Through September 30, 2023³⁹

Report Title	Report Number/Link ⁴⁰
May 2023	
Actions Are Being Taken to Reduce Risks to Employees Whose Names Are Required to Be Included on Internal Revenue Service Correspondence	2023-IE-R004
Assessment of the Internal Revenue Service's Active Shooter Readiness and Training	2023-IE-R005
July 2023	
Actions Are Needed to Address Inaccurate, Incomplete, and Inconsistent Taxpayer Assistance Center Information Provided to Taxpayers	2023-IE-R006
August 2023	
Sensitive Tax Information Is Not Being Controlled Adequately When Shipping to and From Tax Processing Centers	2023-IE-R007
Sensitive Business and Individual Tax Account Information Stored on Microfilm Cannot Be Located	2023-IE-R008
September 2023	
Process, Training, and Awareness Enhancements Can Better Inform Employees on How to Report Taxpayer Assaults and Threats	2023-IE-R009
Inflation Reduction Act: Assessment of the IRS's Efforts to Deliver Expected Improvements for the 2023 Filing Season	2023-IE-R010
Review of the IRS's Process to Perform Mandatory Annual Examinations of Presidential Returns for Tax Years 2000 Through 2021	2023-IE-R011
Federal Acquisition Regulation Requirements Were Either Not Performed or Documented When Awarding and Administering Expert Witness Contracts	2023-IE-R012

³⁹ Unless otherwise noted, IRS management decisions were made by the end of the reporting period for all audit products listed in this appendix.

⁴⁰ Dollar values for any recommendations with Questioned Costs and/or Funds Put to Better Use are available in the Outcome Measure Appendix of the report linked, if applicable.

Appendix IV

TIGTA’s Statutory Reporting Requirements

The following table reflects the FY 2023 statutory reviews.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<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. 2023-30-058; Sep 2023 TIGTA found instances of noncompliance with RRA 98 § 1204 requirements. Specifically, TIGTA identified the following noncompliance: 13 violations in which a Record of Tax Enforcement Results was used to evaluate an employee § 1204(a), 14 instances in which IRS management failed to either maintain the retention standard documentation or ensure that it was appropriately signed (§ 1204(b)), and 25 managers who did not complete the FY 2022 quarterly certification (§ 1204(c)). Additionally, the IRS self-reported two instances of § 1204(a) 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. 2023-30-051; Aug 2023 TIGTA reviewed a sample of 132 taxpayers and found 12 instances in which the Field Collection employee potentially violated a taxpayer’s rights under I.R.C. § 7521 and fair tax collection practices of I.R.C. § 6304(a)(2). TIGTA also reviewed 129 cases in the Embedded Quality Review System data in which the quality element “right to representation not observed,” was reported as a potential exception and the reviewer included a narrative explaining the specific nature of the violation. TIGTA found that for the 129 potential violations, there were 48 taxpayers for whom the IRS did not comply with the law regarding the right to representation. TIGTA concluded that the IRS has significant gaps in both its reporting of potential employee misconduct and in disciplining employees for potential taxpayer violations.</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. 2023-30-057; Sep 2023 Tests of a statistically valid sample of 116 Notice of Federal Tax Liens determined that the IRS did not always mail the Notice of Federal Tax Lien filings and Collection Due Process appeal rights to the taxpayers' last known addresses. The sample identified four cases for which the address on the original lien notices and the current address on the IRS computer system did not agree.</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. 2023-10-049; Aug 2023 TIGTA reviewed a statistical sample of 53 closed taxpayer audit files with assessment statute extensions and found that the IRS complied with I.R.C. § 6501(c)(4)(B). However, TIGTA found that seven of these taxpayer audit files did not contain required documentation to support that taxpayers and/or taxpayers' representatives were provided with the required notifications. The IRS continues to have difficulties providing most of the paper documents requested.</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>Rep. No. 2023-30-066; Sep 2023 TIGTA reviewed levies issued by the IRS's Automated Levy Programs for more than 2 million taxpayers during the period July 1, 2021, through June 30, 2022, and certain levies issued by revenue officers. TIGTA identified 11,258 instances of noncompliance that resulted in violations of taxpayers' rights and taxpayers being burdened.</p>
<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. 2023-10-038; Jul 2023 TIGTA reviewed a statistical sample of 106 cases and identified that Appeals did not always classify taxpayer requests properly or provide only one hearing with respect to the taxable period related to the unpaid tax. Similar to prior audits, TIGTA identified processing errors in which the IRS either incorrectly extended the CSED, allowing the IRS additional time to collect the delinquent taxes; or incorrectly shortened the CSED, resulting in the IRS having less time to collect the delinquent taxes.</p>

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<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. 2023-30-059; Sep 2023 TIGTA reviewed 69 of the 88 seizures the IRS conducted between July 1, 2021, through June 30, 2022. The IRS generally adhered to procedures that help ensure compliance with I.R.C. §§ 6330 through 6344. However, TIGTA identified five instances in which Field Collection employees did not comply with a particular internal control or procedure.</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>Memorandum to IRS; Mar 2023 TIGTA's review of taxpayer accounts on both the Individual and Business Master Files showed that the IRS did not reintroduce past Illegal Tax Protester codes or similar designations on taxpayer accounts during the review period of October 1, 2021, through June 30, 2022. Since TIGTA's first review in FY 1999, when the IRS removed the Illegal Tax Protester code from the Master File, TIGTA has not identified any uses of the code or any other coding of a similar designation on the Master File.</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. 2023-30-063; Sep 2023 TIGTA reviewed 60 case files from the Small Business/Self-Employed Division to determine whether employees followed the joint return disclosure requirements on collection information requests. TIGTA determined that disclosure requirements were not followed in eight (27 percent) of the Automated Collection System history files, and seven (23 percent) of the Field Collection history files.</p>
<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 35.</p>

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Administrative or Civil Actions With Respect to the Tax Collection Practices Act of 1996</p> <p>I.R.C. § 7803(d)(1)(G) 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. 2023-30-060; Sep 2023 TIGTA's review of 14 employee misconduct cases coded as potential Fair Tax Collection Practices (FTCP) violations and closed on the Automated Labor and Employee Relations Tracking System (ALERTS) database in FY 2022 identified one case coded with the incorrect FTCP issue code. TIGTA reviewed 89 Small Business/Self-Employed Division employee misconduct cases closed on the ALERTS database in FY 2022 and not coded as FTCP potential violations and did not identify any cases closed on the ALERTS database in FY 2022 that were potentially coded incorrectly as non-FTCP violations.</p>
<p>Denials of Requests for Information</p> <p>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. 2023-10-055; Sep 2023 TIGTA reviewed a statistical sample of 83 of the 3,423 FY 2022 Freedom of Information Act 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 22 FY 2022 I.R.C. § 6103(c) and (e) requests for which the IRS withheld information from the requestor. While TIGTA determined that information was properly withheld or released in most cases, the Disclosure Office did not follow Freedom of Information Act requirements when redacting or releasing information for 18 cases (22 percent).</p>

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Adequacy and Security of the Technology of the IRS</p> <p>I.R.C. § 7803(d)(1)(D)</p>	<p>Requires TIGTA to evaluate the IRS's adequacy and security of its technology.</p>	<p><u>Information Technology Reviews:</u></p> <p>Rep. No. 2023-20-013; Mar 2023</p> <p>Rep. No. 2023-20-006; Apr 2023</p> <p>Rep. No. 2023-25-017; Apr 2023</p> <p>Rep. No. 2023-20-023; May 2023</p> <p>Rep. No. 2023-40-033; May 2023</p> <p>Rep. No. 2023-46-030; May 2023</p> <p>Rep. No. 2023-35-031; Jun 2023</p> <p>Rep. No. 2023-47-035; Jun 2023</p> <p>Rep. No. 2023-47-036; Jun 2023</p> <p>Rep. No. 2023-47-037; Jun 2023</p> <p>Rep. No. 2023-10-046; Jul 2023</p> <p>Rep. No. 2023-IE-R006; Jul 2023</p> <p>Rep. No. 2023-40-044; Aug 2023</p> <p>Rep. No. 2023-10-050; Sep 2023</p> <p><u>Security Reviews:</u></p> <p>Rep. No. 2023-20-002; Nov 2022</p> <p>Rep. No. 2023-20-018; Mar 2023</p> <p>Rep. No. 2023-20-034; Jun 2023</p> <p>Rep. No. 2023-20-039; Jul 2023</p> <p>Rep. No. 2023-20-040; Jul 2023</p> <p>Rep. No. 2023-20-041; Aug 2023</p> <p>Rep. No. 2023-20-042; Aug 2023</p> <p>Rep. No. 2023-20-048; Aug 2023</p>

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Government Charge Card Abuse Prevention Act of 2012</p> <p>Pub. L. No. 112-194, 126 Stat. 1445 (codified as amended at 5 U.S.C. § 5701 note, 10 U.S.C. § 2784, and 41 § U.S.C. 1909)</p>	<p>Requires TIGTA to report on the IRS's progress in implementing purchase and travel card audit recommendations.</p>	<p>Rep. No. 2023-10-012; Jan 2023 TIGTA's review of the IRS's purchase card program found that controls are generally effective, and the number of purchase card violations identified by the IRS Credit Card Services Branch were minimal and generally for nominal amounts.</p> <p>Rep. No. 2023-10-052; Jul 2023 TIGTA's review of the IRS's purchase card program found that controls are generally effective, and the number of purchase card violations identified by the IRS Credit Card Services Office were minimal and generally for nominal amounts.</p>
<p>Improper Payments Elimination and Recovery Act of 2010</p> <p>31 U.S.C. § 3321</p>	<p>Requires TIGTA to assess the IRS's compliance with improper payment requirements.</p>	<p>Rep. No. 2023-40-032; May 2023 The IRS was largely compliant with the reporting requirements contained in the Payment Integrity Information Act of 2019 for FY 2022. However, the IRS still has not satisfied the Payment Integrity Act goal to reduce improper payment rates to less than 10 percent.</p>
<p>Fixing America's Surface Transportation Act</p> <p>Pub. L. No. 114-94, 129 Stat. 1312 (2015)</p>	<p>Requires TIGTA to perform an independent biannual assessment of private collection agency performance.</p>	<p>Rep. No. 2023-30-005; Dec 2022 During the second contract negotiation process, the IRS did not assign any new accounts to the private collection agencies for almost 9 months. Two contractors from the first contract were not selected for the second contract, and payment arrangements that were set up by these contractors were summarily cancelled at the end of the first contract, causing burden to those taxpayers. Additionally, the Taxpayer First Act contains adjustments to private collection agency case inventory intended to protect certain low-income taxpayers from being subject to private collection agency collections. However, TIGTA identified 14,141 taxpayers with new tax years assigned to the private collection agencies on or after January 1, 2021, whose low incomes should have resulted in the IRS recalling their accounts.</p>

Appendix V

Inspector General Peer Review Activity

This appendix implements § 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act.⁴¹

For the period April 1, 2023 – September 30, 2023:

Peer Reviews Conducted of TIGTA by Another Office of Inspector General

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

Outstanding Recommendations From Peer Reviews of TIGTA

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

Peer Reviews Conducted by TIGTA

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

Outstanding Recommendations From Peer Reviews Conducted by TIGTA

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

⁴¹ Pub. L. 111-203, 124 Stat. 1376, 1945-46 (2010) (codified at 5 U.S.C. § 405(a)(8)-(10)).




Appendix VI

Data Tables Provided by the Internal Revenue Service

The memorandum copied below is the IRS's transmittal to TIGTA. The IRS provided the tables that follow the memorandum. They consist of IRS employee misconduct reports from the IRS Automated Labor and Employee Relations Tracking System (ALERTS) for the period April 1, 2023, through September 30, 2023. Also, data concerning substantiated RRA 98 § 1203 allegations for the same period are included. See Appendix VII for § 1203 Standards. IRS management conducted inquiries into the cases reflected in these tables.

Internal Revenue Service Memorandum



HUMAN CAPITAL OFFICE

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

October 6, 2023

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: Gerald Larkins, Gerald Larkins Digitally signed by Gerald Larkins
Date: 2023.10.06 13:20:52 -0400
Director, Labor/Employee Relations and Negotiations

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

In response to your memorandum dated August 1, 2023, I am providing the following information to meet your reporting requirements as defined in 26 U.S.C. section 7803(d)(1)(E) and 26 U.S.C. section 7803(d)(2)(A)(ii) for April 1, 2023, through September 30, 2023.

- Report of Employee Misconduct by Disposition Groups
- Report of Employee Misconduct – National Summary
- Summary of Substantiated Section 1203 Inquiries Recorded in Automated Labor and Employee Relations Tracking System (ALERTS)

The attached tables contain information about:

- Alleged misconduct reported to IRS managers
- Disposition of the allegations resolved during the period
- Status of the inventory as of September 30, 2023

The tables contain information about alleged misconduct that both TIGTA and IRS management investigated. The IRS received these allegations from taxpayers, IRS employees, and other sources, and recorded them in ALERTS.

The Summary of Substantiated Section 1203 Allegations contains information on the disposition of substantiated Section 1203 allegations. During this period, IRS managers substantiated one-hundred and seventeen (117) Section 1203 allegations and removed twenty-four (24) employees as a result, five (5) employees resigned/retired, and the penalty was mitigated for 11 employees. The remaining 77 substantiated allegations are still in the adjudication process.

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

Attachments (3)

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

The Following Tables Are Provided by the IRS:

Report of Employee Misconduct by Disposition Groups

Period Covering April 1, 2023, Through September 30, 2023

Disposition	Administrative Case	Employee Character Investigation	Employee Tax Compliance Case	TIGTA Report of Investigation	Totals
ALTERNATIVE DISCIPLINE: IN LIEU OF REPRIMAND	0		0	0	0
ALTERNATIVE DISCIPLINE: IN LIEU OF SUSPENSION	7		5	6	18
ADMONISHMENT	68		121	25	214
CASE SUSPENDED PENDING EMPLOYEE RETURN TO DUTY					
CLEARANCE LETTER	18		16	24	58
CLOSED - SUPPLEMENTAL REQUESTED					
CLOSED WITHOUT ACTION CAUTIONARY LETTER	85	71	100	45	301
CLOSED WITHOUT ACTION LETTER	36	15	14	25	90
FORWARDED TO TIGTA	15				15
INDEFINITE SUSPENSION	0				0
ORAL COUNSELING	5		0		5
PROBATION/SEPARATION	309	4	0	7	320
PROSECUTION PENDING FOR TIGTA'S ROI					
REMOVAL AT U.S. OFFICE OF PERSONNEL MANAGEMENT DIRECTION		4			4
REMOVAL (PROBATION PERIOD COMPLETE)	36	0	7	30	73
REPRIMAND	72	5	42	26	145
RESIGNATION, RETIREMENT, ETC. (REASON NOTED ON SF50)	17	5	10	15	47
RESIGNATION, RETIREMENT, ETC. (REASON NOT NOTED ON SF50)	135	0	20	14	169
SEPARATION OF TEMPORARY EMPLOYEE					
SUSPENSION, 14 DAYS OR LESS	71	0	46	40	157
SUSPENSION, MORE THAN 14 DAYS	18		4	15	37
TERMINATION FOR ABANDONMENT OF POSITION	10				10
WRITTEN COUNSELING	67	10	164	29	270
TOTAL	969	114	549	301	1,933

Source: Automated Labor and Employee Relations Tracking System (ALERTS) (extract date: October 2, 2023). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

Report of Employee Misconduct National Summary

Period Covering April 1, 2023, Through September 30, 2023

Inventory Case Type	Open Inventory	Conduct Cases Received	Cases Closed			Ending Inventory
			Conduct Issues	Cases Merged With Other Cases	Non-Conduct Issues	
Administrative Case	1,027	1,142	1,661	34	5	469
Employee Character Investigation	91	140	144	6		81
Employee Tax Compliance Case	700	855	595	37		923
TIGTA Report of Investigation	375	389	373	0		391
Total	2,193	2,526	2,773	77	5	1,864

Source: ALERTS (extract date: October 2, 2023). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

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

Background Investigations - Any matter involving a National Background Investigation Center 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
Period Covering April 1, 2023, Through September 30, 2023**

§ 1203 Violation	Removals	Resigned/ Retired	Probation Separation	Removed On Other Grounds	Penalty Mitigated	In Personnel Process	Total
1203(b)(2): FALSE STATEMENT UNDER OATH				0			0
1203(b)(3): CIVIL RIGHTS/CONSTRUCTIVE VIOLATION				0			0
1203(b)(4): CONCEALED WORK ERROR	0	0			0		0
1203(b)(8): WILLFUL UNTIMELY RETURN	9	5		0	11	61	86
1203(b)(9): WILLFUL UNDERSTATED TAX	15	0		0	0	16	31
Total	24	5		0	11	77	117

Source: ALERTS (extract date: October 2, 2023). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

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

Appendix VII

Section 1203 Standards

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

Misconduct violations include:

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

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

Glossary of Abbreviations

ALERTS	Automated Labor and Employee Relations Tracking System
CSED	Collection Statute Expiration Dates
CY	Calendar Year
EIN	Employer Identification Number
FERDI	Federal Employee/Retiree Delinquency Initiative
FTCP	Fair Tax Collection Practices
FY	Fiscal Year
ITIN	Individual Taxpayer Identification Number
IRA	Inflation Reduction Act of 2022
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
JAMES	Joint Audit Management Information System
KEV	Known Exploited Vulnerabilities
LB&I	Large Business and International Division
NOL	Net Operating Loss
OI	Office of Investigations
POA&M	Plan of Action and Milestones
PPIA	Partial Payment Installment Agreements
PRC	People's Republic of China
RRA 98	Restructuring and Reform Act of 1998
TAC	Taxpayer Assistance Center
TAS	Taxpayer Advocate Service
TDC	Taxpayer Digital Communication
TDI	Taxpayer Delinquency Investigations

TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
TPI	Total Positive Income
TXS	Taxpayer Experience Strategy
TY	Tax Year
U.S.C.	United States Code
WEIC	Withholding Exchange and International Individual Compliance

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Washington, DC 20026

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Department of the Treasury

Office of the Inspector General for Tax Administration
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