



*Case Processing Delays and  
Tax Account Errors Increased  
Hardship for Victims of Identity Theft*

**September 26, 2013**

**Reference Number: 2013-40-129**

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

**Redaction Legend:**

1 = Tax Return/Return Information

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## HIGHLIGHTS

### **CASE PROCESSING DELAYS AND TAX ACCOUNT ERRORS INCREASED HARDSHIP FOR VICTIMS OF IDENTITY THEFT**

## Highlights

### **Final Report issued on September 26, 2013**

Highlights of Reference Number: 2013-40-129 to the Internal Revenue Service Deputy Commissioner for Operations Support and the Commissioner, Wage and Investment Division.

### **IMPACT ON TAXPAYERS**

The Federal Trade Commission reported that identity theft was the number one complaint in Calendar Year 2012, and government documents and benefits fraud was the most common form of reported identity theft. The IRS reported that this crime affected 1.2 million taxpayers in Calendar Year 2012, and an additional 1.6 million were affected in Calendar Year 2013 as of June 29, 2013. Case processing delays and tax account errors increased hardship for victims of identity theft.

### **WHY TIGTA DID THE AUDIT**

This audit was initiated to follow up on concerns raised in a prior audit that the IRS was not providing quality customer service to identity theft victims. Our overall objective was to determine whether the IRS improved its assistance to victims of identity theft.

### **WHAT TIGTA FOUND**

Our review of a statistical sample of 100 identity theft cases closed August 1, 2011, through July 31, 2012, found that the IRS correctly determined the rightful owner of the Social Security Number in all cases. However, taxpayers continued to face delays, with some cases having significant inactivity during case processing. In addition, tax accounts were not always correctly resolved before the cases were closed. For the 100 cases reviewed, case resolution averaged 312 days and cases had significant periods of inactivity (*i.e.*, no work was being performed to resolve the case). Inactivity

on these 100 identity theft cases averaged 277 days. In addition, tax accounts were not correctly resolved for 25 cases, resulting in delayed refunds and/or incorrect refunds.

Finally, processes to ensure the accuracy of identity theft management information need to be developed. In the Calendar Year 2012 *Refund Fraud and Identity Theft Global Report* (Global Report), the Accounts Management function's open case inventory was overstated by 95,429 cases. In addition, documentation was not maintained supporting the inventory provided by the Accounts Management function.

The Global Report is the IRS's authoritative source for identity theft management information. It provides key statistics on the number of identity theft open and closed cases, incidents, and affected taxpayers and on the amount of fraudulent refunds the IRS identified.

### **WHAT TIGTA RECOMMENDED**

TIGTA recommended that the IRS: 1) ensure that assistants assigned to identity theft cases work these cases exclusively and are provided with ongoing training and the ability to perform actions to work these cases to conclusion; 2) develop clear and consistent processes and procedures to ensure that taxpayer accounts are correctly updated when cases are resolved; 3) develop a standard format for information provided for inclusion in the Global Report; 4) develop validation processes and procedures to ensure the accuracy of information included in the Global Report; and 5) develop retention requirements for the documentation supporting information included in the Global Report.

The IRS agreed with the recommendations and plans to continue to ensure that there are sufficient resources assigned to identity theft inventory and phones and that processes and procedures are developed to ensure that all appropriate actions are taken on identity theft victims' accounts. The IRS also plans to develop a template for use when reporting inventory for the Global Report and plans to use a certification process for each function to verify the data it provided. Lastly, the IRS plans to ensure that each function maintains documentation in accordance with retention standards.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 26, 2013

**MEMORANDUM FOR** DEPUTY COMMISSIONER FOR OPERATIONS SUPPORT  
COMMISSIONER, WAGE AND INVESTMENT DIVISION

**FROM:** Michael E. McKenney  
Acting Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Case Processing Delays and Tax Account Errors  
Increased Hardship for Victims of Identity Theft (Audit # 201240041)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) is improving its assistance to victims of identity theft. This audit is included in the Treasury Inspector General for Tax Administration's Fiscal Year 2013 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

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

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me if you have questions or Russell P. Martin, Acting Assistant Inspector General for Audit (Returns Processing and Account Services).



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*Abbreviations*

CY	Calendar Year
FY	Fiscal Year
IRS	Internal Revenue Service
PGLD	Privacy, Governmental Liaison, and Disclosure
SSN	Social Security Number
TAS	Taxpayer Advocate Service
TIGTA	Treasury Inspector General for Tax Administration



## Case Processing Delays and Tax Account Errors Increased Hardship for Victims of Identity Theft

### Background

The Federal Trade Commission reported that identity theft was the number one complaint in Calendar Year<sup>1</sup> (CY) 2012. Government documents/benefits fraud was the most common form of reported identity theft:

- Government documents/benefits fraud increased 27 percent since CY 2010.
- Florida is the State with the highest per capita rate of reported identity theft complaints, followed by Georgia and California.<sup>2</sup>

Identity theft affects the Internal Revenue Service (IRS) and tax administration in two ways—the filing of fraudulent tax returns (refund fraud) and misreporting of income (employment-related fraud). Both can potentially harm taxpayers who are victims of the identity theft. Figure 1 provides an illustrative description of both refund fraud and employment-related fraud.

**Figure 1: Description of Refund and Employment-Related Fraud**



Source: Treasury Inspector General for Tax Administration (TIGTA) analysis of the identity theft process.

<sup>1</sup> The 12-consecutive-month period ending on December 31.

<sup>2</sup> Federal Trade Commission, *Consumer Sentinel Network Data Book* (Feb. 2013).



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Refund fraud adversely affects the ability of innocent taxpayers to file their tax returns and timely receive their tax refunds, often imposing significant financial and emotional hardships. Employment-related identity theft can affect taxpayers when the IRS attempts to take enforcement actions for allegedly unreported income.

To mitigate hardships, the IRS developed identity theft indicators to mark and track the types of identity theft incidents (IRS-identified or taxpayer-initiated)<sup>3</sup> and the actions taken by employees on taxpayers' accounts. An identity theft indicator is input on affected taxpayers' accounts after the IRS confirms that the taxpayer is a victim of identity theft. Another indicator is input after the IRS resolves the case. These indicators are also used to gather data about the number of identity theft incidents and affected taxpayers. Figure 2 shows the number of incidents and taxpayers reported by the IRS during CYs 2010 through 2013.

**Figure 2: Identity Theft Incidents and Taxpayers Affected  
During CY 2010 Through CY 2013**

Calendar Year	IRS-Identified		Taxpayer-Initiated		Total	
	Incidents	Taxpayers	Incidents	Taxpayers	Incidents	Taxpayers
2010	338,753	201,376	101,828	69,142	440,581	270,518
2011	1,014,884	553,730	110,750	87,322	1,125,634	641,052
2012	1,508,375	985,843	277,491	233,365	1,785,866	1,219,208
2013*	1,688,817	1,449,602	212,288	181,009	1,901,105	1,630,611

Source: IRS Identity Protection Incident Tracking Statistics Reports.<sup>4</sup>

\* CY 2013 figures are through June 29, 2013.

**The Privacy, Governmental Liaison, and Disclosure Office oversees IRS efforts to address identity theft**

The Privacy, Governmental Liaison, and Disclosure (PGLD) Office provides oversight and coordination of IRS efforts to address the growing identity theft epidemic. The office produces the monthly Refund Fraud and Identity Theft Global Report (Global Report), which is the IRS's authoritative source for providing Service-wide refund fraud and identity theft statistics. The report is compiled from 33 systems within 20 IRS functions.

<sup>3</sup> IRS-identified cases are ones for which the IRS proactively identified the taxpayer as a potential identity theft victim. Taxpayer-initiated cases are ones for which taxpayers initiated contact with the IRS to report that after filing their tax return they received a notice indicating that it was rejected because someone (an identity thief) had already filed a tax return using the same Social Security Number (SSN) and name. A taxpayer may have more than one incident if the identity thief uses the stolen identity to file a fraudulent tax return for multiple tax years.

<sup>4</sup> The Identity Protection Incident Tracking Statistics Report is a source for the Refund Fraud and Identity Theft Global Report.



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In addition, the Director, PGLD Office, chairs a two-tiered governance structure comprised of the Identity Theft Executive Steering Committee and the Identity Theft Advisory Council. The Identity Theft Executive Steering Committee is comprised of representatives from across the IRS. Its purpose is to serve as the governance structure providing key guidance and oversight to those organizations working identity theft cases Service-wide. The Identity Theft Advisory Council was established as a subcommittee of the Identity Theft Executive Steering Committee to oversee initiatives within the IRS Identity Theft Program and apprise the Executive Steering Committee on new and ongoing initiatives.

### **The Accounts Management function works the majority of taxpayer-initiated identity theft cases**

As of June 29, 2013, the majority (70 percent) of taxpayer-initiated cases originated and were worked in the Accounts Management function, which is in the Wage and Investment Division. This function places the identity theft indicators on the taxpayers' tax accounts, inputs adjustments to the accounts, and provides assistance to taxpayers with tax and account inquiries via telephone and correspondence. In preparation for the 2013 Filing Season,<sup>5</sup> the Accounts Management function set up four identity theft specialized groups<sup>6</sup> made up of approximately 1,300 employees to address the complexities of the identity theft cases. These groups were intended to improve case tracking and enhance customer service by improving efficiency. Figure 3 shows the identity theft case inventory that the Accounts Management function reported during Fiscal Year<sup>7</sup> (FY) 2011 through FY 2013.<sup>8</sup>

**Figure 3: Accounts Management Inventory  
From FY 2011 Through FY 2013**

<b>Identity Theft</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013*</b>
<b>Beginning Inventory</b>	<b>36,618</b>	<b>99,894</b>	<b>382,329</b>
<b>Receipts</b>	<b>184,501</b>	<b>654,564</b>	<b>439,440</b>
<b>Closures</b>	<b>121,225</b>	<b>372,129</b>	<b>661,925</b>
<b>Ending Inventory</b>	<b>99,894</b>	<b>382,329</b>	<b>159,844</b>

*Source: Accounts Management function identity theft inventory.*

\* FY 2013 figures are through June 22, 2013.

<sup>5</sup> The period from January through mid-April when most individual income tax returns are filed.

<sup>6</sup> These groups are located in Fresno, California; Atlanta, Georgia; Philadelphia, Pennsylvania; and Austin, Texas.

<sup>7</sup> A 12-consecutive-month period ending on the last day of any month. The Federal Government's fiscal year begins on October 1 and ends on September 30.

<sup>8</sup> The Accounts Management function does not compile inventory figures by unique taxpayer but rather counts by Identity Theft Case Processing Category Codes, which can result in multiple cases for the same taxpayer in its inventory control system.



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**A prior TIGTA review identified concerns with the quality of customer service provided to taxpayers**

In May 2012 we reported<sup>9</sup> that identity theft cases were not worked timely and can take more than a year to resolve. Our review of a judgmental sample of 17 unique taxpayer cases classified as identity theft and originating in five functions<sup>10</sup> showed that case resolution averaged 414 days, cases were open from three to 917 days, and inactivity on the cases averaged 86 days. The IRS structure provided limited oversight to ensure that identity theft cases were worked timely and effectively. Communications between the IRS and victims were limited and confusing, and victims were asked multiple times to substantiate their identity. Lastly, after instructing taxpayers to mail in a paper tax return with Form 14039, *Identity Theft Affidavit*, and attached supporting identity documents, the IRS processed these tax returns using standard processing procedures.

We recommended that the IRS: 1) establish accountability for the Identity Theft Program; 2) implement a process to ensure notices and correspondence are not sent to the address listed on the identity thief's tax return; 3) conduct an analysis of the letters sent to taxpayers; 4) ensure that taxpayers are notified when the IRS receives their identifying documents; 5) create a specialized unit in the Accounts Management function to exclusively work identity theft cases; 6) ensure that all quality review systems used by IRS functions working identity theft cases are revised to select a representative sample of those cases; and 7) revise procedures for the Correspondence Imaging System screening process. The IRS agreed with all of our recommendations.

This audit is a follow-up to our May 2012 audit. The audit was performed in the PGLD Office and the Wage and Investment Division Customer Account Services function in Atlanta, Georgia, and at Submission Processing Sites<sup>11</sup> in Atlanta, Georgia; Kansas City, Kansas; Andover, Massachusetts; and Philadelphia, Pennsylvania, during the period October 2012 through July 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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<sup>9</sup> TIGTA, Ref. No. 2012-40-050, *Most Taxpayers Whose Identities Have Been Stolen to Commit Refund Fraud Do Not Receive Quality Customer Service* (May 2012)

<sup>10</sup> The 17 cases originated from the Accounts Management function, Correspondence Examination function, Field Assistance Office, Field Examination function, and Taxpayer Advocate Service.

<sup>11</sup> The data processing arm of the IRS. The sites process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.



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*Results of Review*

***Case Processing Delays and Errors Increased Hardship for Identity Theft Victims***

In response to concerns raised in our May 2012 report, the IRS is taking corrective actions to improve its assistance to victims of identity theft. The IRS established an oversight committee for the Identity Theft Program, revised letters it sends to victims in an effort to improve the clarity of the information provided, and established specialized groups in the Accounts Management function to improve customer service to victims of identity theft. These corrective actions were not in place during the time frame that the cases we reviewed for this audit were worked.

Our review of a statistically valid sample of 100 identity theft cases closed in the Accounts Management function between August 1, 2011, and July 31, 2012, identified lengthy delays in working the cases and found that tax accounts were not always correctly resolved, which resulted in delayed or incorrect refunds. Management raised concerns that the cases we reviewed were closed prior to the case processing improvements implemented for the 2013 Filing Season. We agree that these cases would not reflect subsequent improvements. However, the sample we selected was from taxpayer cases that were closed in the Accounts Management Function during the 12 months prior to the start of our audit. These were the most representative closed cases to select a sample from when we initiated our review. Additionally, although cases were closed between the period August 1, 2011, and July 31, 2012, some of the cases were reopened as a result of tax account errors. Our assessment of taxpayer cases included the actions the IRS took to correct the reopened cases. Some of these taxpayers did not receive corrected tax refunds until 2013.

IRS management believes that the case processing improvements implemented for the 2013 Filing Season will improve its processing of identity theft cases. Management noted that procedures were implemented to expedite the processing of tax returns with an attached Form 14039. Paper tax returns with an attached Form 14039 or police report are being marked with a special processing code and expedited directly to the Accounts Management function for case processing. The IRS indicated that the direct routing of these tax returns will shorten case processing by one to two months.

We did not evaluate these improvements because cases handled using these new processes were not closed when we initiated our review and selected our sample. Furthermore, to assess IRS case processing from the taxpayer's perspective, we reviewed closed cases to evaluate the timeliness and accuracy of actions taken by IRS to resolve victims' cases from receipt of the



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lawful taxpayer’s tax return to the issuance of the refund to which they were entitled. We will continue to evaluate the effect that the corrective actions and new processes have on improving customer service to victims of identity theft as part of case reviews performed in follow-up audits.

**Identity theft cases were not timely resolved**

The IRS took an average 312 days to resolve the 100 cases we reviewed. Of the 100 cases, 24 (24 percent) were in process for more than 365 days. The time period cases were open ranged from 33 to 1,329 days. The time to resolve the cases was calculated from the date the IRS received the victim’s tax return to the date the correct refund was ultimately paid. Figure 4 shows the range of days it took the IRS to resolve the cases we reviewed.

**Figure 4: Days Taken to Resolve Identity Theft Cases**

<b>Number of Cases</b>	<b>Percent</b>	<b>Range of Days to Resolve Cases</b>
<b>15</b>	<b>15%</b>	<b>Less Than 151</b>
<b>9</b>	<b>9%</b>	<b>151 to 200</b>
<b>17</b>	<b>17%</b>	<b>201 to 250</b>
<b>18</b>	<b>18%</b>	<b>251 to 300</b>
<b>17</b>	<b>17%</b>	<b>301 to 365</b>
<b>9</b>	<b>9%</b>	<b>366 to 400</b>
<b>4</b>	<b>4%</b>	<b>401 to 500</b>
<b>11</b>	<b>11%</b>	<b>Greater Than 500</b>

*Source: TIGTA analysis of days to resolve cases in our sample.*



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The following timeline illustrates a composite of activity for the 100 identity theft cases we reviewed.

<b>January 2011</b>	<p>The identity thief files a fraudulent tax return using someone else's identity and attempts to obtain a tax refund.</p> <p>Subsequently, the rightful owner of the identity (the taxpayer) attempts to electronically file his or her tax return. The taxpayer's tax return is rejected because his or her SSN was previously used on a filed tax return and, therefore, cannot be used on another tax return.</p> <p>The taxpayer calls the IRS and explains the situation to an IRS customer service assistor.</p> <p>After authenticating the taxpayer,<sup>12</sup> the customer service assistor researches the taxpayer's account and determines if a tax return has already been filed using that name and SSN.</p> <p>The customer service assistor confirms that a tax return was already filed under that name and SSN and advises the taxpayer to file a paper tax return and attach 1) a Form 14039 or a police report and 2) a valid government-issued document such as a copy of a Social Security card, passport, or driver's license to the tax return.</p>
<b>March 2011</b>	<p>The IRS receives the taxpayer's paper tax return at one of its submission processing sites and a tax examiner enters data from the tax return into the IRS's computer system.</p> <p>The tax return is identified as a duplicate and the taxpayer's account is updated accordingly. The taxpayer is identified as having a possible identity theft case. The case is assigned a holding number<sup>13</sup> and is placed in a queue to be worked by an Accounts Management function assistor.</p>
<b>April 2011</b>	<p>The taxpayer calls the IRS toll-free line again and asks when he or she will receive the tax refund.</p> <p>The customer service assistor, after authenticating the taxpayer, researches the taxpayer's account, determines that a duplicate tax return has been filed, and advises the taxpayer that there will be delays in processing the tax return.</p> <p>The customer service assistor updates the taxpayer's account and informs the taxpayer that he or she may receive correspondence requesting additional information.</p>

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<sup>12</sup> To prevent unauthorized disclosure of tax information, assistors are required to authenticate who they are speaking to by asking the individual a series of questions to which only that taxpayer would know the answer.

<sup>13</sup> A holding number is used when managers are unable to immediately assign an identity theft case for review. These cases are held in a queue until the case can be assigned to an assistor.



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<b>July 2011</b>	<p>The taxpayer walks into an IRS Taxpayer Assistance Center and asks about the status of his or her identity theft case.</p> <p>The Taxpayer Assistance Center assistor, after authenticating the taxpayer, researches the tax account and determines that the taxpayer's case is in process.</p> <p>The Taxpayer Assistance Center assistor tells the taxpayer that the case is being worked and he or she should receive correspondence from the IRS within 30 days.</p>
<b>September 2011</b>	<p>The taxpayer calls the IRS's toll-free line again and asks when he or she will receive the tax refund.</p> <p>The customer service assistor, after authenticating the taxpayer, researches the taxpayer's account and tells the taxpayer that the case is still being worked and that he or she should receive an interim letter confirming this. The taxpayer is advised that the case will be resolved within 60 days.</p>
<b>October 2011</b>	<p>The taxpayer's case is finally assigned to an Accounts Management function assistor for resolution; that assistor orders copies of the original filed tax returns and sends letters to the alleged identity thief and the taxpayer to determine the legitimate taxpayer (the rightful owner of the identity).</p> <p>The legitimate taxpayer responds, confirming that he or she did not electronically file the first tax return.</p>
<b>December 2011</b>	<p>The taxpayer calls the toll-free line again and asks when he or she will receive the tax refund.</p> <p>The customer service assistor, after authenticating the taxpayer, researches the tax account and tells the taxpayer that an Accounts Management assistor is working the case and resolution will take another 60 days. The customer service assistor also sends a referral to the Accounts Management assistor working the case, informing him or her of the contact.</p> <p>The Accounts Management assistor finally determines which individual is the legitimate taxpayer and requests adjustments to the taxpayer's account. These adjustments include ensuring that the tax account reflects the correct information from the taxpayer's tax return and that an identity theft indicator is placed on the tax account.</p> <p>The Accounts Management assistor sends a letter to the legitimate taxpayer advising him or her that he or she has been a victim of identity theft and that an indicator has been added to his or her tax account to alert the IRS that the taxpayer is a victim of identity theft.</p>
<b>January 2012</b>	<p>Adjustments post to the legitimate taxpayer's tax account and the refund is released and sent to the taxpayer.</p> <p>The taxpayer receives another letter advising him or her that he or she has been a victim of identity theft and that his or her account has been flagged as such.</p>



## Case Processing Delays and Tax Account Errors Increased Hardship for Victims of Identity Theft

### **Cases had significant periods of inactivity**

Inactivity on the 100 identity theft cases we reviewed averaged 277 days. For 16 cases, no work was performed for more than 365 days. Figure 5 shows the range of inactivity for the cases we evaluated.

**Figure 5: Analysis of Inactivity on Identity Theft Cases**

Number of Cases	Percent	Range of Days Cases Were Inactive
19	19%	Less Than 151
16	16%	151 to 200
19	19%	201 to 250
14	14%	251 to 300
16	16%	301 to 365
3	3%	366 to 400
4	4%	401 to 500
9	9%	Greater Than 500

Source: TIGTA analysis of the number of days cases were inactive.

A significant contributing factor to the inactivity on cases is that the Accounts Management assistors working on identity theft cases are assigned to answer taxpayer telephone calls in addition to resolving identity theft cases. For example, responses to our survey of 483 Accounts Management assistors<sup>14</sup> conducted during the 2013 Filing Season, found that:

- Question – *During the filing season (January 1 through April 15), what percentage of your time do you work the toll-free telephone lines?* Response – 264 (55 percent) of 483 assistors estimated that they spend the majority of their time working the phones.
- Question – *Generally, what percentage of your time is spent working the phones rather than working on identity theft cases?* Response – 169 (35 percent) of 483 assistors estimated that they spend the majority of their time working the phones.

In addition, discussions with a management official knowledgeable about the processing of identity theft cases corroborated the results of our survey regarding the competing priorities for tax assistors working cases. This official estimated that 400 (57 percent) of about 700 assistors located in one site and trained to work identity theft cases were required to answer telephone inquiries full time during the 2013 Filing Season. These assistors continued to have an assigned inventory of identity theft cases while they answered the telephones. The remaining 300 assistors were required to answer the telephones one day per week.

<sup>14</sup> The IRS provided a listing to TIGTA of assistors who worked identity theft cases as well as those who answer identity theft telephone inquiries. Our survey included only those IRS assistors who worked identity theft cases.



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IRS management stated that the results of our survey (the estimated time that assistors are answering phones versus working cases) differs significantly from the time frames they compute using management information reports. Because of the concerns raised by the survey results, we plan to assess the accuracy of the management information used to monitor program performance as part of our next follow-up audit.

Another factor contributing to the inactivity on the sample cases was that some assistors, after determining the rightful owner of the SSN, did not always perform tax account adjustments needed to resolve the case. In some cases, assistors disagreed as to who should request or provide internal documents needed to perform the adjustments. These cases were sometimes inactive for hundreds of days before adjustments were made to the tax accounts. Assistors were either not trained or not given the authority to adjust accounts. This same concern was raised by the IRS in an August 2011 assessment of the time frames to work identity theft cases. The assessment concluded that Accounts Management function assistors spend most of their time waiting for internal documents needed to work the identity theft cases or waiting for other assistors to perform adjustments to the tax accounts.

### **Cases were frequently reassigned**

The cases we reviewed were assigned to an average of 10 different assistors prior to case resolution. Although we could not always determine why the cases were reassigned because the reasons for case reassignments were not always documented, the more a case was reassigned, the longer the delays in resolving the case. Cases with multiple reassignments also had on average eight contacts that taxpayers made with the IRS to check on the status of their case or to provide additional information.

Case complexity was the primary reason for frequent reassignments. Cases often required more experienced and highly trained assistors to resolve the cases. For example, 20 (20 percent) of the 100 cases reviewed required reassignment to a more highly trained assistor for resolution. Other reasons for reassigning cases included cases being over-aged, assistors taking vacation, and taxpayers needing assistance from a bilingual employee. In addition, we found that for 33 (33 percent) of the 100 cases reviewed, the cases were reassigned to the Taxpayer Advocate Service<sup>15</sup> (TAS) for resolution because the taxpayers requested intervention from the TAS after suffering a financial hardship. Case reassignments to the TAS increased 61 percent from FY 2011 to FY 2012 and were the top source of work for this office in FY 2012. This trend continued through March 31, 2013, with receipts rising over 66 percent compared to the same period last year. Figure 6 provides a hypothetical example of case reassignments.

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<sup>15</sup> The TAS coordinates with the Accounts Management function to ensure that cases are expedited in an effort to relieve taxpayer hardships. Hardship includes taxpayers needing their refund to retain housing, obtain food for self and family, pay bills, obtain medical treatment, or retain his or her job (will become unemployed due to lack of transportation).



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**Figure 6: Example of Case Reassignments**

Reassignment	Date	From	To	Purpose
1	3/14/2011	Inventory Queue	Assistor	First Assignment
2	3/17/2011	Assistor	Assistor	No explanation in case history for reassignment
3	3/21/2011	Assistor	Team Leader	Complex case; assistance requested from the assistor
4	6/21/2011	Team Leader	Assistor	No explanation in case history for reassignment
5	9/23/2011	Assistor	Assistor	Complex issue case reassigned to specialized assistor
6	1/23/2012	Assistor	Taxpayer Advocate Service (TAS)	Taxpayer suffering a financial hardship requests TAS assistance
7	1/23/2012	Taxpayer Advocate Service	Assistor	No explanation in case history for reassignment
8	2/15/2012	Assistor	Assistor	No explanation in case history for reassignment
9	3/6/2012	Assistor	Assistor	Adjustment error was made on tax account; case reopened
10	3/6/2012	Assistor	Assistor	No explanation in case history for reassignment

*Source: TIGTA analysis of identity theft case reassignments.*

In addition to the significant burden that case delays and inactivity cause taxpayers, these delays also increase the interest amount that the IRS must pay on refunds when they are ultimately issued to the rightful taxpayer.<sup>16</sup> For the cases we reviewed, the IRS paid \$7,297 in total interest to 87 of the 100 taxpayers due to the case resolution delays. Projected over the population of 78,477 cases closed during the period from August 1, 2011, to July 31, 2012, the IRS could potentially have paid interest on refunds totaling more than \$5.7 million due to delays in processing identity theft cases.

<sup>16</sup> The IRS is required to pay interest on a taxpayer's refund if it is not paid within 45 days after the latter of the tax return due date or the return received date of a processible tax return.



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**Tax accounts were not correctly resolved**

The IRS did not correctly resolve the tax accounts for 25 (25 percent) of the 100 cases reviewed. Errors on the tax accounts resulted in delayed refunds to all 25 taxpayers and, for 18, required the IRS to reopen the case to take additional actions to resolve the errors. Additionally, for these 18 cases, the IRS issued an incorrect refund amount. For 15 of the incorrect refunds, the taxpayer identified the error and called the IRS to dispute the incorrect refund amount received. Figure 7 shows the type of errors found in the 25 cases along with the effect on the taxpayer.

**Figure 7: Identity Theft Case Errors and Their Effect on Taxpayers**

	Type of Error	Number of Cases	Effect on Taxpayer
<b>Adjustment</b>	Assistor incorrectly adjusted the tax account. For example, the assistor incorrectly combined the identity thief's and rightful taxpayer's tax returns.	18	Rightful taxpayer received an incorrect refund amount.
<b>Posting</b>	Assistor incorrectly input a freeze code <sup>17</sup> to the rightful taxpayer's tax account or does not place an identity theft indicator on the rightful taxpayer's tax account.	5	Rightful taxpayer's refund was delayed and/or additional erroneous refunds could be issued to identity thieves.
<b>Processing</b>	*****1***** *****1****.	**1**	*****1***** *****1*****

Source: TIGTA analysis of 25 identity theft cases for which the IRS did not correctly adjust the tax account.

The errors in account resolutions resulted from the lack of clear procedures and training provided to assistors working these cases. We reported in May 2012 that the Accounts Management function did not have a clear or consistent method or guidance for adjusting taxpayer accounts. Properly adjusting an account includes ensuring that the tax account reflects the correct information from the rightful taxpayer's tax return and ensuring that an identity theft indicator is placed on the tax account. However, procedures on how an assistor accomplishes this remain unclear and are not centralized in internal guidance documents.

We surveyed 183 assistors who work identity theft cases. When asked to describe concerns with guidance on working cases, 133 (73 percent) of the assistors responded that the Accounts Management function's identity theft procedures are confusing. The remaining 50 employees (27 percent) believed that the Identity Theft Program needed its own procedure section in the IRS's internal guidance. In response to another survey question, 305 (74 percent) assistors responded that the overall process for working identity theft cases has not improved over the past

<sup>17</sup> Alpha codes applied to a taxpayer's account that identify specific conditions and restrict normal systemic processing, such as stopping notices and refunds.



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## *Case Processing Delays and Tax Account Errors Increased Hardship for Victims of Identity Theft*

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year. IRS officials informed us at the end of our fieldwork that revised procedures were scheduled to be issued on October 1, 2013.

The complexity of identity theft cases increases the need for the IRS to ensure that assistors remain adequately trained. IRS officials informed us that all assistors received required training in Calendar Year 2012. Officials stated that on-the-job instruction was also provided to the assistors after the training. Nonetheless, IRS officials did acknowledge that assistors comprehend the training at different levels. Based on employees' concerns, it appears that additional training is needed; however, the IRS does not plan to schedule any additional training for assistors for the remainder of FY 2013 or FY 2014. Management indicated that the training would not be provided because all assistors are fully trained.

### **Documentation did not support the IRS's decision to provide taxpayers with a case resolution time frame of 180 days**

On January 24, 2013, the IRS issued two alerts to notify assistors of a change in procedure. Assistors were instructed to inform taxpayers who inquire about the status of their identity theft case that the time frame for resolving their case would be 180 days. When we became aware of these alerts, we requested documentation from the IRS supporting the 180-day time frame. On April 2, 2013, the IRS provided documentation of its analysis of case resolution time frames supporting its position of the 180-day closure. This documentation included a talking paper,<sup>18</sup> a slideshow, a spreadsheet, and a timeline. Our review of the documentation found that the information did not support the IRS position that identity theft cases were resolved in 180 days. In fact, the documentation showed that the actual number of days it took to resolve identity theft cases ranged from 228 to 298 days.

The documentation supporting the decision to provide taxpayers with the 180-day time frame for case resolution was based partly on the IRS's monitoring of taxpayers' comments on social media websites. These comments showed that taxpayers affected by identity theft were venting their frustrations about the varying time frames provided by the IRS and the delays in refund processing. The IRS's decision was intended to lessen taxpayer and employee frustration by establishing a consistent time frame to provide to taxpayers.

In our opinion, providing an unrealistic case resolution time frame could lead to even greater taxpayer and employee frustration. At the completion of field work for this review, IRS officials informed us that they have other documentation that supports the 180-day time frame. However, because it was not provided timely, we did not have time to assess its validity for inclusion in this report.

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<sup>18</sup> The talking paper, given to Accounts Management function and Wage and Investment Division executives to assist in making the decision, provided the background, research, and analysis for the 180-day time frame recommendation.



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*Case Processing Delays and Tax Account Errors  
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## **Recommendations**

The Commissioner, Wage and Investment Division, should:

**Recommendation 1:** Ensure that assistors assigned to identity theft cases work these cases exclusively and are provided ongoing training and the ability to perform all actions needed to work cases to conclusion.

**Management's Response:** IRS management agreed with this recommendation. The Accounts Management function within the Wage and Investment Division has assistors dedicated exclusively to working identity theft inventory cases and staffing identity theft phone lines, with the exception of heavy volume Mondays. All identity theft caseworkers have the capability to perform all necessary actions needed to complete the processing of a case. Training is provided as needed and available resources are identified. Specific employees are scheduled for identity theft training during Continuing Professional Education. Continuing Professional Education also allows the sites to customize training based on the skill type and needs of their employees. Continuing Professional Education also allows for employees to select one or two elective courses based on their needs.

Training will continue to be based on individual and site needs as well as for future procedural changes that require specific training opportunities. The IRS will continue to ensure that there are sufficient resources assigned to identity theft inventory and phones.

**Recommendation 2:** Develop clear and consistent processes and procedures for assistors to follow to ensure that taxpayer accounts are correctly updated when cases are resolved.

**Management's Response:** IRS management agreed with this recommendation and will continue to develop the existing processes and procedures to ensure that all appropriate actions are taken on identity theft victims' accounts. The Internal Revenue Manual is continually revised to improve the applicable procedures and to introduce newly identified processes. The processes are adapted based on employee feedback along with yearly publishing updates, which provide each area an opportunity to thoroughly review the existing guidelines and identify opportunities for improvement. The IRS worked closely with a group of identity theft experts from several sites to clarify and organize the flow and the overall ease of use of the current Internal Revenue Manual, which is scheduled for publishing on October 1, 2013.



*Case Processing Delays and Tax Account Errors  
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**Processes to Ensure the Accuracy of the Identity Theft Management Information Need to Be Developed**

Analysis of the CY 2012 Global Report identified that the Accounts Management function’s open case inventory was overstated by 95,429 cases. Figure 8 provides a breakdown of this overstatement.

**Figure 8: Overstatement of Accounts Management Function Identity Theft Open Cases at the End of Calendar Year 2012**

Open cases reported in the CY 2012 Global Report	424,181
Open cases reported to TIGTA for CY 2012	328,752
<b>Overstatement of Open Case Inventory in the Global Report</b>	<b>95,429</b>

*Source: TIGTA analysis of Accounts Management function open case inventory as of December 31, 2012.*

The Global Report is the IRS’s authoritative source for identity theft management information and is used to make decisions about strategies and resources needed to address the growing identity theft epidemic. It includes statistics from 20 IRS functions that work identity theft cases. The report provides key statistics on the number of identity theft open and closed cases, incidents, and affected taxpayers and on the amount of fraudulent refunds the IRS identified. In addition, the Global Report is used to provide key statistical information on identity theft cases in briefings to Congress.

The inaccuracy we identified results from processes and procedures that were not developed to validate the data provided by the functions to the PGLD Office or the data that the PGLD Office includes in the Global Report. In addition, there is no requirement to retain supporting data provided by the functions to the PGLD Office for inclusion in the Global Report.

The methods used by the functions to compile information for the report range from simple manual counting to complex computer programs. There is no consistency in the manner in which functions report their counts. For example, some functions report counts by unique taxpayer, while others such as the Accounts Management function report counts by identity theft category codes.<sup>19</sup> Reporting by identity theft category code results in duplicate counts for the same taxpayer and requires the PGLD Office to manipulate the information in an attempt to remove the duplicates so that it can provide accurate counts in the Global Report.

The PGLD Office does require functions to review a draft of the Global Report prior to monthly issuance and to provide verification that the information reported is accurate. However, our review of the March 2013 report processing identified that seven of the 20 functions providing

<sup>19</sup> The category code is a four-digit code designating the type or source of adjustment or correspondence cases.



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*Case Processing Delays and Tax Account Errors  
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data for input to the Global Report did not provide the required written verification to the PGLD Office confirming the accuracy of the information being reported.

### ***Recommendations***

The Deputy Commissioner for Operations Support and the Commissioner, Wage and Investment Division, should:

**Recommendation 3:** Develop a standard format for information provided for inclusion in the Global Report to ensure consistency. The information reported should reflect unique taxpayers.

**Management's Response:** IRS management agreed with this recommendation. The IRS will develop a template for functional areas to use when reporting inventory for the Global Report. The template will ensure that inventory is captured consistently and will also improve the audit trail for submitted information. The IRS will also work with functional areas to report inventory at the entity (taxpayer) level as opposed to the module level.

**Recommendation 4:** Develop validation processes and procedures to ensure the accuracy of information provided for inclusion in the Global Report.

**Management's Response:** IRS management agreed with this recommendation. The Privacy, Government Liaison, and Disclosure organization currently collects data from various functions throughout the IRS. After the data are compiled and entered into the Global Report, the IRS will use a certification process for each individual function to verify the data it provided. The IRS will provide additional guidance as to how each function should validate the data it provides.

**Recommendation 5:** Develop retention requirements for the documentation supporting information included in the Global Report.

**Management's Response:** IRS management agreed with this recommendation. The IRS will ensure that each function maintains documentation in accordance with existing retention standards.



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## **Appendix I**

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

Our overall objective was to determine whether the IRS improved its assistance to victims of identity theft.

- I. Assessed whether the IRS maintains timely and complete identity theft case workload data.
  - A. Determined internal reporting requirements related to identity theft.
  - B. Assessed the IRS's method for ensuring the accuracy of data reported about the Identity Theft Program. We analyzed the data the Accounts Management function provides to the PGLD Office that are used in the Global Report. We determined from the population of 424,181 case records whether the data reported were accurate.
- II. Assessed whether the IRS timely and effectively resolves identity theft cases.
  - A. Based on the 7 percent error rate of a preliminary sample, we randomly selected a statistically valid sample of 100 victims (taxpayers) of identity theft from a population of 78,477 for the period of August 1, 2011, through July 31, 2012. The population of identity theft taxpayers was identified from an Individual Master File<sup>1</sup> extract where accounts showed identity theft indicators that were input by the Accounts Management function. We used an expected error rate of 7 percent, a precision rate of 5 percent, and a confidence interval of 95 percent to select the statistical sample
  - B. For the statistically valid sample, we determined:
    1. Whether the determination of the identity thief and lawful taxpayer was made correctly.
    2. Whether identity theft indicators were accurately and timely input on the appropriate accounts and all needed adjustments were accurately made to the affected accounts.
    3. The average time it took to resolve the identity theft cases.
    4. The number of assistors assigned to cases.
    5. The amount of inactivity for each case.

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



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*Case Processing Delays and Tax Account Errors  
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6. The number of times the taxpayer contacted the IRS.
7. Whether the taxpayer's address was changed correctly.
8. The amount of the tax refund paid to the identity thief and the amount of the tax refund and interest paid to the lawful taxpayer.

III. Conducted a survey of all employees who work identity theft cases to determine whether procedures were adequate. We surveyed 2,264 employees who were designated by the IRS as identity theft case workers.

Of 483 responses, 263 (54 percent) responded to the question: *During the filing season (January 1 through April 15) what percentage of your time do you work the toll-free telephone lines?*

There were 183 responses to the question: *Please describe any issues you have with the Internal Revenue Manual relating to identity theft.*

IV. Followed TIGTA validation procedures to ensure that all data used during the audit were valid, complete, and accurate. Data used to select the statistically valid sample in subobjective II were validated by selecting an independent sample of the data extract to validate. We assessed the reliability of data extracted from the Individual Master File by: 1) requesting and receiving a data extract with specific criteria from the TIGTA Strategic Data Services Division, 2) performing preliminary tests to ensure it contained the data requested in a useable format, and 3) selecting a judgmental sample of five cases to verify that the data elements extracted matched the taxpayer account information on the Integrated Data Retrieval System.<sup>2</sup> We determined that the data were valid and reliable.

### **Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the IRS's policies, procedures, and guidelines used by the Identity Theft Program to work and control identity theft cases. We evaluated these controls by reviewing cases, interviewing management, analyzing data, and reviewing policies and procedures. We also analyzed the data included in the Global Report.

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<sup>2</sup> IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.



*Case Processing Delays and Tax Account Errors  
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**Appendix II**

*Major Contributors to This Report*

Russell P. Martin, Acting Assistant Inspector General for Audit (Returns Processing and Account Services)  
W. Allen Gray, Director  
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Tracy Harper, Lead Auditor  
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Lynn Faulkner, Senior Auditor  
Sandra Hinton, Senior Auditor  
Patricia Jackson, Senior Auditor  
Geraldine Vaughn, Senior Auditor  
Jerome Antoine, Auditor  
Kathy Coote, Auditor  
Nelva Usher, Auditor



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**Appendix III**

*Report Distribution List*

Acting Commissioner  
Office of the Commissioner – Attn: Chief of Staff C  
Office of the Deputy Commissioner for Services and Enforcement SE  
Chief Financial Officer OS:CFO  
Chief Technology Officer OS:CTO  
Deputy Commissioner, Operations, Wage and Investment Division SE:W  
Deputy Commissioner, Support, Wage and Investment Division SE:W  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Director, Privacy, Governmental Liaison and Disclosure OS:P  
Director, Compliance, Wage and Investment Division SE:W:CP  
Director, Customer Account Services, Wage and Investment Division SE:W:CAS  
Director, Customer Assistance, Relationships and Education, Wage and Investment Division  
SE:W:CAR  
Director, Strategy and Finance, Wage and Investment Division SE:W:S  
Senior Operations Adviser, Wage and Investment Division SE:W:S  
Chief, Program Evaluation and Improvement, Wage and Investment Division SE:W:S:PEI  
Director, Accounts Management, Wage and Investment Division SE:W:CAS:AM  
Director, Joint Operation Center, Wage and Investment Division SE:W:CAS:JOC  
Director, Stakeholder Partnership, Education and Communications (SPEC), Wage and  
Investment Division SE:W:CAR:SPEC  
Director, Submission Processing, Wage and Investment Division SE:W:CAS:SP  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaison: Chief, Program Evaluation and Improvement, Wage and Investment Division  
SE:W:S:PEI



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## **Appendix IV**

### *Outcome Measure*

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

#### **Type and Value of Outcome Measure:**

- Reliability of Information – Potential; 95,429 taxpayer cases overstated in identity theft inventory for a one-year period (see page 15).

#### **Methodology Used to Measure the Reported Benefit:**

We analyzed the Accounts Management function's identity theft open case inventory at the end of CY 2012 and determined that there were 328,752 open cases. We then compared this number to the Accounts Management function's open case inventory reported in the CY 2012 Global Report, which was 424,181 cases. Our comparison identified that the Accounts Management function's reported inventory in the Global Report was overstated by 95,429 taxpayer cases (424,181 – 328,752).



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**Appendix V**

*Management's Response to the Draft Report*



PRIVACY, INFORMATION PROTECTION  
AND DATA SECURITY

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

SEP 16 2013

MEMORANDUM FOR ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Rebecca Chiamida *Rebecca Chiamida*  
Director, Privacy, Governmental Liaison and Disclosure

SUBJECT:

Draft Audit Report – Case Processing Delays and Tax Account  
Errors Increased Hardship for Victims of Identity Theft (Audit #  
201240041)

Thank you for the opportunity to respond to the above referenced draft audit report. Identity theft impacting tax administration remains one of the biggest challenges facing the IRS, and the harm it inflicts on innocent taxpayers is an issue we take very seriously.

The IRS has a comprehensive identity theft strategy that focuses on preventing refund fraud, investigating these crimes and assisting taxpayers victimized by identity theft. Our work on identity theft and refund fraud continues to grow, touching nearly every part of the organization. We expanded these efforts this past filing season to better protect taxpayers and help victims. Over 3,000 IRS employees are currently working on identity theft – more than double the number at the start of the previous filing season. We have also provided identity theft training to approximately 35,000 employees who work with taxpayers so that they are better able to recognize identity theft problems and assist victims. So far this calendar year, the IRS has worked with victims to resolve more than 565,000 cases. This number is more than three times the number of identity theft victim cases that we had resolved at the same time last year.

One of our major initiatives to assist victims of identity theft is the Identity Protection Personal Identification Number (IP PIN). The IP PIN is a unique identifier that authenticates a return filer as the legitimate taxpayer at the time the return is filed. For filing season 2012, we issued IP PINs to approximately 250,000 taxpayers who had identity theft markers on their tax accounts. We verified the presence of this IP PIN at the time of filing and rejected returns associated with a taxpayer's account where an IP PIN had been assigned but was missing. For the 2013 filing season, we enhanced our programming to increase efficiency, and expanded the IP PIN program to more than 770,000 taxpayers.



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We have made significant progress this year and we appreciate that you note in the audit report that the cases selected for review were closed prior to the numerous case processing improvements implemented for the 2013 filing season. We are concerned that your stated overall objective was to determine whether the IRS improved its assistance to victims of identity theft; however, 90% of the cases sampled for this audit were closed prior to the completion of the previous year's TIGTA audit on victims of identity theft. Additionally, 47% of the cases reviewed were closed in 2011. The timeliness issues identified in these case reviews are essentially the same issues outlined in the previous TIGTA report, which was completed in May 2012. While acknowledging the issues identified from the sample cases, the process changes we have initiated have already resulted in significant decreases to the time needed to resolve the identity theft cases, and we believe this audit could have benefited from reviewing more recent cases to reflect the changes made since last year.

We also have concerns with the conclusions drawn from the survey of IRS employees. We believe that the survey results are misleading with regard to the percentage of time case workers spent working telephone lines. Of particular concern is the unverified contention that identity theft case workers spent the majority of their time answering telephones. While some of the employees surveyed were assigned to work telephones, official time reports do not support the assertion that identity theft caseworkers assigned to paper processing spent more than half of their time answering telephones.

We acknowledge that there was significant room for improvement in our servicing of identity theft victims and their cases in Fiscal Years 2011 and 2012. However, we are confident that the staffing improvements, process improvements and enhanced prevention measures implemented for filing season 2013 have provided improved case closure cycle times. In fact, for cases received in filing season 2013, we are currently achieving a 120-day resolution timeframe. We disagree with the statement in the audit report that providing a 180-day case resolution timeframe in January 2013 was unrealistic and could lead to greater taxpayer and employee frustration. The establishment of the 180-day timeframe was based on our analysis of case inventory coupled with the changes to staffing, process improvement and prevention measures mentioned above.

The audit report also identifies the frequency of case reassignment as a contributing factor to case inactivity. While we acknowledge that some reassignments delayed case processing, others were beneficial to the taxpayer such as transferring to a specialist or the National Taxpayer Advocate. It is important to note that case reassignment occurs for many reasons, such as case complexity and inventory balancing. We consider case reassignment to be a vital part of overall inventory management and do not believe it contributes to unnecessary case delays.

We are continually improving the way we track and report on the status of identity theft cases, which we believe will lead to quicker case resolution and provide innocent taxpayers with the most current account information and status of their refunds. Since its introduction in mid-2012, the Refund Fraud and Identity Theft Global Report has



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become the definitive source for statistics related to identity theft. We have continued to revise and improve the report over the last year, and when anomalies are identified, such as the inventory overstatement noted in the audit report, they are quickly corrected and the underlying cause is identified. The Global Report provides valuable information to IRS leadership on a wide variety of pre- and post-processing matters and facilitates larger strategic decisions by providing accurate and timely information.

Attached are our comments to your recommendations. If you have any questions, please contact me at (202) 622-2988, or a member of your staff may contact Susan Greer, Acting Director, Privacy and Information Protection at (202) 622-1420.

Attachment



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*Case Processing Delays and Tax Account Errors  
Increased Hardship for Victims of Identity Theft*

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Attachment

Draft Audit Report – Case Processing Delays and Tax Account Errors Increased Hardship for Victims of Identity Theft (Audit # 201240041)

**RECOMMENDATION 1:** The Commissioner, Wage and Investment Division, should ensure that assistors assigned to identity theft cases work these cases exclusively and are provided ongoing training and the ability to perform all actions needed to work cases to conclusion.

**CORRECTIVE ACTION:** We agree with this recommendation. The Accounts Management function within Wage & Investment has assistors dedicated exclusively to working identity theft inventory cases and staffing identity theft phone lines, with the exception of heavy volume Mondays. All identity theft caseworkers have the capability to perform all necessary actions needed to complete the processing of a case. Training is provided as needed and available resources are identified. Specific employees are scheduled for identity theft training during Continuing Professional Education (CPE). CPE also allows the sites to customize training based on the skill type and needs of their employees. CPE also allows for employees to select one or two elective courses based on their needs.

Training will continue to be based on individual and site needs, as well as for future procedural changes that require specific training opportunities. We will continue to ensure that there are sufficient resources assigned to identity theft inventory and phones.

**IMPLEMENTATION DATE:** Implemented

**RESPONSIBLE OFFICIAL:** N/A

**CORRECTIVE ACTION MONITORING PLAN:** N/A

**RECOMMENDATION 2:** Develop clear and consistent processes and procedures for assistors to follow to ensure that taxpayer accounts are correctly updated when cases are resolved.

**CORRECTIVE ACTION:** We agree with this recommendation and will continue to develop the existing processes and procedures to ensure that all appropriate actions are taken on identity theft victims' accounts. The Internal Revenue Manual (IRM) is continually revised to improve the applicable procedures and to introduce newly identified processes. The processes are adapted based on employee feedback along with yearly publishing updates, which provide each area an opportunity to thoroughly review the existing guidelines and identify



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opportunities for improvement. We worked closely with a group of identity theft experts from several sites to clarify, organize the flow, and the overall ease-of-use of the current IRM, which is scheduled for publishing on October 1, 2013.

**IMPLEMENTATION DATE:** Implemented

**RESPONSIBLE OFFICIAL:** N/A

**CORRECTIVE ACTION MONITORING PLAN:** N/A

**RECOMMENDATION 3:** Develop a standard format for information provided for inclusion in the Global Report to ensure consistency. The information reported should reflect unique taxpayers.

**CORRECTIVE ACTION:** We agree with this recommendation. We will develop a template for functional areas to use when reporting inventory for the Global Report. The template will ensure inventory is captured consistently and will also improve the audit trail for submitted information. We will also work with functional areas to report inventory at the entity (taxpayer) level as opposed to the module level.

**IMPLEMENTATION DATE:** March 15, 2015

**RESPONSIBLE OFFICIAL:** Director, Privacy, Governmental Liaison and Disclosure

**CORRECTIVE ACTION MONITORING PLAN:** Establish a timeline of necessary actions that incorporates expected outcomes and dates to successfully accomplish stated tasks.

**RECOMMENDATION 4:** Develop validation processes and procedures to ensure the accuracy of information provided for inclusion in the Global Report.

**CORRECTIVE ACTION:** We agree with this recommendation. The Privacy, Government Liaison and Disclosure organization currently collects data from various functions throughout the service. After the data is compiled and entered into the Refund Fraud and Identity Theft Global Report, we utilize a certification process for each individual function to verify the data they provided. We will provide additional guidance as to how each function should validate the data it provides.

**IMPLEMENTATION DATE:** January 15, 2014

**RESPONSIBLE OFFICIALS:** Director, Privacy, Governmental Liaison and Disclosure



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**CORRECTIVE ACTION MONITORING PLAN:** Establish a timeline of necessary actions that incorporates expected outcomes and dates to successfully accomplish stated tasks.

**RECOMMENDATION 5:** Develop retention requirements for the documentation supporting information included in the Global Report.

**CORRECTIVE ACTION:** We agree with this recommendation. We will ensure that each function maintains documentation in accordance with existing retention standards.

**IMPLEMENTATION DATE:** January 15, 2014

**RESPONSIBLE OFFICIALS:** Director, Privacy, Governmental Liaison and Disclosure

**CORRECTIVE ACTION MONITORING PLAN:** Establish a timeline of necessary actions that incorporates expected outcomes and dates to successfully accomplish stated tasks.