

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **Additional Actions Are Needed to Improve Controls Over Manual Refund Processing**

March 7, 2024

Report Number: 2024-400-017

# HIGHLIGHTS: Additional Actions Are Needed to Improve Controls Over Manual Refund Processing

Final Audit Report issued on March 7, 2024

Report Number 2024-400-017

## Why TIGTA Did This Audit

This audit was initiated to evaluate the IRS's controls to minimize the risk of issuing erroneous manual refunds. A manual refund is a refund that is not systemically generated through normal Master File processing, *i.e.*, through normal tax return processing, and requires employee intervention.

This audit followed up on TIGTA's September 2009 report in which TIGTA reported that improvements were needed to address deficiencies in the data captured to ensure the accuracy and completeness of manual refund transactions.

## Impact on Tax Administration

The IRS processed nearly 242,000 manual refunds totaling nearly \$43 billion during Calendar Year 2022.



Manual refunds to individuals accounted for the largest volume, while refunds to businesses accounted for the largest dollar amount of refunds.

Because of their nature, manual refunds bypass all systemic safeguards. For this reason, the IRS must have highly effective processes and procedures to minimize the risk of erroneous refunds.

## What TIGTA Found

Additional monitoring of the manual refund program is needed to reduce the risk of erroneous manual refunds and to ensure proper separation of duties. For example:

- 653 employees were allowed to initiate manual refunds without the required training, which increases the risk of erroneous manual refunds.
- 3 employees having authorized signer roles were not included on the Restricted Command Code Access List. This list ensures that proper separation of duties is maintained to prevent fraudulent or erroneous manual refunds.

In addition, requestor and approver information continue to be incorrect in manual refund data. For example, TIGTA identified 785 manual refunds where the requestor's and/or approver's employee number was either the same or invalid. Although the IRS previously updated its programming to include employee numbers, the programming did not include language to require a validity check of the requestor and approver information. Thus, the current controls rely on manual review by employees.

Finally, the IRS's manual refund policy allowing new dollar thresholds for processing manual refunds was not updated. This occurred because the policies from the Bureau of the Fiscal Service were not widely distributed throughout the IRS. Our analysis found 202 manual refunds that could have been processed via a less costly manual refund option. As a result, TIGTA estimates that the IRS unnecessarily spent about \$2,100 to process manual refunds in Calendar Year 2022.

## What TIGTA Recommended

TIGTA made four recommendations to improve manual refund processing that include ensuring that employees are not allowed to initiate manual refunds without the required training, employees with sensitive roles are properly added to the Restricted Command Code Access List, and the requestor and approver information on IRS systems is valid.

The IRS agreed with all four recommendations.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**U.S. DEPARTMENT OF THE TREASURY**  
**WASHINGTON, D.C. 20024**

March 7, 2024

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

A handwritten signature in black ink, appearing to read "MA Weir", is positioned above the typed name.

**FROM:** Matthew A. Weir  
Acting Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Additional Actions Are Needed to Improve Controls  
Over Manual Refund Processing (Audit No.: 202340006)

This report represents the results of our review to evaluate the Internal Revenue Service's controls to minimize the risk of issuing erroneous manual refunds. This review is part of our Fiscal Year 2024 Annual Audit Plan and addresses the major management and performance challenge of *Reducing Tax Fraud and Improper Payments*.

Management's complete response to the draft report is included as Appendix IV. If you have any questions, please contact me or Diana M. Tengesdal, Assistant Inspector General for Audit (Returns Processing and Account Services).

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## **Background**

A manual refund is a refund that is not systemically generated through normal Master File processing, *i.e.*, through normal tax return processing, and requires employee intervention.<sup>1</sup> Manual refunds may be issued to individual or business taxpayers. According to the Internal Revenue Service (IRS), these are examples of circumstances that may warrant the issuance of manual refunds, by taxpayer type:

- **Individual** – when a taxpayer’s Master File account is flagged as deceased, the IRS uses manual refunds to ensure that the refund is issued to the appropriate claimant.<sup>2</sup> The IRS also commonly issues manual refunds to individuals due to injured spouse claims.<sup>3</sup>
- **Business** – when a business is claiming a carryback loss, the IRS uses manual refunds to take advantage of the 45-calendar day interest free period to reduce the amount of interest paid. For example, manual refunds are issued for carrybacks greater than \$5,000 (if the 45-calendar day interest period is in jeopardy) or \$25,000 (if the 45-calendar day interest free period has expired).

When a taxpayer’s account cannot be added to the Master File, the IRS creates a Non-Master File account for the taxpayer and manual refunds could also be issued to Non-Master File accounts.

Figure 1 shows that the IRS processed nearly 242,000 manual refunds totaling nearly \$43 billion during Calendar Year 2022, with manual refunds to individuals accounting for the largest volume and businesses receiving the largest dollar amount of refunds.

**Figure 1: Calendar Year 2022 Manual Refunds by Volume and Dollars**

<b>Type of Account</b>	<b>Number of Refunds</b>	<b>Dollars</b>
Individual	216,072	\$3.49 billion
Business	24,463	\$38.1 billion
Non-Master File	1,374	\$1.23 billion
<b>Totals</b>	<b>241,909</b>	<b>\$42.82 billion</b>

*Source: Treasury Inspector General for Tax Administration (TIGTA) analysis of Master File data by cycle posting date and information provided by the IRS for Non-Master File by transaction date.*

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<sup>1</sup> See Appendix V for glossary of terms.

<sup>2</sup> Not all deceased taxpayer accounts require a manual refund.

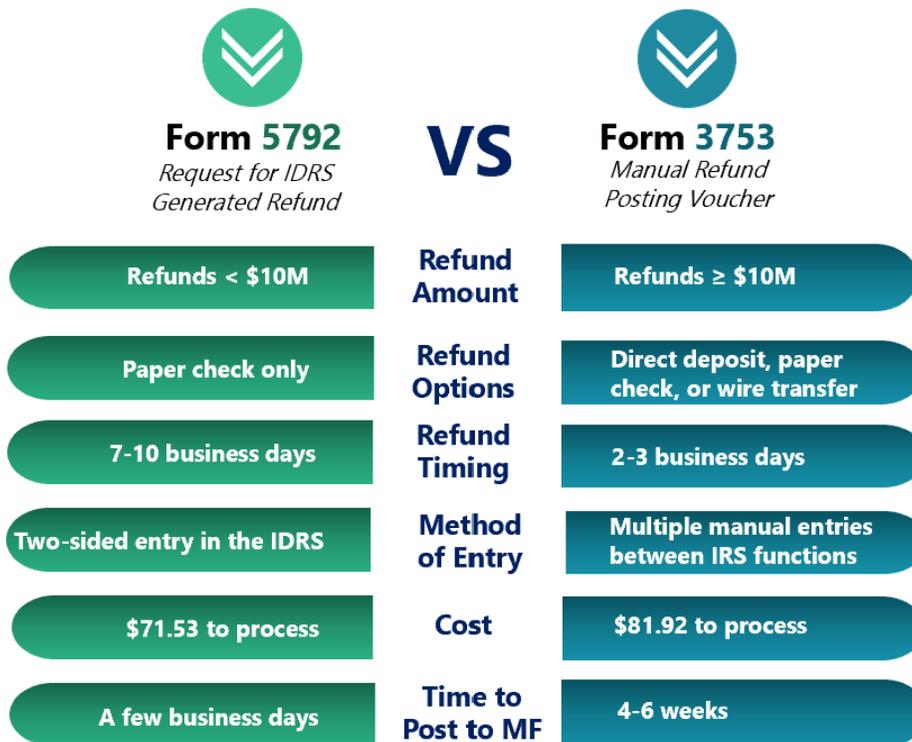
<sup>3</sup> According to the instructions for Form 8379, *Injured Spouse Allocation*, an injured spouse situation may arise where a taxpayer files a joint return and all or part of the taxpayer’s portion of the overpayment was, or is expected to be, applied (offset) to the taxpayer spouse’s legally enforceable past-due Federal tax, state income tax, state unemployment compensation debts, child support, or a federal nontax debt, such as a student loan.

## Initiation of manual refunds

Employees within the various IRS functional areas (*e.g.*, Accounts Management, Small Business/Self-Employed Division, *etc.*) submit requests for manual refunds. A designated individual reviews the request for accuracy and completeness before sending it to the manager for approval. Once approved, the manual refund request is submitted via e-mail for processing to one of the three Accounting function offices located in Kansas City, Missouri; Austin, Texas; or Ogden, Utah.

Figure 2 compares the two types of manual refund forms that IRS employees can use to initiate a manual refund and key characteristics of both forms such as the refund amount, timing of the refund to the taxpayer, *etc.*

**Figure 2: Comparison of the Two Manual Refund Forms**



*Source: Internal Revenue Manual 21.4.4, Manual Refunds and 3.17.79, Accounting Refund Transactions in place during Calendar Year 2022. Note: The refund amounts increased during Calendar Year 2023, as discussed later in our report. IDRS = Integrated Data Retrieval System, and MF = Master File.*

More than 98 percent of the nearly 242,000 manual refunds processed during Calendar Year 2022 were generated using Form 5792.

## Processing of manual refunds

Once the IRS's Accounting function receives the approved manual refund request, data entry operators will input information into the Bureau of the Fiscal Service's (BFS) Secure Payment System. For Forms 5792, the data entry operators will input cumulative information such as the number of payments, the total dollar amount of payments, *etc.* based upon reports generated

## **Additional Actions Are Needed to Improve Controls Over Manual Refund Processing**

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from the IDRS. For Forms 3753, the data entry operators will enter information from each form into the Secure Payment System.

The Certifying Officer is required to review the supporting documentation for 25 Forms 5792 per month and 100 percent of Forms 3753 before certifying the payments in the Secure Payment System. Payments that are certified by the Certifying Officer in the Secure Payment System are then issued by the BFS to the taxpayer on behalf of the IRS.

Forms 3753 also require additional manual work, such as journaling the payment into the accounting system and manually entering the transaction code into the Master File account. All the additional and manual processing tasks for Forms 3753 results in increased processing costs and increased risk of error when compared to Forms 5792.

Because of their nature, manual refunds bypass all systemic safeguards. For this reason, the IRS must have highly effective processes and procedures to minimize the risk of erroneous refunds. Appendix III provides a high-level overview of the entire manual refund process from initiation of the manual refund request to issuance of the manual refund payment.

## **Results of Review**

### **Additional Monitoring Is Needed to Reduce the Risk of Erroneous Manual Refunds and to Ensure Proper Separation of Duties**

Our review found that additional monitoring of the manual refund program is needed. For example, our review found that:

- 653 employees were allowed to initiate manual refunds without the required training, which increases the risk of erroneous manual refunds.
- 3 employees with authorized signer roles were not included on the Restricted Command Code Access List. This list ensures that proper separation of duties is maintained to prevent fraudulent or erroneous manual refunds.

#### **Employees were allowed to initiate manual refunds without required training**

Our review of 4,967 employees with IDRS access to initiate manual refunds as of March 31, 2023, and IRS training records through June 15, 2023, identified 653 (13 percent) employees who did not complete all required or refresher training. According to the IRS's internal guidance, all employees involved in the initiation, approval, or processing of manual refunds are required to complete manual refund training prior to processing manual refunds and annually thereafter. This training helps reduce the risk of erroneous refunds.

On September 25, 2023, we shared the list of 653 employees with IRS management. The IRS Unit Security Representative stated that there is no systemic process to ensure that the required trainings are completed by employees before allowing them to initiate manual refunds. Although the IRS's internal guidance requires operational reviews be completed periodically, (*e.g.*, a review of employee training records), there is no requirement that the Accounting function ensures that these reviews are accurate or complete.

## Additional Actions Are Needed to Improve Controls Over Manual Refund Processing

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**Management Actions:** IRS management removed IDRS access for 487 of the 653 employees we identified until they completed the required training. According to management, the remaining 166 employees have subsequently completed the training or separated from the IRS.

### **Employees with sensitive roles had the ability to adjust taxpayer accounts**

Our review of Certifying Officers provided by the IRS as of July 25, 2023, identified three employees who were not on the Restricted Command Code Access List. Further, we found that two of these three Certifying Officers accessed two sensitive command codes 52 times on two dates in June and July 2023, after they were designated as a Certifying Officer in May 2023. The two sensitive command codes allow employees to adjust tax, penalties, and interest on taxpayer accounts. Certifying Officers should not be allowed to approve manual refunds if they also can adjust the amount of taxes owed on a tax account. Our review did not identify any instances where the Certifying Officer completed any questionable actions while accessing the sensitive command codes.

Due to the sensitive role that Certifying Officers have related to the review and approval of manual refund payments, the IRS's internal guidance requires that these employees be included on the Restricted Command Code Access List. This list systemically ensures that the employees do not have the ability to access or complete certain tasks within the IDRS. For example, employees on the list are unable to adjust tax, penalty, and interest amounts on taxpayer accounts. This ensures that there is a clear separation of duties and protects the integrity of Government funds.

The employees were not added to the Restricted Command Code Access List immediately upon approval, as required by internal guidance. When we shared our concerns with the IRS, the Headquarters Analyst stated that it is a manual process, and the employees were not added to the Restricted Command Code Access List due to errors and oversight by multiple employees. Internal guidance requires that quarterly reviews be performed by manual refund management at each site and a memorandum is issued to Headquarters indicating that the Restricted Command Code Access List is complete. However, Headquarters is only required to verify that the site review has been completed. Headquarters is not required to verify the accuracy of the review completed.

**Management Action:** IRS management immediately added the three Certifying Officers we identified to the Restricted Command Code Access List.

**Recommendation 1:** The Commissioner, Wage and Investment Division, should develop a process to ensure that employees are not allowed to initiate manual refunds without the required training and that employees with sensitive roles are properly added to the Restricted Command Code Access List in a timely manner.

**Management's Response:** IRS management agreed with the recommendation and will evaluate their current process for ensuring employees are not allowed to initiate manual refunds without the requisite training, and that employees with sensitive roles in the manual refund process are timely added to the Restricted Command Code Access List.

## **Requestor and Approver Information Continues to Be Missing or Incorrect in Manual Refund Data**

In September 2009, we reported that improvements were needed to address deficiencies in the data captured to ensure the accuracy and completeness of manual refund transactions.<sup>4</sup> Specifically, we reported that the IRS's electronic data files supporting manual refund transactions were inaccurate, incomplete, and not always maintained. We identified 58,000 manual refunds for Calendar Years 2005 through 2007 for which the electronic data files did not accurately identify the requestor. We recommended and management agreed to take corrective actions to improve the accountability over manual refunds. IRS management submitted a programming request to include the Standard Employee Identifiers (SEID) of both the requestor and the approver for all manual refunds. However, we continue to identify concerns in some of the manual refund processes.

Our review of nearly 240,000 manual refunds processed via the Master File during Calendar Year 2022 identified 785 (less than 1 percent) manual refunds in which the requestor's and/or the approver's SEID was either the same or invalid.<sup>5</sup> When we brought this concern to management's attention, IRS management stated that the requestor and approver information continues to be incorrect due to employee errors. For example, the IRS employee initiating the manual refund entered the requestor's SEID in both the requestor and the approver fields in IDRS. This error should have been identified by the IRS Accounting function, that approved the manual refund, but it was not due to employee oversight.

Management noted that there are no systemic controls to prevent this from occurring. Although the IRS previously updated its programming to include SEIDs, the programming did not include language to require a validity check of the requestor and approver information. Thus, the current controls rely on manual review by employees. Without the addition of systemic controls, human errors are likely to continue.

Further, the IRS does not track the requestor and approver SEIDs for manual refunds issued in the Non-Master File. Therefore, we were unable to perform a similar analysis to determine if the requestor's and/or approver's information was the same, missing, or invalid. Without this information, the IRS cannot detect potentially suspicious employee activity.

The Commissioner, Wage and Investment Division, should:

**Recommendation 2:** Develop a process that ensures that the requestor and approver SEIDs for manual refunds on the Master File are not the same and are valid SEIDs.

**Management's Response:** IRS management agreed with the recommendation and will implement changes to the Manual Refund Integrated Automation Tool to validate the requestor and approver SEIDs and ensure they are not duplications. Additionally, procedures will be updated to ensure that accounting employees are verifying the requestor and approver SEIDs.

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<sup>4</sup> TIGTA, Report No. 2009-40-131, *Increased Automated Controls Could Further Improve Accountability Over Manual Refunds* (Sept. 2009).

<sup>5</sup> Invalid SEIDs do not have a corresponding employee with that SEID in IRS employee records.

## Additional Actions Are Needed to Improve Controls Over Manual Refund Processing

**Recommendation 3:** Develop a process that tracks the requestor and approver SEIDs for manual refunds on the Non-Master File and ensure that they are not missing, are not the same, and are valid SEIDs.

**Management's Response:** IRS management agreed with the recommendation and will develop a process to document the requestor and approver SEIDs for manual refunds recorded on the Non-Master File. This will include a requirement for approving staff to validate the SEIDs and ensure they are not duplicated.

### **Manual Refund Policy Was Not Updated Resulting in Inefficient Processing**

In Calendar Year 2014, the BFS started accepting manual refunds for up to \$100 million via the Form 5792 process. Prior to this, the BFS only accepted manual refunds up to \$10 million on Form 5792. Although the IRS updated its programming to no longer reject IDRS-generated manual refunds greater than or equal to \$10 million, it did not update the internal guidance used by employees when determining which form should be used to initiate a manual refund. According to IRS management, this occurred because the updated BFS policy was not widely distributed throughout the IRS. We identified this outdated guidance during our review of Forms 5792 processed during Calendar Year 2022.

Our analysis of Calendar Year 2022 Form 3753 manual refunds greater than or equal to \$10 million but less than \$100 million found 202 manual refunds that could have been processed via Form 5792.<sup>6</sup> The IRS estimates that it costs \$10.39 more to process a Form 3753 request compared to a Form 5792. As a result, we estimate that the IRS unnecessarily spent about \$2,100 to process manual refunds on Form 3753 which could have been processed on Form 5792 in Calendar Year 2022.

**Recommendation 4:** We notified IRS management of our concerns on July 5, 2023 and recommended that the applicable internal guidance on the new dollar threshold for submitting Forms 3753 be updated and communicated to all employees.

**Management's Response:** IRS management agreed with the recommendation and updated all 11 Internal Revenue Manual sections as of November 15, 2023. In addition, management issued an alert to all IRS employees informing them of the updated dollar thresholds.

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<sup>6</sup> Our analysis excluded manual refunds that requested a direct deposit or wire transfer because a Form 3753 must be used regardless of the amount if a direct deposit or wire transfer is requested.

## **Appendix I**

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

The overall objective of this audit was to evaluate the IRS's controls to minimize the risk of issuing erroneous manual refunds. To accomplish our objective, we:

- Reviewed prior TIGTA and Government Accountability Office reports to identify recommendations that pertained to manual refunds and determined if the recommendations were implemented or not.
- Reviewed internal guidance and conducted walkthroughs with IRS employees regarding the initiation and approval of manual refunds to identify key controls and risks.
- Performed data analysis of Individual and Business Master File data to identify all manual refunds that posted during Calendar Year 2022 and obtained an extract of Non-Master File data from the IRS to identify manual refunds that had transactions during Calendar Year 2022.
- Identified IRS employees with access to initiate manual refunds and viewed their training records to determine if employees received access to command codes without appropriate training.
- Identified IRS employees in sensitive roles (*e.g.*, Certifying Officers) to ensure that they were included on the Restricted Command Code Access List and that they did not use any sensitive command codes.
- Identified manual refunds with the same requestor and/or approver and with missing/invalid requestor and/or approver information.
- Determined whether the IRS was using the most cost-effective manual refund options and quantified the effect of the IRS using the costlier manual refund option *i.e.*, Form 3753, for manual refunds equal to or greater than \$10 million but less than \$100 million when the IRS could have used the less costly option *i.e.*, Form 5792.

#### **Performance of This Review**

This review was performed at the three Tax Processing Centers that process manual refunds in Kansas City, Missouri; Austin, Texas; and Ogden, Utah, during the period April through November 2023. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Diana Tengesdal, Assistant Inspector General for Audit (Returns Processing and Account Services); Linna Hung, Director; Jeffrey Cullum, Audit Manager; Erica Law, Lead Auditor; Edgar Moon, Auditor; and Carina Schusterman, Auditor.

### **Data Validation Methodology**

During this review, we obtained data extracts of manual refunds processed during Calendar Year 2022 for the Individual and Business Master File and Non-Master File. We evaluated the data by performing electronic testing of required data elements, reviewing existing information about the data, and selecting random samples and verifying the data to the sources *i.e.*, the IDRS and the Automated Non-Master File. We determined that the data were sufficiently reliable for purposes of this report.

### **Internal Controls Methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: IRS processes and procedures for initiating, approving, and issuing manual refund payments. We evaluated these controls by reviewing internal guidance, meeting with IRS employees and management, and reviewing relevant documentation provided by the IRS.

## **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:**

- Inefficient Use of Resources – Potential; \$2,099 for 202 manual refunds that could have been processed using a less costly method (see Recommendation 4).

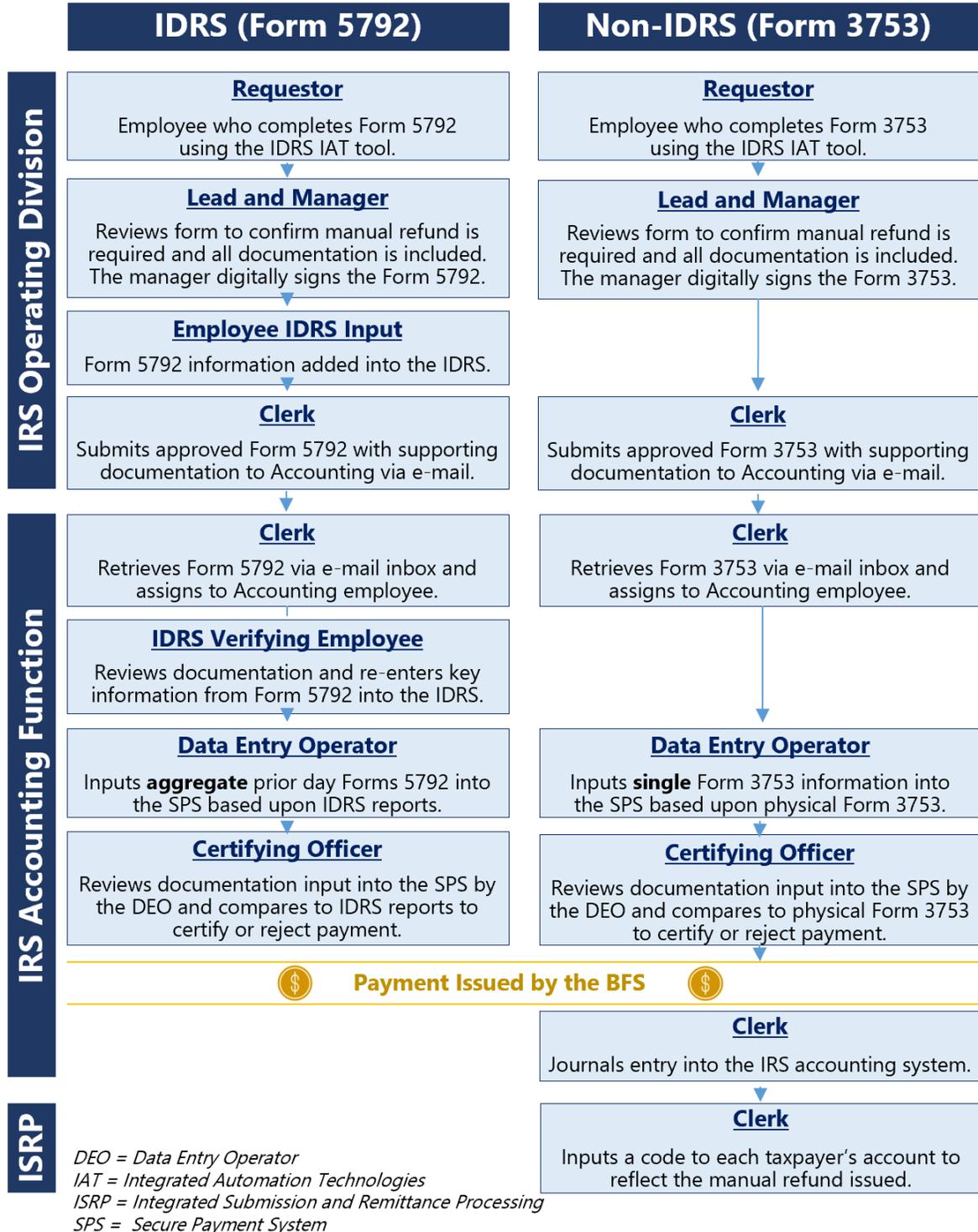
### **Methodology Used to Measure the Reported Benefit:**

We analyzed more than 240,000 Individual and Business Master File manual refunds with a Transaction Code 840 that posted during Calendar Year 2022. We then limited our review to manual refunds processed via Form 3753 as determined by the refund schedule numbers and identified a population of 202 manual refunds greater than or equal to \$10 million but less than \$100 million, which did not request a direct deposit or wire transfer. We did not include direct deposits or wire transfers because the IRS would have had to use the Form 3753 method for those manual refunds regardless of the amount.

The IRS provided us with an estimate that it costs \$10.39 more to process a Form 3753 compared to a Form 5792. As a result, we estimate that the IRS unnecessarily spent \$2,099 ( $\$10.39 \times 202$ ) to process manual refunds in Calendar Year 2022.

## Appendix III

### Overview of Manual Refund Initiation and Processing



Source: TIGTA-created graphic based upon review of Internal Revenue Manuals 21.4.4, 3.17.79, and 3.17.63.

**Management's Response to the Draft Report**



COMMISSIONER  
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

February 21, 2024

MEMORANDUM FOR MATTHEW A. WEIR  
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Kenneth C. Corbin

Digitally signed by Kenneth C.  
Corbin  
Date: 2024.02.21 15:46:02 -05'00'

Commissioner, Wage and Investment Division

SUBJECT:

Draft Audit Report – Additional Actions Are Needed to Improve  
Controls Over Manual Refund Processing  
(Audit No.: 202340006)

Thank you for the opportunity to review the subject draft report and provide comments. When a refund is to be issued under conditions that are outside the scope of those anticipated by normal programming, additional processing by employees is required. This generally includes any refund to be issued to a party other than the taxpayer named on the account, such as trustees for bankruptcy estates, executors or representatives of decedent estates, or individual taxpayers claiming their portion of a joint refund when the other filer is subject to a debt offset. Manual refunds may also be issued when tax returns cannot complete the processing needed to issue systemic refunds within the interest-free period provided by law or when amounts not attributable to tax payments or credits are disbursed, such as the refunding of fees or the return of payments erroneously remitted or collected.

We appreciate the recognition of the significant improvements that have been made to manual refund processing since your last review in September 2009. We agree with the recommendations included in this report and are progressing toward implementation of those not already completed.

Attached is a detailed response with our planned corrective actions to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Dietra Grant, Director, Customer Account Services, Wage and Investment Division, at 470-639-3504.

Attachment

**Additional Actions Are Needed to  
Improve Controls Over Manual Refund Processing**

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Attachment

**Recommendation**

**RECOMMENDATION 1**

The Commissioner, Wage and Investment Division, should develop a process to ensure that employees are not allowed to initiate manual refunds without the required training and that employees with sensitive roles are properly added to the Restricted Command Code Access List in a timely manner.

**CORRECTIVE ACTION**

We agree. We will evaluate our current process for ensuring employees are not allowed to initiate manual refunds without the requisite training, and that employees with sensitive roles in the manual refund process are timely added to the Restricted Command Code Access List.

**IMPLEMENTATION DATE**

June 15, 2024

**RESPONSIBLE OFFICIAL**

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

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**Recommendations**

The Commissioner, Wage and Investment Division, should:

**RECOMMENDATION 2**

Develop a process that ensures that the requestor and approver SEIDs for manual refunds on the Master File are not the same and are valid SEIDs.

**CORRECTIVE ACTION**

We agree. We will implement changes to the Manual Refund Integrated Automation Tool to validate the requestor and approver Standard Employee Identifiers (SEIDs) and ensure they are not duplications. Additionally, procedures will be updated to ensure that accounting employees are verifying the requestor and approver SEIDs.

**IMPLEMENTATION DATE**

August 15, 2024

**Additional Actions Are Needed to  
Improve Controls Over Manual Refund Processing**

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**RESPONSIBLE OFFICIAL**

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

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**RECOMMENDATION 3**

Develop a process that tracks the requestor and approver SEIDs for manual refunds on the Non-Master File and ensure that they are not missing, are not the same, and are valid SEIDs.

**CORRECTIVE ACTION**

We agree. We will develop a process to document the requestor and approver SEIDs for manual refunds recorded on the Non-Master File. This will include a requirement for approving staff to validate the SEIDs and ensure they are not duplicated.

**IMPLEMENTATION DATE**

July 15, 2024

**RESPONSIBLE OFFICIAL**

Director, Submission Processing, Customer Account Services, Wage and Investment Division

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**Recommendation**

**RECOMMENDATION 4**

We notified IRS management of our concerns on July 5, 2023 and recommended that the applicable internal guidance on the new dollar threshold for submitting Forms 3753 be updated and communicated to all employees.

**CORRECTIVE ACTION**

We agree. As of November 15, 2023, the 11 Internal Revenue Manual sections in which the guidance appeared were updated. Additionally, an alert was issued to all IRS employees informing them of the updated dollar thresholds.

**IMPLEMENTATION DATE**

Implemented

**Additional Actions Are Needed to  
Improve Controls Over Manual Refund Processing**

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**RESPONSIBLE OFFICIAL**

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

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control  
system.

## Glossary of Terms

<b>Term</b>	<b>Definition</b>
Bureau of the Fiscal Service	A bureau within the Department of Treasury that issues and processes claims on most U.S. Government checks, including all IRS tax refund checks.
Calendar Year	Twelve (12) consecutive months ending December 31.
Certifying Officer	Individuals who are held responsible for the existence and accuracy of the facts stated on the refund voucher, in the supporting documents, and for the legality of the proposed payments within the Secure Payment System.
Command Code	Five characters entered into the IDRS that indicate what function is to be performed.
Data Entry Operator	Individuals who are designated with authority to create and modify payment requests within the Secure Payment System.
Integrated Data Retrieval System	IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.
Internal Revenue Manual	Primary source of instructions to employees relating to the administration and operation of the IRS. The Manual contains the directions employees need to carry out their operational responsibilities.
Master File	The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.
Non-Master File	The IRS database that consists of transactions on tax accounts not included on the Master File.
Restricted Command Code Access List	The list of individuals who are restricted to certain command codes in their IDRS user profile.
Secure Payment System	An application that provides a mechanism by which government agencies can create payment schedules in a secure fashion, and with a strictly enforced separation of duties.
Standard Employee Identifier	A five-digit code that uniquely ties employees to their data without using their Social Security Number.
Tax Processing Center	The location where the IRS processes paper and electronic submissions, corrects errors, and forwards data to the Computing Centers for analysis and posting to taxpayer accounts.
Transaction Code	A three-digit code used to identify actions being taken on a taxpayer's account.

**Abbreviations**

BFS	Bureau of the Fiscal Service
IDRS	Integrated Data Retrieval System
IRS	Internal Revenue Service
SEID	Standard Employee Identifier
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,  
contact our hotline on the web at [www.tigta.gov](http://www.tigta.gov) or via e-mail at  
[oi.govreports@tigta.treas.gov](mailto:oi.govreports@tigta.treas.gov).**

**To make suggestions to improve IRS policies, processes, or systems  
affecting taxpayers, contact us at [www.tigta.gov/form/suggestions](http://www.tigta.gov/form/suggestions).**

Information you provide is confidential, and you may remain anonymous.