Victims of Identity Theft Continue to Experience Delays and Errors in Receiving Refunds

March 20, 2015

Reference Number: 2015-40-024

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

VICTIMS OF IDENTITY THEFT CONTINUE TO EXPERIENCE DELAYS AND ERRORS IN RECEIVING REFUNDS

Highlights

Final Report issued on March 20, 2015

Highlights of Reference Number: 2015-40-024 to the Internal Revenue Service Commissioner, Wage and Investment Division.

IMPACT ON TAXPAYERS

Identity theft for the purpose of committing refund fraud occurs when an individual uses another person's name and Taxpayer Identification Number (generally a Social Security Number) to file a fraudulent tax return and obtain a fraudulent tax refund. 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.

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 is improving its assistance to victims of identity theft.

WHAT TIGTA FOUND

Identity theft victims experienced long delays in resolving their tax accounts in Fiscal Year 2013. Our review of a statistically valid sample of 100 identity theft tax accounts resolved in the Accounts Management function between October 1, 2012, and September 30, 2013, identified that the IRS took an average 278 days to resolve the tax accounts.

In addition, our review continues to identify errors made on the tax accounts of victims of identity theft. For example, of the 100 tax accounts that TIGTA reviewed, the IRS did not correctly resolve 17 (17 percent) accounts. Based on the results of our sample of 100 identity theft tax accounts resolved during the period October 1, 2012, to September 30, 2013, TIGTA estimates that of the 267,692 taxpayers whose accounts were resolved, 25,565 (10 percent) may have been incorrectly resolved, resulting in the delay of refunds or the victim receiving an incorrect refund amount.

Finally, TIGTA continues to find that the information the IRS reports related to the time period for case processing and resolution is misleading. For example, the IRS informs taxpayers who inquire about the status of their identity theft case that cases are resolved within 180 days.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS:

1. Analyze identity theft case reassignments and revise inventory management processes to reduce case reassignments.
2. Develop a comprehensive identity theft training course to ensure that assistors are capable of handling complex cases.
3. Develop processes and procedures to ensure that case closing actions and account adjustments are accurate.
4. Develop processes and procedures to accurately calculate the average time it takes to fully resolve taxpayer accounts affected by identity theft.
5. Develop processes and procedures to accurately report the number of identity theft cases resolved to include only those taxpayers for whom the IRS fully resolves their account and issues any refunds due.

The IRS agreed with three recommendations and partially agreed with another recommendation. The IRS disagreed with the recommendation to develop processes and procedures to calculate the average time it takes to fully resolve taxpayer accounts. TIGTA continues to believe that further actions are needed to improve its tracking of these timeframes. Until this is corrected, the IRS will continue to provide an inaccurate account resolution timeframe to taxpayers due a refund.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

March 20, 2015

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Victims of Identity Theft Continue to Experience Delays and Errors in Receiving Refunds (Audit # 201340036)

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 was included in the Treasury Inspector General for Tax Administration's Fiscal Year 2014 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

As the IRS notes in its response, this report is specific to those identity theft cases in which the victims were due a refund. These are the cases in which the timeframe for resolution is the most critical because victims are waiting for their refund. This is specified in the report and in the Detailed Scope and Objectives appendix.

The IRS also noted that a portion of our sample were accounts that it closed during the three months prior to its procedural changes implemented in January 2013. Our statistically valid sample consisted of tax accounts that the IRS closed in the most recent 12 months prior to the start of our audit. The IRS closed a higher percentage of cases in the first quarter of the fiscal year; 84,840 (32 percent) of the 267,692 identity theft accounts resolved in Fiscal Year 2013 were closed during the three months prior to January 2013. As such, the statistical sample for the full year included accounts closed during this period.

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

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

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Abbreviations

CIS	Correspondence Imaging System
CY	Calendar Year
FY	Fiscal Year
IDRS	Integrated Data Retrieval System
IRS	Internal Revenue Service
SPC	Special Processing Code
SSN	Social Security Number
TIGTA	Treasury Inspector General for Tax Administration

Background

Identity theft for the purpose of committing refund fraud occurs when an individual uses another person's name and Taxpayer Identification Number[1] (generally a Social Security Number (SSN)) to file a fraudulent tax return and obtain a fraudulent tax refund. Figure 1 provides an illustrative description of identity theft refund fraud.

Figure 1: Description of Refund Fraud

Source: Treasury Inspector General for Tax Administration (TIGTA) analysis of the identity theft process as it affects the Internal Revenue Service (IRS) and taxpayers.

The IRS developed identity theft indicators to mark and track the types of identity theft incidents (IRS-identified[2] or taxpayer-initiated[3]) and the actions taken by employees on taxpayer accounts.

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[1] A nine-digit number assigned to taxpayers for identification purposes. The Taxpayer Identification Number is an Employer Identification Number, an SSN, or an Individual Taxpayer Identification Number.
[2] Cases for which the IRS proactively identified the taxpayer as a potential identity theft victim.
[3] Cases 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 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.

For example, an identity theft indicator is input on affected taxpayer accounts when the IRS receives the taxpayers' documentation supporting the identity theft claim. Another indicator is then input after the IRS resolves the case. Figure 2 shows the number of incidents and taxpayers reported by the IRS during Calendar Years (CY) 2010 through 2013.

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

	IRS-Identified		Taxpayer-Initiated		Total	
Calendar Year	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	2,542,488	2,106,932	376,996	309,841	2,919,484	2,416,773

Source: IRS Identity Protection Incident Tracking Statistics Reports.

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

The majority (69 percent)[4] of taxpayer-initiated cases are originated and worked in the Wage and Investment Division's Accounts Management function. This function places 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. The Accounts Management function has six identity theft specialized groups[5] to address the complexities that accompany identity theft cases. The formation of these groups was 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 Years[6] (FY) 2011 through 2014.[7]

[4] IRS Identity Protection Incident Tracking Statistics Reports.
[5] These groups are located in Fresno, California; Atlanta, Georgia; Kansas City, Missouri; Brookhaven, New York; Philadelphia, Pennsylvania; and Austin, Texas.
[6] Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
[7] The Accounts Management function does not compile its case inventory by unique taxpayer but rather by Identity Theft Case Processing Category Codes for some analysis and Integrated Data Retrieval System (IDRS) control bases for others. This method results in multiple cases or control bases for the same taxpayer.

Figure 3: Accounts Management Identity Theft Inventory From FY 2011 Through FY 2014

Identity Theft Inventory	FY 2011	FY 2012	FY 2013	FY 2014
Beginning Inventory	36,618	99,894	382,329	127,303
Receipts	184,501	654,564	607,055	634,623
Closures	121,225	372,129	862,081	722,614
Ending Inventory	99,894	382,329	127,303	39,312

Source: *Accounts Management function identity theft inventory records.*

Process to assist victims of taxpayer-initiated identity theft

Tax-related identity theft 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. Many taxpayers learn that they are a victim of tax-related identity theft when they attempt to file their electronic tax return and the IRS rejects it because someone else (an identity thief) already filed a tax return using the same SSN. The IRS advises the taxpayer to submit a paper tax return with an attached Form 14039, *Identity Theft Affidavit*, or police report. After the paper tax return and affidavit or police report are received by the IRS's Submission Processing Receipt and Control function, the documents are scanned into electronic images in the Correspondence Imaging System (CIS)[8], and an identity theft case is created.

In addition, IRS employees in the Receipt and Control function input all the information from the tax return and attachments into the IRS Individual Master File.[9] The input of the tax return generates a Notice CP 01S or CP 701, *We received your Form 14039 or similar statement for your identity theft claim*, being sent to the taxpayer acknowledging receipt of the documentation. Once created, identity theft cases are then assigned to assistors who work to resolve the cases, which includes determining the true owner of the SSN, correcting the innocent taxpayer's tax account, and placing a closing identity theft indicator on the innocent taxpayer's tax account.

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

In September 2013, we reported that our review of a statistically valid sample of 100 identity theft accounts resolved August 1, 2011, through July 31, 2012, found that taxpayers encountered significant delays in having their tax accounts resolved.[10] Resolution averaged 312 days with an

[8] A system for scanning all receipts into digital images.
[9] The IRS database that maintains transactions or records of individual tax accounts.
[10] TIGTA, Ref. No. 2013-40-129, *Case Processing Delays and Tax Account Errors Increased Hardship for Victims of Identity Theft* (Sept. 2013).

average of 277 days of inactivity, *i.e.*, no work was performed on the case, and tax accounts were assigned to an average of 10 assistors during processing. In addition, 25 (25 percent) tax accounts were not correctly resolved, resulting in delayed and incorrect refunds. We also reported that IRS assistors were instructed to inform taxpayers who inquire about the status of their identity theft case that the time period for resolving their case would be 180 days. The IRS's own documentation showed that the actual number of days it took to resolve identity theft cases ranged from 228 to 298 days.

We recommended that the IRS: 1) ensure that assistors assigned to identity theft cases work these cases exclusively and are provided with ongoing training and the ability to perform all actions to work these cases to conclusion and 2) develop clear and consistent processes and procedures to ensure that taxpayer accounts are correctly updated when cases are closed. The IRS agreed with our recommendations and stated that it had already implemented new processes that resolved a significant number of accounts and reduced case processing times. The IRS also stated that the time to close a case had dropped to 120 days for cases received in Filing Season 2013.

This review is a follow-up to our September 2013 audit. This audit was performed in the Wage and Investment Division's Customer Account Services function in Atlanta, Georgia, and at Submission Processing Sites[11] in Fresno, California; Atlanta, Georgia; and Austin, Texas, during the period September 2013 through October 2014. 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. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

[11] Site at which tax return submissions (both paper and electronic), payments, and refunds are processed.

Results of Review

Identity Theft Victims Continue to Experience Long Delays in Having Their Tax Accounts Resolved

Our review of a statistically valid sample of 100 taxpayer identity theft accounts[12] resolved in the Accounts Management function between October 1, 2012, and September 30, 2013, identified that the IRS took an average of 278 days to resolve the tax accounts. Although this is 34 days on average less than the time reported in our previous review, it still represents a significant delay for taxpayers to have their tax accounts corrected and refunds issued. Resolution of the tax accounts took from 16 to 762 days 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 the IRS took to resolve the tax accounts we reviewed.

Figure 4: Days Taken to Resolve Identity Theft Tax Accounts

Number of Cases	Percent	Range of Days to Resolve Cases
12	12	Less Than 151
14	14	151 to 200
18	18	201 to 250
18	18	251 to 300
18	18	301 to 365
9	9	366 to 400
6	6	401 to 500
5	5	More Than 500

Source: *TIGTA analysis of a sample of 100 identity theft cases resolved between October 1, 2012, and September 30, 2013.*

[12] The accounts we evaluated were ones in which the IRS issued a refund to the taxpayer after the account was resolved.

The IRS continues to take actions in an effort to expedite identity theft case processing. For example, the IRS initiated a new process in June 2012 requiring employees in its Submission Processing functions to mark a special processing code on incoming tax returns that have an attached *Identity Theft Affidavit* or police report. This code identifies that the filer is self-reporting that they are a victim of identity theft and allows the IRS to route the tax return directly to one of the specialized identity theft groups in the Accounts Management function, bypassing the duplicate filing area.[13] IRS management indicates that this is intended to reduce case processing by one to two months. For the 100 identity theft tax accounts we reviewed, 16 of the tax returns were received in FY 2013 and processed using the new special processing. The IRS resolved these accounts in an average of 174 days compared to the overall average of 278 days taken to resolve all accounts.

We determined that the new procedures appear to be working as intended. Employees are correctly marking tax returns which, once marked, are bypassing the duplicate filing area. For example, we identified that 394,953 (99 percent) of the 395,261[14] identity theft cases created in the CIS in FY 2013 did not have a duplicate filing code. This means that, for those cases created due to receipt of a tax return with an attached identity theft affidavit, the tax return bypassed the duplicate filing area as intended. We examined the remaining 308 cases and determined that they did have a duplicate filing code and were later marked with an identity theft code meaning that the taxpayer may[15] have provided an affidavit with his or her return and the return was not correctly marked with the special processing code. In addition, we found that once marked with the special processing code, tax returns were in fact bypassing the duplicate filing area. For example, 73,551 (98 percent) of the 75,332 tax returns received in FY 2013 and marked with the new special processing code bypassed the duplicate filing area as intended.

The Accounts Management function's operating guidance requires cases to be prioritized based on age and then by priority case type, such as a statute-imminent,[16] disaster claim,[17] or identity theft case. The guidance also requires management to reassign priority cases as necessary to ensure timely resolution and that the oldest cases are worked first. In response to the results of our case reviews, some IRS management officials indicated that the following factors contributed to the continued long delays in the processing of the identity theft cases:

[13] The duplicate filing area is where employees work to resolve duplicate filing conditions such as when a duplicate or amended tax return posts to a tax account with an original return already posted to the account.
[14] Not all CIS cases involve a tax return. In addition, we omitted from this universe of identity theft cases those cases associated with the special processing code.
[15] CIS correspondence category codes indicate the IRS received correspondence from a taxpayer, but the codes do not define the type of correspondence.
[16] A statute-imminent case is one in which the IRS is at risk of not taking actions on cases before the statute of limitations expires.
[17] Taxpayers who live in an area for which the President issues a "Declaration of Emergency or Major Disaster" may file disaster claims using Form 4684, *Casualties and Thefts*.

- Excessive inventories assigned to assistors. Prior to FY 2013,[18] assistors had case inventories averaging 250 cases, which was unmanageable. Accounts Management function guidance for managers in FYs 2012 and 2013 required assistors' inventories to be limited to no more than 50 cases. Site management had some flexibility and could consider the number of trained assistors per program and the volume of cases in the sites' inventories when determining the optimum assistor inventory.
- The Automated Age Listing[19] report was not showing the oldest cases first in assistors' inventories, which led to the assistors not prioritizing their assigned cases in conformance with case processing guidelines.
- New managers in the Accounts Management function were not familiar with managing and redistributing case inventory to other managers who had fewer cases and available assistors.

Cases were held in inventory holding queues without being assigned to an assistor for completion

The cases for the 100 accounts that we reviewed were assigned to an average of seven different assistors prior to the case being resolved. Although this is an improvement over cases being assigned to an average of 10 assistors as found in our prior review, these frequent case transfers can sometimes contribute to case inactivity and processing delays. Inactivity on the cases averaged 254 days, which is an improvement over the 277 days reported in our previous review.

Contributing to the significant delays was the Accounts Management function's inadequate processes and procedures to cover reassignment of cases among the six identity theft specialized group sites, and managers, assistor team leads, and assistors at these sites. Cases were often reassigned in bulk by Accounts Management function Headquarters analysts, site inventory control managers, and assistor manager and team leads attempting to find assistors with lower inventories. Although the bulk reassignment of cases provides flexibility in managing inventories, the cases reassigned sometime remain in inventory at the site, manager, or team lead (holding queue) level where they are not being actively worked. Cases are worked only after assignment to an assistor from site, manager, or team lead inventories.

To determine the root cause for the frequent transfers, we examined the cases for a judgmental sample[20] of five accounts that had a high level of inactivity and reassignments from the 100 accounts we reviewed. The average time to resolve these five accounts was 390 days. The

[18] Many of these cases were worked in FY 2012 and FY 2013 but were resolved in FY 2013.
[19] The Automated Age Listing is generated weekly and contains all cases controlled to an IDRS number. Each Accounts Management function site can generate an aged list of IDRS cases assigned to a site, team, or unit.
[20] A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.

cases were transferred in and out of site, manager, team lead, and assistor inventories[21] an average of 15 times before resolution. The cases were not assigned to an assistor for an average of 270 days, accounting for 69 percent of the 390 average days the cases were open. Figure 5 provides a comparison of the length of time the cases spent in site, manager, and team lead inventory (holding queue) to the length of time the cases were assigned to an assistor for resolution.

Figure 5: Comparison of the Length of Time Cases Are Held in an Inventory Holding Queue to the Length of Time Cases Are Assigned to an Assistor for Resolution

Tax Account	Days Open	Reassignments	Days in Holding Queue	Days Assigned to Assistors
1	**1**	**1**	**1**	**1**
1	**1**	**1**	**1**	**1**
1	**1**	**1**	**1**	**1**
1	**1**	**1**	**1**	**1**
1	**1**	**1**	**1**	**1**
Average	**390**	**15**	**270**	**120**

Source: TIGTA analysis of five identity theft accounts resolved between October 1, 2012, and September 30, 2013.

For each of these five tax accounts, we interviewed Accounts Management function officials, including managers, to determine why they made the decision to transfer the case out of their inventory to another holding queue with no action being taken. The officials could not recall the specific circumstances as to why these cases were frequently reassigned among the holding queues. IRS officials did explain that after cases are reassigned in bulk to a site, manager, or team lead with smaller case inventories, some cases remain unassigned to an assistor because managers want to assign identity theft cases to only those assistors trained to work the cases. The IRS informed us that the cases are complex and IRS management is more interested in identifying a trained employee to work an identity theft case than the number of case reassignments. Thus, cases can remain in a manager's inventory, unassigned to an assistor, until the manager finds an available identity theft trained assistor.

Management's above response regarding finding an identity theft trained assistor to work the case is cause for concern because we raised this issue in our prior review. We reported on the

[21] See Appendix V for an illustration of how cases are reassigned among site, manager, lead, and assistor inventories.

complexity of identity theft cases and the need for the IRS to ensure that assistors remain adequately trained. In response to the concerns we raised, IRS officials informed us that *all assistors* received required training in CY 2012. The IRS did not plan to schedule any additional identity theft training for the remainder of FY 2013 or FY 2014, other than to provide basic training in FY 2013 for employees who had not received it.

An initiative was implemented in an effort to reduce over-aged identity theft inventories

In FY 2013, the IRS implemented an initiative in the Accounts Management functions in Fresno, California; Atlanta, Georgia, and Austin, Texas, to reduce their over-aged identity theft inventories. The officials in these three sites took similar approaches to significantly reduce their site's over-aged case inventories quickly. For example:

- The Atlanta site assembled an identity theft "strike" team in February 2013 to identify identity theft cases that had been open 365 days or longer. The team then screened the cases and assigned the same case types to assistors for resolution. This approach allowed the Atlanta site to resolve more than 10,000 identity theft cases.
- The Austin site created a team to identify over-aged inventories by analyzing the Automated Age Listing to identify cases that could be resolved quickly. Over-aged case inventory at this site was reduced from 79 percent for the week ending February 16, 2013, to 14 percent for the week ending September 28, 2013.
- The Fresno inventory control manager identified the identity theft cases open 365 days or more and provided a list of cases to a "triage" team of assistors who analyzed and resolved the cases. In addition, some employees worked as screeners to identify and concurrently resolve cases that could be resolved in a relatively short time. From October 2012 to August 2013, the Fresno site reduced its identity theft open inventory from 167,766 cases to 59,725, a 64 percent decrease.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Complete an analysis of identity theft case reassignments and revise inventory management processes to reduce the number of times cases are reassigned.

> ***Management's Response:*** The IRS agreed with this recommendation. The IRS will analyze identity theft cases to evaluate the impact reassignments have on case resolution time. If warranted by the analysis, the IRS will revise reassignment guidelines accordingly.

Recommendation 2: Develop a comprehensive identity theft training course to ensure that assistors are capable of handling complex cases so that managers do not delay assignment waiting for a trained assistor.

> ***Management's Response:*** The IRS agreed with this recommendation. A complete identity theft training program already exists and is provided to every assistor working identity theft cases. The timely resolution of these cases is a high priority for the IRS; however, the workload addressed by the Accounts Management function is diverse and varies in complexity. Consequently, not all assistors are trained to work every program. The IRS frequently evaluates its inventory of all casework and ensures that staffing levels of trained employees are adequate to provide balanced coverage for all types of work, including identity theft. The IRS will continue to evaluate the effectiveness of its training and make appropriate improvements.

Processes Are Not Effective to Ensure That Tax Accounts Are Correctly Resolved, Resulting in Delayed and Incorrect Refunds

Our review identified that errors continue to be made on the tax accounts of victims of identity theft. For example, the IRS did not correctly resolve 17 (17 percent)[22] of the 100 accounts we reviewed. The errors resulted in delayed refunds and required the IRS to reopen a case and take additional actions to resolve the errors. For 11 of the 17 accounts, the IRS issued an incorrect refund amount. For one of the incorrect refunds, the taxpayer identified the error and called the IRS to dispute the incorrect refund amount received. Based on the results of our sample of 100 identity theft tax accounts resolved during the period October 1, 2012, to September 30, 2013, we estimate that of the 267,692 taxpayers whose accounts were resolved, 25,565[23] (10 percent) may have been incorrectly resolved, resulting in the delay of refunds or the victim receiving an incorrect refund amount. This wastes additional resources to resolve the errors and creates further burden for victims of identity theft.

The 17 percent error rate is an improvement over the 25 percent error rate we identified in our prior review. We attribute this improvement to IRS corrective actions to revise and improve its internal procedures. In addition, we asked 207 assistors who routinely work identity theft cases whether internal guidance was clear and sufficient. We noted that 172 (83 percent) assistors responded that the procedures were clear and allow them to complete their work successfully. This response is an improvement over the 73 percent of assistors surveyed in our prior audit who responded that identity theft procedures were confusing. Figure 7 shows the type of errors found in the 17 accounts along with the effect on the taxpayers.

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[22] The point estimate error rate for the percent of errors is 17 percent (17/100). We are 95 percent confident that the true population exception rate is between 9.60 percent and 24.4 percent.
[23] The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate is between 13,979 and 37,153.

Figure 7: Type of Identity Theft Account Errors and Their Effect on Taxpayers

Type of Error	Definition	Number of Cases	Effect
Adjustment	Assistor incorrectly adjusted the tax account. ************1************** *************1****************.	**11**	The taxpayer's refund was delayed. The taxpayer also received an incorrect refund amount.
Posting	Assistor incorrectly input a freeze or holding code.[24]	**5**	The taxpayer's refund was delayed.
*****1*******	*********1********************** ****************1********.	**1**	*************1*********** ******1******.

Source: TIGTA analysis of 17 identity theft accounts resolved between October 1, 2012, and September 30, 2013.

IRS officials stated that the errors we identified were the result of employees not correctly performing the adjustment work on the tax accounts. The officials also stated that, "while we would like to achieve 100% accuracy on all of our adjustments, errors do occur, which is why we have our quality review process. The quality review process aids in identifying any problems so that appropriate feedback and training can be provided."

Recommendation

Recommendation 3: The Commissioner, Wage and Investment Division, should develop processes and procedures to ensure that case closing actions and account adjustments are accurate.

> ***Management's Response:*** The IRS agreed with this recommendation. The IRS indicated that a review process is in place to review case closures and ensure the timely detection of error trends so they can be addressed and corrected. On October 1, 2013, a unique Specialized Product Review Group was launched specifically for the purpose of measuring the accuracy of identity theft paper adjustments. The group performs a separate review process that simplifies the identification of error trends and improves the IRS's ability to initiate corrective action. Bi-weekly conference calls are held with the campuses working identity theft cases to review the quality reports and share improvement ideas.

[24] Alpha codes applied to a taxpayer's account that identify specific conditions and restrict normal systemic processing, such as stopping notices and refunds.

The Information Reported for Case Processing and Resolution Time Is Misleading

IRS guidance in FY 2013 instructed employees to inform taxpayers who inquire about the status of their identity theft case that cases are resolved within 180 days. In our prior review, we reported that the IRS's own case processing data did not support the 180-day resolution time period. In fact, IRS data showed case resolutions were taking between 228 to 298 days.

Subsequently, the IRS reported to stakeholders, such as the IRS Oversight Board, that identity theft cases were actually being resolved in approximately 120 days. Our review of IRS documentation shows that the IRS excluded the majority of cases closed in FY 2013 when calculating the time period. Specifically, the IRS excluded 454,049 (66 percent) of 691,251 cases closed in FY 2013 that were received prior to FY 2013. The IRS calculated its 120-day period using only those 237,202 cases that it received in FY 2013, whereas the IRS's calculation of the average time to close *all* cases in FY 2013 shows that it took an average of 254 days. When we brought this to management's attention, they indicated that they believe the 120-day period is more accurate because it reflects the closure rate of victims' cases that were identified and resolved in FY 2013.

The IRS continues to calculate identity theft case resolution time frames that do not consider the full account resolution time

As we have continually reported, the IRS's calculation of the time to resolve identify theft cases does not factor in all of the time taken to provide a correct refund. The IRS continues to base its estimates of identity theft case resolution on the average days assistors take to resolve individual CIS cases rather than the average time to resolve victims' identity theft cases, adjust their tax accounts, and issue any refunds due.

This distinction is significant because the CIS usually has multiple cases associated with a specific tax account, and the IRS does not issue a refund on that tax return until all cases associated with that tax return are resolved. The multiple CIS cases can result from IRS receipt of multiple submissions of documentation from victims. For example, the sample of 100 taxpayer identity theft accounts we reviewed had a total of 213 associated CIS cases. Depending on factors such as availability of documentation, availability of employees, and reassignments, some cases are closed quickly, while others take much longer.

When the IRS provides misleading identity theft case resolution time periods, it creates a false portrayal of improvement to stakeholders and makes it more difficult for the IRS to gage and improve its own operations. Moreover, taxpayers continue to be frustrated about how long it takes to resolve their cases and seek alternatives to help with resolution such as an IRS Taxpayer Assistance Center, the Taxpayer Advocate Service,[25] or a member of Congress.

Identity theft case resolutions do not reflect the number of taxpayers assisted

A similar problem results because of the way the IRS uses Integrated Data Retrieval System (IDRS)[26] information to report the number of identity theft cases the IRS resolves during a given period. Using IDRS information significantly inflates and overstates the number of taxpayers assisted because the IDRS, similar to the CIS, has multiple cases for the same victim. For example, using IDRS case closures, the IRS reported that it resolved 862,081 identity theft cases during FY 2013, when in fact the IRS actually assisted 602,728 taxpayers.

Thus, the number of taxpayers assisted was 30 percent less than the number of case closures. In its 2013 report to Congress, the IRS Oversight Board reported that the IRS had resolved 800,000 identity theft tax refund fraud cases. The IRS does not clarify or explain to stakeholders the difference between "cases resolved" and "taxpayers assisted." Accounts Management function officials informed us that funding limitations and other priorities have prevented the IRS from updating its systems to accurately provide the number of taxpayers assisted.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 4: Develop processes and procedures to accurately calculate the average time it takes to fully resolve taxpayer accounts affected by identity theft. The time should be based on the average period between the date the IRS receives the taxpayers' tax returns and the date the tax refunds are issued.

> ***Management's Response:*** The IRS indicated that it will consider other computations that could be incorporated into IRS current methodology and will determine if they are feasible modification to the existing process. However, the IRS did not agree to implement the recommendation because of concern that it would omit accounts that do not involve a refund due. IRS believes the methodology for determining the average time to fully resolve taxpayer accounts affected by identity theft should include all closed cases and should be quantifiable over various periods of time. The IRS stated that the recommended action would provide closure data on only a portion of the

[25] The Taxpayer Advocate Service coordinates with the Accounts Management and other functions to ensure that cases are expedited in an effort to relieve taxpayer hardships. Hardships include 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).

[26] IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.

total population and would be resource intensive due to the amount of continuous sampling needed to provide reportable results.

Office of Audit Comment: We do not agree that to track these cases properly would be resource intensive or require continuous sampling. All identity theft cases should be tracked properly, whether or not there is a refund due. However, the most significant burden caused by delays in this process falls on taxpayers who are waiting for their refund. IRS continues to base its estimates of identity theft case resolution on the average days assistors take to resolve individual CIS cases rather than the average timeframe to resolve victims' tax accounts and issue any refunds due. Until this is corrected, the IRS will continue to provide an inaccurate account resolution timeframe to taxpayers due a refund.

Recommendation 5: Develop processes and procedures to accurately report the number of identity theft cases resolved, including only those taxpayers for whom the IRS fully resolves their account and issues any refunds due. Until these processes and procedures are established, the IRS should disclose in reports the difference between cases resolved and taxpayers assisted.

Management's Response: The IRS partially agreed with this recommendation. Limited resources preclude both the manual analysis and systemic programming needed to separately report the volume of cases and accounts resolved. The IRS will annotate its identity theft reports that the volume of closed cases can include multiple cases for unique taxpayers.

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether the IRS is improving its assistance to victims of identity theft. To accomplish our objective, we:

I. Assessed the accuracy and validity of the data and reports the IRS used to justify informing taxpayers that their cases would be resolved within 180 days and for the IRS's claim that cases are now being resolved within 120 days.

   A. Analyzed the statistical data that supports the IRS's calculation that cases are resolved within 120 days.

   B. For resolved taxpayer cases in which the refund was issued, assessed the data to determine the number of days to resolve the cases applicable to one taxpayer and one tax period regardless of the category code. We averaged the total number of days and compared the results to the IRS CIS closure results.

   C. Used the SSNs and applicable tax periods from the Individual Master File[1] to determine the period from when the rightful owner of the SSN files the tax return to when the refund was paid. We compared the results to the IRS's period to determine if they are comparable.

II. Assessed the accuracy and validity of the data and reports the IRS used to report its identity theft case resolutions and ending identity theft inventory.

   A. Requested data to support the 180-day statement and determined this period to be a goal and estimate.

   B. Analyzed identity theft statistical data on the TIGTA Data Center Warehouse to validate the 120-day resolution statements by the IRS.

   C. Analyzed IRS statistical data concerning FY 2013 identity theft case resolutions.

III. Assessed the Special Processing Code (SPC) 8 process used when a taxpayer submits a tax return with an attached Form 14039, *Identity Theft Affidavit*, or police report.

   A. Assessed the guidelines associated with the SPC 8 process to determine if they were adequate.

[1] The IRS database that maintains transactions or records of individual tax accounts.

B. Identified the population of tax returns correctly coded with an SPC 8 during FY[2] 2013 by requesting an extract from the Individual Master File of tax returns processed with a Transaction Code 971 and an Action Code 805.[3]

   1. For these returns, determined whether they were correctly routed to the Identity Theft units by identifying if the tax return was first categorized as an identity theft tax return or a duplicate tax return.

   2. Determined the population of SPC 8 tax returns categorized with a duplicate filing category code, the period to process these returns, and any breakdown in the IRS's procedures.

C. Identified the population of tax returns for which the SPC 8 process was not followed during FY 2013, *i.e.*, identity theft tax returns not stamped with an SPC 8 and instead routed directly to the duplicate filing area.

   1. Identified the tax returns for which the affidavit or the police report was separated from the tax returns.

   2. Identified identity theft tax returns not coded with an SPC 8 and categorized with a duplicate filing category code, then with a subsequent identity theft category code and a correspondence category code. We then determined the population, the additional time to process these returns, and any breakdown in the IRS's procedures.

   3. Assessed the process and determined whether the SPC 8 process shortens the time to process an identity theft tax case. We calculated the number of days saved by this new process.

IV. Assessed whether the IRS timely and accurately resolved identity theft tax accounts and compared the results to the results of our previous audit.[4] For the statistically valid sample, we:

A. Based on a projected error rate of 7 percent, precision rate of ± 5 percent, and a confidence interval of 95 percent, randomly selected a statistically valid sample of 200 taxpayer accounts from the population of 267,692 that were closed during the period October 1, 2012, through September 30, 2013. We analyzed 178 accounts until we identified a sample of 100 accounts for which the taxpayer had received a

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[2] Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
[3] A transaction code is used to identify a transaction being processed and to maintain a history of actions posted to a taxpayer's account on the Master File. Every transaction processed must contain a transaction code. An action code further describes the transaction.
[4] TIGTA, Ref. No. 2013-40-129, *Case Processing Delays and Tax Account Errors Increased Hardship for Victims of Identity Theft* (Sept. 2013).

refund. We eliminated accounts for which the taxpayer was deceased, had a balance due, did not have a filing requirement, or the identity theft involved a secondary filer.

1. Identified the population of identity theft accounts from an Individual Master File extract in which accounts showed identity theft indicators that were input by the Accounts Management function. For each sampled account, we determined the number of days it took to resolve the identity theft tax account. We based our calculation of tax account resolution on the days from when the rightful taxpayer filed his or her paper tax return to the date the IRS issued the correct refund to the taxpayer. Our contract statistician reviewed our projections.
2. Determined the number of assistors assigned to the tax account.
3. Determined the amount of inactivity per taxpayer account.
4. Determined the number of CIS cases open and closed related to the taxpayer's identity theft tax account.
5. Discussed our sampling methodologies with our contract statistician to obtain agreement and ensure that we could project the error rates to the populations when needed.

B. Judgmentally[5] identified a sample of five cases from our sample of 100 that had significant days of inactivity and reassignments. These cases were identified so we could interview managers and employees for causes of the inactivity and reassignments. We used a judgmental sample because we did not intend to project the results of this test to the entire population.

V. Surveyed 207 identity theft case workers, using a questionnaire, to determine whether training is sufficient and the Internal Revenue Manual is clear. We also interviewed inventory control coordinators, analysts, and employees in the duplicate filing area of the Accounts Management function.

VI. Evaluated updates to Internal Revenue Manual procedures, job aids, and any guidelines used to work identity theft cases. We also assessed whether the training case workers received during FY 2013 was sufficient.

A. Interviewed identity theft case workers regarding the Internal Revenue Manuals, job aides, and training.

B. Determined how errors are identified, including SPC 8 errors, and obtained any operational reviews.

[5] A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.

Validity and reliability of data from computer-based systems

Data used to select the statistically valid sample in Steps III. and IV. were validated by selecting an independent sample of the data extract to validate. We assessed the reliability of both data extracts from the Individual Master File by: 1) requesting and receiving data extracts with specific criteria from the TIGTA Strategic Data Services Division, 2) performing preliminary tests to ensure that the extracts contained the data requested in a useable format, and 3) selecting a judgmental sample of cases from each extract to verify that the data elements extracted matched the taxpayer account information on the IDRS.[6] We determined that the data were valid and reliable for the 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: 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.

[6] IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.

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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Appendix III

Report Distribution List

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Director, Submission Processing, Wage and Investment Division SE:W:CAS:SP
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Chief, Program Evaluation and Improvement, Wage and Investment Division SE:W:S:PEI

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:

- Taxpayer Burden – Potential; 25,565 taxpayers affected (see page 10).

Methodology Used to Measure the Reported Benefit:

Our review of a statistically valid sample of 100 taxpayers victimized by identity theft found that the IRS made errors on 17 taxpayers' accounts. These errors resulted in delayed refunds to all 17 taxpayers including 11 who received an incorrect refund amount. The IRS had to reopen the identity theft cases and take additional actions to resolve the errors.

The IRS resolved the identity theft case for 267,692 taxpayers from October 1, 2012, through September 30, 2013, which is the period from which we selected our sample. Based on the error rate we identified, we estimate that 25,565[1] taxpayers received a delayed refund or an incorrect refund amount.

[1] The point estimate number of exception cases is 25,565 ((17/178)*267,692). We are 95 percent confident that the true population number of exception cases is between 13,979 and 37,153.

Appendix V

Case Reassignments Among Sites, Managers, Team Leads, and Assistors

The following table illustrates a composite example of how cases were reassigned for the five tax accounts we evaluated that had a high level of inactivity and reassignment.

Count	Date	From	To	Purpose
1	***1***	***1***	***1***	********************1************************* ********************1*******************************
2	***1***	***1***	***1***	********************1************************* ********************1****************************** ******************1*****************
3	***1***	***1***	***1***	********************1************************* ********************1*******************************
4	***1***	***1***	***1***	********************1************************* ********************1****************************** *************1******************
5	***1***	***1***	***1***	********************1************************* ********************1****************************** ********************1************************
6	***1***	***1***	***1***	********************1************************* ********************1***************************** ***********1******************
7	***1***	***1***	***1***	********************1************************* ********************1****************************** *************1*********************
8	***1***	***1***	***1***	********************1************************* ********************1***************************** *********************1*************************** **********1*********
9	***1***	***1***	***1***	********************1************************* ********************1***************************** ********1***************

Count	Date	From	To	Purpose
10	***1***	***1***	***1***	********************1************************* ********************1****************************** *********************1********
11	***1***	***1***	***1***	********************1************************* ********************1*******************************
12	***1***	***1***	***1***	********************1************************* ********************1****************************** ********1**************
13	***1***	***1***	***1***	********************1************************* ********************1*******************************
14	***1***	***1***	***1***	********************1************************* ********************1****************************** **********1***************
15	***1***	***1***	***1***	********************1************************* ********************1*******************************
	1	***1***	***1***	********************1************************

Source: TIGTA analysis of identity theft case reassignments for five tax accounts resolved between October 1, 2012, and September 30, 2013.

Appendix VI

Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

COMMISSIONER
WAGE AND INVESTMENT DIVISION

FEB 26 2015

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Debra Holland Debra Holland
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Victims of Identity Theft Continue to Experience Delays and Errors in Receiving Refunds (Audit # 201340036)

Thank you for the opportunity to respond to the subject draft audit report. Identity Theft (IDT) remains one of the most significant and pervasive threats confronting the United States tax system and the taxpaying public it serves. The IRS continues to search for opportunities to improve the taxpayer experience when confronted with this stressful and unfortunate situation. Although not reflected in the title of the audit report, we appreciate the Treasury Inspector General for Tax Administration's (TIGTA) acknowledgment of the improvements within the IDT processes; specifically, the use of special processing codes to expedite assignment to victim assistance units and the deployment of designated teams to focus on older IDT cases. We believe these initiatives and others have contributed significantly to improvements in the IDT processes and overall IDT inventory levels. Additionally, the IRS has improved its ability to detect IDT refund fraud during return processing so that appropriate actions can be taken immediately to prevent the fraudulent return from adversely affecting the victim's tax account. When victims are impacted, we have also streamlined post-determination processes to ensure refunds are issued more quickly than in the past.

Beyond improvements we have made to our victim assistance processes and our ability to detect and stop IDT refund fraud at the time returns are filed, we have also taken actions to assist taxpayers in safeguarding their tax accounts from being compromised and prevent future victimization. For the 2015 filing season, the IRS has continued the Identity Protection Personal Identification Number (IP PIN) pilot project. An IP PIN is a unique identification number that protects the holder from being victimized by tax-related IDT refund fraud by preventing the processing of returns filed without, or with an incorrect, IP PIN. The IP PIN pilot allows taxpayers who filed their 2013 Federal Income Tax Returns with addresses in Florida, Georgia, and the District of Columbia to

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voluntarily participate in the program by enrolling through IRS.gov[1]. Further, the IRS is offering approximately 1.7 million taxpayers the opportunity to opt in to the IP PIN program in instances where the IRS has identified indications of identity theft on their accounts.

The improvements we implemented within the victim assistance processes have enabled us to decrease the processing time of impacted taxpayers significantly and to decrease the Accounts Management IDT inventories to only 39,312 cases at the end of the 2014 fiscal year. Also, effective October 2014, the IRS consolidated and centralized all IDT work into single operating division (the Wage and Investment Division) in order to maximize efficiency in resolving these cases and further improve the victim assistance process.

We are concerned that the sampling methodology used to identify the cases being reported is not representative of the complete IDT inventory and may be confusing to third party readers. The methodology, which selected a statistically valid sample from the entire population of IDT cases, takes the additional step of eliminating all but those cases where a refund was requested. This makes the conclusions applicable to refund-only cases and not to the total population of case inventory. We believe that this needs to be clearly stated in the report. Many of the cases from which the sample was selected also predate our January 2013 implementation of corrective actions that were in response to recommendations made in the previous report. Therefore, we do not believe the current report fully captures the impact those actions have had on case resolution.

A difference of opinion exists with regard to the effect transferring inventory has on case resolution. The report identifies case transfers as contributing to delays in processing. We believe that transfers do not contribute to delays, but that processing delays contribute to the need to transfer inventory. Standard inventory management procedures include transferring cases to an area or employee with the available capacity to process the case(s). As shown in Figure 3 of the report, inventory levels were highest at the beginning of the 2013 fiscal year. Case transfers are more frequent during periods of high inventory. We are confident that the improved case processing and lower inventories have likewise led to fewer case transfers.

We disagree with the TIGTA's conclusion that the IRS has reported misleading information when reporting case processing and resolution time. The TIGTA was aware of the changes and improvements made to the IDT processes prior to the closing of the previous audit. We believe this follow-up audit should have focused on those improvements and sampled cases received after the initiation of the procedural changes. Instead, the TIGTA selected the sample set from all case closures during the 2013 fiscal year, which included those closed three months prior to the procedural

[1] http://www.irs.gov/Individuals/Get-An-Identity-Protection-PIN

changes. In fact, 46 of the 100 cases sampled were closed prior to January 2013. In essence, half of this sample reviews the same cases as reviewed in the prior audit, and does not reflect the current status of the IDT inventory and processes.

The report expresses concern with our stated processing timeframes of 180 days and also questions our current reported timeframe of 120 days as disclosed in our official response to the previous audit. The 180-day timeframe was determined after analysis of the current inventory in conjunction with the known upcoming procedural changes and dedicated resources. The timeframe is identified in our Internal Revenue Manual procedures as a general guideline to provide to taxpayer inquiries regarding their IDT case. If the case is not processed within that timeframe, the taxpayer will be contacted regarding the status of their case. It should be noted that we achieved that timeframe as anticipated, and then surpassed it. Our response to the previous report clearly indicated the 120-day timeframe was specific to cases received after January 2013. In support of the 120-day timeframe, we have provided the days to close report, methodology, and data on multiple occasions. We believe this methodology most accurately estimates the time to resolution an IDT victim will experience. Further, our methodology for measuring the time to closure is based on the total population of IDT cases, not just those expecting refunds. Consequently, we disagree with the TIGTA's statement that our reported timeframes are misleading.

Attached are our comments to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Ivy McChesney, Director, Customer Account Services, Wage and Investment Division, at (404) 338-8910.

Attachment

Attachment

Recommendations

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1
Complete an analysis of identity theft case reassignments and revise inventory management processes to reduce the number of times cases are reassigned.

CORRECTIVE ACTION
We will analyze identity theft cases to evaluate the impact reassignments have on case resolution time. If warranted by the analysis, we will revise reassignment guidelines accordingly.

IMPLEMENTATION DATE
October 15, 2015

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 2
Develop a comprehensive identity theft training course to ensure that assistors are capable of handling complex cases so that managers do not delay assignment waiting for a trained assistor.

CORRECTIVE ACTION
A comprehensive Identity Theft (IDT) training program already exists and is provided to every assistor working IDT cases. The timely resolution of these cases is a high priority for the IRS; however, the workload addressed by the Accounts Management function is diverse and varies in complexity. Consequently, not all assistors are trained to work every program. We frequently evaluate our inventory of all casework and ensure staffing levels of trained employees is adequate to provide balanced coverage for all types of work, including IDT. We will continue to evaluate the effectiveness of our training and make appropriate improvements.

IMPLEMENTATION DATE
Implemented

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

CORRECTIVE ACTION MONITORING PLAN
N/A

Recommendation

RECOMMENDATION 3
The Commissioner, Wage and Investment Division, should develop processes and procedures to ensure that case closing actions and account adjustments are accurate.

CORRECTIVE ACTION
The IRS has a review process in place to review case closures and ensure the timely detection of error trends so they can be addressed and corrected. On October 1, 2013, a unique Specialized Product Review Group (SPRG) was launched specifically for the purpose of measuring the accuracy of IDT paper adjustments. The IDT SPRG is a separate review process that simplifies the identification of error trends and improves our ability to initiate corrective actions. Bi-weekly conference calls are held with the campuses working IDT cases to review the quality reports and share improvement ideas.

IMPLEMENTATION DATE
Implemented

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

CORRECTIVE ACTION MONITORING PLAN
N/A

Recommendations

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 4
Develop processes and procedures to accurately calculate the average time it takes to fully resolve taxpayer accounts affected by identity theft. The time should be based on the average period between the date the IRS receives the taxpayers' tax returns and the date the tax refunds are issued.

CORRECTIVE ACTION
We disagree with this recommendation as it omits any account where a refund has not been claimed. We believe the methodology for determining the average time to fully resolve taxpayer accounts affected by IDT should include all closed cases and should be quantifiable over various periods of time. The recommended action would provide closure data on only a portion of the total population and would be resource intensive due to the amount of continuous sampling needed to provide reportable results. In the alternative, we will consider other computations that could be incorporated into our current methodology and will determine if they are feasible modifications to the existing process.

IMPLEMENTATION DATE
November 15, 2015

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 5
Develop processes and procedures to accurately report the number of identity theft cases resolved, including only those taxpayers for whom the IRS fully resolves their account and issues any refunds due. Until these processes and procedures are established, the IRS should disclose in reports the difference between cases resolved and taxpayers assisted.

CORRECTIVE ACTION
We are in partial agreement with this recommendation. Limited resources preclude both the manual analysis and systemic programming needed to separately report the volume of cases and accounts resolved. We will annotate our IDT reports that the volume of closed cases can include multiple cases for unique taxpayers.

IMPLEMENTATION DATE
August 15, 2015

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

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CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control system.