

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## Improved Secure Document Safeguarding and Destruction Procedures Are Needed

December 23, 2024

Report Number: 2025-IE-R005

## Why TIGTA Did This Evaluation

This evaluation was initiated because TIGTA's Office of Inspections and Evaluations received a referral from TIGTA's Office of Audit on concerns related to the IRS's sensitive document destruction program. The IRS changed its billing criteria in its national contract for sensitive document destruction in Fiscal Year 2022. This national contract, which covers 387 IRS facilities across the country, went from weight-based to number and type of bins-based billing. The overall objective of this evaluation was to assess the accuracy of billing for sensitive document destruction services and the protection of sensitive documents during the document collection process.

## Impact on Tax Administration

When the IRS pays for actual sensitive document destruction services rendered, it is being good stewards of its operating budget. In addition, the proper collection and destruction of sensitive documents ensures the protection of tax information until it is destroyed.

However, when billing concerns arise or when sensitive documents get exposed to unauthorized disclosure or access prior to destruction, the IRS could be paying for services not received or disclosure law fines. In addition, the IRS could face an erosion of the public trust, which could adversely affect voluntary compliance, the foundation of our nation's tax system.

## What TIGTA Found

The IRS receives and creates a significant volume of sensitive documents and is responsible for protecting these sensitive documents from receipt to disposal. Our evaluation found that improved management oversight is needed to ensure that sensitive documents are properly safeguarded prior to destruction and that these documents are destroyed in a secure manner. We found:

- The IRS has not established or communicated to personnel at its various facilities the standard operating procedures for sensitive document destruction to ensure uniformity and consistency. IRS officials did not know what specific sensitive document destruction procedures were used at 110 of its facilities.
- The IRS did not maintain secure bins as required for sensitive documents waiting to be destroyed. The IRS used open containers and bins with disposal slots that have been altered or were in poor condition, allowing access to discarded sensitive documents.
- The IRS no longer performs on-site inspections at facilities where sensitive documents are brought for destruction to ensure proper disposal.

In addition, improved management oversight is needed to ensure that government funds are being efficiently expended on sensitive document destruction. Specifically, the IRS did not:

- Determine the optimal number, type and/or size of bins needed at its facilities. As such there is no business justification supporting the bin types and sizes located at its various facilities.
- Implement appropriate processes and procedures to ensure that billing is accurate. For example, our review of invoices paid for October 2023 identified charges for more bins than reported by the vendor as being retrieved for destruction.

## What TIGTA Recommended

We made 12 recommendations, including that the Chief, Facilities Management and Security Services, should: develop standard operating procedures for sensitive document safeguarding and destruction; immediately evaluate the 110 facilities to ensure that sensitive document safeguards and destruction procedures are in place; replace bins that have been damaged and altered; perform annual inspections of all facilities used by subcontractors for sensitive document destruction; complete a cost-benefit analysis to ensure optimal bin size and number of bins at all facilities; and develop processes and procedures to ensure that the IRS is only paying for full bins serviced.

IRS management agreed with 7 of the 12 recommendations and agreed in principle to 5 recommendations.



# TREASURY INSPECTOR GENERAL

## for Tax Administration

**DATE:** December 23, 2024

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

**FROM:** Russell P. Martin   
Deputy Inspector General for Inspections and Evaluations

**SUBJECT:** Final Evaluation Report – Improved Secure Document Safeguarding and Destruction Procedures Are Needed (Evaluation No.: IE-24-022)

This report presents the results of our evaluation to assess the accuracy of billing for sensitive document destruction services and the protection of sensitive documents during the document collection process. This evaluation was included in our Fiscal Year 2024 Program Plan and addresses the major management and performance challenge of *Protection of Taxpayer Data and IRS Resources*.

Management's complete response to the draft report is included as Appendix III. If you have any questions, please contact me or Kent Sagara, Director, Inspections and Evaluations.

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## **Background**

In July 2023, we received a referral from the Treasury Inspector General for Tax Administration's (TIGTA) Office of Audit of concerns they identified relating to sensitive document destruction billing. The referral noted that in Fiscal Year 2022, the national vendor who handles the Internal Revenue Service's (IRS) sensitive document destruction at most of its facilities changed its method of billing from weight to billing by the number and type of bins picked up for sensitive document destruction. Concerns were brought to Office of Audit personnel from IRS staff at two tax processing centers that this billing change resulted in the IRS paying twice as much per month for sensitive document destruction.

The IRS is required by Internal Revenue Code § 6103 to protect the confidentiality of tax return and return information from unauthorized disclosure.<sup>1</sup> This requirement applies to documents and paperwork that contain tax return or tax return information received and created by IRS employees to do their jobs. The IRS is responsible for protecting all sensitive information in its possession, including Personally Identifiable Information and Sensitive But Unclassified tax information (hereafter referred to as sensitive documents).

Internal guidelines dictate that all IRS personnel must protect sensitive data from receipt to disposal. The IRS's Facilities Management and Security Services (FMSS) organization has overall responsibility over the IRS's sensitive document destruction program.<sup>2</sup> These responsibilities include ensuring sensitive documents are destroyed in a secure manner in compliance with National Institute of Standards and Technology (NIST) guidelines. These guidelines require federal agencies to properly shred, burn, mulch, pulp, or pulverize sensitive documents beyond recognition and reconstruction.<sup>3</sup>

### **Since October 2009, the IRS has been in contract with the same outside national vendor for its sensitive document destruction services nationwide at most of its facilities**

The national vendor uses subcontractors to provide document destruction services. Subcontractor responsibilities include providing the IRS with lockable secured containers (hereafter referred to as bins). The bins are for use by IRS personnel at its facilities to deposit sensitive documents to prevent unauthorized disclosure or access until these documents are retrieved by the subcontractor for destruction. As of May 2024, this vendor is responsible for handling the destruction of sensitive documents for 387 (75 percent) of 514 IRS facilities. Figure 1 presents the periods of performance and estimated prices for this vendor.

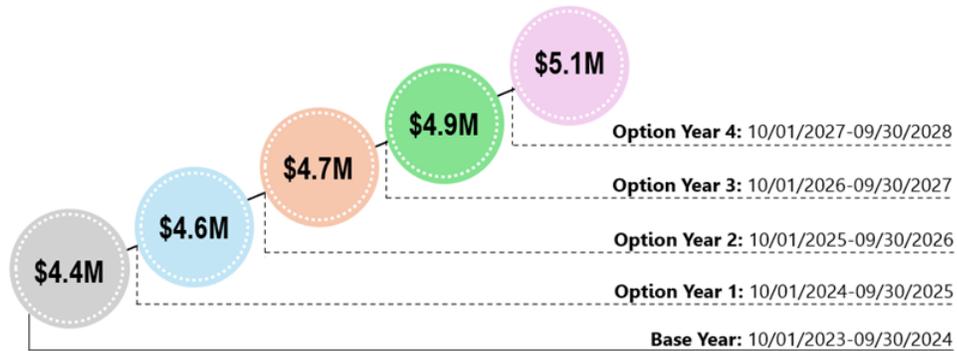
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<sup>1</sup> 26 U.S. Code § 6103, *Confidentiality and disclosure of returns and return information*.

<sup>2</sup> Privacy, Governmental Liaison and Disclosure is the owner of internal policies as it relates to defining protectable information and provides instructions to all employees on proper storage and destruction of documents.

<sup>3</sup> The NIST states that to do business with federal government agencies, contractors and other organizations are required to follow NIST guidelines for protecting the sensitive information they handle.

**Figure 1: Estimated Prices and Periods of Performance of the Contract for National Vendor Document Destruction**



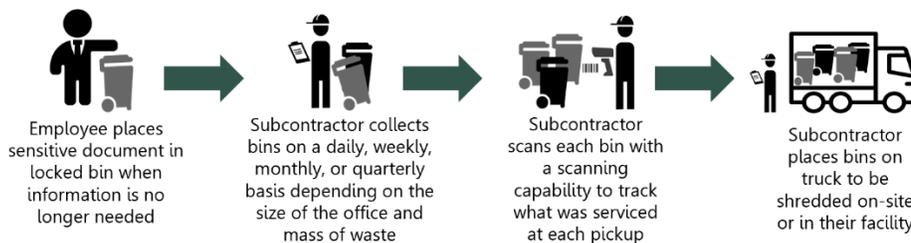
Source: IRS contract with the vendor who provides national coverage of IRS document destruction. M = Million.

Although the IRS has the previously mentioned national contract, not all offices are serviced under this contract. The IRS’s goal is to continue to move the servicing of its sensitive document destruction to the national vendor when possible. However, some of the challenges the IRS faces for facilities currently not serviced by this national vendor include the geographic location, subcontractor availability, and/or volume of sensitive documents to be destroyed. FMSS officials noted that the facilities not serviced by the national vendor are covered by standalone contracts with local vendors or use an approved shredder (*i.e.*, sensitive document destruction is performed by IRS employees on-site via approved shredders).<sup>4</sup>

**Overview of the national vendor destruction process**

As noted previously, the national vendor relies on the use of local subcontractors to complete the destruction of sensitive documents. The subcontractor is responsible for providing lockable sensitive document bins and the IRS is responsible for putting labels on the bins to identify sensitive documents only. The number of bins located at each IRS facility varies from location to location. The subcontractor is responsible for retrieving bins at IRS facilities on a set time frame which depends on the volume of sensitive documents to be destroyed. Once retrieved, these subcontractors are responsible for document destruction at one of its destruction facilities or provide shredding services at the IRS location. Figure 2 provides an overview of the sensitive document destruction process.

**Figure 2: Overview of Sensitive Document Destruction**

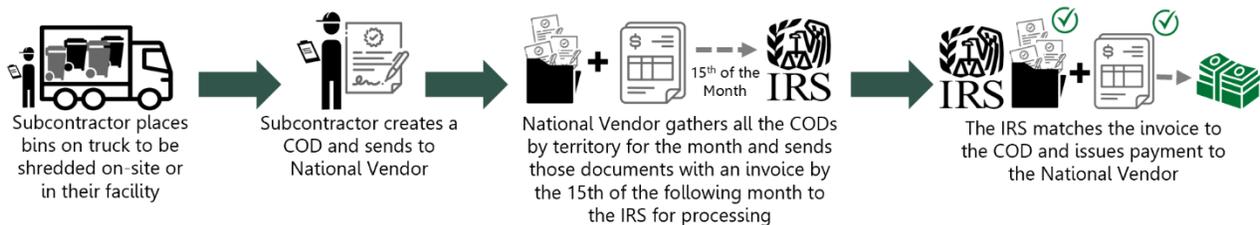


Source: TIGTA research and conversations with FMSS employees and subcontractors.

<sup>4</sup> The IRS has 4 local contracts for sensitive document destruction services, which covers 17 IRS facilities.

Once the sensitive documents are destroyed, the subcontractor completes a Certificate of Destruction (COD) and sends it to the national vendor. The national vendor on a monthly basis compiles the CODs into groupings by a set IRS geographic territory listing. Once grouped by territory, the national vendor sends CODs by the 15<sup>th</sup> of the following month to an FMSS SubContracting Officer Representative (SubCOR) responsible for the specific IRS territory.<sup>5</sup> The SubCOR is then required to match the invoices to the CODs, and once verified, sends to the National Contracting Officer Representative (COR) for payment to the national vendor. Figure 3 below further explains the billing process of sensitive documents.

**Figure 3: Overview of the Billing Process for Sensitive Document Destruction**



*Source: TIGTA research and conversations with FMSS employees and subcontractors.*

## Results of Review

The IRS receives and creates a significant volume of sensitive documents at its various Tax Processing Centers and other offices nationwide. The IRS is responsible for protecting these sensitive documents from receipt to disposal to prevent tax return and return information from unauthorized disclosure. Our evaluation found that improved management oversight is needed to ensure that sensitive documents are properly safeguarded prior to destruction and that these documents are destroyed in a secure manner in compliance with NIST guidelines. For example, during our seven site visits and review we determined:

- The IRS has not established or communicated to personnel at its various facilities the standard operating procedures for sensitive document destruction to ensure uniformity and consistency. FMSS officials did not know what specific sensitive document destruction processes are used at the 110 facilities not covered by national or local contracts and whether these processes ensure that documents are being destroyed in a secure manner in compliance NIST guidelines.
- The IRS did not maintain secure bins as required for sensitive documents waiting to be destroyed. We identified during our site visits that some bins were unlocked, altered, and/or damaged which permits direct access to the discarded sensitive documents. We also identified no consistency in the placement of IRS flyers informing personnel on what constitutes a sensitive document. As such we identified sensitive and non-sensitive documents and waste discarded in sensitive document destruction bins.

<sup>5</sup> FMSS has primary SubCORs who are local to each of the 13 territories, and they are responsible for overseeing the removal of sensitive documents.

- The FMSS organization no longer performs on-site inspections at facilities where sensitive documents are brought for destruction to ensure proper disposal (*e.g.*, shred, burn, mulch, pulp, or pulverize sensitive documents beyond recognition and reconstruction). FMSS officials cited a lack of resources as to why these on-site inspections are no longer conducted.

Our evaluation also identified that improved management oversight is needed to ensure that government funds are being efficiently expended on sensitive document destruction. For example, the FMSS organization has not:

- Determined the optimal number, type and/or size of bins needed at its facilities.<sup>6</sup> As such, there is no business justification supporting the bin types and sizes located at its various facilities. In fact, we found no consistency when we compared similar facility types and number of employees at the sites we visited.
- Implemented appropriate processes and procedures to ensure that billing is accurate. For example, our review of invoices paid for October 2023 identified charges for more bins than reported by the vendor as being retrieved for destruction. In addition, there is no consistency as it relates to IRS personnel on-site confirming and verifying vendor documentation identifying bins being retrieved for destruction.

### **Standard Operating Procedures for Sensitive Document Destruction Have Not Been Established**

As a result of our 2009 review of unclassified waste disposal, the IRS acknowledged the need to have a standardized process for secure document destruction.<sup>7</sup> Our evaluation identified that the IRS has yet to establish or communicate to personnel at its various facilities the standard operating procedures for sensitive document destruction. This includes those sites serviced via its national and local contracts as well as its remaining 110 IRS facilities not covered by any contract. As such, there is no uniformity and/or consistency as it relates to the IRS's sensitive document destruction program. For example, we found IRS employees were discarding sensitive documents with regular trash and recycling during our site visit to one of the IRS's larger offices not serviced under the national contract.

In fact, we found that FMSS officials are unaware of what sensitive document destruction services are in place at its various facilities. For example, FMSS officials could not provide information confirming whether all facilities use locked bins to control sensitive documents until they can be properly disposed as required or what sites use shredders operated by IRS personnel. As a result, we found the following inconsistencies:

- Differing methods for tracking bins being serviced at the sites we visited. For example, the SubCOR handling sensitive document destruction in Kansas City, Missouri, requests CODs be sent daily, and they also create their own daily shred log, which they use to verify the shred log matches to the COD. In addition, the Tax Processing Centers in

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<sup>6</sup> Vendor charges are specific to bin type as well as the number of bins. Appendix II provides an overview of the varying charges by bin size.

<sup>7</sup> TIGTA, Report No. 2009-30-059, *Increased Management Oversight of the Sensitive but Unclassified Waste Disposal Process Is Needed to Prevent Inadvertent Disclosure of Personally Identifiable Information* (May 2009).

Ogden, Utah, and Holtsville, New York, create a shred log that reflects how many bins are serviced each day. These logs show the service date and bin count serviced, as well as the signature of the subcontractor who serviced the building. However, the other four facilities we visited do not create their own shred logs and rely on the subcontractor's COD as the evidence to match against the invoice. Because the subcontractors complete both CODs and invoices, there is no independent or IRS-created source for verifying how many bins were in fact collected and destroyed.

- There is no uniform requirement in the national contract on what information subcontractors must provide on the COD. After initially reviewing CODs for the month of October 2023, we found that some subcontractors stipulate the fill rate of bins scanned as well as the number of bins serviced. This should be a required best practice as it would enable the IRS to gauge each week how many bins are empty or less than full when it comes to right sizing the number of bins per facility.
- The practices of mislabeling and altering bins, and the discarding of non-sensitive waste in bins solely used for sensitive document destruction. Without proper controls over labels on and above bins, as well as controls over the size of the slots for disposal, the IRS is at risk of exposure of taxpayer information and the risk of being charged for waste otherwise deemed as not sensitive.

### **FMSS officials are unaware of sensitive document destruction compliance at 110 IRS facilities**

As we mentioned previously, we found that the IRS is unaware of what sensitive document destruction capabilities are in place for the 110 facilities not covered under a contract.<sup>8</sup> For example, the IRS initially thought the Andover, Massachusetts, facility was covered by a local sensitive document destruction contract. After we inquired about the contract, the IRS discovered that this facility was not covered by any contract. Our site visit to this facility found:

- Sensitive document destruction procedures were not in place to instruct employees where to properly discard sensitive documents.
- Locked bins were not present to secure sensitive documents.
- Sensitive documents were discarded with regular trash.

Figure 4 provides examples of trash containers being used for all waste, including sensitive documents that contained tax information and Personally Identifiable Information.

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<sup>8</sup> As of October 2023, 387 facilities are covered under a national contract, and 17 facilities are covered by a local, stand-alone contract for sensitive document destruction, out of the 514 IRS facilities.

**Figure 4: Examples of Sensitive Documents Being Combined With Regular Trash**



*Source: Photos taken during TIGTA's visit to Andover, Massachusetts.*

The use of these open trash containers exposes sensitive documents for anyone (employees, contractors, or visitors) to retrieve, which can cause a potential unauthorized access and disclosure incident. Once the trash leaves the IRS facility, it is possible someone could access sensitive information. The purpose of having locked and secured sensitive document destruction bins is to protect all sensitive documents once they are no longer needed by the employee and should be destroyed by the subcontractor. This control ensures that only authorized personnel have access to this sensitive information until it is destroyed.

We immediately alerted the IRS on Jan. 19, 2024, that sensitive documents are not being secured, and as of March 27, 2024, the IRS moved this facility under the national contract. FMSS officials also informed us this was likely occurring since 2009 when the last prior Confidential Document Destruction contract for Andover expired.

We believe it is important to develop the standard operating procedures to ensure uniformity and consistency for sensitive document destruction services across all IRS facilities. According to FMSS officials, they are in the process of developing standard operating procedures, but they have yet to complete and communicate to its facilities these policies and procedures.

The Chief, Facilities Management and Security Services, should:

**Recommendation 1:** Develop standard operating procedures for sensitive document safeguarding and destruction to ensure uniformity and consistency across all IRS facilities.

**Management's Response:** IRS management agreed with this recommendation. FMSS will develop standard operating procedures directed to FMSS employees for sensitive document safeguarding and destruction to ensure uniformity and consistency across all IRS facilities.

**Recommendation 2:** Ensure that all COD documents have similar information, including fill rates and number of bins serviced across all IRS facilities covered by the national contract.

**Management's Response:** IRS management agreed in principle to this recommendation. The IRS agreed that all COD documents should have similar information; however, bin fill rates are a subjective measure and due to the change in industry standards from billing by weight to billing by bin, this data point is not required

for contract performance. As of October 1, 2023, the national contract requires industry standard data points for CODs, including vendor name, building information, service and shred dates, the number and size of bins serviced, the number of consoles/boxes/pallets/rolls serviced, and point of destruction. IRS management considers this recommendation complete.

**Office of Inspections and Evaluations Comment:** Although IRS management agreed in principle to the recommendation, we believe CODs should include fill rate, especially now that the contract stipulates all bins being billed regardless of fill rate. The fill rate will assist the FMSS organization on monitoring the optimal number of bins and bin sizes at each location and completing an up-to-date cost benefit analysis so that each location has appropriate bin count and size.

**Recommendation 3:** Immediately evaluate the 110 facilities not covered under the national or local contracts to ensure that the IRS has sensitive document safeguarding and destruction procedures in place that comply with NIST guidelines.

**Management's Response:** IRS management agreed with this recommendation. FMSS will evaluate whether NIST compliant shredders are available for all sites not covered by contracted services and request that those locations be added to the contract or purchase new or replacement shredders, as necessary.

### Sensitive Documents Were Stored in Open And Unsecured Bins at Some Sites

Our visits to seven sites found that the IRS is not ensuring sensitive documents are maintained in secure bins as required.<sup>9</sup> Specifically, we observed open containers (two locations) and bins in poor condition or with altered disposal slot openings (three other locations), which permit direct access to the sensitive documents. For example, at the Ogden, Utah, Tax Processing Center, we observed the use of open containers to collect sensitive documents for destruction throughout the facility. Figure 5 provides an example of the open container.

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<sup>9</sup> The sites include Kansas City, Missouri; Ogden, Utah; Holtsville, New York; Philadelphia, Pennsylvania; and three facilities in Austin, Texas.

**Figure 5: Example of Open Container Used for Sensitive Documents**



*Source: Photo taken during TIGTA's visit to Ogden, Utah.*

IRS management instructed employees at this facility to store sensitive documents in these open containers, so employees did not have to leave their desks to throw the sensitive waste in the secured sensitive document destruction bins. The IRS cited that its policies and procedures allowed for waivers to its clean desk policy as its justification for the use of these open containers. The clean desk policy is to ensure employee workstations remain clear when unattended, limiting the potential risk of unauthorized disclosure of sensitive information. However, the clean desk policy waiver only applies to employees working in restricted areas where extra security and restricted access is maintained within an IRS facility. However, we found the use of these open containers throughout the Tax Processing Center. Generally, this IRS facility is only accessible to IRS employees, contractors and other authorized personnel; however, the risk that sensitive documents would be accessible to individuals within the facility who should not have access to a particular sensitive document remains.

We immediately alerted the IRS on Jan. 19, 2024, of this issue and recommended that the IRS take immediate steps to remove these open containers and instruct employees to place sensitive documents into secured locked bins. We also recommended that the IRS ensure that other IRS facilities are not using similar open containers for sensitive document destruction.

On April 30, 2024, an FMSS official stated that it had removed all open containers from this facility and replaced them with lockable bins. In addition, the FMSS organization canvassed its 13 territory representatives and identified an additional three facilities that were using open containers.<sup>10</sup> According to the IRS, all open containers have been removed.

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<sup>10</sup> The three facilities were in Pittsburgh, Pennsylvania; Atlanta, Georgia; and Chattanooga, Tennessee.

## **Bins had disposal slots that were altered or in poor condition, allowing access to discarded sensitive documents**

Our site visits identified bin disposal slots that were altered or in poor condition allowing access to discarded sensitive documents. We found bins that our evaluators were able to reach their hands through the bin disposal slot and easily retrieve discarded sensitive documents. For example:

- Figure 6 shows an example of bins used at the Kansas City, Missouri, Tax Processing Center that allow access to sensitive documents via the disposal slot.

**Figure 6: Example of a Bin Slot Opening Being Too Large**



*Source: Photo taken during TIGTA's visit to Kansas City, Missouri.*

- Figure 7 provides examples of bins we identified at the Austin, Texas, Tax Processing Center that have damaged or worn-down bin disposal slot openings.

**Figure 7: Example of Damaged and Worn-Down Bins**



*Source: Photos taken during TIGTA's visit to Austin, Texas.*

**Recommendation (Email Alert):** On April 5, 2024, we alerted IRS management of our concern with the disposal slots in some of the bins used to discard sensitive documents at both the Kansas City, Missouri, and Austin, Texas, Tax Processing Centers. We recommended that the IRS take steps to immediately work with the national vendor and the subcontractors at all facilities to replace bins with disposal slots that allow access to discarded sensitive documents.

**Management's Response to the Email Alert:** FMSS management agreed with our recommendation. In Austin, Texas, all dilapidated bins were replaced, and all sensitive document destruction bins were inspected to be in good and functional condition. In Kansas City, Missouri, bins not meeting requirements were replaced, with the exception of bins with larger openings, which were scheduled to be replaced by October 31, 2024.

The Chief, Facilities Management and Security Services, should:

**Recommendation 4:** Ensure that all bins that do not meet requirements are replaced at the Kansas City, Missouri, IRS facility.

**Management's Response:** IRS management agreed with this recommendation. FMSS will coordinate with the vendor to replace non-compliant bins at the referenced facility with new bins that prevent access to contents, in accordance with the contract.

**Recommendation 5:** Develop processes and procedures to periodically inspect bins to identify damaged and altered bins and work with local subcontractors to replace the bins at all IRS facilities.

**Management's Response:** IRS management agreed with this recommendation. FMSS will include a requirement for local territory staff to conduct periodic bin inspections in campus locations. In addition, FMSS will include verification of bin integrity and conditions on the FMSS Territory Annual Facility Site Visit Checklist completed each year by FMSS project and facility managers.

## Sensitive document destruction posters are not consistently used to educate IRS personnel

The IRS acknowledges in its internal guidelines that document destruction is often confused with recycling of non-sensitive and non-confidential paper products. In response, the IRS created Document 13420, *The Sensitive Document Destruction Bin*, information flyer to better inform IRS personnel on what constitutes as a sensitive document. This flyer is to be posted in all IRS facilities on or around bins solely used for sensitive document destruction. Figure 8 provides an image of this poster.

**Figure 8: Example of the IRS's Sensitive Document Destruction Poster**



Source: Poster found on the IRS's SharePoint Site for Sensitive Document Destruction.

Our site visits found inconsistency in the posting of these flyers resulting in the co-mingling of non-sensitive waste with sensitive documents. Figure 9 shows examples of the non-sensitive

## Improved Secure Document Safeguarding and Destruction Procedures Are Needed

waste (e.g., previously shredded papers, crumpled up potato chip bags) we observed in the bins used for sensitive documents.

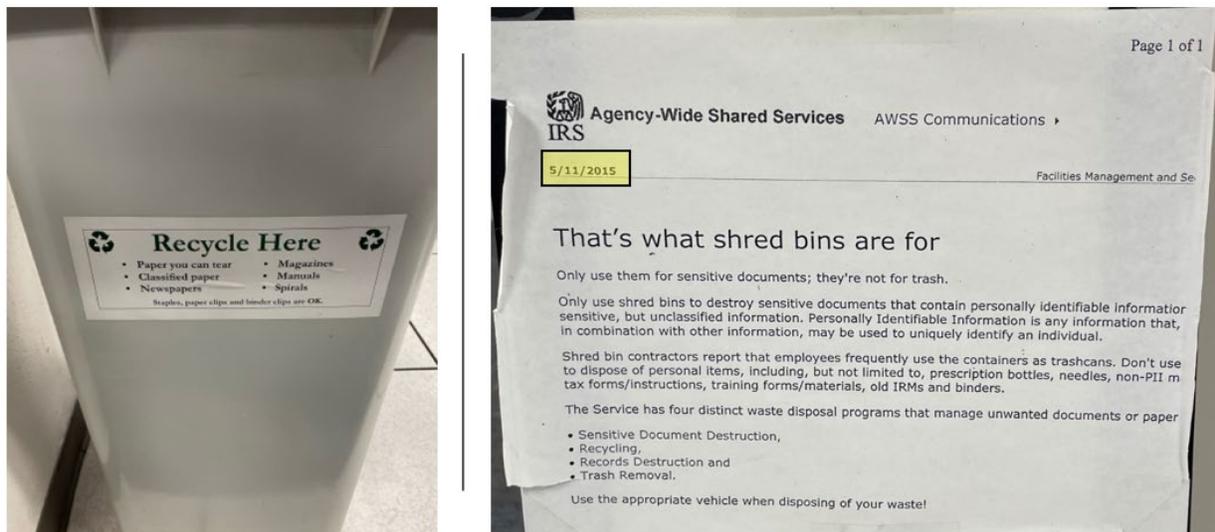
**Figure 9: Examples of Non-Sensitive Waste in Sensitive Document Bins**



*Source: Photos taken during TIGTA's visit to Kansas City, Missouri.*

We also found that the IRS was mislabeling sensitive bins. Our evaluators found that 28 bins were mislabeled with signs allowing non-sensitive waste to be placed in the bins used for sensitive document destruction at the 3 facilities in Austin, Texas. In addition, our evaluators found an outdated agency memo from May 2015 posted on a wall above a locked bin. Figure 10 depicts the label on the observed bins as well as the outdated agency memo.

**Figure 10: Bin With Misused Label and Outdated Agency Memo**



*Source: Photos taken during TIGTA's visit to Austin, Texas.*

Inconsistent use and mislabeling of sensitive document destruction instructions create confusion for employees, which could result in sensitive documents not being destroyed properly.

**Recommendation (Email Alert):** On April 5, 2024, we alerted IRS management of our concern regarding the inconsistency on the use of sensitive document posters throughout all IRS locations. We also raised the concern that bins were mislabeled. We recommended that the IRS properly label each bin at all locations to ensure that only sensitive documents are being

disposed of in the bins. We also recommended that effective immediately, all IRS employees should receive a reminder to only use sensitive waste bins for sensitive documents.

**Management's Response to the Email Alert:** FMSS management agreed with our recommendations. The following tasks are being completed. All sensitive waste bins will be labeled as "Sensitive Documents Only" or identified by posters and flyers placed at each bin. Labels are being designed and created for printing and distribution. Flyers to be used are currently printed and available for use. Communication regarding all sensitive waste responsibilities will include a link to the existing flyers to be posted at every sensitive waste bin. As part of the process for labeling bins, the National COR for Sensitive Documents Destruction discussed adding labels with the national vendor, who has agreed to have the labels made, distributed, and placed on all bins used by each of the 52 subcontractors. However, this process will take much longer than originally estimated as the national vendor will have to modify all 52 contracts with its subcontractors to require the use of labels, and the IRS would need to modify its contract with the national vendor as well. The IRS believes that updating the contract language and getting labels on the bins will be a five-to seven-month endeavor for the national vendor.

The Chief, Facilities Management and Security Services, should:

**Recommendation 6:** Ensure that all bins at every IRS facility are labeled properly to instruct employees to only discard sensitive documents in locked bins solely used for destruction purposes.

**Management's Response:** IRS management agreed with this recommendation. The prime contractor will provide labels to all subcontractors and have them placed properly on all bins used at IRS facilities. The labels will have instructions for employees to only discard sensitive documents in locked bins solely used for sensitive document destruction purposes.

**Recommendation 7:** Ensure that all IRS employees receive periodic reminders instructing them how to properly discard sensitive documents.

**Management's Response:** IRS management agreed with this recommendation. FMSS will partner with Privacy, Governmental Liaison and Disclosure and Communications & Liaisons to establish a communication plan to include Business Unit news articles, poll questions, and leader alerts as periodic reminders.

**Recommendation 8:** Ensure that Document 13420, *The Sensitive Document Destruction Bin*, information flyer is displayed throughout all IRS locations to instruct employees on the importance of properly disposing sensitive documents.

**Management's Response:** IRS management agreed with this recommendation. FMSS has ordered posters with the same information as Document 13420, *The SDD (Sensitive Document Destruction) Bin Flyer*, and will facilitate the distribution and display of the posters throughout all IRS locations to instruct employees on the importance of properly disposing sensitive documents.

## **The IRS Is Not Performing On-Site Inspections of Sensitive Document Destruction at Subcontractor Facilities**

Our evaluation identified that the FMSS organization has not performed on-site inspections at facilities where sensitive documents are brought to ensure proper disposal (*e.g.*, shred, burn, mulch, pulp, or pulverize sensitive documents beyond recognition and reconstruction). Specifically, since the signing of the newest national contract for sensitive document destruction effective Oct. 1, 2023, IRS site visits are not being performed. FMSS officials indicated that, unlike the prior national contract with its national vendor, there is no longer a requirement for the IRS to do on-site inspections of subcontractor facilities. The FMSS organization noted that this was removed because of a lack of IRS resources to perform these inspections. FMSS officials also noted that they rely on trusted industry trade associations to inspect subcontractor facilities.

The IRS is required by Internal Revenue Code § 6103 to protect the confidentiality of tax return and return information from unauthorized disclosure. In fact, the IRS's internal guidelines require IRS personnel to protect sensitive data from receipt to disposal. Furthermore, the IRS notes that its FMSS organization has overall responsibility of IRS's sensitive document destruction program to include ensuring sensitive documents are destroyed in a secure manner in compliance with NIST guidelines. We are concerned that the FMSS organization cannot ensure that sensitive documents are in fact safeguarded and destroyed in a secure manner without performing on-site inspections to the destruction facilities.

**Recommendation (Email Alert):** On April 16, 2024, we alerted IRS management of our concern that FMSS personnel are no longer required to complete annual inspections of subcontractor facilities. We recommended that the IRS complete inspections of all subcontractor facilities contracted for sensitive document destruction annually.

**Management's Response to the Email Alert:** FMSS officials disagreed with the recommendation based on clarification they received from the Privacy, Governmental Liaison and Disclosure organization. The recommendation implies that the FMSS policy requires SubCORs to complete inspections of all subcontractor facilities contracted for sensitive document destruction annually, which FMSS stated is incorrect. FMSS recently updated its policy to reflect the reality that FMSS SubCORs cannot perform this task and to allow trusted industry trade associations to certify and inspect subcontractor facilities. The contract with the national vendor requires all vendors to be National Association for Information Destruction certified. The SubCORs will be required to maintain a repository of site inspection certifications and the IRS expects to have that repository setup and all certifications stored by September 30, 2024.

The Chief, Facilities Management and Security Services, should:

**Recommendation 9:** Perform annual inspections of all facilities used by subcontractors for sensitive document destruction to ensure compliance with NIST guidelines (*e.g.*, shred, burn, mulch, pulp, or pulverize sensitive documents beyond recognition and reconstruction).

**Management's Response:** The IRS agreed in principle with this recommendation. The IRS disagreed that 100 percent inspections by IRS personnel is warranted. The IRS noted that a trusted industry trade associations conducts annual inspections of all sites. The IRS

is developing a proposal for the IRS to partner with a vendor on up to five site visits per year.

**Office of Inspections and Evaluations Comment:** We believe that the IRS's proposed corrective action is not sufficient to verify subcontractors in each territory are disposing and safeguarding waste properly. Specifically, the IRS's trusted industry trade associations do not inspect facilities annually. Additionally, with the IRS planning to accompany industry trade partners on up to five sites per year with the current 52 subcontractors responsible for disposing of IRS sensitive documents, it would take over 10 years for IRS personnel to visit every subcontractor facility.

### Actions Can Be Taken to Better Ensure the Efficiency of Funds Expended for Sensitive Document Destruction

The national vendor the IRS uses for document destruction for most of its facilities changed its billing method from the weight of sensitive documents to a per bin charge based on bin type on Oct. 1, 2023. Our evaluation identified that FMSS personnel did not perform a cost-benefit analysis prior to signing this revised contract to ensure cost optimization of both the type and number of bins at sites servicing this vendor. In addition, since signing the revised contract, no such assessment has been performed to determine the optimal number, type, and location needed at its facilities.

We identified inefficiencies at the sites we visited and no consistency when comparing sites of similar size. For example, at the Philadelphia, Pennsylvania, Tax Processing Center, we observed the following in Figure 11 where two 95-gallon bins are placed right next to each other. If the IRS swapped out the two 95-gallon bins for one 175-gallon bin, it could save \$21 per pick up.

**Figure 11: Two 95-Gallon Bins Side by Side**



*Source: Photo taken during TIGTA's visit to Philadelphia, Pennsylvania.*

For context, Figure 12 shows a 175-gallon bin.

**Figure 12: One 175-Gallon Bin**



Source: Photo taken during TIGTA’s visit to Kansas City, Missouri.

In addition, we found inconsistencies across locations when accounting for the optimal number of bins. For example, at the Kansas City, Missouri, Tax Processing Center, there are 6,482 employees with 85 bins (16 – 95-gallon and 69 – 175-gallon). This equates to a 76:1 ratio of employees to bin. In comparison, the Philadelphia, Pennsylvania, Tax Processing Center has 4,639 employees to 318 bins (273 – 32-gallon and 45 - 95-gallon). This equates to a 15:1 ratio of employees to bin. Figure 13 shows the bin count, total cost of service for each service, and the number of employees at the seven facilities that our evaluators visited.

**Figure 13: Location Comparison of Bin Counts and Number of Employees to Total Cost of Service**

IRS Location						
	32 Gallon	64 Gallon	95 Gallon	175 Gallon	Total Employees	Total Cost
333 W. Pershing Rd., Kansas City, MO	0	0	16	69	6,482	\$5,412
2970 Market St., Philadelphia, PA	273	0	45	0	4,639	\$5,068
3651 S. IH-35, Austin, TX	41	25	0	0	3,833	\$1,636
5000 Corporate Dr., Holtsville, NY	0	0	30	0	461	\$1,615
1821 Directors Blvd., Austin, TX	44	0	0	0	1,454	\$1,493
1160 W. 1200 S. St., Ogden, UT	0	20	9	0	3,174	\$781
5015 S. IH-35, Austin, TX	8	3	0	0	577	\$467

Source: TIGTA analysis of the IRS’s master bin list to show the cost of each service to remove sensitive documents by the subcontractor compared to the number of employees at each location we visited.

**Recommendation (Email Alert):** On April 5, 2024, we alerted IRS management of our concern of a lack of a completed cost-benefit analysis that ensures optimal bin placement and count at all IRS locations. We recommended that the IRS complete a cost-benefit analysis for all locations covered under the national contract to ensure that there is a correct number of bins at each location. This would help to ensure that the IRS is billed for bins that are full. Using the number of employees and expected waste, the IRS should immediately work with the national vendor and the local subcontractors to correct the number of bins at all locations.

**Management's Response to Email Alert:** FMSS disagreed with TIGTA's calculation regarding ratios of employees to bin using an assumption all bins are the same. Although no consolidated analysis has been completed, individual building analysis takes place regularly. Prior to the change in billing model, the National COR met with the subcontractors to review bin counts, number of occupants, mix of bins, and building specifics. At that time, FMSS advised the subcontractors to work toward removing cost prohibitive 32-gallon consoles for larger capacity bins. Analysis continues as the IRS develops data collection based on the new COD and invoice metrics.

**Office of Inspections and Evaluations Comment:** FMSS management disagreed with our calculation of employee to bin ratio. This was meant to illustrate the significant inconsistency between facilities as to the number and type of bins and the fact that actions have not been taken to ensure optimization. In fact, in our interactions with FMSS officials as to our concerns as to the inconsistency in both the number of bins and type of bins, FMSS management noted that *"the last cost-benefit analysis they performed was in April 2022 prior to the industry change from weight to the number of bins. Right sizing the number and size of bins is important with the new contract billing model of a flat rate per bin instead of by weight. For instance, the 32-gallon bins need to be replaced by more functional, practical bins for cost efficiency. Efforts to right size the number and size of bins in other locations have been hampered by return to office after COVID-19 triggered office clean ups and digitization projects which generate significant paper to be shred."*

The Chief, Facilities Management and Security Services, should:

**Recommendation 10:** Complete an up-to-date cost-benefit analysis to ensure that there is optimal bin size and number of bins based on the number of employees at all 387 IRS facilities covered under the national contract.

**Management's Response:** The IRS agreed in principle with this recommendation. FMSS is working internally to develop the appropriate methodology to assess the appropriate bin count and size. The IRS disagreed that the number of bins and bin size should be solely based on the number of employees; the kinds of work these employees do is a significant factor in the volume of sensitive waste produced.

### Steps need to be taken to ensure maximization of bin fill rates

Our site visits identified that FMSS personnel on-site are not ensuring bins that are being retrieved by subcontractors for destruction are full. For example, at the Philadelphia, Pennsylvania, facility, we found that the IRS was being charged for bins that were less than half

full. Specifically, we observed 258 bins (32-gallon consoles), some of which were full and some of which were less than half full. In fact, the subcontractor combined those 258 bins into 20 of the 95-gallon bins and placed them on its truck to be shredded. As a result, the FMSS organization has not taken steps to maximize the number and size of the bins in use in Philadelphia, Pennsylvania. We believe the IRS could have saved government funds totaling \$1,958 for this one retrieval. Figure 14 illustrates this situation.

**Figure 14: TIGTA's Observation of the Sensitive Document Destruction Process**



*Source: TIGTA's observation at the Philadelphia, Pennsylvania, Tax Processing Center and calculation based on bin rate charges.*

### Steps need to be taken to ensure accurate verification of bins being collected

Our evaluation identified that the FMSS organization no longer requires FMSS personnel on-site to confirm and verify vendor documentation detailing the specific counts of bins being retrieved. Under the prior contract, FMSS personnel was required to be on-site to verify the volume destroyed and location the destruction took place. In fact, FMSS personnel created their own daily shred logs, which were used to verify what the subcontractor reported as being retrieved for destruction. The log showed the destruction date and bin count, as well as the signature of the subcontractor who serviced the building.

We found no consistency as to the tracking of bins retrieved by subcontractors for destruction. For example, the SubCOR in Kansas City, Missouri, requests CODs be sent daily, and they also create their own daily shred log, which they use to verify the shred log matches to the COD. In addition, the Tax Processing Centers in Ogden, Utah, and Holtsville, New York, create a shred log that reflects how many bins are serviced each day. It shows the service date and bin count serviced, as well as the signature of the subcontractor who serviced the building. However, we observed that the other four locations do not create their own shred logs and rely on the subcontractor's COD as the evidence to match against the invoice. Because the subcontractors complete both CODs and invoices, there is no independent or IRS-created source for verifying how many bins were collected and destroyed.

According to FMSS officials, the FMSS organization does not have staff at all IRS locations and relies on local business unit support to provide access to the vendor for service and to alert the

FMSS territory point of contact of issues. Alternative work agreements, telework, and employee attrition have made it very difficult to obtain and maintain business unit points of contact at locations.

The Chief, Facilities Management and Security Services, should:

**Recommendation 11:** Designate FMSS personnel on-site at each of the IRS facilities whose responsibilities are to verify what is serviced matches to the subcontractor CODs and to ensure that only full bins are retrieved for destruction.

**Management's Response:** The IRS agreed in principle with this recommendation. Larger IRS facilities have FMSS personnel on-site, and those personnel will verify that bins serviced match the CODs and that the IRS personnel gather only full bins for servicing before the vendors arrive. However, in addition to large facilities with full-time staff where the IRS can readily ensure bin servicing is efficient and do not pay for servicing of nearly-empty bins, the IRS has numerous small facilities where full-time staff would be cost prohibitive and where travel costs (mileage, per diem, lodging) for sending FMSS staff from other posts of duty would exceed the savings from ensuring optimal bin servicing efficiency by consolidating bins. The IRS will include in our Standard Operating Procedures rational bin servicing across all locations, including optimizing efficiency at service center and large locations and balancing costs and risks of bin servicing oversight at smaller and more remote locations.

### **Improvements Are Needed to Verify the Accuracy of Sensitive Document Destruction Billing**

Our evaluation identified the FMSS organization has not taken steps to ensure the accuracy of vendor billing for sensitive document destruction. We compared the October 2023<sup>11</sup> invoices submitted from the subcontractor and paid by the IRS to bin scan reports<sup>12</sup> for six of the seven sites we visited,<sup>13</sup> and identified discrepancies in what was charged and paid versus what was scanned and picked up. Specifically, invoices showed more bins were charged than what were scanned by the subcontractor as being retrieved for destruction. Figure 15 shows that the IRS was charged almost \$26,000 more than it should have in October 2023.

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<sup>11</sup> We limited our testing to the month of October 2023, because the IRS did not provide us with similar information for the months of November and December 2023 until May 9, 2024, well after the end of our fieldwork.

<sup>12</sup> The bin scan reports contain the date of service, the building address, and the bins scanned for destruction of the sensitive documents during that service.

<sup>13</sup> One facility we visited did not have a bin scan report.

**Figure 15: Comparison of October 2023 Invoices Paid and the Amount the IRS Should Have Paid Based on the Bin Scan Reports**

IRS Location	 BINS INVOICED	 BINS SCANNED	 AMOUNT INVOICED	ACTUAL BINS SCANNED TOTAL AMOUNT	 DIFFERENCE
3651 S. I-35 Frontage Rd., Austin, TX	746	495	\$36,953	\$28,289	\$8,664
1821 Directors Blvd., Austin, TX	259	4	\$5,456	\$168	\$5,288
2970 Market St., Philadelphia, PA	1,172	879	\$17,852	\$13,134	\$4,718
333 W. Pershing Rd, Kansas City, MO	676	651	\$45,986	\$42,605	\$3,381
1160 W. 1200 S. St., Ogden, UT	133	109	\$9,624	\$6,793	\$2,831
5000 Corporate Dr., Holtsville, NY	60	46	\$3,230	\$2,346	\$884
<b>TOTALS</b>	3,046	2,184	\$119,101	\$93,335	\$25,766

Source: TIGTA analysis of the bin scan reports compared to the invoices.

The Chief, Facilities Management and Security Services, should:

**Recommendation 12:** Develop processes and procedures to ensure that only full bins are serviced and scanned and compare invoices to bin scan reports to only pay for those bins scanned.

**Management’s Response:** The IRS agreed in principle with this recommendation. Service on full bins is the standard for our campus locations. IRS campuses generate the greatest volume of paper and require the most frequent service. FMSS will include procedures for Contracting Officer Representatives in campus locations to arrange for only full bins to be serviced.

However, the IRS disagreed that only full bins should be serviced at the smaller posts of duty that generate less volume of paper and less frequent service. The negligible savings of not having partially full bins serviced does not outweigh the risk posed by having the contents of the bins left on site for an extended period of time. The IRS agreed to compare invoices to bin scan reports to only pay for scanned bins.

**Office of Inspections and Evaluations Comment:** In its management response transmittal, the IRS disagreed with our calculations in the figure above and provided further explanation as to why the October 2023 data were inaccurate. The November 2023 data were not available to us prior to end of our fieldwork, so we relied on the October information. However, we believe our recommendation and the IRS’s corrective action will ensure only full bins are scanned, serviced, and paid for.

## Appendix I

### Detailed Objective, Scope, and Methodology

The overall objective of this evaluation was to assess the accuracy of billing for sensitive document destruction services and the protection of sensitive documents during the document collection process. To accomplish this objective, we:

- Determined why the IRS made the decision to change from billing by weight to the number and type of bins between the national vendor and the IRS.
- Evaluated the contracts and contract terms to ensure that sensitive document destruction services or capabilities are available at all IRS locations.
- Evaluated the processes and procedures to ensure that sensitive document destruction billing is accurate and cost-effective.
- Ensured that all IRS facilities are provided sensitive document destruction services by either being covered under the national contract, a local contract, or provided shredders to perform sensitive document destruction services in-house. For all exceptions, determined why the location is not covered and whether the location can be included into the national contract.
- Determined whether the contract specifications are consistent with the national contract for those locations under local sensitive document contracts.
- Interviewed the National COR to identify the standard operating procedures for how sensitive document destruction billing occurs. Identified how the scanning technology has been incorporated into these processes.
- Obtained COD data, invoice data, and procurement data for October 2023 and determined whether the invoice amount paid to the national vendor equals the bins destroyed and the bin payment rate.
- Conducted site visits to selected IRS facilities to observe and verify the sensitive document destruction billing process and assessed the protection of sensitive documents during the document collection process.
- Interviewed and observed whether bins were full prior to pick-up. Determined whether a FMSS representative collected the bins for pick up and verified that the bins were full.

### **Performance of This Review**

This review was performed at IRS offices located in Kansas City, Missouri; Holtsville, New York; Philadelphia, Pennsylvania; Austin and Farmers Branch, Texas; and Ogden, Utah, and with information obtained from the FMSS organization, located in Andover, Massachusetts, during the period October 2023 through May 2024. We conducted this evaluation in accordance with the Council of the Inspectors General for Integrity and Efficiency Quality Standards for Inspection and Evaluation. Those standards require that the work adheres to the professional standards of independence, due professional care, and quality assurance and followed

## **Improved Secure Document Safeguarding and Destruction Procedures Are Needed**

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procedures to ensure accuracy of the information presented. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Major contributors to the report were Kent Sagara, Director; Jeffrey Stieritz, Supervisory Evaluator; Patrick Gagnon, Lead Evaluator; Schiller Joseph, Evaluator; and Dallin West, Evaluator.

## Appendix II

### Cost Per Bin Size

<b>Description</b>	<b>Unit Price</b>
32-Gallon Bin	\$32.00
64-Gallon Bin	\$42.00
95-Gallon Bin	\$51.00
175-Gallon Bin	\$80.00
Trip Fee – applied for every trip taken for regular service(s) per site per visit and any trip taken for bin drop off(s) per site per visit. Multi-Building and Multi-Floor Service Centers that utilize one address will only be charged the “Trip Fee” once per site per visit.	\$85.00
Special Trip Fee – applied for any trip taken outside of regular service(s) per site per visit.	\$125.00
32-Gallon Bin – Volume Discount-only applicable to certain facilities	\$11.00
64-Gallon Bin – Volume Discount-only applicable to certain facilities	\$15.00
95-Gallon Bin – Volume Discount-only applicable to certain facilities	\$44.00
175-Gallon Bin – Volume Discount-only applicable to certain facilities	\$67.00

## Appendix III

### Management's Response to the Draft Report



CHIEF  
FACILITIES MANAGEMENT AND  
SECURITY SERVICES

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, DC 20224

December 13, 2024

MEMORANDUM FOR RUSSELL P. MARTIN  
DEPUTY INSPECTOR GENERAL FOR INSPECTIONS AND  
EVALUATIONS **Julia W.**  
**Caldwell**

FROM: Julia Caldwell **Caldwell**  
Acting Chief, Facilities Management & Security Services

SUBJECT: Draft Evaluation Report – Improved Secure Document  
Safeguarding and Destruction Procedures Are Needed  
(Evaluation No.: IE-24-022)

Digitally signed by Julia W.  
Caldwell  
Date: 2024.12.13 14:52:27  
-05'00'

Thank you for the opportunity to review and comment on the draft audit report. FMSS remains committed to the safety and security of our facilities and the employees and taxpayer information they contain. Your recommendations will assist us in this endeavor. We have already taken a number of steps to address your recommendations.

We appreciate your acknowledgement that Facilities Management and Security Services (FMSS) addressed the non-compliant bins in Ogden and Austin and that FMSS acquired a new contractual bin services at the Andover site.

We agree or agree in principle with all of your recommendations in this report and have developed corrective actions to address the report findings.

We note that the IRS has robust documentation and procedures for the protection of sensitive information. IRM 10.5.1, *Privacy and Information Protection, Privacy Policy*, addresses: protecting Sensitive but Unclassified (SBU) data, including personally identifying information; using SBU data only as authorized by law, for the purposes collected, and as necessary to fulfil IRS responsibilities; securely destroying or disposing of SBU when no longer required; and implementing and maintaining a strong privacy program. IRM 10.5.1.1(1).

Disposition and destruction IRM instructions address hardcopy paper documents, as well as other media, such as electronic and microforms, and instruct IRS employees and contractors: to not discard sensitive waste material, including that shredded with non-compliant equipment, in regular trash bins or recycling containers; to protect sensitive waste just like other SBU data, even after it's identified for destruction and until it's destroyed; to place hardcopy waste with SBU data in locked receptacles specifically

marked for sensitive document destruction; and that the standard for destruction is the same as for destroying Secret or Confidential classified information. IRM 10.5.1.6.10.

IRS staff who discard SBU materials with regular trash and recycling are violating long-established policies on which they were trained during orientation and about which they receive refresher training annually.

The IRM also states that while IRS' Privacy, Government Liaison, and Disclosure office owns the privacy and information protection policies, FMSS owns the sensitive document destruction program; and the IRM provides a link to the SDD program website on the IRS intranet. That site provides resources, contact information, forms, flyers, and other materials for IRS and FMSS staff.

In response to your first recommendation to develop standard operating procedures (SOP) for sensitive document destruction, FMSS will develop an SOP directed to FMSS employees for sensitive document safeguarding and destruction to ensure uniformity and consistency across all IRS facilities. Intended for FMSS employees and not staff in other divisions, we expect this SOP will address the labelling of SDD bins, displaying instructions for SDD in IRS facilities, and the physical aspects of the SDD program, such as inspecting and maintaining locked SDD bins and bin servicing, *inter alia*.

In response to your second recommendation, we agree in principle and will ensure all certificates of destruction (CODs) have similar information. However, due to the change in industry standards from billing by weight to billing by bin, bin fill rate data are not required for contract performance. As of October 1, 2023, the national contract requires industry standard data points for CODs, including vendor name, building information, service and shred dates, the number and size of bins serviced, the number of consoles/boxes/pallets/rolls serviced, and point of destruction.

Requiring the contractor to document bin fill rates for all bins serviced would not add value to the sensitive document destruction process. IRS must meet the needs of the business units, as well as the fluidity of the constantly evolving demand for bins caused by building changes, staffing changes, number of shifts working in a particular area, work cycles and special initiatives such as Operation Declutter, and enterprise-wide digitization projects that are currently underway. It is impractical and ineffective to apply a single formula for all IRS locations to determine or validate service needs. Each IRS location has a unique combination of factors that dictate service needs. Requiring fill rates, which is a subjective measure, would require an investment of time by the vendors and increase the overall cost of the contract, while providing inactionable information. In fact, it would compromise compliance if the bin fill rate data were used to reduce the availability of bins, and it could lead to disclosures if bins and their contents were not serviced during regular scheduled pickups.

In response to your third recommendation to evaluate the facilities not currently covered under the national or local contracts to ensure that the IRS has sensitive document destruction procedures in place, FMSS agrees to review the locations and request to

add those locations to the national contract or verify that functioning, compliant shredders are in place. Additionally, the prime contractor is actively looking for new non-profit sub-contractors to provide services to outlying locations.

In response to your fourth recommendation to replace all bins in the Kansas City, Missouri, facility that do not meet requirements, FMSS has worked with the prime contractor to replace the current IRS owned bins in Kansas City with all new secured bins supplied by a non-profit contractor.

In response to your fifth recommendation to develop processes and procedures to periodically inspect bins, FMSS will include a requirement in the new SOP (Recommendation 1) for local territory staff to conduct periodic bin inspections in campus locations. In addition, FMSS will include verification of bin integrity and condition on the FMSS Territory Annual Facility Site Visit Checklist completed each year by FMSS project and facility managers.

In response to your sixth recommendation to ensure that all bins at IRS facilities are labeled properly, FMSS has entered into an agreement with the prime contractor for them to print and provide labels compliant with section 508 of the Rehabilitation Act and to instruct all subcontractors to attach these labels to every bin used in IRS contracted locations, pending modification to our contract as well as the contracts the prime has with the 56 vendors IRS uses across the country. This process accounts for bins that are rotated through IRS facilities. We expect this process could take 9-12 months and will start in Fiscal Year 2025.

In response to your seventh recommendation to ensure that all IRS employees receive periodic reminders on how to properly discard sensitive documents, FMSS will partner with IRS Privacy, Governmental Liaison, and Disclosure and Communications & Liaison to establish a communication plan to include Business Unit News articles, Poll Questions, and Leader Alerts as periodic reminders.

In response to your eighth recommendation to ensure that the sensitive document destruction bin flyers are displayed at IRS locations, FMSS has ordered posters with the same information as Document 13420, *The SDD (Sensitive Document Destruction) Bin Flyer* and will facilitate the distribution and display of the posters in all IRS locations to instruct employees on the importance of properly disposing of sensitive documents. We expect delivery by March 31, 2025.

In response to your ninth recommendation to perform annual inspections of all subcontractor facilities, FMSS agrees that vendor sites should be inspected. We included site inspection provisions in the most recent contract to require the prime contractor to arrange for vendor site inspections by a National Association for Information Destruction (NAID) certified inspector.

NAID, now i-Sigma, is the acknowledged industry leader and has a stringent set of requirements for the certification of destruction facilities. This includes audits conducted

by accredited security professionals; written policies and procedures for incident response preparedness; employee training and regulatory compliance; and review of compliance with written procedures, access controls, operational security, destruction equipment and confidentiality agreements by accredited auditors. Audits by NAID, an independent, industry recognized third party, provide far more comprehensive inspections than IRS staff are qualified to perform.

The IRS national contract requires for the first time that all vendors are NAID certified, which includes an inspection completed by a subject matter expert certified as a NAID auditor. The prime contractor has invested significant resources to assist its subcontractors to become qualified and maintain NAID Certification. The prime contractor has implemented an enhanced annual inspection as well as unscheduled and ad hoc inspections, to maintain the integrity of the services provided as mandated by the presidentially appointed AbilityOne Commission. For these reasons, IRS disagrees that 100% inspections by IRS personnel is warranted. However, IRS is developing a proposal for IRS to partner with the prime contractor on up to 5 site visits per year. If accepted, this change will require a further modification to the IRS contract prior to implementation.

In response to your tenth recommendation to complete an up-to-date cost-benefit analysis, IRS agrees that it is important to have an effective methodology to optimize the number and size of bins at all 387 IRS locations under the national contract. FMSS is working to develop the appropriate methodology to assess the appropriate bin count and size. IRS disagrees that the number of bins and bin size should be solely based on the number of employees. Methodology cannot be uniform across the nation given the variance in local factors such as type of work, allocation of employees in the facility, individual design aspects, local NTEU concerns, and compliance with reasonable accommodation. The recommendation suggests that the shred generated by each employee is consistent across functions. That is not the case.

In response to your eleventh recommendation to designate FMSS personnel on-site at each IRS facilities to verify that what is serviced matches CODs and to ensure that only full bins are retrieved, FMSS requested that all vendors: (1) be equipped with the state of the art Q-shred technology as a means to control the movement and accountability of the bins serviced, and (2) provide a means to verify invoices against scan reports in addition to Certificates of Destruction. The prime contractor provided funding to equip non-profit subcontracting vendors with the technology, and all 56 vendors have implemented the technology. Q-Shred was a negotiated improvement in light of not having IRS employees at every location to maintain a log. Q Shred requires the contractor to scan the bins, uses GPS verification, and produces a digital record of service received.

We agree in principle with your eleventh recommendation to designate FMSS personnel on-site at each IRS facility to verify that what is serviced matches CODs and to ensure that only full bins are retrieved. Q-Shred is a scanning technology that the subcontractors use to scan bins as they are serviced. Q-Shred reports include

Subcontractor Name, Building Code, Address, Territory, IRS Contracting Officer Representative name, Service Date, Date of Destruction. It lists the number of bins serviced by size, and whether it's on site or offsite shred. If a bin is missed, it is reported on a Missed Bin report. The Q-Shred reports are received with the individual COD report as service verification and used in lieu of logs.

FMSS does not have staff in each location, particularly at our smaller, remote locations. Accordingly, designating FMSS personnel at each facility to verify service and limit service to full bins is impractical. Having FMSS staff travel from larger locations to many of our smaller locations to oversee the bin servicing would incur travel costs (mileage, per diem, potentially lodging) greater than the service itself, and certainly more than the cost savings from optimizing bin servicing. Accounting controls come at a cost, and the cost of providing FMSS staff for this purpose exceeds the expected benefit.

The control in place is Q-Shred, which uses technology to record when an individual bin is serviced and tracks drivers' locations with GPS. Customers are quick to report if a bin has not been emptied, which allows the SDD program to identify missed bins. There are approximately 400 services per month by subcontractors, and many field locations have minimal services at minimal cost. A quarterly pickup of four 94-gallon bins costs \$390. Three months is the maximum interval allowed between services to minimize the risk of disclosure. Accordingly, all bins must be serviced regardless of volume.

In response to your twelfth recommendation to develop processes and procedures to ensure that only full bins are serviced and scanned and to compare invoices to bin scan reports to only pay for those bins scanned, FMSS agrees in principle.

Service on full bins is the standard for Campus locations. IRS Campuses generate the greatest volume of paper and require the most frequent service. FMSS will include procedures for Contracting Officer Representatives in campus locations to arrange for only full bins to be serviced. However, IRS disagrees that only full bins should be serviced at the smaller PODs, which generate less volume of paper and require less frequent service. The negligible savings from servicing only full bins does not outweigh the risk posed by having the contents of the bins left on site for an extended period of time. FMSS has determined that this recommended action can be better served, once we develop a methodology for assessing bin counts and sizes as noted in Recommendation 10, by optimizing bin sizes and numbers at our facilities, to the extent feasible.

We also disagree with TIGTA's calculations in Figure 14. The information provided was a snapshot in time based on the first CODs and invoices provided on the prime contractor's new accounting system and Q-Shred. IRS conducted an analysis of the final CODs and invoices and provided the results to TIGTA. At the time of TIGTA's request for documentation, the 6000+ bins across the country were serviced by 56 subcontractors and were not completely labeled for scanning when services started on 10/1/2024. Therefore, the first bin scan report did not correctly represent bin services provided. However, the CODs received timely on November 15th did accurately account

for all bins serviced in October. Therefore, there was no overcharge of \$25,766.00 as indicated in the Figure 14 chart.

Attached is our corrective action plan describing how we plan to address your recommendations.

We appreciate the continued support and assistance provided by your office. If you have any questions, please contact me at [julia.w.caldwell@irs.gov](mailto:julia.w.caldwell@irs.gov), or a member of your staff may contact Facilities Management and Security Services Associate Director, Business Solutions, Jacqueline Schmeling at [jacquelyn.schmeling@irs.gov](mailto:jacquelyn.schmeling@irs.gov).

Attachment

Attachment  
TIGTA Evaluation Number IE-24-022

**RECOMMENDATION #1:**

The Chief, FMSS, should develop standard operating procedures for sensitive document safeguarding and destruction to ensure uniformity and consistency across all IRS facilities.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. FMSS will develop standard operating procedures directed to FMSS employees for sensitive document safeguarding and destruction to ensure uniformity and consistency across all IRS facilities.

**IMPLEMENTATION DATE:**

August 15, 2025

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #2:**

The Chief, FMSS, should ensure that all COD documents have similar information, including fill rates and number of bins serviced across all IRS facilities covered by the national contract.

**CORRECTIVE ACTION:**

The IRS agrees in principle that all COD documents should have similar information; however, bin fill rates are a subjective measure and due to the change in industry standards from billing by weight to billing by bin, this data point is not required for contract performance. As of October 1, 2023, the national contract requires industry standard data points for CODs, including vendor name, building information, service and shred dates, the number and size of bins serviced, the number of consoles/boxes/pallets/rolls serviced, and point of destruction. We consider this recommendation complete.

**IMPLEMENTATION DATE:**

October 1, 2023

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #3:**

The Chief, FMSS, should immediately evaluate the 110 facilities not covered under the national or local contracts to ensure that the IRS has sensitive document safeguarding and destruction procedures in place that comply with NIST guidelines.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. FMSS will evaluate whether NIST compliant shredders are available for all sites not covered by contracted services and request that those locations be added to the contract or purchase new or replacement shredders, as necessary.

**IMPLEMENTATION DATE:**

October 15, 2025

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #4:**

The Chief, FMSS, should ensure that all bins that do not meet requirements in the Kansas City, Missouri, IRS facility are replaced.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. FMSS will coordinate with the vendor to replace non-compliant bins at the referenced facility with new bins that prevent access to contents, in accordance with the contract.

**IMPLEMENTATION DATE:**

July 15, 2025

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #5:**

The Chief, FMSS, should develop processes and procedures to periodically inspect bins to identify damaged and altered bins and work with local subcontractors to replace the bins at all IRS facilities.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. FMSS will include a requirement for local territory staff to conduct periodic bin inspections in campus locations. In addition, FMSS will include verification of bin integrity and conditions on the FMSS Territory Annual Facility Site Visit Checklist completed each year by FMSS project and facility managers.

**IMPLEMENTATION DATE:**

August 15, 2025

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #6:**

The Chief, FMSS, should ensure that all bins at every IRS facility are labeled properly to instruct employees to only discard sensitive documents in locked bins solely used for destruction purposes.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. The prime contractor will provide labels to all subcontractors and have them placed properly on all bins used in IRS facilities. The labels will have instructions for employees to only discard sensitive documents in locked bins solely used for sensitive document destruction purposes.

**IMPLEMENTATION DATE:**

October 15, 2025

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #7:**

The Chief, FMSS, should ensure that all IRS employees receive periodic reminders instructing them how to properly discard sensitive documents.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. FMSS will partner with PGLD and Communications & Liaisons to establish a communication plan to include Business Unit News articles, Poll Questions, and Leader Alerts as periodic reminders.

**IMPLEMENTATION DATE:**

March 15, 2025

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #8:**

The Chief, FMSS, should ensure that Document 13420, *The Sensitive Document Destruction Bin*, information flyer is displayed throughout all IRS locations to instruct employees in the importance of properly disposing sensitive documents.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. FMSS has ordered posters with the same information as Document 13420, *The SDD (Sensitive Document Destruction) Bin Flyer*, and will facilitate the distribution and display of the posters throughout all IRS locations to instruct employees on the importance of properly disposing sensitive documents.

**IMPLEMENTATION DATE:**

May 15, 2025

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #9:**

The Chief, FMSS, should perform annual inspections of all facilities used by subcontractors for sensitive document destruction to ensure compliance with NIST guidelines (e.g., shred, burn, mulch, pulp, or pulverize sensitive documents beyond recognition and reconstruction).

**CORRECTIVE ACTION:**

The IRS agrees in principle with the recommendation that all sites should be inspected annually. IRS disagrees that 100% inspections by IRS personnel is warranted. iSigma conducts annual inspections of all sites. However, IRS is developing a proposal for IRS to partner with the prime contractor on up to five site visits per year.

**IMPLEMENTATION DATE:**

October 15, 2025

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #10:**

The Chief, FMSS, should complete an up-to-date cost-benefit analysis to ensure that there is optimal bin size and number of bins based on the number of employees at all 387 IRS facilities covered under the national contract.

**CORRECTIVE ACTION:**

The IRS agrees in principle with this recommendation. FMSS is working internally to develop the appropriate methodology to assess the appropriate bin count and size. IRS disagrees that the number of bins and bin size should be solely based on the number of employees; the kinds of work these employees do is a significant factor in the volume of sensitive waste produced.

**IMPLEMENTATION DATE:**

September 15, 2026

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #11:**

The Chief, FMSS, should designate FMSS personnel on-site at each of the IRS facilities whose responsibilities are to verify what is serviced matches to the subcontractor CODs and to ensure that only full bins are retrieved for destruction.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation in principle. Larger IRS facilities have FMSS personnel on-site, and those personnel will verify that bins serviced match the CODs and that we gather only full bins for servicing before the vendors arrive. However, in addition to large facilities with full-time facilities staff where we can readily ensure bin servicing is efficient and we don't pay for servicing of nearly-empty bins, IRS also has numerous small facilities where full-time facilities staff would be cost prohibitive and where travel costs (mileage, per diem, lodging) for sending FMSS staff from other posts of duty would exceed the savings from ensuring optimal bin servicing efficiency by consolidating bins.

The IRS will include in our SOP rational bin servicing across all locations, including optimizing efficiency at service center and large locations and balancing costs and risks of bin servicing oversight at smaller and more remote locations.

**IMPLEMENTATION DATE:**

August 15, 2025

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

**RECOMMENDATION #12:**

The Chief, FMSS, should develop processes and procedures to ensure that only full bins are serviced and scanned and compare invoices to bin scan reports to only pay for those bins scanned.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation in principle. Service on full bins is the standard for our Campus locations. IRS Campuses generate the greatest volume of paper and require the most frequent service. FMSS will include procedures for Contracting Officer Representatives in campus locations to arrange for only full bins to be serviced.

However, IRS disagrees that only full bins should be serviced at the smaller PODs that generate less volume of paper and less frequent service. The negligible savings of not having partially full bins serviced does not outweigh the risk posed by having the contents of the bins left on site for an extended period of time. The IRS agrees to compare invoices to bin scan reports to only pay for scanned bins.

**IMPLEMENTATION DATE:**

August 15, 2025

**RESPONSIBLE OFFICIAL:**

Chief, Facilities Management and Security Services

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor these corrective actions as part of our internal management system of controls.

## Appendix IV

### Abbreviations

COD	Certificate of Destruction
COR	Contracting Officer Representative
FMSS	Facilities Management and Security Services
IRS	Internal Revenue Service
NIST	National Institute of Standards and Technology
SubCOR	SubContracting Officer Representative
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,  
contact our hotline on the web at  
<https://www.tigta.gov/reportcrime-misconduct>.**

**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.