

Treasury Inspector General for Tax Administration



SEMIANNUAL REPORT TO CONGRESS April 1, 2022 — September 30, 2022



TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION (TIGTA)

TIGTA's VISION

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

TIGTA's MISSION

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

TIGTA's CORE VALUES

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

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

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

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

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

Inspector General's Message to Congress

In this Semiannual Report to Congress, I am pleased to summarize the accomplishments of the Treasury Inspector General for Tax Administration (TIGTA) for the period April 1, 2022, through September 30, 2022. Some of TIGTA's more notable achievements related to providing oversight of the Internal Revenue Service (IRS) and protecting the integrity of Federal tax administration are highlighted in the various audits, investigations, and inspections and evaluations summarized in this report.

During this reporting period, TIGTA's Office of Audit completed 39 audits, and its Office of Investigations completed 1,143 investigations. TIGTA's combined audit and investigative efforts resulted in the recovery, protection, and identification of monetary benefits totaling more than \$2.1 billion.



Highlights of TIGTA's Work

This report highlights the oversight work that TIGTA has completed with respect to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Consolidated Appropriations Act of 2021, and the American Rescue Plan Act of 2021 (ARPA). These pandemic-relief laws contain numerous tax-related provisions that will continue to impact IRS operations and Federal tax administration. We share some of the key pandemic-related audits, investigations, and inspections completed during the reporting period.

Further, we highlight several reports that address TIGTA-identified management and performance challenges for the IRS, including: Administration of Tax Law Changes; Enhancing Security of Taxpayer Data and Protection of IRS Resources; Improving Tax Reporting and Payment Compliance to Reduce the Tax Gap; Modernizing IRS Operations; Increasing International Tax Compliance; and Human Capital.

Our Office of Investigations remains dedicated to aggressively pursuing, investigating, and mitigating emerging threats to the IRS's ability to conduct Federal tax administration. TIGTA has a long tradition of providing this support to the IRS, including situations where IRS employees abuse their authority. TIGTA's Office of Investigations has always investigated illicit access to Federal taxpayer information, regardless of whether it is an IRS employee or an unauthorized outside party trying to obtain access.

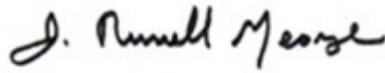
The Office of Investigations also works with the IRS to detect and prevent scams, such as those involving the theft of benefits provided by the CARES Act and ARPA programs administered or supported by the IRS. In addition, TIGTA continues to dedicate resources to traditional investigative areas and to ever-increasing cyberthreats to the IRS network and online applications.

Supplemental Funding

The Inflation Reduction Act of 2022 (IRA) provided TIGTA with \$403 million in supplemental funding through September 30, 2031. The IRS also received IRA funds of nearly \$80 billion. This is the most significant one-time infusion of funds that TIGTA and the IRS have ever received.

We look forward to working with Congress, the Administration, the IRS, and other stakeholders to use this additional funding effectively and efficiently, which benefits Federal tax administration and taxpayers.

Sincerely,

A handwritten signature in black ink that reads "J. Russell George". The signature is written in a cursive, flowing style.

J. Russell George
Inspector General

Table of Contents

Inspector General’s Message to Congress	3
TIGTA’s Profile	7
Statutory Mandate	7
Organizational Structure	8
Authorities.....	8
Pandemic Relief Oversight Efforts	9
Promote the Economy, Efficiency, and Effectiveness of Tax Administration	18
Administration of Tax Law Changes	18
Enhancing Security of Taxpayer Data and Protection of IRS Resources	20
Improving Tax Reporting and Payment Compliance to Reduce the Tax Gap	24
Modernizing IRS Operations	27
Increasing International Tax Compliance	28
Human Capital.....	29
Protect the Integrity of Tax Administration	31
The Performance Model	31
Performance Area: Employee Integrity.....	31
Performance Area: Employee and Infrastructure Security	34
Performance Area: External Attempts to Corrupt Tax Administration.....	36
Advance Oversight of America’s Tax System	41
Audit Statistical Reports	44
Reports With Questioned Costs	44
Reports With Recommendations That Funds Be Put to Better Use.....	45
Reports With Additional Quantifiable Impact on Tax Administration	46
Investigations Statistical Reports	48
Significant Investigative Achievements	48
Summary of Investigative Reports and Criminal Referrals.....	50
Interference	50
Instances of Whistleblower Retaliation	50
Closed Investigations Involving IRS Senior Government Employees.....	51
Inspections and Evaluations Statistical Reports	52
Evaluation Reports With Significant Unimplemented Corrective Actions.....	52

Appendices

Appendix I – Other Statistical Reports	53
Reports With Significant Unimplemented Corrective Actions	53
Other Statistical Reports.....	69
Appendix II – Audit Products	70

Appendix III – TIGTA’s Statutory Reporting Requirements.....	74
Appendix IV – Inspector General Peer Review Activity	81
Appendix V – Data Tables Provided by the Internal Revenue Service	82
Internal Revenue Service Memorandum	82
Report of Employee Misconduct by Disposition Groups.....	83
Report of Employee Misconduct National Summary	84
Summary of Substantiated I.R.C. Section 1203 Inquiries Recorded in ALERTS.....	85
Appendix VI – Section 1203 Standards	86
Glossary of Acronyms	87

TIGTA's Profile

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

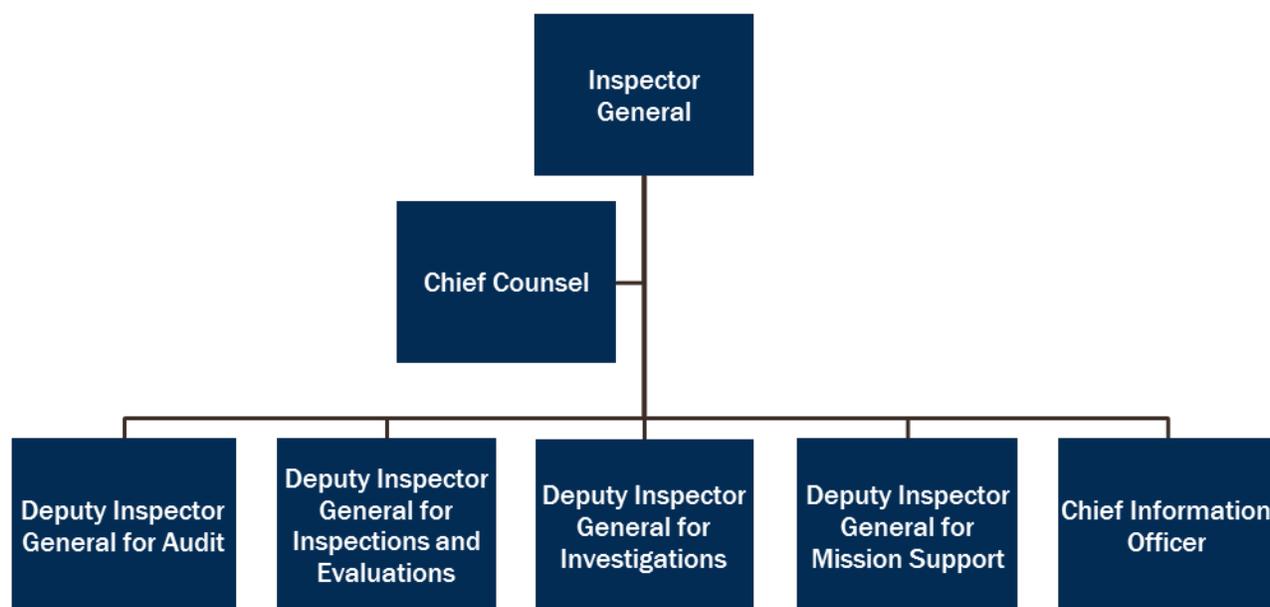
Statutory Mandate

- Protect** against IRS employee improprieties and external attempts to corrupt or threaten IRS employees
- Provide** policy direction and conduct, supervise, and coordinate audits and investigations related to IRS programs and operations.
- Review** existing and proposed legislation and regulations related to IRS programs and operations, and make recommendations concerning the impact of such legislation or regulations.
- Promote** economy and efficiency in the administration of tax laws.
- Prevent** and detect waste, fraud, and abuse in IRS programs and operations.
- Inform** the Secretary of the Treasury and Congress of problems and deficiencies identified and of the progress made in resolving them.

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

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

Organizational Structure



Authorities

TIGTA has all of the authorities granted under the Inspector General Act of 1978, as amended (Inspector General Act).¹ In addition to the standard authorities granted to Inspectors General, TIGTA has access to tax information in the performance of its tax administration responsibilities. TIGTA also reports potential criminal violations directly to the Department of Justice when TIGTA deems that it is appropriate to do so. TIGTA and the Commissioner of Internal Revenue (Commissioner or IRS Commissioner) have established policies and procedures delineating responsibilities to investigate potential criminal offenses under the Internal Revenue laws. In addition, the IRS Restructuring and Reform Act of 1998 (RRA 98)² amended the Inspector General Act to give TIGTA the statutory authority to carry firearms, execute search and arrest warrants, serve subpoenas and summonses, and make arrests as set forth in Internal Revenue Code (I.R.C.) Section (§) 7608(b)(2).

¹ 5 United States Code (U.S.C.). App. (2018).

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

Pandemic Relief Oversight Efforts

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021 (ARPA) ³ were enacted to address the impact of the coronavirus pandemic on the economy, public health, and State and local governments.⁴ These relief packages also contained numerous tax-related provisions intended to help individuals and businesses. These provisions have had, and will continue to have, a significant impact on IRS operations and Federal tax administration.

Since the beginning of the pandemic, the IRS has received \$3.1 billion in supplemental funding to plan and execute three rounds of Economic Impact Payments (EIP), expand multiple tax credits, and modernize and secure IRS systems. As of September 30, 2022, approximately \$309 million of the supplemental funding remains available for the IRS to use through Fiscal Year (FY) 2023.

The following summaries highlight some of the key pandemic-relief related audits, investigations, and inspections completed during this six-month reporting period:⁵

The Child Tax Credit Update Portal Was Successfully Deployed, but Security and Process Improvements Are Needed ([Report Number 2022-27-028](#))

On July 15, 2021, the IRS issued the first round of advance Child Tax Credit (CTC)⁶ payments totaling \$15 billion to 35 million taxpayers and impacting more than 60 million children. As of October 30, 2021, the IRS had generated 142.8 million CTC payments totaling \$61 billion. In addition, as part of the CTC Update Portal⁷ development, the IRS accelerated the initial launch of the Secure Access Digital Identity (SADI) system from a small-scale pilot program to a full-scale production solution that will serve as the next-generation identity proofing solution to improve taxpayer access to online services.

Implementing the CTC Update Portal and SADI system will improve taxpayer services and the security of taxpayer data accessed through online applications. This audit was initiated to assess the IRS's requirements review process and the development of the CTC Update Portal, including any impacted or associated systems and applications.

³ Pub. L. 117-2.

⁴ Pub. L. No. 116-136, 134 Stat. 281 (codified as amended in scattered sections of 2, 5, 12, 15, 20, 21, 29, 42, and 45 U.S.C.); Pub. L. No. 116-260, 134 Stat. 1182 (2020); and Pub. L. No. 117-2, 135 Stat. 4 (codified in scattered sections of 7, 12, 15, 19, 20, 26, 29, 42, and 45 U.S.C.).

⁵ The facts in the summarized investigative case narratives come from court documents of the respective jurisdictions named.

⁶ On March 11, 2021, the President signed the American Rescue Plan Act of 2021 into law. This Act created Internal Revenue Code § 7527A, which requires the Secretary of the Treasury to establish the CTC Advance Payment Program.

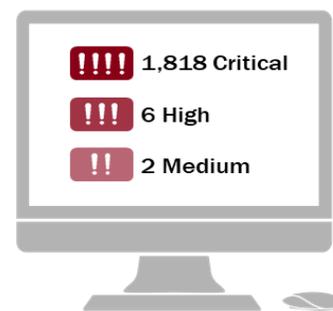
⁷ The CTC Update Portal would allow taxpayers to elect out of receiving payments related to the advance CTC and provide information to update factors including a significant change in the taxpayer's income.

TIGTA found that the Enterprise Life Cycle⁸ process was generally effective in ensuring that both the CTC Update Portal and SADI system met accelerated deployment timelines in order to meet legislative requirements. The Security Risk Management⁹ organization took management action to revise the Milestone Exit Memorandum template to provide explicit concurrence for systems to operate in the production environment. However, due to a communication issue, a cloud service provider’s solution was implemented without having an agency-issued Authorization to Operate. In addition, the IRS appropriately assessed and implemented the CTC Update Portal’s identity, authenticator, and federated assurance levels.

TIGTA also found that the IRS implemented 311 (87 percent) of 356 applicable security controls for the CTC Update Portal and SADI system, but the Privacy, Governmental Liaison, and Disclosure organization did not have a formal documented process to manage the selection, implementation, and assessment of privacy controls.

Figure 1 notes that the IRS failed to timely remediate 1,818 critical (356 unique), six high (all unique), and two medium (all unique) security vulnerabilities that were identified in either the CTC Update Portal or SADI system. In addition, 199 (96 percent) of 207 CTC Update Portal and SADI system servers were noncompliant due to either failing a high-compliance check or having weighted compliance scores of less than 90 percent.

Figure 1: CTC Update Portal and SADI System Vulnerabilities That Exceeded IRS Policy for Remediation



Source: TIGTA analysis of CTC Update Portal and SADI system vulnerabilities as of August 10, 2021.

The IRS stated that the root cause of the remediation findings stemmed from older software versions being installed during the server build process. Also, an administrative oversight related to server monitoring resulted in a CTC Update Portal outage for approximately 28 hours.

TIGTA made 10 recommendations that included:

- Ensuring that Enterprise Life Cycle coaches comply with existing agency requirements related to the independent verification and validation;
- Establishing a validation process so that all required physical, environmental, and media protection controls are implemented;
- Ensuring that Plans of Action and Milestones are completed timely;

⁸ The Enterprise Life Cycle is a defined, developed, and institutionalized proven set of best project management practices for managing change in IRS business processes and systems.

⁹ The Security Risk Management organization is part of the IRS’s Cybersecurity function.

- Ensuring that IRS systems supported by cloud service providers have an approved Authorization to Operate prior to deployment;
- Validating that newly built servers meet minimum compliance requirements during the server build process; and
- Ensuring that formal documentation is created that provides evidence that all privacy controls were properly selected, implemented, and assessed.

IRS management agreed with all of the recommendations.

Processing of Recovery Rebate Credit Claims During the 2021 Filing Season

[\(Report Number 2022-46-032\)](#)

The IRS correctly calculated the allowable Recovery Rebate Credit (RRC)¹⁰ for 26.1 million (99.3 percent) of the 26.3 million tax returns that claimed the RRC as of May 27, 2021. However, TIGTA's testing identified 181,743 returns for which IRS programming (11,797 returns), Error Resolution¹¹ function tax examiner errors (167,130 returns), and timing issues (2,816 returns) resulted in the incorrect RRC being given to the taxpayer.

In addition, 355,015 potentially ineligible individuals were erroneously issued the RRC. These included ineligible dependents, nonresidents, and individuals associated with a credit from a U.S. Territory. TIGTA also identified approximately 10 million potentially eligible individuals who had not received the RRC as of May 27, 2021. Finally, debit card policies and the decision to manually verify RRC claims unnecessarily burdened taxpayers and delayed access to stimulus payments for some taxpayers.

During this review, TIGTA issued 12 alerts about its concerns to the IRS. The IRS implemented programming changes to address only one alert and agreed to take action on four additional alerts. TIGTA also made 22 recommendations to the IRS. These recommendations included:

- Taking actions needed to correct erroneous RRC payments;
- Ensuring that eligible individuals receive their credit;
- Notifying individuals who have not filed a tax return or did not claim the RRC of their potential eligibility;
- Obtaining recurring data in Processing Year 2022 to identify individuals who have not activated their debit card for the advance ARPA stimulus payment; and
- Establishing processes to reverse these advance payments so that individuals can receive the RRC on their Tax Year (TY) 2021 tax return.

¹⁰ The CARES Act, signed into law on March 27, 2020, created a refundable tax credit, the RRC, of up to \$1,200 per eligible adult to be applied toward the taxpayer's Tax Year 2020 tax liability. In addition, eligible individuals can receive up to \$500 for each child in their family who is under 17 years old.

¹¹ Tax returns with a discrepancy between the RRC claimed by the taxpayer and the RRC computed by the IRS's computer program are sent to the Error Resolution function for manual verification.

IRS management agreed with only eight of the 22 recommendations. Some of the recommendations that the IRS did not agree to included:

- Reviewing erroneous payments totaling nearly \$598 million that were paid to ineligible individuals as of May 27, 2021;
- Conducting analysis to identify and recover additional erroneous RRC payments issued after May 27, 2021; and
- Taking action to ensure that the approximately 10 million potentially eligible individuals that TIGTA identified as of May 27, 2021, received their RRC, or to identify additional individuals who were eligible for the RRC but did not claim the credit.

The IRS's Inability to Timely Process Noncorporate Applications for Refund of Net Operating Losses Under the CARES Act Delayed Taxpayer Refunds and Cost Millions of Dollars in Additional Interest ([Report Number 2022-36-048](#))

Despite initial actions to promote more efficient processing of applications for tentative refunds, including the ability to e-fax these applications, the IRS was unable to timely process the large volume of applications and accumulated a large backlog.

The IRS is statutorily required to process tentative refund applications within 90 days. However, the number of Forms 1045, *Application for Tentative Refund*, considered overaged (*i.e.*, not processed within 90 days), increased from 900 in FY 2020 to 7,585 in FY 2021. The cases remaining in ending inventory (*i.e.*, not processed by the end of the fiscal year) went from 1,626 in FY 2020 to 8,974 in FY 2021. The overall impact has been negative for taxpayers, whose potential refunds have been delayed, as well as the Federal Government, which must pay the accumulated interest due to taxpayers on these delayed refunds.

The IRS needs to take more concrete steps to mitigate additional interest and costs to taxpayers.

IRS officials stated that CARES Act changes presented a different compliance risk because they were generally more favorable to the taxpayer. As such, they believed compliance risk was not as high as in other areas and made no effort to update examination plans to ensure that taxpayers complied with the provisions of the CARES Act.

In addition, the IRS did not change the criteria used to identify potentially noncompliant cases during net operating loss (NOL)¹² processing that would require further scrutiny by the IRS's Examination functions. Finally, the IRS did not change the criteria it used to identify potentially noncompliant cases during NOL processing that would require further scrutiny by the IRS's Examination functions despite the large volume of cases and, at times, significant losses being carried back under the CARES Act.

¹² An NOL might occur when a taxpayer's allowable deductions exceed its gross income for a tax year, resulting in negative income.

TIGTA recommended that the IRS:

- Devote additional resources to process applications for tentative refunds faster to reduce the accumulation of interest;
- Complete the evaluation of filing tentative refunds by e-fax;
- Develop contingency plans, specific to the processing of Forms 1045, so that taxpayers are not adversely affected by a future cessation of operations; and
- Evaluate compliance strategies to determine if they match the risks presented by the CARES Act.

IRS management agreed with three recommendations and disagreed with the fourth. Regarding the fourth recommendation, the IRS stated that it had evaluated the risks associated with changes to the NOL deduction provisions and completed training, publication of materials, and Internal Revenue Manual (IRM)¹³ updates. However, the statute of limitations for tax returns involving CARES Act NOL provisions will not expire until Calendar Year (CY) 2024 at the earliest. Therefore, TIGTA maintains it would be prudent for the IRS to consider the risks associated with CARES Act NOL provisions for TYs 2018 through 2020 returns that the agency examines in coming years.

American Rescue Plan Act: Accuracy of Advance Child Tax Credit Periodic Payments ([Report Number 2022-47-070](#))

The IRS swiftly implemented the ARPA of 2021¹⁴ related to monthly advance CTC payments, which was a significant undertaking. The first monthly payments were issued on July 15, 2021, only four months after legislation was enacted. As of December 2021, the IRS had issued 216.9 million payments totaling \$93.5 billion.

TIGTA's review of 178.9 million payments made between July and November 2021, totaling more than \$76.7 billion, determined that the IRS correctly sent more than 175.6 million payments (98 percent) totaling about \$75.6 billion. However, 3.3 million payments, totaling over \$1.1 billion, were sent to 1.5 million taxpayers who should not have received the payment. Further, the IRS did not send 8.3 million payments, totaling about \$3.7 billion, to 4.1 million eligible taxpayers.

The IRS developed a reconciliation letter, as required by legislation. The letter identifies advanced payments received by taxpayers and advises them to use the letter when preparing their TY 2021 tax return. TIGTA's review of the 57.1 million reconciliation letters sent to taxpayers identified only 6,829 letters that were not sent to taxpayers or were sent with an incorrect amount of advance CTC payments taxpayers received. This was primarily due to the reversals of advance payments that were not reflected on the reconciliation letters. TIGTA

¹³ The primary, official source of IRS instructions to staff related to the organization, administration, and operation of the IRS.

¹⁴ Pub. L. 117-2.

plans to continue monitoring payment reversals that occur after the issuance of the letters in our review of the reconciliation of CTC payments in Filing Season 2022.

Finally, processes are needed to ensure the validity of bank account information received from third parties. This review identified 11,459 payments, totaling \$4.2 million, were erroneously sent to 523 bank accounts. The IRS also erroneously updated 1,610 taxpayers' direct deposit information with bank account information associated with a payroll allotment account, e.g., a health savings account.

TIGTA made five recommendations that included the need to:

- Prevent taxpayers from receiving additional improper advance CTC payments;
- Inform taxpayers of the possibility that their advance payments may have been sent to other accounts the taxpayers may own; and
- Validate incoming files from third-party sources prior to their use.

The IRS agreed with all of the recommendations.

Final Report – The IRS Leveraged Its Telework Program to Continue Operations During the COVID-19 Pandemic ([Report Number 2022-IE-R003](#))

On March 13, 2020, the President declared a national emergency due to the Coronavirus Disease 2019 (COVID-19) pandemic. Effective March 30, 2020, IRS employees were directed to evacuate offices and telework if possible. The IRS reopened offices to employees with nonportable work and mission-critical functions in July 2020.

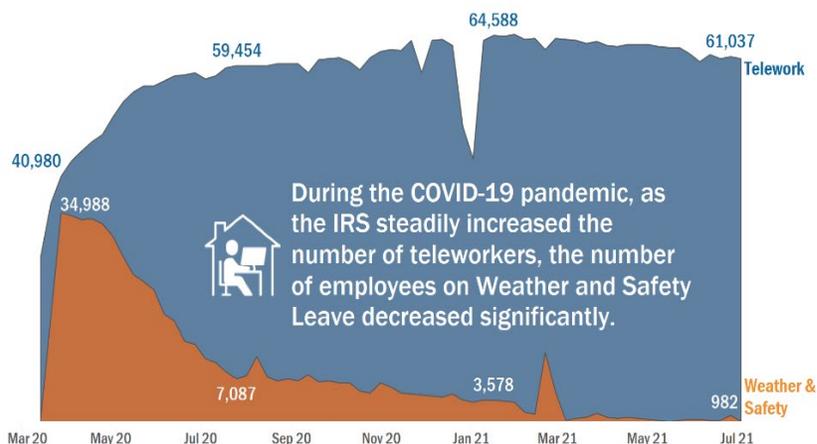
TIGTA determined that the IRS effectively used its telework program to reduce the impact of the COVID-19 pandemic on IRS operations.

The COVID-19 pandemic began to have a significant impact on IRS operations in March 2020 when the IRS began closing some offices to protect the health and safety of its employees and the taxpaying public. During this period, the number of employees who worked any amount of time at IRS facilities declined by about 51,000 employees, while the number of employees who teleworked any amount of time increased by about 13,000 employees.

Nearly 35,000 IRS employees were on paid Weather and Safety Leave because they could not work in IRS facilities or were not prepared to telework. By July 2020, the IRS had reopened the majority of its facilities to employees with nonportable work or mission-critical functions, which helped to reduce the number of employees on Weather and Safety Leave.

The telework program had the biggest impact on continuing IRS operations during the COVID-19 pandemic. As indicated in Figure 2, the IRS steadily increased the number of teleworkers, which helped to significantly decrease the number of employees on Weather and Safety Leave and allowed thousands of employees to safely work from alternative locations.

Figure 2: IRS Leveraged Telework Program to Continue Operations During the COVID-19 Pandemic



Source: TIGTA analysis of FY 2020 and FY 2021 Treasury Integrated Management Information System and Single Entry Time Reporting data.

To increase program participation, the IRS waived the requirement for employees to have an approved telework agreement and encouraged, but did not require, evacuated teleworkers to complete telework training. As of March 2022, IRS records indicated that nearly 3,200 evacuated employees charged time to telework without a telework agreement and have not completed telework training. Employees should complete telework training to ensure that they are aware of the appropriate policies, procedures, and best practices while teleworking. Effective May 8, 2022, the IRS planned to allow employees to telework only if they have completed telework training and have an approved telework agreement.

TIGTA made no recommendations in this report.

Utah Woman Sentenced for Theft of Economic Impact Payment

On June 2, 2022, in the District of Utah, Taylor Ann-Marie Daly was sentenced for aggravated identity theft. Daly entered a guilty plea on February 23, 2022.

Daly and her co-conspirators stole mail to obtain Personally Identifiable Information (PII), including driver's licenses, Social Security cards, checks, debit cards, and credit cards to obtain funds belonging to other individuals. Daly and her co-conspirators used the PII to forge checks to obtain funds from financial institutions.

Around May 3, 2020, Daly stole mail, including a U.S. Department of the Treasury EIP check or stimulus check for \$3,900. Daly altered the stolen check and electronically deposited it into her bank account. Daly also had a picture of the stolen check on her electronic devices and several photos of alterations to the U.S. Treasury check, including one photo with the beneficiary's name removed and another with Daly's name added.

Daly was sentenced to 24 months in prison, three years of supervised release, and ordered to pay restitution of \$3,900.

Tax Preparer Pleads Guilty After Defrauding Clients and the IRS

On June 23, 2022, in the District of Utah, Grant Walker pled guilty to aiding and assisting in filing false tax returns.

Beginning around April 8, 2020, and continuing through August 2021, Walker prepared and submitted false forms to the IRS. Form 7200, *Advance Payment of Employer Credits Due to COVID-19*; and Form 941, *Employer's Quarterly Federal Tax Return*, were submitted. Walker claimed more than \$11 million in Employee Retention Credits (ERC) and sick and family leave wage credits.

The CARES Act allows businesses to use the ERC to retain employees on their payroll. The Families First Coronavirus Response Act requires certain employers to provide employees with paid sick leave of up to 80 hours and expanded family and medical leave of up to 10 weeks for specified reasons related to COVID-19.

Walker actively solicited single-member, limited liability companies (LLCs) to apply for the COVID-related tax credits, including the ERC and sick and family leave wages. He also actively solicited independent contractors involved in door-to-door sales, rideshare drivers, sole proprietors, and other Form 1099-MISC, *Miscellaneous Income*, workers to convert their “businesses” into LLCs, to allow the independent contractors to qualify for COVID-related tax credits. Walker sought ERC credits for LLCs regardless of whether the LLC was statutorily eligible to receive the ERC, resulting in false and fraudulent claims.

Additionally, without approval or prior knowledge from his clients, Walker signed his clients’ names on IRS forms seeking COVID-related tax credits. Walker’s employer submitted the forms and charged each client additional fees for preparing and filing the COVID-related tax credits.

At sentencing, Walker could receive up to three years in prison, three years of supervised release, a fine of \$250,000, and be ordered to pay \$50,000 in restitution.

Kentucky Man Pleads Guilty to Forging Endorsement on a Treasury Check

On May 9, 2022, in the Eastern District of Kentucky, Tony Sparks pled guilty to passing a forged endorsement signature on a U.S. Treasury EIP check distributed by the IRS. As part of the CARES Act, qualified individuals were eligible to receive EIP benefits. The IRS required individuals who had not filed taxes in 2019 to apply for their EIP benefits on the IRS’s website.

In October 2020, an associate of Sparks requested his assistance in completing the online EIP application on her behalf. She was incarcerated at a county detention center and did not have regular access to the internet. Sparks and his associate agreed that the EIP check would be sent to his address, and he would deliver the check to her. Sparks submitted the online EIP application using the Social Security Number and other identifying information of his associate. Around October 10, 2020, a U.S. Treasury check in the amount of \$1,200 made payable to the associate arrived at the Sparks residence.

Instead of delivering the check to his associate, Sparks cashed the check at a local convenience store by forging the signature of his associate. Sparks kept the funds and lied to his associate, telling her that he was still waiting for the check.

In December 2020, additional CARES Act relief legislation was passed, and the associate was eligible for an additional EIP check for \$600. Because of the information supplied in the original EIP application, this payment was automatically generated from the IRS. In January 2021, Sparks received the second EIP payment at his residence. He forged his associate's signature and cashed the check without her knowledge.

At sentencing, Sparks could receive up to 10 years in prison, up to three years of supervised release, and a maximum fine of \$250,000.

Promote the Economy, Efficiency, and Effectiveness of Tax Administration

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

The IRS's implementation of audit recommendations results in:

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



Each year, TIGTA identifies and addresses the IRS's major management and performance challenges. The OA places audit emphasis on statutory coverage required by the RRA 98 and other laws, as well as areas of concern to Congress, the Secretary of the Treasury, the IRS Commissioner, and other key stakeholders.

Audit Emphasis Areas for April 2022 Through September 2022

Administration of Tax Law Changes

Enhancing Security of Taxpayer Data and Protection of IRS Resources

Improving Tax Reporting and Payment Compliance to Reduce the Tax Gap

Modernizing IRS Operations

Increasing International Tax Compliance

Human Capital

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

Administration of Tax Law Changes

Delays in Management Actions Contribute to the Continued Tax Processing Center Backlogs ([Report Number 2022-46-057](#))

The IRS continues to have significant inventory backlogs at its Tax Processing Centers.¹⁵ Efforts to reduce these backlogs are hampered, in part, by ongoing substantial hiring shortfalls of employees needed to fill mission-critical Tax Processing Center positions.

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

As of December 10, 2021, the Kansas City Tax Processing Center had over 751,000 unprocessed transcript requests, and the Ogden Tax Processing Center had a little more than 145,000 unprocessed transcript requests. The IRS also had an imbalance between available staff (70 employees in Kansas City versus 183 employees in Ogden) and the assigned inventory of unprocessed transcript requests. As of March 2022, about three months after TIGTA brought this concern to management’s attention, no actions had been taken to address the significant backlog of transcript requests at the Kansas City Tax Processing Center.

In addition, the Tax Processing Centers had almost 1.8 million amended individual returns in inventory as of April 25, 2022. The IRS sent approximately 300,000 amended individual returns to Accounts Management, which also has a significant backlog of amended individual returns.

Finally, in a prior report,¹⁶ TIGTA recommended that the IRS ensure that efforts to evaluate and purchase updated or new mail opening/sorting technology are executed timely. IRS management agreed, stating that they planned to take the necessary actions. However, because the procurement action is dependent on funding, management will reevaluate this effort if implementation is not successful within three years. In March 2022, IRS management advised us that steps are being taken to conduct market research and complete a statement of work related to the replacement of the mail processing technology.

TIGTA made nine recommendations to the IRS that included actions to: 1) take immediate steps to address the imbalance of Tax Processing Center staffing for transcript requests and 2) evaluate alternatives for using employees detailed from the Small Business/Self-Employed (SB/SE) Division to address the backlog of amended returns in the Submission Processing function.

The IRS agreed with all nine recommendations.

¹⁵ This audit is part of a multiseried review of the IRS’s efforts to reduce these significant backlogs at its Tax Processing Centers.

¹⁶ TIGTA, [Report No. 2022-40-015](#), *Plans to Close the Austin Tax Processing Center Should Be Halted Until Hiring Challenges and Substantial Backlogs at Remaining Centers Are Addressed* (Feb. 7, 2022).

Enhancing Security of Taxpayer Data and Protection of IRS Resources

Taxpayer Digital Communications Platform Security and Access Controls Need to Be Strengthened ([Report Number 2022-20-051](#))

In an effort to improve customer service and the taxpayer experience, the IRS launched the Taxpayer Digital Communications (TDC) platform. The TDC platform enables faster communication and offers taxpayers and their authorized representatives the ability to send and receive secure electronic messages and documents to and from IRS agents and customer service representatives.

The eGain Corporation is the dedicated, managed service provider (MSP) for the TDC platform. The TDC platform and its 12 installations in production are stored on the eGain platform in the Federal Risk and Authorization Management Program authorized under Amazon Web Services GovCloud.¹⁷ Production servers on which the TDC platform resides are encrypted to protect TDC installation data, and configuration settings for password length and complexity are in compliance with Federal and local requirements.

However, the IRS is not conducting Federal Risk and Authorization Management Program security reviews for continuous monitoring to ensure that the Amazon Web Services GovCloud's security posture remains sufficient for the TDC platform. Two critical and three high-severity rated antivirus software releases were not installed on the TDC platform. The platform also used an outdated version of the antivirus software for approximately one year.

TIGTA reviewed 175 security vulnerabilities and determined that the eGain MSP did not timely remediate four (2.3 percent) critical security vulnerabilities. The remediation time ranged from 16 to 42 calendar days. In addition, audit trails are not being reviewed.

The TDC platform has 3,939 distinct total users; however, 681 users were not authorized to access the platform, and 498 users were authorized but did not have access. Of the 3,258 authorized users, 735 users were not timely recertified. Finally, 1,237 user accounts were not timely disabled, quarantined, or removed due to inactivity, and 646 of these user accounts were never logged in.

TIGTA's 11 recommendations included requests for the IRS to ensure that: 1) standard operating procedures are updated to require continuous monitoring security reviews and that security reviews are conducted; 2) eGain MSP personnel timely upgrade antivirus software in accordance with requirements; 3) users are both authorized and have access to the TDC platform; and 4) a process is developed to timely identify, quarantine, and remove user accounts for inactivity in accordance with requirements.

The IRS agreed with all 11 recommendations.

¹⁷ The Federal Risk and Authorization Management Program is a U.S. Federal Governmentwide program that provides a standardized approach to security assessments, authorizations, and continuous monitoring for cloud products and services. According to the *Taxpayer Digital Communications Overview*, the eGain platform provides a wide range of capabilities that directly support the Taxpayer First Act of 2019.

Cloud Services Were Implemented Without Key Security Controls, Placing Taxpayer Data at Risk ([Report Number 2022-20-052](#))

Governmentwide mandates required Federal agencies to expand the use of shared services to enable broader use and adoption of cloud computing. Cloud computing is defined as the delivery of computing services (e.g., servers, storage, databases, networking, software, analytics, and intelligence) over the internet to offer faster innovation, flexible resources, and economies of scale.

Control weaknesses over cloud computing services can pose a substantial risk to taxpayer records currently residing on these services. Potential harms include breaches, unauthorized access, and disclosure of taxpayer information. This audit was initiated to evaluate the effectiveness of controls to protect taxpayer data on cloud computing services.

To facilitate and guide cloud security implementation efforts, the IRS developed its Cloud Security Reference Architecture in September 2019 and the Cybersecurity Cloud Operations Framework in November 2019. The IRS issued its updated Cloud Strategy and a cloud security-specific IRM in March 2021 and September 2021, respectively.

By the end of CY 2020, the IRS had fully implemented 56 cloud services, 12 of which contained taxpayer data. The IRS deployed these cloud services without fully implemented security controls for protecting the data.

Encryption is a key control for protecting taxpayer data on IRS cloud services. The IRS has continued cloud deployments, despite not having a fully implemented security control infrastructure in place.

TIGTA recommended that the IRS:

- Expedite full implementation of the cloud security control infrastructure; and
- Develop an implementation plan for selected cloud capability gaps relating to identity and access management, data and infrastructure protection, continuous security monitoring, and program management.

The IRS partially agreed with the first recommendation, stating that it has a robust and comprehensive security control infrastructure documented within the IRMs for cloud implementations. The IRS also stated that it will continue to ensure compliance with the documented cloud security control infrastructure, even though it has not fully implemented key security controls as outlined in this report. IRS management agreed with the second recommendation.

Improvements Are Needed for an Effective User Behavior Analytics Capability

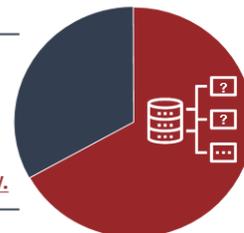
(Report Number 2022-20-055)

An insider threat is defined as an employee or contractor who has authorized access to an organization's network, systems, or data and could intentionally misuse that access to have a negative effect on information or information systems. The IRS implemented its insider threat capability, renamed the User Behavior Analytics Capability (UBAC),¹⁸ to detect and mitigate risks to data and systems arising from insider threats.

TIGTA found that the IRS did not have a complete inventory of systems to monitor for the UBAC. The UBAC list of systems that store or process Federal Tax Information and PII is missing 234 (67 percent) of the 351 systems included in the Enterprise Security Audit Trails¹⁹ list.



We determined that **234** of the 351 systems with Federal Tax Information and Personally Identifiable Information were **missing from the UBAC inventory.**



Systems not included in the UBAC list are not subject to user behavior analysis. While the UBAC team has been developing analytics and an inventory of systems for analysis, they have not coordinated with the Enterprise Security Audit Trails team to ensure that they have all the correct systems in place.

The UBAC team is experiencing delays receiving access to systems with information to improve analytics. For example, the UBAC team requested access to the Human Resources Connect System and is waiting on approval. Data from this system will allow the UBAC team to incorporate 16 risk indicators into the UBAC.

TIGTA determined that UBAC analysts performed appropriate reviews of the incidents of potential insider threats, documented the reviews in the anomaly report, and either escalated the incidents as necessary or closed the incidents if the analysts determined the risks of insider threats were low.

TIGTA also reviewed UBAC Anomaly Reports for 229 incidents and found that 109 (48 percent) of the incidents were forwarded to the TIGTA Office of Investigations for review and possible investigation. Further, TIGTA determined that there is no formal process to document feedback from stakeholders on referred incidents. The IRS recorded feedback in anomaly reports for only three (3 percent) of the 109 incidents.

¹⁸ The UBAC was deployed to detect, report, and mitigate risks to data and systems arising from insider threats.

¹⁹ In March 2020, the IRS established the Enterprise Security Audit Trails Project Management Office within the Information Technology organization's Cybersecurity function. The office's mission is to protect Sensitive But Unclassified data, including taxpayer information and IRS electronic systems, service, and data from internal and external cybersecurity-related threats by incorporating security practices in planning, implementation, risk management, and operations.

TIGTA recommended that the IRS ensure that the UBAC team:

- Coordinates with the Enterprise Security Audit Trails Project Management Office to identify and update the inventory of all systems on a regular basis and subject the systems to user behavior analysis; and
- Implements a process to document feedback from stakeholders on referred incidents.

The IRS agreed with the recommendations.

The Process for Tracking Physical Security Weaknesses Identified in IRS Facilities Does Not Ensure That Vulnerabilities Are Properly Addressed

[\(Report Number 2022-10-046\)](#)

As the Nation's tax collection agency, the IRS is often the target of threats from individuals and organizations. To safeguard the security and safety of IRS personnel, facilities, and assets, the agency develops and implements physical security policies, procedures, and processes to mitigate both current and emerging threats.

This audit was initiated to determine whether the IRS's process for implementing countermeasures recommended in facility security risk assessments ensures that: 1) identified security vulnerabilities are addressed or 2) risk acceptance is adequately documented when countermeasures are not implemented.

The IRS manages 532 locations throughout the United States. It is important for the IRS to track the status of countermeasures at these locations to ensure that known security vulnerabilities are mitigated. Without effective management and documentation of the countermeasure tracking and approval process for known security vulnerabilities, IRS employees and facilities may be at increased risk.

The IRS updated security countermeasure procedures; however, the new process did not ensure that minimum physical security countermeasures were tracked and considered. The IRS's process for documenting the tracking and monitoring of recommended countermeasures was not effective because the IRS does not consistently use a centralized system to track physical security countermeasure recommendations, approvals, implementation actions, and associated costs.

Furthermore, physical security specialists did not consistently and clearly document when a request for risk acceptance was made or have a defined process to reject a recommended countermeasure. Without a process that requires physical security specialists to document their rationale and obtain approval for rejecting a recommended countermeasure, physical security specialists may choose not to implement a countermeasure required per Interagency Security Committee²⁰ standards.

²⁰ The Interagency Security Committee (ISC) was established in October 1995. The ISC, chaired by the Department of Homeland Security, consists of 64 departments and agencies. The ISC has a mission to develop security policies, standards, and recommendations for nonmilitary Federal facilities in the United States.

TIGTA recommended that the IRS:

- Ensure that countermeasure recommendations, approvals or denials, implementation decisions and actions, risk acceptance decisions, and the associated cost of implementation are adequately tracked and maintained in a central location;
- Update the policies and procedures for any changes related to the tracking of countermeasures identified in a Facility Security Assessment or Facility Security Assessment Addendum²¹ and provide formalized training to the physical security specialists;
- Ensure that all recommended countermeasures from the most recent risk assessment are tracked until a new risk assessment is completed using the new countermeasure tracking mechanism; and
- Ensure that the countermeasure tracking mechanism requires physical security specialists to document the reason and obtain approval for rejecting a recommended countermeasure.

IRS management agreed with all of the recommendations.

Improving Tax Reporting and Payment Compliance to Reduce the Tax Gap

Compliance Efforts Are Needed to Address Refund Claims Reported on Form 1139 That Are Based on the CARES Act Net Operating Loss Carryback Provisions

[\(Report Number 2022-35-049\)](#)

During the period March 27, 2020, to March 31, 2021, TIGTA noted that 17,537 taxpayers submitted Form 1139, *Corporation Application for Tentative Refund*, involving carrybacks to cover 19,262 loss tax years. The IRS issued a total of \$17.4 billion in tentative refunds to 12,119 of these taxpayers. Despite the large volume of Forms 1139 submitted, the business tax returns selected for examination represent a relatively low percentage of net operating loss tax years claimed on the Form 1139.

From March 27, 2020, through July 26, 2021, the SB/SE Division selected a total of 12,760 Forms 1120, *U.S. Corporation Income Tax Return*, for examination. Of these, 36 (less than 0.30 percent) involved a loss year claimed on the Form 1139. Similarly, the Large Business and International (LB&I) Division selected a total of 5,214 Forms 1120 for examination and 406 (7.8 percent) involved a loss year claimed on the Form 1139.

TIGTA reviewed eight Form 1120 examinations that the SB/SE Division closed and found that the IRS examinations resulted in return adjustments on five cases (62.5 percent), which

²¹ The IRS uses the Facility Security Assessment report as the foundation for its Facility Security Assessment Addendum. The Facility Security Assessment Addendum includes requirements specific to the Department of the Treasury and the IRS, related findings, and cost estimates for any needed security enhancements to the facilities being assessed. Along with the Facility Security Assessment, the Facility Security Assessment Addendum serves as the official IRS risk assessment for each IRS facility.

reduced the net operating loss that was carried back. Per the net operating loss provisions, I.R.C. § 172, part of the tentative refunds issued in the five cases should have been recaptured. The examiner did not always take steps to recapture the tentative refund issued to the taxpayer. TIGTA performed similar reviews of LB&I Division examination cases and did not find any exceptions.

After TIGTA shared these observations with the SB/SE Division, management took immediate corrective actions to update the examination guidance for both the SB/SE and LB&I Divisions. The IRS is in the process of taking steps to recover the excess tentative refunds issued.

TIGTA recommended that the IRS:

- Track and monitor examination results for the 25 open examinations of Forms 1120 with reported net operating losses and an associated Form 1139 presented in this report (excluding Joint Committee Refund Cases²²);
- Use the examination results from Recommendation 1 to assess whether to increase the number of examinations of Forms 1120 with reported net operating losses and an associated Form 1139; and
- Review examination results and computations of proposed net operating loss adjustments for the 25 open examinations presented in this report (excluding Joint Committee Refund Cases) to determine whether interim guidance for net operating losses is being properly followed.

IRS management agreed with all of the recommendations.

Reliance on Self-Certifications Resulted in Federal Agencies Awarding Contracts and Grants to Entities With Delinquent Federal Taxes; However, the IRS Is Making Progress on Establishing the Federal Contractor Tax Check System ([Report Number 2022-10-066](#))

Federal agencies across the Government awarded contracts and grants to entities that owed millions in delinquent Federal taxes. Between October 2018 and December 2019, the Federal Government awarded 2.1 million Federal contracts and grants to more than 83,000 awardees. Of these, 3,040 contractors received almost \$10.2 billion in Federal contracts while owing \$621.8 million in delinquent Federal taxes. In addition, 938 grantees received \$22.7 billion in Federal grants while owing \$269.2 million in delinquent Federal taxes.

In addition, such entities frequently did not self-certify their Federal tax status accurately, as required, prior to receiving contracts or grants. Specifically, 66 (93 percent) of 71 contractors selected in TIGTA's judgmental sample certified in the System for Award Management

²² The IRS must review a refund or credit of more than \$2 million (\$5 million for C corporations) and provide a report to the Joint Committee on Taxation, *i.e.*, referred to here as Joint Committee Refund Cases.

(SAM.gov)²³ that they did not owe, or had not yet been notified of, delinquent Federal taxes when IRS systems indicated a Federal tax debt was present.

The IRS did, however, make some progress establishing an application called the Federal Contractor Tax Check System. The system allows prospective contractors and grantees to request a certificate from the IRS stating that they did or did not owe seriously delinquent taxes. The IRS designed a technical solution to build the Federal Contractor Tax Check System and planned a foundational release in November 2022.

TIGTA recommended that the IRS continue to prioritize the development of the Federal Contractor Tax Check System. The IRS agreed with this recommendation.

Review of the IRS's Enforcement Program for Tax-Exempt Organizations That Participate in Illegal or Nonexempt Activities ([Report Number 2022-10-064](#))

The IRS's Exempt Organizations and Government Entities (EO) function²⁴ is responsible for oversight of tax-exempt organizations. If the IRS does not identify potential illegal or fraudulent activities by tax-exempt organizations, unscrupulous individuals could take advantage of this preferred tax status to commit crimes. This could diminish public trust in legitimate tax-exempt organizations.

TIGTA found that both the IRS and State charity regulators are limited by their respective laws and procedures for coordinating with each other as a means to identify tax-exempt organizations potentially engaging in illegal or other nonexempt activities. Currently, no State Attorneys General Offices have formal disclosure agreements with the IRS.

TIGTA identified 3,726 closed EO function referrals that allege potential fraudulent or illegal activities during FYs 2018 through 2020. For these referrals, classifiers inaccurately recorded the results for 42 cases on the referral database. In addition, of the 15,522 unique referral cases closed during FYs 2018 through 2020, TIGTA's analysis identified 980 closed cases for which two referral database fields had conflicting information about the final dispositions of the referrals. TIGTA also determined that 2,934 data fields were missing required information because referral database system controls do not require these fields to be completed prior to the case closing.

TIGTA reviewed two judgmental samples consisting of 46 referral cases closed between FYs 2018 and 2020. The cases alleged potentially fraudulent or illegal activities and were reviewed to determine whether the IRS's assessments of the referrals were sufficiently researched and properly documented. All 46 referral cases sampled were sufficiently

²³ The General Services Administration operates and manages the online System for Award Management, which is the official U.S. Government website for those that make, receive, or manage Federal awards as well as for public users searching for Government business information.

²⁴ According to the EO function, its mission is to provide customers with top-quality service, help customers understand and comply with applicable tax laws, and protect the public interest by applying the tax law with integrity and fairness to all.

researched. However, five of the 46 referrals did not have sufficient documentation to justify the decision to not pursue an examination.

TIGTA recommended that the IRS:

- Ensure that Classification managers periodically emphasize to classifiers the importance of including supporting documentation in the case files for selecting or not selecting referrals for examination;
- Implement referral database system controls to ensure that complete and accurate data is input into the database; and
- Review the fields on the referral database and determine if any may be eliminated to avoid confusion, conflicting information in similar fields, and redundancy.

The IRS agreed with all of the recommendations.

Modernizing IRS Operations

A Service-Wide Strategy Is Needed to Address Challenges Limiting Growth in Business Tax Return Electronic Filing ([Report Number 2022-40-036](#))

The IRS continues to receive large volumes of paper-filed tax and information returns, resulting in significant costs to process each year. In FY 2020, the IRS spent more than \$226 million to process paper-filed tax returns.

E-filing provides benefits to taxpayers, including upfront validations, greater tax return accuracy, and secure and confidential submission of highly personal tax return information. The IRS has taken a number of actions and developed initiatives in an effort to increase e-filing. Furthermore, legislative requirements have resulted and will continue to result in increased e-filing.

The backlogs of paper tax and information returns to be processed, along with the inability to ship paper tax returns and/or retrieve paper tax returns from Federal Records Centers due to the pandemic, demonstrate the need for the IRS to develop a service-wide strategy to further increase e-filing. However, the IRS does not have a service-wide strategy that identifies, prioritizes, and provides a timeline for the addition of tax forms for e-filing. The agency also does not have an accurate and comprehensive list of tax forms that are not available to e-file.

Since 2014, the overall percentage of business tax returns e-filed increased from 41 percent to 63 percent. Employment tax returns continue to provide the most significant opportunity for growth in business e-filing. The IRS has yet to establish processes and procedures to identify and address corporate, employer, and Heavy Highway Vehicle Use Tax filers that do not comply with e-file mandates. TIGTA's analysis of tax return filings identified 15,108 filers that paper-filed 22,569 TY 2018 returns that were required to be e-filed. TIGTA estimated that the processing of these returns cost the IRS \$30,196 in comparison to the \$3,405 to process the required e-filed tax returns.

As a result, TIGTA recommended that the IRS develop:

- A service-wide strategy to prioritize and incorporate all forms for e-filing;
- Processes and procedures to identify and address potentially noncompliant corporate filers; and
- Processes and procedures to ensure that penalties are consistently assessed against business filers that are noncompliant with e-filing requirements.

The IRS agreed with the first recommendation to develop a service-wide strategy to incorporate all forms for e-filing, but did not agree to the other two recommendations. IRS management stated they did not need to develop processes and procedures to identify noncompliant corporate filers because all requirements needed to assess penalties are not known at the time of filing. The IRS also has systemic processes in place for e-filed partnership returns, which were found to be working as intended. Other types of business returns have differing criteria for e-filing requirements and exceptions to the requirements, which prevented the implementation of a standard process for all business filers.

However, TIGTA believes that IRS management's justification for taking no action on these two recommendations was insufficient. In view of the backlogs of paper-filed tax returns, the IRS should take additional steps to continue reducing paper return filings.

Increasing International Tax Compliance

Additional Actions Are Needed to Ensure Taxpayer Compliance With the Section 965 Repatriation Tax ([Report Number 2022-34-062](#))

On December 22, 2017, the Tax Cuts and Jobs Act²⁵ was enacted and provided for a one-time deemed repatriation tax on U.S. shareholders of specified foreign corporations set forth under I.R.C. § 965.

The Joint Committee on Taxation estimated that for FYs 2018 through 2027 this provision would generate revenue for the U.S. Government of \$338.8 billion. This estimate was not based solely on the payment of the Section 965 repatriation tax and contained other revenue generating impacts, such as the increase in qualified dividends paid by businesses that would also result in increased tax revenue.

According to the IRS, multiple issues, including complex payment deferral procedures, have limited the agency's ability to compile accurate Section 965 data. The LB&I Division, which is responsible for ensuring that taxpayers comply with the Section 965 tax, initiated three compliance campaigns to address individual and business taxpayer compliance. The two ongoing campaigns have resulted in taxpayers filing amended returns reporting the tax and significant changes to the Section 965 tax calculation. However, TIGTA is concerned that the

²⁵ Pub. L. No. 115-97, 131 Stat. 2054.

campaign focused on the compliance of individuals does not plan any follow-up actions with taxpayers who did not respond to the soft letters.²⁶

The Section 965 repatriation tax can be paid in eight installments. Some installment payments were applied to incorrect tax periods, which could result in the taxpayer being identified as not compliant. Numerous payments were miscoded as Section 965 payments, impacting the IRS's ability to determine Section 965 revenue. Also, the IRS does not have the ability to systemically identify taxpayers not compliant with the required installment payments or S Corporation shareholders who failed to annually report their deferred liability on the Form 965-A, *Individual Report of Net 965 Tax Liability*.

TIGTA recommended that the IRS:

- Prioritize and follow up with compliance actions on nonresponsive taxpayers issued soft letters;
- Revise notices to add more information on how the Section 965 installment payments should be made;
- Ensure that system changes identify Section 965 payments that were potentially processed incorrectly;
- Develop procedures to systemically identify taxpayers that are not compliant with the Section 965(h) deferral requirements; and
- Develop procedures to identify S Corporation shareholders who made an election under Section 965(i) and did not annually submit the Form 965-A or did not report the correct amount of the Section 965 deferral on the Form 965-A.

The IRS agreed or partially agreed with four of the five recommendations.

Human Capital

Fingerprinting and Employment Eligibility Verification Delays Due to the COVID-19 Pandemic May Increase Taxpayer Data Exposure Risks

[\(Report Number 2022-16-039\)](#)

Although the IRS has made progress reducing the number of new employees hired during the COVID-19 pandemic without identity documents inspected or getting fingerprinted, the delays put the IRS at risk of potential exposure of taxpayer data.

Temporary Federal guidance allowed the IRS to defer physical inspection of employment eligibility documents for new employees. As of January 2022, IRS records showed that approximately 1,900 individuals hired from March 23, 2020, through July 17, 2021, were

²⁶ A soft letter is directed at a particular filing position that a taxpayer takes and seeks information or suggests a course of action. Soft letters are not necessarily followed up by an IRS compliance action, such as an examination.

listed as not yet having employment eligibility documents physically inspected. Of the 1,900 individuals, over 1,200 started working in CY 2020.

As of August 2021, the IRS's Form I-9 SharePoint site did not accurately reflect whether hiring officials completed the physical inspection of new employees' Form I-9, *Employment Eligibility Verification*, identity documents. TIGTA judgmentally selected and reviewed 38 records from the Form I-9 SharePoint site for which there was no indication that hiring officials had physically inspected new employees' verifying documents. The review found that five of the forms had hiring official notations indicating a physical inspection of the documents had taken place, even though the Form I-9 SharePoint site was not updated to reflect that physical inspection.

Several employees hired in CY 2020 did not have a date of physical inspection for their employment eligibility documents.

Temporary Federal guidance also allowed deferred fingerprints for some employees. Approximately one-quarter of the individuals who were hired from March 23, 2020, through July 17, 2021, filled positions that qualified for the fingerprint deferral. As of January 2022, IRS records showed that 113 individuals had not been fingerprinted, 29 of whom started working in CY 2020.

Further, there were 11 individuals who were hired, worked for the IRS between eight and 371 calendar days, and then separated from the IRS without ever having their identity documents physically inspected. Therefore, the IRS hired individuals to fill positions, the majority of which had access to taxpayer data, yet the agency never verified whether those individuals were eligible for Federal employment in the United States.

TIGTA recommended that the IRS conduct periodic reviews of the Form I-9 SharePoint site and provide periodic reminders to hiring officials responsible for completing Forms I-9 to determine whether the forms are still pending physical inspection and update the records based on the results of that review. TIGTA also recommended that the IRS ensure that the Form I-9 SharePoint site is a complete and accurate representation of the status of the deferred physical inspections.

IRS management agreed with the recommendations.

Protect the Integrity of Tax Administration

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

The Performance Model

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



Employee integrity;
Employee and infrastructure security; and
External attempts to corrupt tax administration.

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

TIGTA investigates these serious offenses and refers them to IRS management when they involve IRS employee misconduct. When appropriate, TIGTA also refers its investigations to the U.S. Department of Justice or to State authorities for prosecution.

Performance Area: Employee Integrity

In order for the country's tax system to operate successfully, taxpayers must have confidence in the fair and impartial administration of Federal tax laws and regulations. IRS employee misconduct can erode the public's trust and impede the IRS's ability to effectively enforce tax laws. Employee misconduct can take many forms, such as: the misuse of IRS resources or authority; theft; fraud; extortion; taxpayer abuse; unauthorized access to, and disclosure of, tax returns and return information; and identity theft.

During this reporting period, employee integrity investigations accounted for 37 percent of OI's work. OI conducted 366 employee misconduct investigations that were referred to the IRS for action. The IRS took action on 337 and closed 29 investigations without action.²⁷



As part of its employee integrity focus, TIGTA also conducts proactive investigative initiatives to detect misconduct in the administration of IRS programs. During this reporting period, TIGTA initiated eight proactive projects to detect systemic weaknesses or potential IRS program vulnerabilities. TIGTA's most successful integrity project involves the detection of IRS employees who abuse their access to taxpayer information to commit identity theft and other crimes.

Addressing Employee Misconduct

The following cases represent OI's efforts to address employee misconduct during this six-month reporting period:²⁸

IRS Employee Pleads Guilty to Wire Fraud in Scheme to Receive Fraudulent CARES Act Loans

On July 27, 2022, in the Western District of Tennessee, Tina Humes pled guilty to a charge of wire fraud. She perpetrated a scheme and received over \$100,000 from fraudulent applications for the CARES Act, the Paycheck Protection Program (PPP), and the Economic Injury Disaster Loan (EIDL) pandemic loans.

Between May 2020 and February 2021, Humes, an IRS Lead Management and Program Assistant, submitted fraudulent PPP and EIDL applications for the business "Tina Humes." In the applications, Humes certified that the funds would be used to retain workers, maintain payroll, and support other permissible expenses. Humes also submitted IRS Schedule Cs, *Profit or Loss from Business*, falsely representing that she received income from the business.

Based on the fraudulent PPP and EIDL applications, Humes obtained at least \$123,612 in loan benefits. Humes used loan proceeds for unauthorized personal items and expenditures, including jewelry and trips to Las Vegas.

At sentencing, Humes could receive up to 20 years in prison.

²⁷ These data may pertain to investigations referred administratively in prior reporting periods and do not necessarily relate to the total number of misconduct investigations that were referred to the IRS for action during this reporting period.

²⁸ Facts in the summarized case narratives come from court documents of the jurisdiction named.

Former IRS Employee Arrested on Three Counts of Wire Fraud

On July 6, 2022, in the Western District of Tennessee, former IRS Employee Courtney Westmoreland was arrested on three counts of wire fraud for her role in a scheme to defraud the U.S. Government through fraudulent EIDL applications and fraudulent State unemployment insurance claims.

Westmoreland was an IRS contact representative in the Wage and Investment Service Centers Department from approximately October 2020 to October 2021. Beginning around June 2020 and continuing through February 2021, Westmoreland devised a scheme to defraud the Small Business Administration to obtain money and property by means of false and fraudulent pretenses. She accomplished this by creating and submitting fraudulent loan applications on behalf of herself and her purported company “Court Closet Connection.”

In the applications, Westmoreland falsely represented that her company had operated since January 2018, employed four people, and had earned gross receipts of \$5,000 per month. In total, Westmoreland sought approximately \$32,500 and obtained at least \$11,500 in EIDL payments.

Additionally, beginning in October 2020 and continuing through July 2021, while employed at the IRS, Westmoreland falsely sought unemployment benefits from the State of Tennessee. Prior to her employment at the IRS, Westmoreland received unemployment benefits. While employed at the IRS, Westmoreland continued submitting fraudulent certifications to the Tennessee Department of Labor, claiming that she was still unemployed and not earning any wages. In total, Westmoreland received approximately \$16,000 through fraudulent unemployment insurance certifications.

If convicted, Westmoreland could receive up to 20 years in prison, up to three years of supervised release, and a maximum fine of \$250,000.

Identity Theft and the Insider Threat

The following case represents OI’s efforts to address identity theft and the insider threat during the reporting period:²⁹

IRS Employee Unlawfully Accessed Taxpayers’ Return Information

On May 19, 2022, in the Eastern District of California, information was filed against IRS employee Paula Salcedo for unauthorized inspection of returns or return information. IRS employees are authorized to access only those accounts required to accomplish their official duties. Annually, employees certify they understand IRS procedures that restrict access to taxpayer accounts for personal interest. Salcedo completed mandatory unauthorized awareness certifications in May 2017 and May 2018.

²⁹ Facts in the summarized case narrative come from court documents of the jurisdiction named.

On March 14, 2019, Salcedo attempted to conduct a search of her son’s father’s account, with whom she had an ongoing child custody dispute; however, she accessed information of another individual with the same name. Beginning on or about July 18, 2019, Salcedo accessed Federal tax information of six individuals she knew personally, as well as the information of their dependents, spouses, and parents. In total, Salcedo made unauthorized accesses to IRS records pertaining to the tax filing history, wage, and income reports of 72 people.

If convicted, Salcedo could receive up to one year in prison and a fine up to \$100,000.

Performance Area: Employee and Infrastructure Security

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



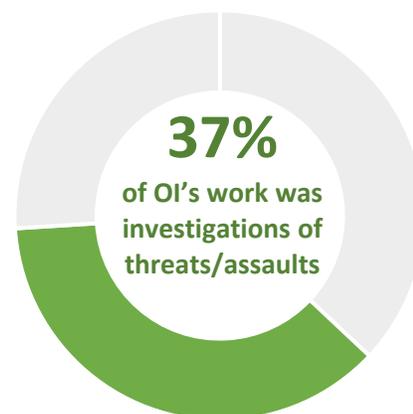
Contact with the IRS can be stressful and emotional for taxpayers. While the majority of taxpayer contacts are routine, some may become confrontational and even violent. TIGTA’s special agents are statutorily mandated to provide physical security, known as “armed escorts,” to IRS employees who have face-to-face contact with taxpayers who may pose a danger to the employee, and to ensure that IRS employees have a secure environment in which to perform their critical functions of tax administration. During this six-month reporting period, OI provided 17 armed escorts for IRS employees.

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

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

During this six-month reporting period, employee and infrastructure security investigations accounted for 37 percent of OI's work.

The following cases represent OI's efforts to ensure the safety of IRS employees during the reporting period:³⁰



Man Receives Five-Year Prison Sentence for Retaliating Against an IRS Employee

On April 4, 2022, in the Southern District of West Virginia, Jeffrey Reed was sentenced for retaliating against a Federal law enforcement officer by filing a fraudulent lien and attempting to interfere with the administration of IRS laws.

An IRS revenue officer was assigned to collect over \$329,950 from Reed in tax delinquency and liability for years 1995 through 2013. About January 14, 2015, the revenue officer met with Reed's employer to establish garnishment of his wages. In response, about May 12, 2015, Reed filed, in a public record with the Mercer County Clerk for West Virginia, a false lien and encumbrance against the real and personal property of his employer and the revenue officer for \$4.95 million. Reed also claimed that the revenue officer owed him an additional \$9 million because of the copyright for his name. The lien also claimed 165 constitutional violations, to include illegal search and seizure, war, treason, and slavery.

Reed was sentenced to five years in prison, three years of supervised release, and ordered to pay a \$200 special assessment fee.

Georgia Man Sentenced for Bomb Threat Against IRS Office in New York City

On August 11, 2022, in the Southern District of Georgia, Benjamin Stasko was sentenced for the interstate transmission of a threat to injure. He threatened to bomb an IRS office located in New York City.

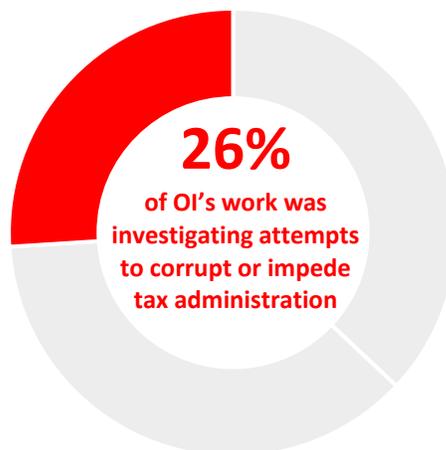
On July 6, 2020, Stasko posted a bomb threat on a public website. In his posting, Stasko claimed that a "highly explosive pipe bomb," intended for the IRS, was placed inside a Federal building located in New York City. Law enforcement officers and bomb-sniffing canines responded to the Federal building but did not locate an explosive device. Subsequent investigative efforts by TIGTA special agents identified Stasko as the person responsible for posting the threat. The investigation also revealed that Stasko had items at his residence believed to be the beginnings of a pipe bomb, along with notes explaining how he would blow up the IRS building.

Stasko was sentenced to time served (21 months) and three years of supervised release.

³⁰ Facts in the summarized case narratives come from court documents of the respective jurisdictions named.

Performance Area: External Attempts to Corrupt Tax Administration

TIGTA also investigates external attempts to corrupt or impede tax administration. Individuals may attempt to corrupt or impede tax administration in many ways. They may impersonate IRS employees or misuse IRS seals and symbols; use fraudulent IRS documentation to perpetrate criminal activity; offer bribes to IRS employees to influence their tax cases; commit fraud in contracts the IRS awards to contractors; or commit cybercrimes. In addition, unscrupulous tax preparers can impede tax administration by including errors or false information on a customer's return.



During this reporting period, investigations into attempts to corrupt or impede tax administration accounted for 26 percent of OI's work.

The following cases represent OI's efforts in this area during the reporting period:³¹

Fighting Cybercrime

Four Maryland Individuals Charged With Bank Fraud Using the IRS's Modernized Internet Employer Identification Number

On July 7, 2022, Victor Ojo, Raissa Kaossele, Jamelia Thompson, and Damilola Ojo were charged in the District of Maryland with conspiracy to commit bank fraud and aggravated identity theft. They used Employer Identification Numbers (EINs) obtained from the IRS in the scheme to defraud.

The co-conspirators used stolen PII to create, or cause to be created, EINs through the IRS's Modernized Internet Employer Identification Number (Mod IEIN) system. The Mod IEIN is the IRS's system that allows users to register for a unique EIN and requires the users to enter the valid name and Social Security Number of a real living person in order to obtain an EIN for a business. These EINs were used in conjunction with fraudulently obtained State business certificates to open bank accounts for the purpose of depositing stolen and/or altered checks or receiving fraudulently obtained wire transfers. Proceeds from the fraud were rapidly withdrawn and/or transferred to other bank accounts co-conspirators controlled.

The investigation identified more than \$4 million in fraudulent bank transactions. The four individuals were arrested on July 13, 2022.

³¹ Facts in the summarized case narratives come from court documents of the respective jurisdictions named.

Impersonation Scams and Schemes

Tennessee Woman Steals \$300,000 in IRS Impersonation Scheme

On April 11, 2022, TIGTA special agents arrested Telisha Futrell in Jackson, Tennessee. In March 2022, Futrell was indicted in the Western District of Tennessee for wire fraud, impersonating an officer or employee of the U.S. Government, obstruction of a grand jury investigation, and tampering with a witness or victim.

Beginning in May 2014 and continuing into May 2019, Futrell devised an impersonation scheme to defraud and obtain money through false pretenses. The scheme began with a victim being contacted via Facebook by an individual using the name Jessica Johnson. The victim and Johnson corresponded for several months, after which the victim received a telephone call from an individual claiming to be Johnson's cousin. The cousin told the victim that Johnson had stage four cancer and did not have long to live. Subsequently, the victim was notified Johnson died and the victim was the beneficiary of a multimillion-dollar inheritance. In order to receive the inheritance, the victim was instructed to pay taxes in advance through an IRS employee named Shieka Obannon, who was actually Futrell.

Futrell introduced herself to the victim as an IRS employee. During the course of the scheme, Futrell portrayed the role of an IRS attorney, Federal agent, and other employees. To appear as an IRS employee, Futrell sent text messages, e-mails, and called the victim to collect purported tax payments. Futrell instructed the victim to pay her in cash and also via money transmitters, such as Western Union, JPay, and MoneyGram. The victim began making payments in 2015 and met with Futrell regularly. Futrell stole approximately \$300,000 during the scheme.

Futrell repeatedly attempted to obstruct the Federal investigation against her when she provided false statements to special agents and tried to persuade one of the victims to lie about their knowledge of the investigation.

If convicted, Futrell could receive more than 20 years in prison, three years of supervised release, and a fine over \$250,000.

Georgia Man Arraigned in IRS Impersonation Scheme

On May 25, 2022, in the Northern District of Georgia, Damian Alphonse Addison was arraigned for charges of money laundering and conspiracy to commit money laundering. He was an alleged co-conspirator in an IRS impersonation scheme.

Beginning in September 2017 and continuing until September 2018, Addison and other co-conspirators allegedly engaged in the scheme. They allegedly called victims and falsely stated that the victims owed money to the IRS. In some instances, victims were allegedly told that a warrant for their arrest had been issued because of the money owed to the IRS. These victims were instructed to either make a payment by wire transfer or deposit the funds directly into a

bank account Addison controlled. Addison allegedly received the wired funds and distributed a portion of the proceeds to his co-conspirators.

If convicted, Addison could face up to 20 years in prison.

New York Man Pleads Guilty to Fraud Related to an Impersonation Scam

On June 23, 2022, in the Eastern District of New York, Kamal Zafar pled guilty to conspiracy to commit wire fraud. According to a U.S. Department of Justice press release dated August 19, 2022, the conspiracy was related to an IRS impersonation scam.

Between January 2018 and September 2018, Zafar and his co-conspirators engaged in a fraudulent telephone call and internet retail scam directed at thousands of individuals across the United States. As part of the scam, telemarketing call centers in India were used to place calls seeking to defraud victims of money by various fraudulent scenarios. The callers claimed to be employees of the IRS, the Social Security Administration, or the Drug Enforcement Administration. Victims were told they owed money to the U.S. Government or one of its agents. They also were told they would be arrested if the debts were not immediately paid.

Victims wired payments to bank accounts that Zafar and his co-conspirators opened in the names of various inactive and shell corporations. Once received, the funds were withdrawn and laundered through additional bank accounts. In total, Zafar and his co-conspirators received approximately \$2.3 million dollars from victims.

At sentencing, Zafar could receive up to 20 years in prison.

Tax Preparer Outreach

In addition to promoting employee integrity, TIGTA is committed to tax preparers' education on integrity. Tax preparers play an important role ensuring the integrity of tax administration because of their frequent contact with the IRS and their influence on tax compliance or noncompliance. Tax preparers can assist in the enforcement of tax administration by ensuring that taxpayers comply with Internal Revenue laws, or they can impede it.

During this reporting period, TIGTA special agents provided integrity presentations to more than 8,797 tax preparers at various locations nationwide. The presentations detailed TIGTA's role in protecting the integrity of Federal tax administration; the differences between the respective jurisdictions of TIGTA and the IRS; how to identify various forms of preparer misconduct; and common IRS impersonation scams.

The following cases represent OI's efforts to protect tax administration from unscrupulous tax preparers during this six-month reporting period:³²

³² Facts in the summarized case narratives come from court documents of the respective jurisdictions named.

Virginia Woman Sentenced for Defrauding Taxpayers

On April 25, 2022, in the Western District of Virginia, Lisa Dillard was sentenced for wire fraud. Dillard devised a scheme to defraud at least eight small businesses and their owners, many of whom speak limited English. She pretended to be a registered tax and accounting services professional. Dillard does not have a Preparer Tax Identification Number or an Electronic Filing Identification Number. She also is not registered as an enrolled agent with the IRS.

Beginning around February 2016 and continuing until July 2018, Dillard operated a tax and accounting services business. In exchange for a monthly fee, she claimed to provide accounting and Federal tax services. Dillard told victims they owed a tax liability, and she falsely represented that she had established an installment agreement with the IRS. Dillard instructed victims to pay installment payments directly to her, and she would pay the IRS on their behalf. Victims typically made checks payable to Dillard, and she would deposit the money into her personal bank account.

Dillard did not file the victims' taxes or make any payments to the IRS on their behalf. Using an IRS symbol, she created and provided victims fraudulent documents purporting to show the existence of an installment agreement and their payment.

Dillard received 24 months in prison, three years of supervised release, and was ordered to pay \$190,294 in restitution.

Tax Preparer Sentenced After Defrauding the IRS

On June 23, 2022, in the Southern District of Texas, Brian Washington was sentenced for providing a false statement on an income tax return. Washington pled guilty to this charge on February, 25, 2022.

During the 2014 through 2015 tax filing seasons, Washington worked as a Volunteer Income Tax Assistance (VITA) return preparer at the Neighborhood Tax Center. VITA is a nationwide initiative that the IRS sponsors to provide income tax filing assistance to low-to-moderate income individuals. While volunteering in the VITA program, Washington took taxpayer return information from VITA locations to prepare and file taxpayers' returns from his residence, without authorization.

From about January 1, 2015, until approximately April 15, 2018, Washington fraudulently prepared the taxpayers' IRS Forms 1040, *U.S. Individual Income Tax Return*, using false schedules and tax credits to claim larger refunds than what the taxpayers were entitled to receive. Washington paid the taxpayers the refund they expected, while keeping the portion of the refund that had been falsely claimed. During the course of the scheme, Washington filed approximately 258 income tax returns, claiming refunds totaling over \$1.19 million.

Washington received 10 months in prison, one year of supervised release, and was ordered to pay \$129,011 in restitution.

Kentucky Man Sentenced for Making a False Statement

On May 24, 2022, in the Eastern District of Kentucky, Charles Marshall Stivers was sentenced for making and using a false document containing a false statement.

Stivers was initially licensed to practice as a Certified Public Accountant (CPA) by the State of Kentucky in 1989. On October 23, 2015, the Kentucky State Board of Accountancy permanently revoked Stivers' CPA license by an Agreed Order. The Agreed Order prohibited Stivers from ever holding himself as a CPA to the public in any capacity, including to the IRS or any other tax authority.

On March 22, 2016, in Manchester, Kentucky, Stivers signed an IRS Form 2848, *Power of Attorney and Declaration of Representative*, and indicated he was the Power of Attorney for a business. As part of his completion of this form, Stivers specified in writing that he was a licensed CPA. He also listed CPA license number 12597 that belonged to his son. Stivers submitted the signed form to an IRS revenue officer.

On three more occasions in 2018 and 2019, Stivers completed IRS Form 2848 on behalf of clients in Knoxville, Tennessee. Each time he indicated he was a licensed CPA, used his son's CPA license number, and forged his son's signature.

Stivers was sentenced to 10 months in prison and two years of supervised release. He also received a \$30,000 fine, a \$100 assessment fee, and was ordered not to hold himself out as a CPA.

Advance Oversight of America's Tax System

TIGTA's Office of Inspections and Evaluations identifies opportunities for improvement in IRS and TIGTA programs by performing inspections and evaluations that report timely, useful, and reliable information to decision makers and stakeholders.

This function has two primary product lines: inspections and evaluations.



Inspections are intended to:

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

Evaluations are intended to:

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

Fiscal Year 2022 Statutory Review of Compliance With Legal Guidelines Prohibiting the Use of Illegal Tax Protester and Similar Designations ([Report Number 2022-IE-R004](#))

Section 3707 of the RRA 98 prohibits the use of the term “Illegal Tax Protester” and similar designations.³³ This legislation was enacted due to concerns that some taxpayers were being permanently labeled as Illegal Tax Protesters by the IRS despite subsequently becoming compliant with tax laws. TIGTA is required to annually evaluate the IRS's compliance with this law. Using Illegal Tax Protester or other similar designations may stigmatize the taxpayers and cause employee bias in future contacts with them.

Prior to the enactment of the RRA 98, the IRS used Illegal Tax Protester indicators on its Individual Master File to accelerate enforcement activity for taxpayers whose tax returns or correspondence contained specific indicators of noncompliance with tax law, such as the use of arguments repeatedly rejected by the courts. Section 3707 of the RRA 98 required the IRS to remove the existing Illegal Tax Protester designations from taxpayers' accounts on the Individual Master File beginning January 1, 1999.

³³ Pub. L. No. 105-206, 112 Stat. 685.

TIGTA's review found that Illegal Tax Protester codes were not used on the Master File in FY 2021. Additionally, TIGTA's review of over half a million Taxpayer Information File records found no records created in FY 2021 using the term Illegal Tax Protester or similar designation.

However, TIGTA's review of over 70 million narrative records created during FY 2021 in the Accounts Management Services System found that employees referenced the term Illegal Tax Protester or similar designation on six records for six different taxpayers. Further, TIGTA reviewed 25,814 narrative records from the Criminal Investigation Management Information System and identified 10 records of Illegal Tax Protester or similar designation involving eight employees. TIGTA also reviewed 155,431 narrative records in the Taxpayer Advocate Management Information System and identified two records referencing the term Illegal Tax Protester or similar designation.

TIGTA made no recommendations in this report.

Fiscal Year 2022 Statutory Review of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute ([Report Number 2022-IE-R005](#))

TIGTA is required by law to annually report information regarding extensions under I.R.C. § 6501(c)(4)(B), which requires the IRS provide notice to taxpayers of their rights to decline requests to extend the assessment statute of limitations or to request any extension be limited to a specific period of time or specific issues.

The IRS is required by law to notify taxpayers of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties. Taxpayers may be adversely affected if the IRS does not follow requirements to notify taxpayers of their rights related to assessment statute extensions.

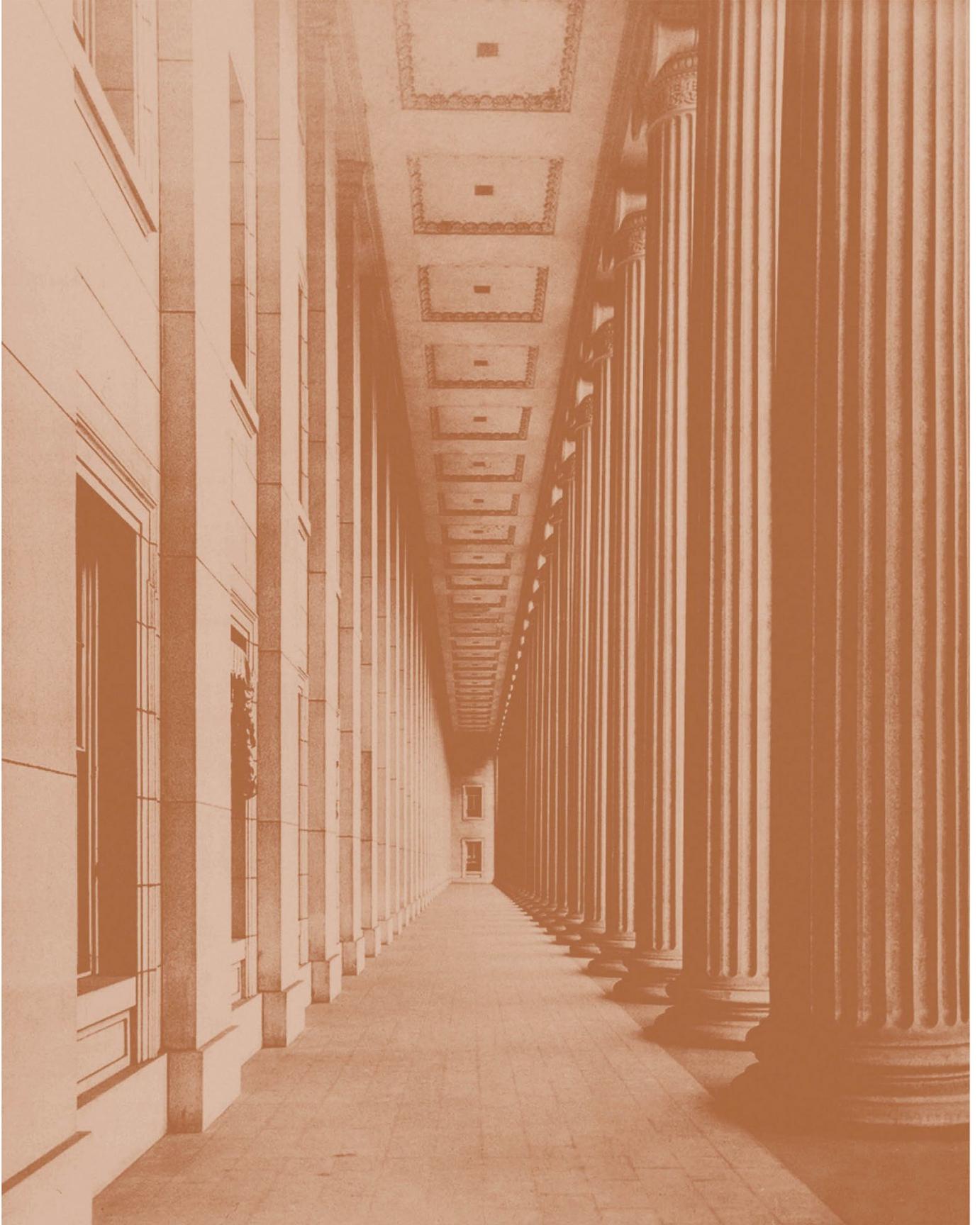
TIGTA determined that the IRS was compliant with legal requirements related to requests to extend the assessment statute. The IRS complied with the legal requirement to notify taxpayers of their rights when requesting an extension of the assessment statute of limitations.

TIGTA reviewed a statistically valid sample of 39 taxpayer audit files closed between October 1, 2020, and September 30, 2021, in which the taxpayers agreed to extend the statute expiration date. We found that the IRS complied with legal requirements. We did not identify any instances in which the IRS failed to provide notice to the taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues.

However, the IRS is still unable to locate the majority of paper documents requested. The IRS was unable to provide the majority of taxpayer audit files requested during our review. The IRS reported that there was a backlog in processing requests in Kansas City, which contributed to the delays in receiving documents. According to the IRS, there are multiple

efforts throughout the IRS aimed at modernization and digitization. The IRS believes that these efforts, which are long-term and service-wide, will improve the IRS's document systems and tracking capabilities.

TIGTA made no recommendations in this report.



Audit Statistical Reports

Reports With Questioned Costs

TIGTA did not issue any audit reports with questioned costs during this semiannual reporting period. The phrase “questioned costs” means costs that are questioned because of:

- An alleged violation of a provision of a law, regulation, contract, or other requirement governing the expenditure of funds;
- A finding, at the time of the audit, that such cost is not supported by adequate documentation (an unsupported cost); or
- A finding that expenditure of funds for the intended purpose is unnecessary or unreasonable.

The phrase “disallowed cost” means a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.

Report Category	Number	Amount (in thousands)	Unsupported Costs (in thousands)
1. Reports with no management decision at the beginning of the reporting period	0	\$0	\$0
2. Reports issued during the reporting period	0	\$0	\$0
3. Subtotals (Item 1 plus Item 2)	0	\$0	\$0
4. Reports for which a management decision was made during the reporting period:			
a. Value of disallowed costs	0	\$0	\$0
b. Value of costs not allowed	0	\$0	\$0
5. Reports with no management decision at the end of the reporting period (Item 3 minus Item 4)	0	\$0	\$0
6. Reports with no management decision within six months of issuance	0	\$0	\$0

Reports With Recommendations That Funds Be Put to Better Use

TIGTA issued seven audit reports during this semiannual reporting period with the recommendation that funds be put to better use.³⁴ The phrase “recommendation that funds be put to better use” means funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

- Reductions in outlays;
- Deobligations of funds from programs or operations;
- Costs not incurred by implementing recommended improvements related to operations;
- Avoidance of unnecessary expenditures noted in pre-award reviews of contract agreements;
- Prevention of erroneous payment of refundable credits, e.g., Earned Income Tax Credit; or
- Any other savings that are specifically identified.

The phrase “management decision” means the evaluation by management of the findings and recommendations included in an audit report, and the issuance of a final decision concerning its response to such findings and recommendations, including actions deemed necessary.

Report Category	Number	Amount (in thousands)
Section 1		
Reports for which no management decision had been made by the beginning of the reporting period	0	\$0
Reports issued during the reporting period	3	\$1,130,966
Total Section 1	3	\$1,130,966
Section 2		
Reports for which management decisions were made during the reporting period		
Value of recommendations agreed to by management		
Based on proposed management action	3 ³⁵	\$530,504
Based on proposed legislative action	0	\$0
Value of recommendations to which management did not agree	1	\$600,462
Total Section 2	4³⁶	\$1,130,966
Section 3		
Reports for which no management decisions had been made by the end of the reporting period (Sec. 1 minus Sec. 2)	0	\$0
Reports with no management decision within six months of issuance	0	\$0

³⁴ See Appendix II for identification of audit reports involved.

³⁵ One report (2022-46-059) claimed a total dollar amount for Funds Put to Better Use for three recommendations. The IRS agreed with two of the three recommendations.

³⁶ One report (2022-46-032) had recommendations where management both agreed and disagreed, as well as a recommendation where management agreed with the recommendation but disagreed with the associated outcome measure.

Reports With Additional Quantifiable Impact on Tax Administration

In addition to questioned costs and funds put to better use, OA has identified measures that demonstrate the value of audit recommendations to tax administration and business operations. These issues are of interest to executives at the IRS and the Treasury Department, Members of Congress, and the taxpaying public, and are expressed in quantifiable terms to provide further insight into the value and potential impact of OA's products and services. Including this information also promotes adherence to the intent and spirit of the Government Performance and Results Act.³⁷

Definitions of these additional measures are:

Increased Revenue: Assessment or collection of additional taxes.

Revenue Protection: Ensuring the accuracy of the total tax, penalties, and interest paid to the Federal Government.

Reduction of Burden on Taxpayers: Decreases by individuals or businesses in the need for, frequency of, or time spent on communication, record keeping, preparation, or costs to comply with tax laws, regulations, and IRS policies and procedures.

Taxpayer Rights and Entitlements at Risk: The protection of due process rights granted to taxpayers by law, regulation, or IRS policies and procedures. These rights most commonly arise when filing tax returns, paying delinquent taxes, and examining the accuracy of tax liabilities. The acceptance of claims for and issuance of refunds (entitlements) are also included in this category, such as when taxpayers legitimately assert that they overpaid their taxes.

Taxpayer Privacy and Security: Protection of taxpayer financial and account information (privacy). Processes and programs that provide protection of tax administration, account information, and organizational assets (security).

Inefficient Use of Resources: Value of efficiencies gained from recommendations to reduce cost while maintaining or improving the effectiveness of specific programs; resources saved would be available for other IRS programs. Also, the value of internal control weaknesses that resulted in an unrecoverable expenditure of funds with no tangible or useful benefit in return.

Reliability of Management Information: Ensuring the accuracy, validity, relevance, and integrity of data, including the sources of data and the applications and processing thereof, used by the organization to plan, monitor, and report on its financial and operational activities. This measure will often be expressed as an absolute value (*i.e.*, without regard to whether a number is positive or negative) of overstatements or understatements of amounts recorded on the organization's documents or systems.

Protection of Resources: Safeguarding human and capital assets, used by or in the custody of the organization, from accidental or malicious injury, theft, destruction, loss, misuse, overpayment, or degradation.

³⁷ Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5, 31, and 39 U.S.C.).

The number of taxpayer accounts and dollar values shown in the following chart were derived from analyses of historical data and are thus considered potential barometers of the impact of audit recommendations. Actual results will vary depending on the timing and extent of management’s implementation of the corresponding corrective actions and the number of accounts or subsequent business activities affected as of the dates of implementation. Also, a report may have issues that affect more than one outcome measure category.

Outcome Measure Category	Number of Reports ³⁸	Number of Taxpayer Accounts	Dollar Value (in thousands)
Increased Revenue	2	3,502	\$8,727
Revenue Protection	1	0	\$58,091
Reduction of Burden on Taxpayers	2	4,009	\$0
Taxpayer Rights and Entitlements at Risk	6	10,123,300	\$822,366
Taxpayer Privacy and Security	0	0	\$0
Inefficient Use of Resources	0	0	\$0
Reliability of Management Information	2	12,826	\$41,540
Protection of Resources	0	0	\$0

The following reports contained quantifiable impacts other than the number of taxpayer accounts and dollar value:

- Revenue Protection: Report Number 2022-34-062
- Taxpayer Rights and Entitlements at Risk: Report Numbers 2022-10-044, 2022-30-056, and 2022-47-070
- Reliability of Management Information: Report Numbers 2022-16-039, 2022-30-056, 2022-10-046, 2022-34-062, 2022-20-051, 2022-10-064, and 2022-20-050
- Protection of Resources: Report Numbers 2022-10-046, 2022-20-055, 2022-20-051, and 2022-20-065.

³⁸ See Appendix II for identification of audit reports involved.

Investigations Statistical Reports³⁹

Significant Investigative Achievements (April 1, 2022, through September 30, 2022)

Complaints/Allegations Received by TIGTA	
Complaints Against IRS Employees	1,259
Complaints Against Non-Employees	1,470
Total Complaints/Allegations	2,729
Status of Complaints/Allegations Received by TIGTA	
Investigations Initiated	713
In Process Within TIGTA ⁴⁰	349
Referred to IRS for Action	385
Referred to IRS for Information Only	446
Referred to a Non-IRS Entity ⁴¹	0
Closed With No Referral	505
Closed Associated With Prior Investigation	118
Closed With All Actions Completed	213
Total Complaints/Allegations	2,729
Investigations Opened and Closed	
Total Investigations Opened	1,065
Total Investigations Closed	1,143
Financial Accomplishments	
Embezzlement/Theft Funds Recovered	\$9,624,565
Contract Fraud and Overpayments Recovered	\$71,141
Court-Ordered Fines, Penalties, and Restitution	\$86,228,102
Out-of-Court Settlements	0
Potentially Compromised by Bribery	0
Tax Liability of Taxpayers Who Threaten and/or Assault IRS Employees	\$2,247,983
IRS Assets and Resources Protected Against Malicious Loss	\$303,274
Total Financial Accomplishments	\$98,475,065

³⁹ Includes the reporting requirements under the Inspector General Empowerment Act of 2016, Pub. L. No. 114-317, 130 Stat. 1595 (codified in 5 U.S.C. App. (2018)).

⁴⁰ Complaints for which final determination had not been made at the end of the reporting period.

⁴¹ A non-IRS entity includes other law enforcement entities or Federal agencies.

Status of Closed Criminal Investigations			
Criminal Referral	Employee	Non-Employee	Total
Referred – Accepted for Prosecution	7	121	128
Referred – Declined for Prosecution	138	194	332
Referred – Pending Prosecutorial Decision	1	64	65
Total Criminal Referrals⁴²	146	379	525
No Referral	273	317	590
Criminal Dispositions ⁴³			
Criminal Disposition	Employee	Non-Employee	Total
Guilty	4	84	88
Nolo Contendere (no contest)	0	1	1
Pretrial Diversion	0	3	3
Deferred Prosecution ⁴⁴	1	1	2
Not Guilty	0	0	0
Dismissed	1	6	7
Total Criminal Dispositions	6	95	101
Administrative Dispositions on Closed Investigations ⁴⁵			
Removed/Terminated			26
Suspended/Reduction in Grade			21
Resigned/Retired/Separated Prior to Adjudication			89
Oral or Written Reprimand/Admonishment			51
Clearance Letter/Closed, No Action Taken			42
Alternative Discipline/Letter With Cautionary Statement/Other			52
Non-Employee Actions ⁴⁶			400
Total Administrative Dispositions			681

⁴² Criminal referrals include both Federal and State dispositions.

⁴³ Final criminal dispositions during the reporting period. These data may pertain to investigations referred criminally in prior reporting periods and do not necessarily relate to the investigations referred criminally in the previous Status of Closed Criminal Investigations table.

⁴⁴ Generally, in a deferred prosecution, the defendant accepts responsibility for their actions and complies with certain conditions imposed by the court. Upon the defendant's completion of the conditions, the court dismisses the case. If the defendant fails to fully comply, the court reinstates prosecution of the charge.

⁴⁵ Final administrative dispositions during the reporting period. These data may pertain to investigations referred administratively in prior reporting periods and do not necessarily relate to the investigations closed in the Investigations Opened and Closed table.

⁴⁶ Administrative actions taken by the IRS against non-IRS employees, e.g., contractors.

Summary of Investigative Reports and Criminal Referrals

Criminal Referral Breakdown	
Number of Investigative Reports Issued	460
Referred to the Department of Justice for Criminal Prosecution	440
Referred to State/Local Prosecuting Authorities	20
Number of Indictments and Criminal Informations	113
Indictments	84
Criminal Informations	29

Source: TIGTA OI's Criminal Results Management System.

Interference

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

Instances of Whistleblower Retaliation

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

Closed⁴⁷ Investigations Involving IRS Senior Government Employees⁴⁸

Detailed Description of the Facts and Circumstances of the Investigation:	Disposition:	Criminal Status:	Date Referred:	If Declined, Date of Declination:
A senior Government employee allegedly circumvented the Special Act Award approval process.	Other	N/A	N/A	N/A
A senior Government employee allegedly committed an unsafe act with a firearm while on a firearms range.	Other	N/A	N/A	N/A
A senior Government employee allegedly yelled at a coworker, threatened a coworker, and had unauthorized outside employment.	Other	N/A	N/A	N/A

⁴⁷ When TIGTA refers an IRS employee investigation to the IRS, the investigation remains open until all actions are completed, including any penalty imposed upon the employee by the IRS. TIGTA closes an employee investigation after receiving notice from the IRS of the administrative action taken in response to that investigation.

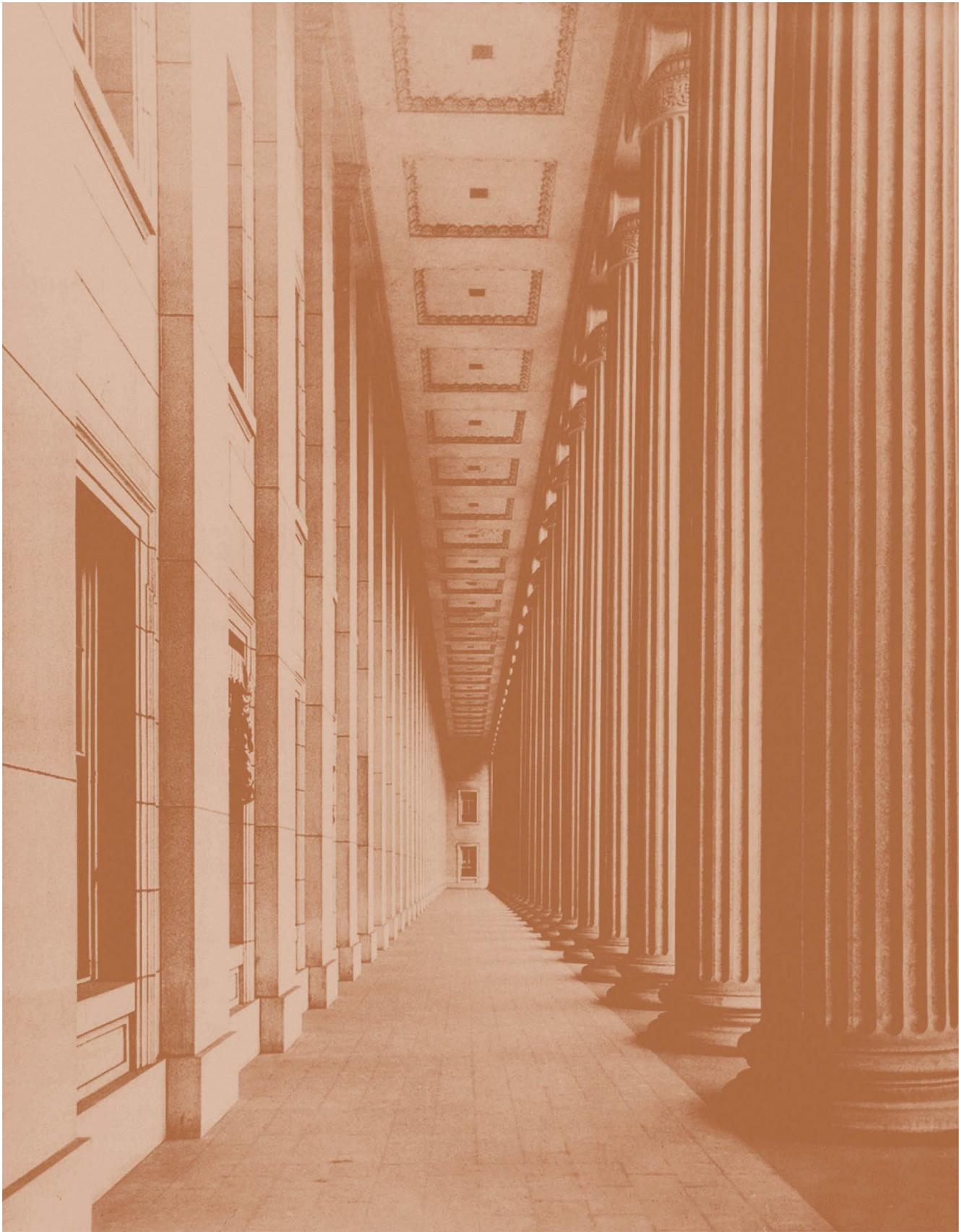
⁴⁸ For this report, a “senior Government employee” refers to an officer or employee in the Executive branch who occupies a position classified at or above GS-15 of the General Schedule. 5 U.S.C. App. § 5(f)(7).

Inspections and Evaluations Statistical Reports

Evaluation Reports with Significant Unimplemented Corrective Actions

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

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2021-IE-R001	March 2021	06/30/23	<p>OVERSIGHT OF REPORTED SEXUAL HARASSMENT ALLEGATIONS NEEDS IMPROVEMENT</p> <p><u>F-2, R-3</u>: Review all relevant policies and procedures and ensure that guidance on how to address sexual harassment allegations is available to all employees.</p>



Appendix I

Other Statistical Reports

Reports With Significant Unimplemented Corrective Actions

The Inspector General Act requires the identification of any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations described in previous semiannual reports for which corrective actions have not been completed. The following list is based on information from the Treasury Department’s Joint Audit Management Information System (JAMES).^{49,50}

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2007-10-068	May 2007	12/15/22	<p>INEFFICIENCIES IN PROCESSING OPERATIONS ASSISTANCE REQUESTS CAUSED TAXPAYERS UNNECESSARY DELAYS</p> <p><u>F-3, R-1</u>: Revise Form 12412, <i>Operations Assistance Request</i>, to allow requests to be closed as completed or as misrouted only if they had been sent to the wrong Operations liaison.</p>
2008-20-176	September 2008	11/15/22	<p>THE OFFICE OF RESEARCH, ANALYSIS, AND STATISTICS NEEDS TO ADDRESS COMPUTER SECURITY WEAKNESSES</p> <p><u>F-1, R-5</u>: Ensure that audit and accountability controls are sufficient by requiring audit logs to be maintained a minimum of six years and to be periodically reviewed by the security officer.</p>
2016-40-028	March 2016	On Hold ⁵¹ 03/15/23	<p>REVISING TAX DEBT IDENTIFICATION PROGRAMMING AND CORRECTING PROCEDURAL ERRORS COULD IMPROVE THE TAX REFUND OFFSET PROGRAM</p> <p><u>F-1, R-1</u>: Revise identification processes to include sole proprietor information from Form SS-4, <i>Application for Employer Identification Number</i>, to identify individual tax refunds to offset to business tax debt.</p> <p><u>F-3, R-1</u>: Revise computer programming to use the Limited Liability Company indicator on the business tax account to ensure that individual tax refunds are not offset to the associated Limited Liability Company’s business tax debt.</p>

⁴⁹ This summary data does not include recommendations that are specifically prohibited from disclosure by any provision of law, such as I.R.C. § 6103, protecting tax returns and return information, or that are specifically required by Executive Order to be protected from disclosure in the interest of national defense or national security or in the conduct of foreign affairs.

⁵⁰ The Office of Audit has previously designated two reports with unimplemented recommendations as Sensitive But Unclassified. These Sensitive But Unclassified reports include subject matter that might create a risk of circumvention of the law if publicly released. There are no potential cost savings associated with any unimplemented recommendations from these reports.

⁵¹ Except where noted, recommendations designated as “On Hold” were agreed to by the IRS, but action was deferred pending the availability of funds.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2017-40-037	May 2017	On Hold On Hold	<p>IMPROVEMENTS ARE NEEDED TO ENSURE THAT TAX ACCOUNTS ON THE AUTOMATED NON-MASTER FILE ARE ACCURATELY PROCESSED</p> <p><u>F-1, R-1</u>: Correct Automated Non-Master File programming to compute and assess the Failure to File penalty on Form 1040NR, <i>U.S. Nonresident Alien Income Tax Return</i>, accounts in which the Taxpayer Identification Number (TIN) is an Employee Identification Number.</p> <p><u>F-1, R-2</u>: Correct Automated Non-Master File programming to use the correct date when computing the Failure to File penalty. In addition, programming should be corrected to ensure that the proper penalty rate is used to compute the penalty amount.</p> <p>Potential Increased Revenue: \$354,153</p>
2017-20-024	June 2017	12/15/23	<p>INFORMATION TECHNOLOGY: IMPROVEMENTS ARE NEEDED IN ENTERPRISE-WIDE DISASTER RECOVERY PLANNING AND TESTING</p> <p><u>F-2, R-1</u>: Reach consensus regarding the maximum tolerable downtime or recovery time objective for each mission-essential function.</p>
2017-40-038	July 2017	On Hold	<p>CASE SELECTION PROCESSES RESULT IN BILLIONS OF DOLLARS IN POTENTIAL EMPLOYER UNDERREPORTED TAX NOT BEING ADDRESSED</p> <p><u>F-3, R-1</u>: Establish a systemic process to match data fields to perfect unpostable Forms W-3, <i>Transmittal of Wage and Tax Statements</i>.</p>
2017-30-048	August 2017	On Hold	<p>ADDITIONAL CONTROLS ARE NEEDED TO HELP ENSURE THAT NONRESIDENT ALIEN INDIVIDUAL PROPERTY OWNERS COMPLY WITH TAX LAWS</p> <p><u>F-1, R-1</u>: Request that a revision be made to Form 1040-NR to enable nonresident aliens to make an election under I.R.C. § 871(d) and revise processing procedures to ensure that the IRS records the election.</p>
2017-40-085	September 2017	On Hold ⁵²	<p>FURTHER ACTIONS ARE NEEDED TO REDUCE THE RISK OF EMPLOYMENT TAX FRAUD TO BUSINESSES THAT USE THE SERVICES OF PROFESSIONAL EMPLOYER ORGANIZATIONS</p> <p><u>F-3, R-1</u>: Establish processes and procedures to reduce unnecessary resources expended notifying employers of an address change when programming incorrectly identifies an address change resulting from minor formatting revisions.</p>

⁵² This recommendation was agreed to by the IRS, but was placed “On Hold” because the IRS is awaiting input from another agency.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2018-40-010	January 2018	On Hold	<p>PROCESSES NEED TO BE IMPROVED TO IDENTIFY INCOMPLETE AND FRAUDULENT APPLICATIONS FOR INDIVIDUAL TAXPAYER IDENTIFICATION NUMBERS</p> <p><u>F-3, R-2</u>: Ensure that programming changes are made to require mandatory review when the Real-Time System alerts tax examiners that an applicant is using duplicate supporting documents as has previously been used to obtain an Individual Taxpayer Identification Number (ITIN).</p>
2018-40-013	February 2018	On Hold On Hold On Hold	<p>ACTIONS ARE NEEDED TO REDUCE THE RISK OF FRAUDULENT USE OF EMPLOYER IDENTIFICATION NUMBERS AND TO IMPROVE THE EFFECTIVENESS OF THE APPLICATION PROCESS</p> <p><u>F-2, R-1</u>: Correct programming to reject Employer Identification Number applications when an Employer Identification Number has previously been assigned to the same sole proprietor and to reject applications when IRS data indicate that the sole proprietor is deceased.</p> <p><u>F-3, R-1</u>: Perform an assessment to determine how an additional field could be added to the Business Master File so that both the decedent Social Security Number and a responsible party TIN can be captured for estates and trusts.</p> <p><u>F-3, R-5</u>: Develop programming to reject estate applications if the decedent TIN is not that of a deceased individual.</p>
2018-20-034	June 2018	09/15/23	<p>ACTIVE DIRECTORY OVERSIGHT NEEDS IMPROVEMENT AND CRIMINAL INVESTIGATION COMPUTER ROOMS LACK MINIMUM SECURITY CONTROLS</p> <p><u>F-2, R-1</u>: Complete a cost analysis to: 1) determine the efficacy of relocating Criminal Investigation assets in each of the field offices to existing IRS computer rooms versus upgrading the Criminal Investigation computer rooms to ensure that assets are protected in accordance with Federal and Internal Revenue Manual (IRM) security requirements, and 2) implement the most cost effective solution.</p>
2018-30-072	September 2018	On Hold	<p>IMPROVEMENTS ARE NEEDED IN THE WITHHOLDING COMPLIANCE PROGRAM</p> <p><u>F-3, R-2</u>: Analyze the current selection criteria used by the Withholding Compliance System to determine if the taxpayers identified for systemic lock-in letter issuance are the best use of limited resources. This would include potentially identifying taxpayers with multiple years of under-withholding and the percentage of inventory that includes nonfilers.</p>
2019-20-017	April 2019	02/15/23	<p>ELECTRONIC AUTHENTICATION SECURITY CONTROLS HAVE IMPROVED, BUT CONTINUED PROGRESS IS NEEDED TO ENSURE THE PROTECTION OF PUBLIC-FACING APPLICATIONS</p> <p><u>F-1, R-1</u>: Ensure that public-facing legacy applications are complying with National Institute of Standards and Technology Special Publication 800-63-3 and that an implementation plan includes specific timelines for accomplishing full compliance of legacy applications.</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2019-34-033	May 2019	On Hold	IMPLEMENTATION OF THE TAX CUTS AND JOBS ACT DEEMED REPATRIATION TAX PRESENTED SIGNIFICANT CHALLENGES F-2, R-1: Take steps to ensure that Section 965 payments are recorded with the correct designated payment code.
2019-40-044	August 2019	09/15/23	BILLIONS OF DOLLARS OF POTENTIALLY ERRONEOUS CARRYFORWARD CLAIMS ARE STILL NOT BEING ADDRESSED F-1, R-2: Identify and examine returns with discrepancies of General Business Credit carryforward claims.
2019-40-048	August 2019	On Hold On Hold	ADDITIONAL ACTIONS ARE NEEDED TO REDUCE ALIMONY REPORTING DISCREPANCIES ON INCOME TAX RETURNS F-2, R-1: Include the validation of the alimony recipient TIN as part of the IRS's tax return processing systemic TIN validation process. F-2, R-2: Modify Error Resolution System programming to send both e-filed and paper tax returns that contain an invalid recipient TIN to the Error Resolution function for review and correspondence with the taxpayer.
2019-20-046	September 2019	09/15/23	THE BRING YOUR OWN DEVICE PROGRAM'S SECURITY CONTROLS NEED IMPROVEMENT F-3, R-1: Ensure the retention of Bring Your Own Device program application audit logs for the appropriate period and periodic review of the application audit logs by an independent source.
2019-40-074	September 2019	On Hold On Hold	ADDITIONAL ACTIONS ARE NEEDED TO FURTHER REDUCE UNDELIVERABLE MAIL F-1, R-1: Develop Service-wide processes and procedures to ensure that all operating divisions suppress the issuance of nonstatutory notices to taxpayers that have an undelivered mail indicator on their account; suppress the issuance of correspondence when a taxpayer's address of record is an IRS campus; and research and update taxpayer addresses for which the U.S. Postal Service returns undeliverable mail with a yellow label that provides a more current address. F-2, R-1: Install and use hygiene software to perfect taxpayer addresses on the ITIN Real-Time System.
2020-40-005	November 2019	On Hold	IMPROVEMENTS ARE NEEDED TO ENSURE THAT CONSISTENT SUITABILITY CHECKS ARE PERFORMED FOR PARTICIPATION IN INTERNAL REVENUE SERVICE PROGRAMS F-4, R-2: Develop processes and procedures to ensure that continuous criminal background checks are conducted on all program participants as part of the Federal Bureau of Investigations Records of Arrests and Prosecutions Back Program.
2020-20-006	February 2020	12/15/24	ACTIVE DIRECTORY OVERSIGHT NEEDS IMPROVEMENT F-2, R-6: Ensure that business role account passwords are appropriately configured to expire and require that Personal Identity Verification cards be used in accordance with policy.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2020-40-009	February 2020	02/15/24	COMPLEXITY AND INSUFFICIENT OVERSIGHT OF THE FREE FILE PROGRAM RESULT IN LOW TAXPAYER PARTICIPATION F-1, R-2: Require Free File Inc. members to fully disclose all criteria on the IRS.gov Free File web page that taxpayers must meet to e-file their Federal tax return for free.
2020-40-025	April 2020	01/15/23	IMPROPER PAYMENT REPORTING HAS IMPROVED; HOWEVER, THERE HAVE BEEN NO SIGNIFICANT REDUCTIONS TO THE BILLIONS OF DOLLARS OF IMPROPER PAYMENTS F-1, R-1: Work with the Department of Health and Human Services to develop a comprehensive risk assessment of improper Premium Tax Credit payments, including the risk of Advanced Premium Tax Credit improper payments.
2020-20-022	June 2020	12/15/23	SOME CORRECTIVE ACTIONS TO ADDRESS REPORTED INFORMATION TECHNOLOGY WEAKNESSES WERE NOT FULLY AND EFFECTIVELY IMPLEMENTED AND DOCUMENTED F-1, R-3: Verify through testing that the IRS Information Technology organization is able to recover mission-essential functions identified by the Cybersecurity function within the maximum tolerable downtimes or recovery time objectives.
2020-10-051	August 2020	03/10/23	CONTROLS OVER THE MANAGEMENT AND SECURITY OF OFFICIAL PASSPORTS NEED IMPROVEMENT F-3, R-1: Consider including a requirement for independent periodic or annual surprise security reviews of the passport offices to ensure that passport personnel are adhering to updated guidelines for securing and safeguarding passports.
2020-20-061	September 2020	09/15/23	THE ENTERPRISE CASE MANAGEMENT SOLUTION DEVELOPMENT IS DELAYED, AND ADDITIONAL ACTIONS ARE NEEDED TO DEVELOP A DECOMMISSIONING STRATEGY F-3, R-1: Coordinate with the business operating divisions to perform the fit-gap analysis on all case management systems to maximize the Enterprise Case Management (ECM) solution's functionality and ensure that the majority of legacy case management systems are consolidated.
2020-30-066	September 2020	On Hold ⁵³	THE INTERNAL REVENUE SERVICE CAN IMPROVE TAXPAYER COMPLIANCE FOR VIRTUAL CURRENCY TRANSACTIONS F-1, R-1: Continue efforts to close the virtual currency information gap by issuing guidance clarifying the proper information reporting associated with virtual currency transactions.

⁵³ This recommendation was agreed to by the IRS, but was placed on "On Hold" because the process by which guidance is developed is not within the IRS's sole control.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2021-30-002	December 2020	10/15/22	<p>BILLIONS IN POTENTIAL TAXES WENT UNADDRESSED FROM UNFILED RETURNS AND UNDERREPORTED INCOME BY TAXPAYERS THAT RECEIVED FORM 1099-K INCOME</p> <p><u>F-1, R-3</u>: Define high-income business nonfilers and create a strategy to work these cases so that all high-income business nonfiler cases will have the opportunity to be selected and worked. Include the business high-income strategy in the IRS Nonfiler Strategy plan. Potential Increased Revenue: \$1,197,629,572</p>
2021-10-007	December 2020	On Hold	<p>IMPROVEMENTS HAVE BEEN MADE, BUT CONTROLS NEED TO BE STRENGTHENED TO DETECT IMPROPER SELF-EMPLOYED RETIREMENT DEDUCTIONS</p> <p><u>F-1, R-1</u>: Revise procedures for determining eligibility for the self-employed retirement deduction to include Schedule SE, <i>Self-Employment Tax</i>, as evidence of self-employment.</p>
2021-40-008	December 2020	On Hold	<p>EXPANSION OF SELF-CORRECTION FOR ELECTRONIC FILERS AND OTHER IMPROVEMENTS COULD REDUCE TAXPAYER BURDEN AND COSTS ASSOCIATED WITH TAX RETURN ERROR RESOLUTION</p> <p><u>F-4, R-2</u>: Develop processes and procedures to retain and provide access to historical Error Resolution System data, including actions taken by tax examiners.</p>
2021-45-017	February 2021	<p>12/15/22</p> <p>On Hold</p> <p>12/15/22</p> <p>12/15/22</p> <p>On Hold</p> <p>02/15/23</p>	<p>ADDITIONAL SECURITY PROCESSES ARE NEEDED TO PREVENT UNAUTHORIZED RELEASE OF TAX INFORMATION THROUGH THE INCOME VERIFICATION EXPRESS SERVICE PROGRAM</p> <p><u>F-1, R-3</u>: Update the transcript request form to include a box indicating whether the form was signed electronically by the taxpayer, or require Income Verification Express Service (IVES) participants to submit electronically signed transcript requests in a separate batch from those that are not electronically signed.</p> <p><u>F-1, R-4</u>: Implement a process to compare electronically signed transcript requests received from IVES participants to a current list of all IVES participants allowed to submit electronically signed requests to prevent the processing of any requests submitted by IVES participants that are not approved to participate in the electronic signature program.</p> <p><u>F-3, R-1</u>: Update the transcript request form to include a separate line to identify the client, such as the client's business name, address, and telephone number.</p> <p><u>F-3, R-2</u>: Update the transcript request form instructions to require identifying information for the client in cases in which the transcript request is submitted by an IVES participant on behalf of their client that will ultimately receive the taxpayer's transcript.</p> <p><u>F-4, R-1</u>: Allocate sufficient resources to the IVES Program to perform suitability checks that are consistent with other IRS programs at the time of enrollment and implement a continuous tax compliance check to ensure that they remain suitable for the program.</p> <p><u>F-6, R-1</u>: Ensure that IVES Program internal guidelines are updated in the IRM to include key processes and procedures.</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2021-30-022	April 2021	11/15/22	<p>THE INTERNAL REVENUE SERVICE FACES CHALLENGES IN ADDRESSING THE GROWTH OF PEER-TO-PEER PAYMENT APPLICATION USE</p> <p><u>F-3, R-1</u>: Consider requiring the completion of the internet use and e-commerce income activity minimum income probe for all individual business, corporate, and other business taxpayers, including those designated as limited-scope examinations.</p>
2021-25-025	May 2021	04/15/24	<p>TAXPAYER FIRST ACT: DATA SECURITY IN THE IDENTITY THEFT TAX REFUND FRAUD INFORMATION SHARING AND ANALYSIS CENTER</p> <p><u>F-3, R-1</u>: F-3, R-1: Ensure that the Information Sharing and Analysis Center's alternate processing site is converted to a ***** that achieves the maximum tolerable downtime to prevent any filing season delays.⁵⁴</p>
2021-40-030	May 2021	10/15/22	<p>BACKUP WITHHOLDING NONCOMPLIANCE AND UNDERREPORTED EMPLOYMENT TAXES CONTINUE TO CONTRIBUTE BILLIONS OF DOLLARS TO THE TAX GAP</p> <p><u>F-1, R-1</u>: Develop processes and procedures to identify and address the reporting of income on information returns using a decedent TIN.</p>
2021-10-040	May 2021	11/15/22 10/15/22 11/15/22 10/15/22	<p>THE INDIAN TRIBAL GOVERNMENT FUNCTION NEEDS TO STRENGTHEN INTERNAL CONTROLS AND PERFORMANCE MEASURES</p> <p><u>F-1, R-3</u>: Ensure that Outreach and Education (O&E) management oversees and complies with reporting and approval requirements for O&E events, ensure that O&E activity data are complete and reliable by developing a single inventory control system to electronically track and report O&E event data and documentation, and reinstitute reporting and documenting feedback from completed O&E events.</p> <p><u>F-2, R-1</u>: Routinely obtain Indian Tribal Government taxpayer feedback and use the results to measure and improve the program.</p> <p><u>F-2, R-2</u>: Revise and report Indian Tribal Government performance measures to include the business results for O&E and taxpayer assistance efforts and establish an objective methodology to assess the effectiveness of O&E events.</p> <p><u>F-4, R-1</u>: Review all current Indian Tribal Government function Memoranda of Understanding and update them accordingly.</p>
2021-30-033	June 2021	12/15/22	<p>CRIMINAL RESTITUTION ASSESSMENT PROCEDURES NEED IMPROVEMENT</p> <p><u>F-2, R-1</u>: Establish monitoring procedures to provide reasonable assurance that all interest and penalties incorrectly assessed to Restitution-Based Assessment accounts are removed.</p>

⁵⁴ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2021-10-039	June 2021	12/15/22	<p>CONTROLS OVER THE INTERNAL REVENUE SERVICE CONTRACTOR TAX CHECK PROCESS NEED TO BE IMPROVED</p> <p><u>F-2, R-1</u>: Coordinate with the Treasury Suspension and Debarment Official to identify a required time frame and sample format for what information should be included in the reports that the IRS provides on contractors with Federal tax delinquencies. Revise the IRS Acquisition Policy Procedures, Guidance, and Information to specify a required time frame for the reporting to the Suspension and Debarment Official and include a sample reporting format to help ensure that all required information is included.</p>
2021-30-042	August 2021	10/15/24	<p>EFFORTS TO ADDRESS THE COMPLIANCE RISK OF UNDERREPORTING OF S CORPORATION OFFICERS' COMPENSATION ARE INCREASING, BUT MORE ACTION CAN BE TAKEN</p> <p><u>F-3, R-2</u>: Evaluate the benefits of creating controls to identify invalid S corporations and mitigate the risk of noncompliance when shareholders are found to be nonresident aliens.</p>
2021-30-052	August 2021	02/15/23 02/15/23	<p>FISCAL YEAR 2021 STATUTORY AUDIT OF COMPLIANCE WITH LEGAL GUIDELINES RESTRICTING THE USE OF RECORDS OF TAX ENFORCEMENT RESULTS</p> <p><u>F-1, R-4</u>: Ensure that RRA 98 § 1204(b) instances of noncompliance are discussed with the responsible managers to ensure that they understand the retention standard documentation.</p> <p><u>F-3, R-1</u>: Ensure that internal procedures and controls are documented, established, and implemented as soon as possible and no later than the currently established due date of December 23, 2021.</p>
2021-30-051	September 2021	03/15/23	<p>THE EARNED INCOME TAX CREDIT EXAMINATION COMPLIANCE STRATEGY CAN BE IMPROVED</p> <p><u>F-1, R-3</u>: Evaluate and revise the scoring process to ensure that the cases with the highest risk are scored as such. This process should include adding weight to cases with higher Questionable Refund Program and Dependent Database scores and Duplicate TIN repeaters.</p>
2021-30-055	September 2021	11/15/22	<p>FISCAL YEAR 2021 REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN CONDUCTING SEIZURES OF TAXPAYERS' PROPERTY</p> <p><u>F-1, R-1</u>: Require Advisory to review Form 2433, <i>Notice of Seizure</i>, for real property seizures during the pre-seizure review process.</p>
2021-20-056	September 2021	11/15/22 11/15/22	<p>LAPTOP AND DESKTOP SANITIZATION PRACTICES NEED IMPROVEMENT</p> <p><u>F-1, R-1</u>: Ensure that the IRS only uses sanitization products that are approved by the Department of Defense, the Department of Homeland Security, or the National Security Agency.</p> <p><u>F-1, R-2</u>: Ensure that sanitization equipment and procedures are tested annually to verify that the intended sanitization results are being achieved.</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2021-40-057	September 2021	10/15/22 10/15/22 10/15/22 10/15/22	<p>IMPROVEMENTS ARE NEEDED TO IDENTIFY POTENTIALLY FRAUDULENT INDIVIDUAL INTERNATIONAL TAX RETURNS DURING PROCESSING</p> <p><u>F-1, R-4</u>: Review the 1,368 Forms 1040-PR, <i>Self-Employment Tax Return - Puerto Rico</i>, and 1040-SS, <i>U.S. Self-Employment Tax Return</i>, TIGTA identified and take actions to recover erroneous credits. Potential Funds Put to Better Use: \$2,366,596</p> <p><u>F-3, R-3</u>: Review the 99 questionable returns that received the Additional Child Tax Credit that TIGTA identified and take actions to recover any erroneous Additional Child Tax Credit received. Potential Funds Put to Better Use: \$170,901</p> <p><u>F-6, R-1</u>: Review the 36,373 returns that TIGTA identified that potentially received erroneous Additional Opportunity Tax Credit and take actions to recover any erroneous Additional Opportunity Tax Credit received. Potential Funds Put to Better Use: \$33,151,406</p> <p><u>F-6, R-3</u>: Review the 13,924 returns that TIGTA identified that potentially received erroneous refundable credits and take actions to recover any erroneous refundable credits received. Potential Funds Put to Better Use: \$50,600,852</p>
2021-20-059	September 2021	03/15/23 09/15/23	<p>ENTERPRISE CASE MANAGEMENT DEPLOYED ITS INITIAL RELEASE, BUT PROCESS IMPROVEMENTS ARE NEEDED FOR FUTURE RELEASES</p> <p><u>F-1, R-1</u>: Ensure that the ECM program optimizes and fully implements the selected Scaled Agile Environment configuration's core competencies. <u>F-2, R-1</u>: Ensure that quantifiable metrics are in place to allow traceability of the ECM program progress from planning through decommissioning.</p>
2021-20-063	September 2021	10/15/22	<p>*****PLATFORM MANAGEMENT NEEDS IMPROVEMENT⁵⁵</p> <p><u>F-3, R-2</u>: Evaluate and implement controls to provide an age tracking capability for vulnerabilities detected by the configuration compliance-scanning tool.</p>
2021-46-064	September 2021	01/15/23	<p>EFFECTS OF THE COVID-19 PANDEMIC ON BUSINESS TAX RETURN PROCESSING OPERATIONS</p> <p><u>F-2, R-1</u>: Evaluate the feasibility to direct additional types of payments from Tax Processing Centers to lockbox sites. This evaluation should also assess the feasibility of directing payments received by field office employees to lockbox sites for processing.</p>
2021-20-066	September 2021	08/15/23	<p>THE DATA AT REST ENCRYPTION PROGRAM HAS MADE PROGRESS WITH IDENTIFYING ENCRYPTION SOLUTIONS, BUT PROJECT MANAGEMENT NEEDS IMPROVEMENT</p> <p><u>F-2, R-1</u>: Ensure that data at rest is encrypted prior to being transferred from the IRS to the Private Collection Agencies.</p>

⁵⁵ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2021-30-067	September 2021	11/15/22 02/15/23	<p>FISCAL YEAR 2021 STATUTORY REVIEW OF COMPLIANCE WITH NOTICE OF FEDERAL TAX LIEN FILING DUE PROCESS PROCEDURES</p> <p><u>F-1, R-1</u>: Correct IRM references to the Automated Lien System User Guide for Automated Collection System Support function employees to update delivery status when undeliverable mail is received.</p> <p><u>F-1, R-2</u>: Issue a Service-Wide Electronic Research Program Alert to Automated Collection System Support functions reminding employees to follow IRM instructions when processing undeliverable Notices of Federal Tax Lien, once the IRM section is updated.</p>
2021-30-069	September 2021	05/15/23 02/15/23	<p>FISCAL YEAR 2021 STATUTORY REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN ISSUING LEVIES</p> <p><u>F-2, R-1</u>: Ensure that corrective programming is implemented so that the Automated Collection System will block levies for which the final Collection Due Process (CDP) notice is reversed or disqualified.</p> <p><u>F-3, R-1</u>: Ensure that corrective programming changes are implemented to block the issuance of levies when previous CDP notices were reversed and not reissued.</p>
2021-40-070	September 2021	12/15/22 12/15/22	<p>ADDRESSING COMPLEX AND INCONSISTENT EARNED INCOME TAX CREDIT AND ADDITIONAL CHILD TAX CREDIT RULES MAY REDUCE UNINTENTIONAL ERRORS AND INCREASE PARTICIPATION</p> <p><u>F-1, R-1</u>: Modify the language in soft notices sent to individuals who claim a multiple-use child's TIN to instruct individuals to amend their return if they determine the child's TIN was used in error.</p> <p><u>F-1, R-2</u>: Establish processes to notify individuals who claim a multiple-use child's TIN to the potential theft of their child's identity and provide actions they can take to report the theft and protect their child's identity from future misuse.</p>
2022-10-003	October 2021	10/15/22 10/15/22 10/15/22	<p>FISCAL YEAR 2020 DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT REPORTING COMPLIANCE</p> <p><u>F-1, R-1</u>: Implement the automated quality review program and use the results of the quality reviews to guide training focused on high error rate elements.</p> <p><u>F-1, R-2</u>: Develop a standardized template for documenting quality assurance reviews and use the results of these reviews to guide training focused on high error elements.</p> <p><u>F-2, R-1</u>: Implement procedures requiring: 1) source documentation be provided to support the detailed grantee obligation information, and 2) the reconciliation between grantee award amounts reported to the Department of Health and Human Services and the detailed grantee obligation information provided by the grant program offices for posting.</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-20-006	December 2021	09/15/23	<p>VULNERABILITY SCANNING AND REMEDIAITON PROCESSES NEED IMPROVEMENT</p> <p><u>F-1, R-1</u>: Establish an entity to oversee enterprise-wide vulnerability remediation to ensure that vulnerabilities are remediated within required time frames, the Plan of Action and Milestones and Risk-Based Decisions are documented as required, and vulnerability remediation metrics are reviewed and reported to appropriate leadership.</p>
2022-40-008	December 2021	01/15/23 10/15/22 12/15/25 01/15/23 12/15/25 12/15/25 12/15/25	<p>INCREASED AVAILABILITY OF TAX RESOURCES AND INFORMATION FOR LIMITED ENGLISH PROFICIENT AND VISUALLY IMPAIRED TAXPAYERS HAS ENHANCED ASSISTANCE, BUT ADDITIONAL IMPROVEMENTS ARE NEEDED</p> <p><u>F-1, R-1</u>: Update the Schedule Limited English Proficiency (LEP) instructions to clearly communicate to taxpayers when they may expect to begin receiving notices and letters in their preferred language.</p> <p><u>F-3, R-1</u>: Implement a procedure for translation specialists to ensure the accuracy of translated notices and letters prior to placing the program into production.</p> <p><u>F-4, R-1</u>: Implement a more centralized and structured approach that includes an assessment of factors including high-volume notices and letters issued to taxpayers to ensure that frequently issued notices and letters as well as those that have significant impact on the taxpayer are translated into Spanish.</p> <p><u>F-5, R-1</u>: Increase outreach to IRS employees encouraging the use of Form 14162, <i>Over-the-Phone Service Feedback</i>, to evaluate Over-the-Phone Interpreter (OPI) service provided to LEP taxpayers.</p> <p><u>F-5, R-2</u>: Establish a process for LEP taxpayers to provide feedback on their experience using the OPI service.</p> <p><u>F-5, R-3</u>: Establish a customer satisfaction measurement system to assess the overall satisfaction with OPI service.</p> <p><u>F-6, R-1</u>: Establish specific performance measures and goals to effectively assess the assistance provided to LEP and visually impaired taxpayers.</p>
2022-10-011	December 2021	12/15/22 12/15/22 12/15/22	<p>PROCEDURES TO ADDRESS EMPLOYEE MISCONDUCT WERE FOLLOWED, BUT RESOLUTION TIME AND QUARTERLY REVIEW NEED IMPROVEMENT</p> <p><u>F-1, R-1</u>: Automate employee misconduct case processes, including elevation to higher level supervisors when appropriate, and upon implementation, train Labor/Employee Relations and Negotiations employees to use the system features to improve case timeliness.</p> <p><u>F-2, R-1</u>: Revise the Performance Quality Measurement System review sheets to ensure that weighted formulas and calculations accurately represent the circumstances of the case and management priorities.</p> <p><u>F-2, R-2</u>: Ensure that the quality review process for employee misconduct provides management with sufficient detail to identify areas needing improvements and is conducted by individuals who do not have responsibility for the activities being evaluated.</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-30-012	January 2022	10/15/23 02/15/23 10/15/23	<p>OVERSIGHT OF THE LOW-INCOME HOUSING TAX CREDIT PROGRAM CAN BE IMPROVED</p> <p><u>F-1, R-2</u>: Establish an effective quality review system for the processing of Low Income Housing Tax Credit (LIHTC) forms received from the Housing Credit Agencies and building owners to identify areas requiring corrective action, employee training, or outreach.</p> <p><u>F-1, R-3</u>: Establish an examination selection process for business owners submitting questionable Forms 8609-A, <i>Annual Statement for Low-Income Housing Credit</i>, that do not correspond to Forms 8609, <i>Low-Income Housing Credit Allocation and Certification</i>.</p> <p><u>F-2, R-2</u>: Determine the feasibility of establishing an examination selection process for taxpayers submitting questionable LIHTC claims on Forms 3800, <i>General Business Credit</i>, that do not correspond to supporting Forms 8609-A or pass-through Schedules K-1, <i>Partner's Share of Income, Deductions, and Credits</i>, etc.</p>
2022-40-013	January 2022	12/15/22 11/15/22 01/15/23 12/15/22 12/15/22 11/15/22 11/15/22 10/15/22	<p>ADMINISTRATION OF THE INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER PROGRAM</p> <p><u>F-1, R-1</u>: Ensure that ITIN managers receive complete Real-Time System extracts for use in the monthly reviews to identify ITIN applications with duplicate entity information or supporting documents.</p> <p><u>F-1, R-5</u>: Review the 5,298 tax returns that TIGTA identified for which the IRS incorrectly allowed retroactive credit claims and take steps to ensure that these erroneous benefits are recovered.</p> <p>Potential Funds Put to Better Use: \$5,634,868</p> <p><u>F-2, R-2</u>: Review the 6,688 ITINs that TIGTA identified and take appropriate actions to ensure that these ITINs do not remain active unless the individual can demonstrate a continued tax filing need.</p> <p><u>F-2, R-5</u>: Review the 716 ITINs that TIGTA identified to determine why these ITINs were not identified by systemic programming for deactivation due to nonuse and modify the programming as appropriate.</p> <p><u>F-2, R-6</u>: Review the 910 ITINs that TIGTA identified that were not deactivated as required and revoke or deactivate them as appropriate.</p> <p><u>F-2, R-7</u>: Review the 2,118 ITINs that TIGTA identified that were deactivated in error and reactivate as appropriate.</p> <p><u>F-2, R-8</u>: Ensure that the taxpayers associated with the 2,118 ITINs who had a tax return rejected because their ITIN was no longer valid receive the benefits to which they are entitled.</p> <p><u>F-2, R-9</u>: Evaluate whether extending the six-month holding period for original identification documents will improve the identification of a better return address and reduce the number of applicants who request documents that have been destroyed or returned to an embassy.</p>
2022-20-009	February 2022	02/15/23	<p>MORE INTERIM STEPS COULD BE TAKEN TO MITIGATE INFORMATION TECHNOLOGY SUPPLY CHAIN RISKS</p> <p><u>F-1, R-1</u>: Implement controls to manage information technology supply chain risks based on the revised IRM 10.8.1 guidance as well as do more to identify and incorporate Supply Chain Risk Management best practices of other Federal agencies that would be applicable to the IRS.</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-10-014	February 2022	02/15/23 02/15/23 03/15/23 07/15/23	<p>EMPLOYEE PLANS EXAMINATION QUALITY REVIEW SCORES HAVE DECLINED, AND EFFORTS TO IDENTIFY TRENDS AND IMPLEMENT CORRECTIVE ACTIONS COULD BE IMPROVED</p> <p><u>F-1, R-1</u>: Ensure that quality reviewers always select all applicable reason codes, include “Other,” when reviewing Employee Plans (EP) Examinations cases to show why the element failed.</p> <p><u>F-1, R-2</u>: Include the number of errors for all reason codes, including “Other,” in case quality reports.</p> <p><u>F-1, R-3</u>: Periodically analyze the population of cases that failed an element due to the reason code “Other” to determine if new reason codes or quality reviewer training is warranted.</p> <p><u>F-1, R-6</u>: Ensure that EP Examinations’ proposed corrective actions are implemented timely and should develop performance metrics and data collection methods to measure the effectiveness of the corrective actions to improve quality scores.</p>
2022-40-015	February 2022	02/15/24 12/15/22 10/15/22 12/15/24	<p>PLANS TO CLOSE THE AUSTIN TAX PROCESSING CENTER SHOULD BE HALTED UNTIL HIRING CHALLENGES AND SUBSTANTIAL BACKLOGS AT REMAINING CENTERS ARE ADDRESSED</p> <p><u>F-1, R-1</u>: Allocate adequate funding to support Submission Processing function’s transition of its clerical staff to the new, higher-graded position descriptions.</p> <p><u>F-2, R-1</u>: Identify and implement interim solutions that will address the resource constraints currently being placed on the Submission Processing function due to its backlog.</p> <p><u>F-2, R-2</u>: Ensure that timely advancements are made to the digital platform of Forms 3949-A, <i>Information Referral</i>, to develop automatic routing of the forms directly to the business units to alleviate the Submission Processing workload.</p> <p><u>F-3, R-1</u>: Ensure that efforts to evaluate and purchase updated or new mail opening/sorting technology are timely addressed.</p>
2022-40-018	February 2022	01/15/23 01/15/23 01/15/23	<p>ADDITIONAL ACTIONS ARE NEEDED TO ADDRESS QUALIFIED OPPORTUNITY ZONE FUND AND INVESTOR NONCOMPLIANCE</p> <p><u>F-1, R-3</u>: As part of the compliance initiative project, review the 699 Qualified Opportunity Funds (QOF) that were identified with an invalid *****⁵⁶ number on Tax Year 2019 tax returns and take appropriate actions to address noncompliance with QOF fund certification requirements.</p> <p><u>F-1, R-4</u>: Review the 341 QOFs that reported investments in another QOF or their own EIN on Tax Year 2019 tax returns and address QOFs that include these investments in their total Qualified Opportunity Zone property when calculating their investment standard.</p> <p><u>F-2, R-1</u>: As part of the compliance initiative project, review the 5,141 investor returns for which the investor reported *****⁵⁷ and address any ineligible deferred capital gains.</p>

⁵⁶ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

⁵⁷ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-30-020	March 2022	10/15/22	<p>CENTRALIZED PARTNERSHIP AUDIT REGIME RULES HAVE BEEN IMPLEMENTED; HOWEVER, INITIAL NO-CHANGE RATES ARE HIGH AND MEASURABLE GOALS HAVE NOT BEEN ESTABLISHED</p> <p><u>F-2, R-1</u>: Implement a fully systemic method of monitoring and verifying pushouts to ensure that they are properly reported on partners' returns.</p>
2022-30-021	March 2022	<p>11/15/23</p> <p>11/15/23</p> <p>11/15/23</p> <p>02/15/23</p> <p>11/15/23</p> <p>02/15/23</p>	<p>THE ADMINISTRATION OF PARTIAL PAYMENT INSTALLMENT AGREEMENTS NEEDS IMPROVEMENT</p> <p><u>F-1, R-1</u>: Inform taxpayers of the availability of Partial Payment Installment Agreements (PIIA) and provide outreach and information in the following areas: 1) tax topics and tips on the IRS public website; 2) instructions referencing PPIAs including what is required to qualify for a PPIA; and 3) collection notices.</p> <p><u>F-1, R-2</u>: Explore and consider additional potential changes to the instructions for Form 9465, <i>Installment Agreement Request</i>, concerning PPIAs.</p> <p><u>F-2, R-1</u>: Extend Accounts Management Services history note retention requirements pertaining to taxpayers' Forms 433-F, <i>Collection Information Statement</i>, and financial analyses.</p> <p><u>F-2, R-2</u>: Remind Collection employees of the requirement to conduct a financial analysis to determine a taxpayer's ability to pay and to document the analysis when considering PPIAs.</p> <p><u>F-2, R-3</u>: Request a change to Computer Paragraph 522, <i>Installment Agreement – Review Financial Condition</i>, to notify taxpayers that the financial information that they provide may result in a higher or lower installment amount or no change to their installment amount.</p> <p><u>F-3, R-1</u>: Revise Currently Not Collectible (CNC) procedures to include a PPIA decision point before determining to place a taxpayer in a CNC status, and in the interim, remind Collection employees of the requirement to consider and document whether the taxpayer can afford to fully or partially pay their debt before placing the taxpayer's account in CNC status.</p> <p>Potential Increased Revenue: \$35,135,821</p>
2022-30-022	March 2022	<p>10/15/23</p> <p>08/15/23</p> <p>08/15/23</p>	<p>THE IRS PRIVATE DEBT COLLECTION PROGRAM HAS NOT EFFECTIVELY REPORTED ALL PROGRAM COSTS OR INCLUDED ADEQUATE DISCLOSURES</p> <p><u>F-1, R-1</u>: Address the growing balance of \$25.8 million in the Cost of Services Fund, disclose in its Annual Reports to Congress the net revenue sent from the Private Debt Collection (PDC) program to the General Fund, and determine the amount necessary to retain to pay the Private Collection Agencies without causing further growth in the Cost of Services Fund.</p> <p>Potential Funds Put to Better Use: \$25,763,453</p> <p><u>F-8, R-1</u>: Adjust the Special Compliance Personnel Fund by \$607,099 and disclose this in the next PDC and Special Compliance Personnel Program Annual Report to Congress.</p> <p>Potential Questioned Costs: \$607,099</p> <p><u>F-9, R-1</u>: Adjust the indirect costs by \$639,070 and disclose these adjustments in the next Annual Report to Congress.</p>

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-47-023	March 2022	02/15/23 03/15/23 03/15/23	<p>AMERICAN RESCUE PLAN ACT: ASSESSMENT OF PROCESSES TO IDENTIFY AND ADDRESS IMPROPER CHILD AND DEPENDENT CARE CREDIT CLAIMS</p> <p><u>F-2, R-1</u>: Revise Form 2441, <i>Child and Dependent Care Expenses</i>, to include checkboxes to note whether dependent care expenses are for a spouse or dependent who is physically or mentally incapable of caring for themselves or if special deemed earned income rules apply.</p> <p><u>F-2, R-2</u>: Develop a process to identify tax returns with adult *****⁵⁸ These tax returns should be considered for selection for post-refund compliance reviews.</p> <p><u>F-5, R-1</u>: Develop a compliance plan for post-refund treatment of cases involving *****⁵⁹.</p>
2022-40-024	March 2022	07/15/23 07/15/23 07/15/23 11/15/22	<p>RESULTS OF THE 2021 FILING SEASON</p> <p><u>F-1, R-2</u>: Review and correct the remaining 183 out of 191 cases that TIGTA identified and recover the Additional Child Tax Credit (ACTC) amounts that were issued in error. Potential Funds Put to Better Use: \$2,925,923</p> <p><u>F-1, R-3</u>: Review and correct the 14,030 tax returns for which the tax examiner did not allow the use of the Tax Year 2019 earned income to calculate the Earned Income Tax Credit (EITC) amount. Potential Funds Put to Better Use: \$485,415</p> <p><u>F-1, R-4</u>: Review and correct the 9,592 tax returns for which the tax examiner did not allow the Tax Year 2019 earned income to calculate the ACTC amount. Potential Funds Put to Better Use: \$1,523,473</p> <p><u>F-4, R-1</u>: Establish a timeline to evaluate the Identity Protection Personal Identification Number unpostable process and determine if it is an effective use of resources.</p>
2022-10-025	March 2022	09/15/23 04/15/23 06/15/24 09/15/23	<p>IMPROVEMENTS ARE NEEDED WHEN DOCUMENTING AND MONITORING EMPLOYEE LEAVE</p> <p><u>F-1, R-1</u>: Ensure that the IRM and additional guidance available to employees and managers for requesting and approving Family and Medical Leave Act leave is clear and consistent.</p> <p><u>F-1, R-2</u>: Review the delivery methods of available training, guidance, and other resources to managers to ensure that managers comply with, and are aware of, the procedures for approving and administering leave options.</p> <p><u>F-2, R-2</u>: Update the manager's guidance for the Employee Performance File to be consistent with the revised records management guidance.</p> <p><u>F-3, R-1</u>: Revise the IRM so that it is consistent with OPM guidance and the Manager's Guide to Penalty Determinations and clarifies the actions managers should take when employees are charged with Absence Without Leave.</p>

⁵⁸ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

⁵⁹ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

Report Number	Issued	Projected Completion Date	Report Title and Recommendation Summary (F = Finding No., R = Recommendation No.)
2022-46-027	March 2022	09/15/23 02/15/23 10/15/24 02/15/23 02/15/23 02/15/23 10/15/24	<p>PROGRAM AND ORGANIZATIONAL CHANGES ARE NEEDED TO ADDRESS THE CONTINUED INADEQUATE TAX ACCOUNT ASSISTANCE PROVIDED TO TAXPAYERS</p> <p><u>F-2, R-1</u>: Evaluate establishing two distinct IRS programs as part of the IRS reorganization under the Taxpayer First Act – one dedicated to answering toll-free telephone calls and another dedicated to working Accounts Management inventory – with adequate staffing to provide appropriate service to taxpayers using each channel.</p> <p><u>F-3, R-3</u>: Complete a strategic review of all 10 Image Control Team (ICT) sites to determine what contributes to the ICT’s inability to timely scan and validate documents.</p> <p><u>F-3, R-7</u>: Ensure that programming is updated to systemically reject electronic submissions of Forms 2848, <i>Power of Attorney and Declaration of Representative</i>, and 8821, <i>Tax Information Authorization</i>, when missing one of the five essential elements without manually mailing a rejection letter.</p> <p><u>F-3, R-9</u>: Develop an action plan to prioritize the continued expansion of documents that can be sent in via electronic fax and converted into a Correspondence Imaging System image.</p> <p><u>F-3, R-10</u>: Identify priority work that needs to be expedited by the ICT and assess the feasibility of creating an electronic fax number to receive this inventory.</p> <p><u>F-4, R-2</u>: Complete the inventory reconciliations for the four remaining Accounts Management sites to identify and correct inventory inaccuracies and inconsistencies and implement processes to provide oversight by periodically performing reconciliations for each site so that any future inconsistencies and errors are identified and corrected in a timely manner.</p> <p><u>F-4, R-4</u>: Develop a process to systemically pull all controlled inventory for each Accounts Management site for the Accounts Management Inventory Report to ensure consistency, reduce human error, and increase efficiencies.</p>
2022-15-031	March 2022	06/15/23	<p>REDESIGN EFFORTS FOR MOST TAXPAYER FIRST ACT SECTION 1302 REQUIREMENTS WERE PLANNED OR COMPLETED; HOWEVER, IMPLEMENTATION SCHEDULES AND REORGANIZATION PLANS NEED TO BE FINALIZED</p> <p><u>F-1, R-1</u>: Ensure that requests for organizational change are properly prepared, submitted, and approved prior to implementing any additional changes to the IRS’s organizational structure.</p>

Other Statistical Reports

The Inspector General Empowerment Act of 2016 requires Inspectors General to address the following issues for the Offices of Audit and Inspections and Evaluations:⁶⁰

Issue	Result for TIGTA
<p>Interference/Access to Information</p> <p>Report any attempt to interfere with the independence of TIGTA, including: budget constraints designed to limit the capabilities of TIGTA; and incidents of resistance or objection to oversight activities of TIGTA.</p> <p>Report restricted or significantly delayed access to information, including the justification of the establishment for such action.</p>	<p>As of September 30, 2022, there were no attempts to interfere with the independence of TIGTA or instances of restricted or significantly delayed access to information.</p>
<p>Disputed Recommendations</p> <p>Provide information on significant management decisions in response to recommendations with which the Inspector General disagrees.</p>	<p>As of September 30, 2022, there were no instances in which significant recommendations were disputed.</p>
<p>Revised Management Decisions</p> <p>Provide a description and explanation of the reasons for any significant revised management decisions made during the reporting period.</p>	<p>As of September 30, 2022, there were no significant revised management decisions.</p>
<p>Reports Issued in the Prior Reporting Period With No Management Response</p> <p>Provide a summary of each report issued before the beginning of the current reporting period for which no management response was received within 60 days of the report issuance date.</p>	<p>As of September 30, 2022, there were no prior reports for which management's response was not received within 60 days of issuance.</p>
<p>Disclosure</p> <p>Provide detailed descriptions of the circumstances of each inspection, evaluation, and audit that was closed by the agency and was not disclosed to the public.</p>	<p>As of September 30, 2022, there were no reports that had been closed and were not disclosed to the public.</p>
<p>Review of Legislation and Regulations</p> <p>Review existing and proposed legislation and regulations, and make recommendations concerning the impact of such legislation or regulations.</p>	<p>TIGTA's Office of Chief Counsel reviewed 137 proposed regulations and legislative requests during this reporting period.</p>

⁶⁰ Results listed are for this reporting period only.

Appendix II

Audit Products (issued April 1, 2022, through September 30, 2022)

Report Number	Report Title	Outcome Measure(s)
April 2022		
2022-30-019	Additional Actions Are Needed to Address Non-Filing and Non-Reporting Compliance Under the Foreign Account Tax Compliance Act	
May 2022		
2022-40-035	Interim Results of the 2022 Filing Season	
2022-47-034	American Rescue Plan Act: Implementation of Premium Tax Credit Provisions	<u>Taxpayer Rights and Entitlements:</u> \$14,762,645 impacting 27,461 taxpayer accounts
2022-40-036	A Service-Wide Strategy Is Needed to Address Challenges Limiting Growth in Business Tax Return Electronic Filing	<u>Increased Revenue:</u> \$2,461,704 impacting 897 taxpayer accounts
2022-40-037	Programs Susceptible to Improper Payments Are Not Adequately Assessed and Reported	
2022-30-033	Trends in Compliance Activities Through Fiscal Year 2020	
2022-27-028	The Child Tax Credit Update Portal Was Successfully Deployed, but Security and Process Improvements Are Needed	
2022-46-032	Processing of Recovery Rebate Credit Claims During the 2021 Filing Season	<u>Taxpayer Rights and Entitlements:</u> \$79,809,184 impacting 64,264 individuals <u>Taxpayer Rights and Entitlements:</u> 10,026,968 individuals impacted <u>Cost Savings (Funds Put to Better Use):</u> \$818,451,758
June 2022		
2022-30-038	Fiscal Year 2022 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property	<u>Taxpayer Rights and Entitlements:</u> 10 taxpayer accounts impacted
July 2022		
2022-16-039	Fingerprinting and Employment Eligibility Verification Delays Due to the COVID-19 Pandemic May Increase Taxpayer Data Exposure Risks	<u>Reliability of Information:</u> 975 inaccurate records impacted <u>Reliability of Information:</u> five Forms I-9 impacted

2022-20-040	Fiscal Year 2022 IRS Federal Information Security Modernization Act Evaluation	
2022-47-042	American Rescue Plan Act: Assessment of the Child Tax Credit Update Portal's Capabilities and Related Processes	
2022-10-047	Review of the Internal Revenue Service's Purchase Card Violations Report	
2022-40-041	Successful Detection and Assistance Processes Used to Combat Individual Identity Theft Should Be Implemented to Improve Business Identity Theft	
2022-10-044	Fiscal Year 2022 Mandatory Review of Compliance With the Freedom of Information Act	<u>Taxpayer Rights and Entitlements:</u> 360 responses to FOIA requests impacted
August 2022		
2022-10-043	Review of the Independent Office of Appeals Collection Due Process Program	<u>Taxpayer Rights and Entitlements:</u> 3,233 taxpayer accounts impacted <u>Increased Revenue:</u> 2,586 taxpayer accounts impacted
2022-30-054	Fiscal Year 2022 Statutory Review of Restrictions on Directly Contacting Represented Taxpayers	
2022-35-049	Compliance Efforts Are Needed to Address Refund Claims Reported on Form 1139 That Are Based on the CARES Act Net Operating Loss Carryback Provisions	
2022-46-059	Delays Continue to Result in Businesses Not Receiving Pandemic Relief Benefits	<u>Taxpayer Burden:</u> 4,001 taxpayer accounts impacted <u>Cost Savings (Funds Put to Better Use):</u> \$45,310,431
September 2022		
2022-27-045	The IRS Effectively Planned to Use and Provide Oversight of the American Rescue Plan Act Funds; However, Subsequent Reallocation of Modernization Funds Resulted in Significant Replanning	
2022-36-048	The IRS's Inability to Timely Process Noncorporate Applications for Refund of Net Operating Losses Under the CARES Act Delayed Taxpayer Refunds and Cost Millions of Dollars in Additional Interest	
2022-30-060	Fiscal Year 2022 Statutory Review of Compliance With Notice of Federal Tax Lien Filing Due Process Procedures	

2022-10-066	Reliance on Self-Certifications Resulted in Federal Agencies Awarding Contracts and Grants to Entities With Delinquent Federal Taxes; However, the IRS Is Making Progress on Establishing the Federal Contractor Tax Check System	
2022-30-056	Fiscal Year 2022 Statutory Review of Potential Fair Tax Collection Practices Violations	<u>Reliability of Information:</u> six cases impacted <u>Taxpayer Rights and Entitlements</u> ⁶¹
2022-30-058	Fiscal Year 2022 Statutory Review of Disclosure of Collection Activity With Respect to Joint Returns	<u>Taxpayer Burden:</u> eight taxpayers impacted
2022-10-046	The Process for Tracking Physical Security Weaknesses Identified in IRS Facilities Does Not Ensure That Vulnerabilities Are Properly Addressed	<u>Reliability of Information and Protection of Resources</u> ⁶²
2022-34-062	Additional Actions Are Needed to Ensure Taxpayer Compliance With the Section 965 Repatriation Tax	<u>Reliability of Information:</u> 90 payments totaling \$37,363,342; <u>Revenue Protection:</u> 37 payments totaling \$58,091,350 <u>Increased Revenue:</u> \$6,265,523 impacting 19 S Corporation shareholders
2022-30-061	Fiscal Year 2022 Statutory Review of Compliance With Legal Guidelines When Issuing Levies	<u>Taxpayer Rights and Entitlements:</u> 1,364 taxpayers impacted
2022-46-057	Delays in Management Actions Contribute to the Continued Tax Processing Center Backlogs	
2022-47-070	American Rescue Plan Act: Accuracy of Advance Child Tax Credit Periodic Payments	<u>Cost Savings (Funds Put to Better Use):</u> \$267,203,496 <u>Taxpayer Rights and Entitlements:</u> \$727,794,113 impacting 1,927,433 payments <u>Reliability of Information:</u> \$4,176,294 impacting 11,216 taxpayers <u>Reliability of Information:</u> 1,610 taxpayers impacted

⁶¹ Taxpayer information is redacted from the underlying report because TIGTA has determined that it is tax return information related to taxpayer privacy.

⁶² Information is redacted because TIGTA has determined that it is law enforcement information related to the physical safety of IRS facilities.

2022-20-051	Taxpayer Digital Communications Platform Security and Access Controls Need to Be Strengthened	<u>Protection of Resources:</u> 43 production servers impacted <u>Reliability of Information:</u> 15 security vulnerabilities impacted <u>Reliability of Information:</u> 498 incorrect authorizations impacted <u>Protection of Resources:</u> 681 users impacted
2022-20-055	Improvements Are Needed for an Effective User Behavior Analytics Capability	<u>Protection of Resources:</u> 234 systems impacted
2022-16-069	Reporting on the Use of Coronavirus Response Funding Could Be Enhanced	
2022-20-053	The End-User Incident Management Process Can Be Improved	
2022-20-052	Cloud Services Were Implemented Without Key Security Controls, Placing Taxpayer Data at Risk	
2022-30-067	Fiscal Year 2022 Statutory Audit of Compliance With Legal Guidelines Restricting the Use of Records of Tax Enforcement Results	
2022-10-064	Review of the IRS's Enforcement Program for Tax Exempt Organizations That Participate in Illegal or Nonexempt Activities	<u>Reliability of Information:</u> 3,956 referral cases impacted
2022-20-065	The IRS Needs to Improve Its Database Vulnerability Scanning and Patching Controls	<u>Protection of Resources</u> ⁶³
2022-20-050	Mainframe Platform Configuration Compliance Controls Need Improvement	<u>Reliability of Information</u> ⁶⁴

⁶³ Outcome measure details are redacted because TIGTA has determined that it contains law enforcement techniques/procedures and guidelines for law enforcement investigations or prosecutions.

⁶⁴ Outcome measure details are redacted because TIGTA has determined that it contains law enforcement techniques/procedures and guidelines for law enforcement investigations or prosecutions.

Appendix III

TIGTA's Statutory Reporting Requirements

The following table reflects the FY 2022 statutory reviews.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
Enforcement Statistics I.R.C. § 7803(d)(1)(A)	Requires TIGTA to evaluate the IRS's compliance with restrictions under RRA 98 § 1204 on the use of enforcement statistics to evaluate IRS employees.	Report No. 2022-30-067; Sept. 2022 TIGTA identified instances of noncompliance with RRA 98 § 1204 requirements. Specifically, TIGTA identified the following noncompliance: 12 instances in which a Record of Tax Enforcement Results was used to evaluate an employee § 1204(a), and 12 instances in which IRS management failed to either maintain the retention standard documentation or ensure that it was appropriately signed (§ 1204(b)). Additionally, the IRS self-reported one instance of § 1204(a) noncompliance.
Restrictions on Directly Contacting Taxpayers I.R.C. § 7803(d)(1)(A)(ii)	Requires TIGTA to evaluate the IRS's compliance with restrictions under I.R.C. § 7521 on directly contacting taxpayers who have indicated they prefer their representatives be contacted.	Report No. 2022-30-054; Aug. 2022 TIGTA reviewed a sample of 105 taxpayers and found no instances in which the Field Collection employee violated a taxpayer's rights under I.R.C. § 7521 and fair tax collection practices of I.R.C. § 6304(a)(2). However, while the majority of Field Collection employees appeared to be familiar with the direct contact provisions and fair tax collection practices, not all revenue officers are familiar with the requirements of the provisions.
Filing of a Notice of Lien I.R.C. § 7803(d)(1)(A)(iii)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. § 6320(a) upon the filing of a notice of lien.	Report No. 2022-30-060; Sept. 2022 Tests of a statistically valid sample of 117 Notice of Federal Tax Liens determined that the IRS did not always timely mail the Notice of Federal Tax Lien filings and Collection Due Process appeal rights to the taxpayers' last known addresses due to a programming error that has since been corrected. Additionally, tests of a judgmental sample of 34 undelivered lien notices identified five cases for which the address on the original lien notice and the address on the IRS computer system did not agree.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Extensions of the Statute of Limitations for Assessment of Tax</p> <p>I.R.C. § 7803(d)(1)(C)</p> <p>I.R.C. § 6501(c)(4)(B)</p>	<p>Requires TIGTA to include information regarding extensions of the statute of limitations for assessment of tax under I.R.C. § 6501 and the provision of notice to taxpayers regarding the right to refuse or limit the extension of particular issues or a particular period of time.</p>	<p>Report No. 2022-IE-R005; Sept. 2022</p> <p>TIGTA's review of a statistical sample of 39 closed taxpayer audit files with assessment statute extensions found that the IRS complied with I.R.C. § 6501(c)(4)(B). However, the IRS continues to be unable to locate the majority of paper documents requested. Specifically, the IRS was unable to provide the majority of taxpayer audit files requested during our review.</p>
<p>Levies</p> <p>I.R.C. § 7803(d)(1)(A)(iv)</p>	<p>Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. § 6330 regarding levies.</p>	<p>Report No. 2022-30-061; Sept. 2022</p> <p>TIGTA reviewed levies issued for 57,775 taxpayers by IRS Collection functions during the period October 1, 2020, through September 30, 2021, and found that the IRS generally complied with legal and administrative requirements. However, there were some instances of noncompliance in which an estimated 190 taxpayers' rights were potentially violated.</p>
<p>Collection Due Process</p> <p>I.R.C. §§ 7803(d)(1)(A)(iii) and (iv)</p>	<p>Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. §§ 6320 and 6330 regarding taxpayers' rights to appeal lien or levy actions.</p>	<p>Report No. 2022-10-043; Aug. 2022</p> <p>Similar to prior audits, TIGTA identified processing errors in 18 (20 percent) of 91 sampled taxpayer cases. For example, taxpayer accounts had errors due to incorrectly input Collection Statute Expiration Date suspension start and stop dates. In some cases, the IRS incorrectly extended the time period, allowing the IRS additional time to collect delinquent taxes. In other cases, the IRS incorrectly decreased the time to collect delinquent taxes.</p>
<p>Seizures</p> <p>I.R.C. § 7803(d)(1)(A)(iv)</p>	<p>Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. §§ 6330 through 6344 when conducting seizures.</p>	<p>Report No. 2022-30-038; June 2022</p> <p>TIGTA reviewed 74 of the 97 seizures the IRS conducted from July 1, 2020, through June 30, 2021. The IRS generally adhered to procedures that help ensure compliance with I.R.C. §§ 6330 through 6344. However, TIGTA identified some instances in which the IRS did not comply with a particular internal procedure requirement.</p>

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Taxpayer Designations – Illegal Tax Protester Designation and Similar Designations</p> <p>I.R.C. § 7803(d)(1)(A)(v)</p>	<p>An evaluation of the IRS’s compliance with restrictions under RRA 98 § 3707 on designation of taxpayers.</p>	<p>Report No. 2022-IE-R004; Sept. 2022</p> <p>TIGTA’s review of taxpayer accounts on both the Individual and Business Master Files showed that the IRS did not reintroduce past Illegal Tax Protester codes or similar designations on taxpayer accounts during FY 2021. However, TIGTA’s review of over 70 million narrative records created during FY 2021 in the Accounts Management Services system found that employees referenced the term Illegal Tax Protester or similar designation on six records for six different taxpayers. Further, TIGTA reviewed 25,857 narrative records from the Criminal Investigation Management Information System and identified 10 records that used the term Illegal Tax Protester or similar designations.</p>
<p>Disclosure of Collection Activity With Respect to Joint Returns</p> <p>I.R.C. § 7803(d)(1)(B) (TIGTA requirement)</p> <p>I.R.C. § 6103(e)(8) (IRS requirement)</p>	<p>Requires TIGTA to review and certify whether the IRS is complying with I.R.C. § 6103(e)(8), which requires the IRS to disclose information to an individual filing a joint return on collection activity involving the other individual filing the return.</p>	<p>Report No. 2022-30-058; Sept. 2022</p> <p>TIGTA reviewed case files from the Independent Office of Appeals and the Taxpayer Advocate Service to determine whether employees followed the joint return disclosure requirements on collection information requests. TIGTA determined that disclosure requirements were not followed in eight (7 percent) of 122 Independent Office of Appeals employees’ history files.</p>
<p>Taxpayer Complaints</p> <p>I.R.C. § 7803(d)(2)(A)</p>	<p>Requires TIGTA to include in each <i>Semiannual Report to Congress</i> the number of taxpayer complaints received and the number of employee misconduct and taxpayer abuse allegations received by the IRS or TIGTA from taxpayers, IRS employees, and other sources.</p>	<p>Statistical results on the number of taxpayer complaints received are shown on page 49.</p>

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Administrative or Civil Actions With Respect to the Tax Collection Practices Act of 1996</p> <p>I.R.C. § 7803(d)(1)(G)</p> <p>I.R.C. § 6304</p> <p>RRA 98 § 3466</p>	<p>Requires TIGTA to include information regarding any administrative or civil actions with respect to violation of the fair debt collection provision of I.R.C. § 6304, including a summary of such actions and any resulting judgments or awards granted.</p>	<p>Report No. 2022-30-056; Sept. 2022</p> <p>TIGTA's review of 35 employee misconduct cases coded as Fair Tax Collection Practices (FTCP) violations identified four cases that were incorrectly coded as FTCP violations. In addition, our review of 167 SB/SE Division employee misconduct cases closed in FY 2021 that could potentially relate to violations of taxpayers' FTCP rights (but were not coded as FTCP potential violations) identified two cases that should have been coded as FTCP violations by labor relations specialists.</p>
<p>Denials of Requests for Information</p> <p>I.R.C. § 7803(d)(1)(F)</p> <p>I.R.C. § 7803(d)(3)(A)</p>	<p>Requires TIGTA to include information regarding improper denial of requests for information from the IRS, based on a statistically valid sample of the total number of determinations made by the IRS to deny written requests to disclose information to taxpayers on the basis of I.R.C. § 6103 or 5 U.S.C. § 552(b)(7).</p>	<p>Report No. 2022-10-044; July 2022</p> <p>TIGTA reviewed a statistical sample of 83 of the 3,188 FY 2021 Freedom of Information Act (FOIA) requests for which the IRS denied the requested information either partially or fully based on exemption (b)(7), replied that no responsive records were available, or closed the request as imperfect. TIGTA also reviewed all 34 FY 2021 I.R.C. § 6103(c) and (e) requests documented in FOIAXpress for which the IRS withheld information from the requestor. While TIGTA determined that information was properly withheld or released in most cases, the Disclosure Office did not follow FOIA requirements when withholding or releasing information for 13 (16 percent) cases. The Disclosure Office properly processed all 34 I.R.C. § 6103(c) and (e) requests.</p>

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Adequacy and Security of the Technology of the IRS I.R.C. § 7803(d)(1)(D)</p>	<p>Requires TIGTA to evaluate the IRS's adequacy and security of its technology.</p>	<p><u>Information Technology Reviews:</u> Report No. 2022-20-001; Nov. 2021 Report No. 2022-20-005; Dec. 2021 Report No. 2022-25-029; Mar. 2022 Report No. 2022-47-023; Mar. 2022 Report No. 2022-27-028; May 2022 Report No. 2022-46-032; May 2022 Report No. 2022-IE-R003; May 2022 Report No. 2022-47-042; July 2022 Report No. 2022-27-045; Sept. 2021 Report No. 2022-20-055; Sept. 2022 Report No. 2022-20-053; Sept. 2022</p> <p><u>Security Reviews:</u> Report No. 2022-20-005; Dec. 2021 Report No. 2022-20-006; Dec. 2021 Report No. 2022-20-007; Dec. 2021 Report No. 2022-20-009; Feb. 2022 Report No. 2022-20-010; Feb. 2022 Report No. 2022-20-040; July 2022 Report No. 2022-20-051; Sept. 2022 Report No. 2022-20-065; Sept. 2022 Report No. 2022-20-050; Sept. 2022 Report No. 2022-20-052; Sept. 2022</p>
<p>Government Charge Card Abuse Prevention Act of 2012 Pub. L. No. 112-194, 126 Stat. 1445 (codified as amended at 5 U.S.C. § 5701 note, 10 U.S.C. § 2784, and 41 § U.S.C. 1909)</p>	<p>Requires TIGTA to report on the IRS's progress in implementing purchase and travel card audit recommendations.</p>	<p>Report No. 2022-10-017; Jan. 2022 TIGTA's review of the IRS's purchase card program found that controls are generally effective, and the number of purchase card violations identified by the IRS Credit Card Services Branch were minimal and generally for nominal amounts.</p> <p>Report No. 2022-10-047; July 2022 TIGTA's review of the IRS's purchase card program found that controls are generally effective, and the number of purchase card violations identified by the IRS Credit Card Services Branch were minimal and generally for nominal amounts.</p>

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Improper Payments Elimination and Recovery Act of 2010</p> <p>31 U.S.C. § 3321</p>	<p>Requires TIGTA to assess the IRS's compliance with improper payment requirements.</p>	<p>Report No. 2022-40-037; May 2022</p> <p>The IRS was generally compliant with the reporting requirements contained in the Payment Integrity Information Act of 2019 for FY 2021. However, TIGTA found that the IRS inaccurately assessed the risk for the U.S. Coronavirus EIP program as not susceptible to improper payments despite reports issued by TIGTA suggesting otherwise. In addition, the IRS did not complete a risk assessment for the Sick and Paid Family Leave Credit and the Employee Retention Tax Credit as required. Also, the IRS did not calculate and report the dollar amount and percentage rate of improper payments for the Net Premium Tax Credit for FY 2021.</p>
<p>Digital Accountability and Transparency Act of 2014 (DATA Act)</p> <p>Pub. L. No. 113-101, 128 Stat. 1124 (codified at 31 U.S.C. §§ 3512, 3716, and 6101 note)</p>	<p>Requires TIGTA to assess the completeness, timeliness, quality, and accuracy of data that the IRS submits to comply with the DATA Act.</p>	<p>Report No. 2022-10-003; Oct. 2021</p> <p>The IRS submitted its FY 2020 third quarter spending data by July 2020, as required, for publication on USAspending.gov. In addition, based on the standardized assessment methodology used across Offices of Inspectors General, the IRS earned an overall rating of "Excellent" for data quality, the highest of four possible ratings. However, TIGTA's review of a statistical sample of 77 transactions found some individual data elements had high error rates.</p>
<p>Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission and Assertions</p> <p>National Drug Enforcement Policy 21 U.S.C. § 1704(d) and the Office of National Drug Control Policy Circular titled <i>Drug Control Accounting</i> (May 1, 2007)</p>	<p>Requires TIGTA to authenticate the IRS's ONDCP detailed accounting submission and assertions.</p>	<p>Report No. 2022-10-016; Jan. 2022</p> <p>TIGTA is not aware of any material modifications that should be made to the assertions in the IRS's FY 2021 Budget Formulation Compliance Report and Detailed Accounting Report in order for them to be in accordance with the ONDCP Circular.</p>

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Protecting Americans From Tax Hikes Act of 2015 Pub. L. No. 114-11.3, 129 Stat. 2242 (2015)</p>	<p>Requires TIGTA to conduct an audit of the issuance of ITINs.</p>	<p>Report No. 2022-40-013; Jan. 2022</p> <p>TIGTA continues to find that IRS processes and procedures do not ensure that ITINs are only issued to individuals who have a Federal income tax need. The IRS has addressed 10 of the 13 agreed recommendations from TIGTA’s prior report. However, additional action is needed to address the three remaining agreed recommendations. These include improving processes to prevent the duplicate use of entity information (e.g., name, date of birth, and country of birth) or supporting documents to obtain an ITIN and establishing processes to identify and address retroactive tax credit claims that are processed incorrectly.</p>

Appendix IV

Inspector General Peer Review Activity

This appendix implements § 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act.⁶⁵

For the period April 1, 2022 – September 30, 2022:

Peer Reviews Conducted of TIGTA by Another Office of Inspector General

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

Outstanding Recommendations From Peer Reviews of TIGTA

There are no outstanding recommendations from peer reviews of TIGTA.

Peer Reviews Conducted by TIGTA

During this reporting period, TIGTA's Office of Inspections and Evaluation conducted a peer review of the Federal Housing Finance Agency, Office of Inspector General. The final report was issued on September 8, 2022.

Outstanding Recommendations From Peer Reviews Conducted by TIGTA

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

⁶⁵ Pub. L. 111-203, 124 Stat. 1376, 1945-46 (2010) (codified at 5 U.S.C. App. §5(a)(14)-(16)).

Appendix V

Data Tables Provided by the Internal Revenue Service

The memorandum copied below is the IRS's transmittal to TIGTA. The tables that follow the memorandum contain information that the IRS provided to TIGTA and consist of IRS employee misconduct reports from the IRS Automated Labor and Employee Relations Tracking System (ALERTS) for the period April 1, 2022, through September 30, 2022. Also, data concerning substantiated RRA 98 § 1203 allegations for the same period are included. See Appendix VI for § 1203 Standards. IRS management conducted inquiries into the cases reflected in these tables.

Internal Revenue Service Memorandum

 <p>HUMAN CAPITAL OFFICE</p> <p>DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE WASHINGTON, D.C. 20224</p> <p>MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION</p> <p>FROM: GERALDA LARKINS <small>Digitally signed by Geralda Larkins (Date: 2022.10.07 09:45:23 -0400)</small> Acting Director, Labor/Employee Relations and Negotiations</p> <p>SUBJECT: Input for the Treasury Inspector General for Tax Administration (TIGTA) Semiannual Report to Congress</p> <p>In response to your memorandum dated July 14, 2022, I am providing the following information to meet your reporting requirements as defined in 26 U.S.C. section 7803(d)(1)(E) and 26 U.S.C. section 7803(d)(2)(A)(ii) for April 1, 2022, through September 30, 2022.</p> <ul style="list-style-type: none">• Report of Employee Misconduct by Disposition Groups• Report of Employee Misconduct – National Summary• Summary of Substantiated Section 1203 Inquiries Recorded in the Automated Labor and Employee Relations Tracking System (ALERTS) <p>The attached tables contain information about:</p> <ul style="list-style-type: none">• Alleged misconduct reported to IRS managers• Disposition of the allegations resolved during the period• Status of the inventory as of September 30, 2022 <p>The tables contain information about alleged misconduct that both TIGTA and IRS management investigated. The IRS received these allegations from taxpayers, IRS employees, and other sources, and recorded them in ALERTS.</p> <p>The Summary of Substantiated Section 1203 Allegations contains information on the disposition of substantiated Section 1203 allegations. During this period, IRS managers substantiated 166 Section 1203 allegations. There were 19 employees removed because of Section 1203 allegations; five (5) employees retired or resigned before a final administrative action by management. The Commissioner mitigated proposed removals in 38 cases. The remaining 104 substantiated Section 1203 allegations are still in the adjudication process. There were six (6) Section 1203 allegations that were not substantiated, and the employees were removed for reasons other than 1203 violations.</p>	<p>2</p> <p>If you have any questions, please contact Kimberly Berling, Associate Director, Field Operations, at kim.a.berling@irs.gov.</p> <p>Attachments (3)</p> <p>cc: Charles P. Rettig, Commissioner of Internal Revenue Douglas O'Donnell, Deputy Commissioner Services and Enforcement Jeffrey Tribiano, Deputy Commissioner Operations Support Terry Lemons, Chief, Communications & Liaison Mark Kaizen, Associate Chief Counsel (GLS) Kevin Q. McIver, IRS Human Capital Officer</p>
--	---

The Following Tables Are Provided by the IRS:

Report of Employee Misconduct by Disposition Groups

Disposition	Administrative Case	Employee Character Investigation	Employee Tax Compliance Case	TIGTA Report of Investigation	Totals
REMOVAL (PROBATION PERIOD COMPLETE)	50	0	10	29	89
REMOVAL AT OPM DIRECTION	0	10	0	0	10
PROBATION/SEPARATION	216	7	0	4	227
SEPARATION OF TEMPORARY EMPLOYEE	0	0	0	0	0
RESIGNATION, RETIREMENT, ETC. (REASON NOTED ON SF50)	27	0	9	17	53
RESIGNATION, RETIREMENT, ETC. (REASON NOT NOTED ON SF50)	114	9	22	20	165
SUSPENSION, 14 DAYS OR LESS	80	0	46	33	159
SUSPENSION, MORE THAN 14 DAYS	21	0	13	7	41
INDEFINITE SUSPENSION	4	0	0	0	4
REPRIMAND	82	0	27	36	145
ADMONISHMENT	110	0	88	21	219
WRITTEN COUNSELING	63	14	135	19	231
ORAL COUNSELING	10	0	4	0	14
ALTERNATIVE DISCIPLINE: IN LIEU OF REPRIMAND	5	0	0	0	5
ALTERNATIVE DISCIPLINE: IN LIEU OF SUSPENSION	5	0	0	0	5
CLEARANCE LETTER	27	0	13	21	61
CLOSED WITHOUT ACTION CAUTIONARY LETTER	72	107	77	57	313
CLOSED WITHOUT ACTION LETTER	58	15	18	42	133
TERMINATION FOR ABANDONMENT OF POSITION	41	0	0	0	41
CASE SUSPENDED PENDING EMPLOYEE RETURN TO DUTY	0	0	0	0	0
PROSECUTION PENDING FOR TIGTA'S ROI	0	0	0	0	0
CLOSED - SUPPLEMENTAL REQUESTED	0	0	0	0	0
FORWARDED TO TIGTA	32	0	0	0	32
TOTAL	1,017	162	462	306	1,947

Source: ALERTS (extract date: October 3, 2022). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

Report of Employee Misconduct National Summary

Inventory Case Type	Open Inventory	Conduct Cases Received	Cases Closed			Ending Inventory
			Conduct Issues	Cases Merged With Other Cases	Non-Conduct Issues	
Administrative Case	1,063	1,278	1,225	10	0	1,103
Employee Character Investigation	86	189	196	0	0	78
Employee Tax Compliance Case	507	678	510	33	0	642
TIGTA Report of Investigation	416	398	431	4	0	379
Total	2,072	2,543	2,362	47	0	2,202

Source: ALERTS (extract date: October 3, 2022). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

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

Employee Character Investigations - Any matter involving a New Background Investigation Case investigation into an employee's background that is referred to management for appropriate action.

Employee Tax Compliance Case - Any conduct matter that is identified by the Employee Tax Compliance program which becomes a matter of official interest.

TIGTA Investigation - Any matter involving an employee in which TIGTA conducted an investigation into alleged misconduct and referred a Report of Investigation to the IRS for appropriate action.

Summary of Substantiated I.R.C. Section 1203 Inquiries Recorded in ALERTS

§ 1203 Violation	Removals	Resigned/ Retired	Probation Separation	Removed On Other Grounds	Penalty Mitigated	In Personnel Process	Total
1203(b)(2): FALSE STATEMENT UNDER OATH	0	0	0	0	0	0	0
1203(b)(3): CIVIL RIGHTS/CONSTRUCTIVE VIOLATION	0	0	0	0	0	0	0
1203(b)(4): CONCEALED WORK ERROR	0	0	0	0	0	0	0
1203(b)(6): I.R.C./IRM/REG VIOLATION-RETALIATION	0	0	0	0	0	0	0
1203(b)(8): WILLFUL UNTIMELY RETURN	9	5	0	0	19	71	104
1203(b)(9): WILLFUL UNDERSTATED TAX	10	0	0	6	19	33	68
1203(b)(10): THREAT OF AUDIT FOR PERSONAL GAIN	0	0	0	0	0	0	0
Total	19	5	0	6	38	104	172

Source: ALERTS (extract date: October 3, 2022). Columns containing numbers of three or less and protected by I.R.C. § 6103 are annotated with a zero and are not reflected in the column and row totals.

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

Appendix VI

Section 1203 Standards

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

Misconduct violations include:

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

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

Glossary of Acronyms

ALERTS	Automated Labor and Employee Relations Tracking System
ARPA	American Rescue Plan Act of 2021
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CNC	Currently Not Collectible
COVID-19	Coronavirus Disease 2019
CTC	Child Tax Credit
CY	Calendar Year
DATA Act	Digital Accountability and Transparency Act of 2014
EIP	Economic Impact Payments
EO	Exempt Organizations and Government Entities
ERC	Employee Retention Credits
FOIA	Freedom of Information Act
FTCP	Fair Tax Collection Practices
FY	Fiscal Year
IRA	Inflation Reduction Act of 2022
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
ISC	Interagency Security Committee
ITIN	Individual Taxpayer Identification Number
LB&I	Large Business and International
LLC	Limited Liability Company
MSP	Managed Service Provider

NOL	Net Operating Loss
OA	Office of Audit
OI	Office of Investigations
ONDCP	Office of National Drug Control Policy
PDC	Private Debt Collection
PII	Personally Identifiable Information
PPIA	Partial Payment Installment Agreements
QOF	Qualified Opportunity Funds
RRA 98	Restructuring and Reform Act of 1998
RRC	Recovery Rebate Credit
SADI	Secure Access Digital Identity
SB/SE	Small Business/Self-Employed
TDC	Taxpayer Digital Communications
TIGTA	Treasury Inspector General for Tax Administration
TY	Tax Year
UBAC	User Behavior Analytics Capability
U.S.C.	United States Code

**CALL OUR TOLL-FREE HOTLINE
TO REPORT WASTE, FRAUD, OR ABUSE:**

1-800-366-4484

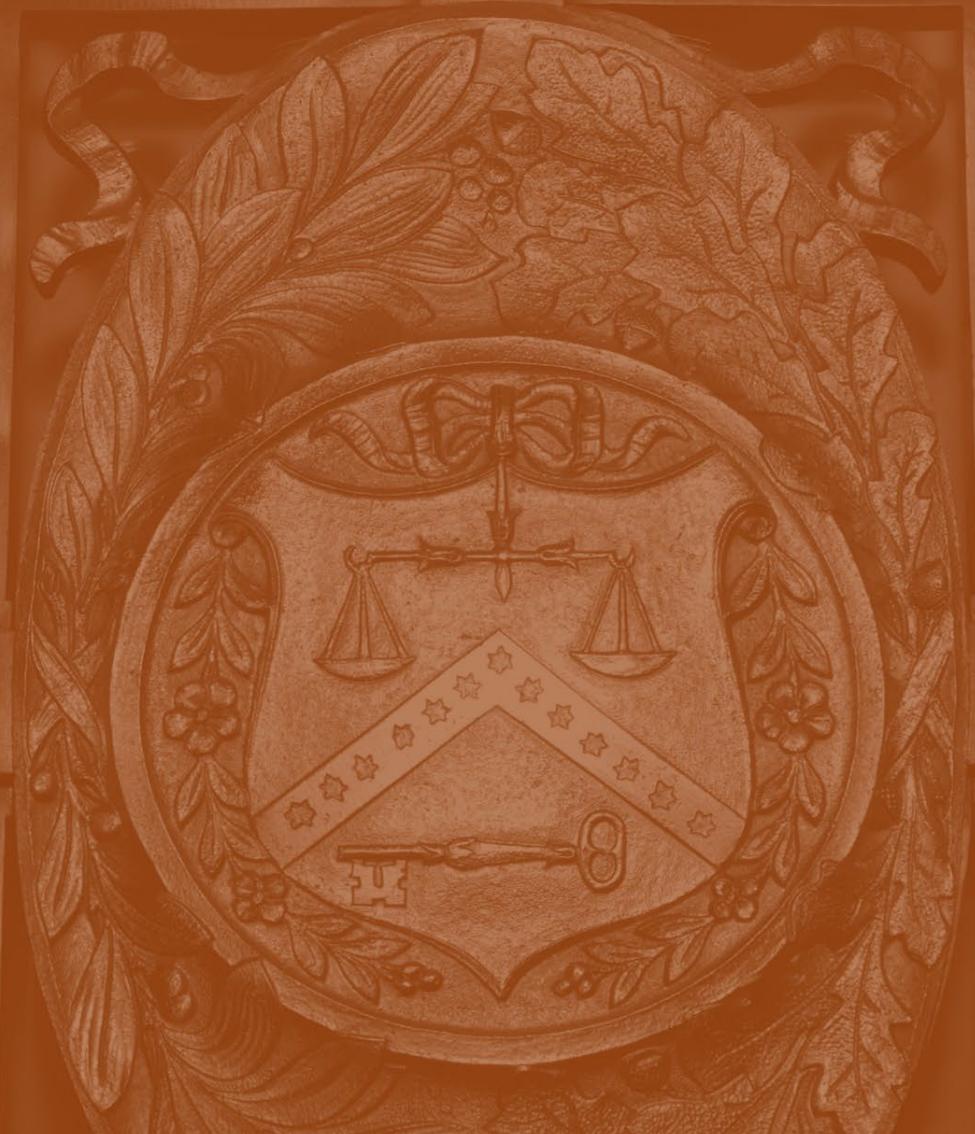
**BY WEB:
www.tigta.gov**

**BY FAX:
202-927-7002**

OR WRITE:

**Treasury Inspector General for Tax Administration
P.O. Box 589
Ben Franklin Station
Washington, DC 20044-0589**

Information you provide is confidential and you may remain anonymous.

The seal of the Department of the Treasury is centered on the page. It features a shield with a pair of scales of justice at the top, a chevron with stars in the middle, and a key at the bottom. The shield is surrounded by a laurel wreath and a ribbon. The entire seal is set against a background of ornate, repeating floral and scrollwork patterns.

Department of the Treasury

Office of the Inspector General for Tax Administration
901 D Street, SW., Suite 600
Washington, DC 20024

This report and complete copies of TIGTA audit reports
are available online at: www.tigta.gov