

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Semiannual Report to Congress
APRIL 1, 2024 — SEPTEMBER 30, 2024





Treasury Inspector General for Tax Administration (TIGTA)

Our 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.

Our 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.

Our 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.

Acting Inspector General's Message to Congress

January 2024 marked the 25th anniversary of the Treasury Inspector General for Tax Administration (TIGTA). As one of three Inspectors General serving the U.S. Department of the Treasury, we are responsible for providing oversight of the Internal Revenue Service (IRS) and protecting the integrity of the nation's tax system. Congress established TIGTA as part of the sweeping reforms enacted in the IRS Restructuring and Reform Act of 1998 (RRA 98). The RRA 98 transferred all functions of the former IRS Inspection Service to TIGTA.¹



Our accomplishments over the past 25 years are a testament to the positive changes resulting from the RRA 98 and subsequent revisions to the Internal Revenue Code. Partnering with the IRS and providing effective oversight has helped the agency understand and overcome its management challenges while delivering significant return on investment to the nation's taxpayers.

Highlights from our work over the past 25 years include:

- An average annual return of \$102 for each dollar invested in TIGTA.²
- Issuing 3,280 reports with monetary benefits totaling more than \$382.7 billion.
- Referring 31,798 cases of IRS employee misconduct for action, and 5,368 cases for criminal prosecution.

In this Semiannual Report to Congress, I am also pleased to summarize our accomplishments from April 1, 2024, through Sept. 30, 2024. We continue our regular IRS oversight roles and responsibilities, in addition to monitoring the IRS's use of supplemental Inflation Reduction Act (IRA) funds. For Fiscal Year (FY) 2024, we identified "Managing IRA Transformation Efforts" as 1 of 9 [IRS management challenges](#). During this reporting period, we issued 16 IRA-related reports to assist the IRS and keep stakeholders informed.

Our quarterly snapshot reports, for example, share cumulative and quarterly assessments about the IRS and its use of IRA funding. Visit our [IRA dashboard](#) on TIGTA.gov to obtain regular updates on the IRS's progress using supplemental IRA funding. We also issued an IRA-related report examining the IRS's Lifting Up Communities initiative. The initiative was developed to rebuild underserved communities by creating jobs for people living in these communities. Other IRA-related reports examined IRS efforts to comply with a Treasury Directive not to increase the audit rate for taxpayers with incomes below \$400,000, and two reports reviewed the IRS's Direct File Pilot program.

Additional highlights from our Office of Audit include reporting on noncompliant biofuel tax credit claims, the need for the IRS to improve virtual tax compliance enforcement surrounding the trillion-dollar virtual currency industry, and ways the IRS can address questionable claims

¹ Pub. L. No. 105-206, 112 Stat. 685.

² Dollar amount does not include supplemental funding.

associated with the Employee Retention Credit. We also assessed the IRS’s handling of taxpayers who took early retirement distributions but did not pay additional tax, claim an exception, or report the income.

Our Office of Inspections and Evaluations provides expedited oversight that quickly assesses emerging issues impacting IRS operations. In one of our evaluations that assessed the IRS’s Taxpayer Advocate Service, we called all 76 local Taxpayer Advocate Service telephone lines in the United States and Puerto Rico using phone numbers listed on IRS websites. We found telephone lines that were not in service, voicemail boxes that were full, and inconsistent recorded messaging and callback time frames.

Cases highlighted from our Office of Investigations include an IRS employee indicted for filing a false tax return, an IRS contract employee sentenced to 17 months imprisonment for threatening to bomb an IRS Lockbox facility, 2 People’s Republic of China citizens pleading guilty in an IRS bribery scheme, and a postal worker indicted in the theft of more than \$4 million in Treasury checks.

Highlights This Reporting Period

 **50**
Audits

 **1,032**
Investigations

 **10**
Inspections and Evaluations

 **\$6.1 Billion**
in Monetary Benefits

For this reporting period, our Office of Audit issued 50 reports; Office of Inspections and Evaluations issued 10 reports; and Office of Investigations completed 1,032 investigations. TIGTA’s combined audit and investigative efforts during this reporting period resulted in the recovery, protection, and identification of monetary benefits totaling more than \$6.1 billion.

As we celebrate our 25th anniversary, we look forward to continuing our work providing quality audit, investigative, and inspection and evaluation services to help the IRS achieve its goals. We also remain committed to working with Congress, the Administration, and all our stakeholders to improve federal tax administration.

Sincerely,

Heather Hill

Heather M. Hill
Acting Inspector General

Table of Contents

TIGTA's Profile	6
Statutory Mandate	6
Organizational Structure	7
Authorities	7
Inflation Reduction Act Oversight Activities	8
Promote the Economy, Efficiency, and Effectiveness of Tax Administration	16
Assess Emerging Issues Impacting America's Tax System	22
Protect the Integrity of Tax Administration	24
Investigations Statistical Reports	32
Reports With Unimplemented Corrective Actions	37

Appendices

Appendix I – Other Required Reporting.....	47
Appendix II – TIGTA's Statutory Reviews	48
Appendix III – Audit and Evaluation Reports Issued.....	54
Appendix IV – Inspector General Peer Review Activity	58
Appendix V – Data Tables Provided by the Internal Revenue Service.....	59
Internal Revenue Service Memorandum	59
Report of Employee Misconduct by Disposition Groups	60
Report of Employee Misconduct National Summary	61
Summary of Substantiated I.R.C. Section 1203 Inquiries Recorded in ALERTS	62
Appendix VI – Section 1203 Standards	63
Glossary	64

TIGTA's Profile

TIGTA provides audit, investigative, and inspection and evaluation services that promote economy, efficiency, and integrity in the administration of the Internal Revenue laws. We provide independent oversight of the Internal Revenue Service (IRS), the IRS Oversight Board, and the IRS Office of Chief Counsel. We are placed organizationally within the Department of the Treasury (Treasury Department or Treasury). While TIGTA reports to the Treasury Secretary and to Congress, we function independently from all other offices and bureaus within the Treasury Department.

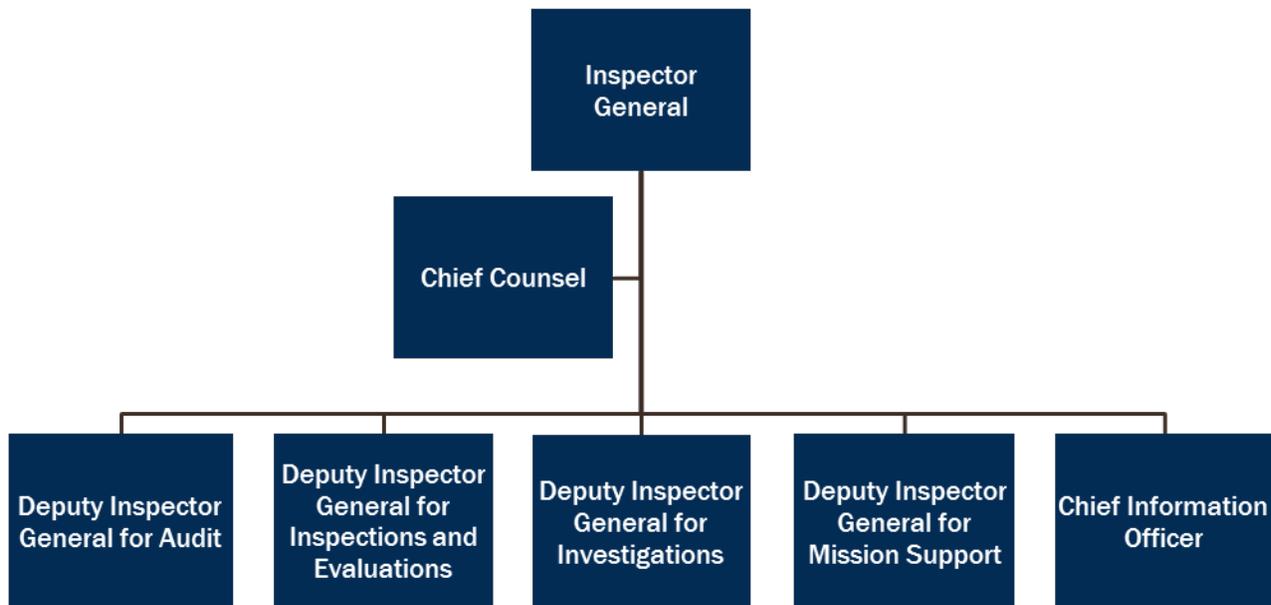
Statutory Mandate

-  **Prevent** and detect waste, fraud, and abuse in IRS programs and operations.
-  **Protect** against IRS employee misconduct 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.
-  **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 the IRS's administration of the federal tax system. We protect the public's confidence in the tax system by identifying and recommending strategies for addressing the IRS's management challenges and by implementing Treasury Department priorities.

Our organizational structure (see following page) consists 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 authorities granted under the Inspector General Act of 1978 (Inspector General Act).³ In addition to standard authorities granted to Inspectors General, TIGTA is authorized to access tax returns and return information in the performance of our tax administration responsibilities. We also report potential criminal violations directly to the U.S. Department of Justice when we deem appropriate.

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) amended the Inspector General Act to give TIGTA statutory authority to carry firearms, execute search and arrest warrants, serve subpoenas and summonses, and make arrests pursuant to Internal Revenue Code (I.R.C.) § 7608(b)(2).⁴

³ 5 U.S.C. §§ 401, *et seq.*

⁴ 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.).

Inflation Reduction Act Oversight Activities

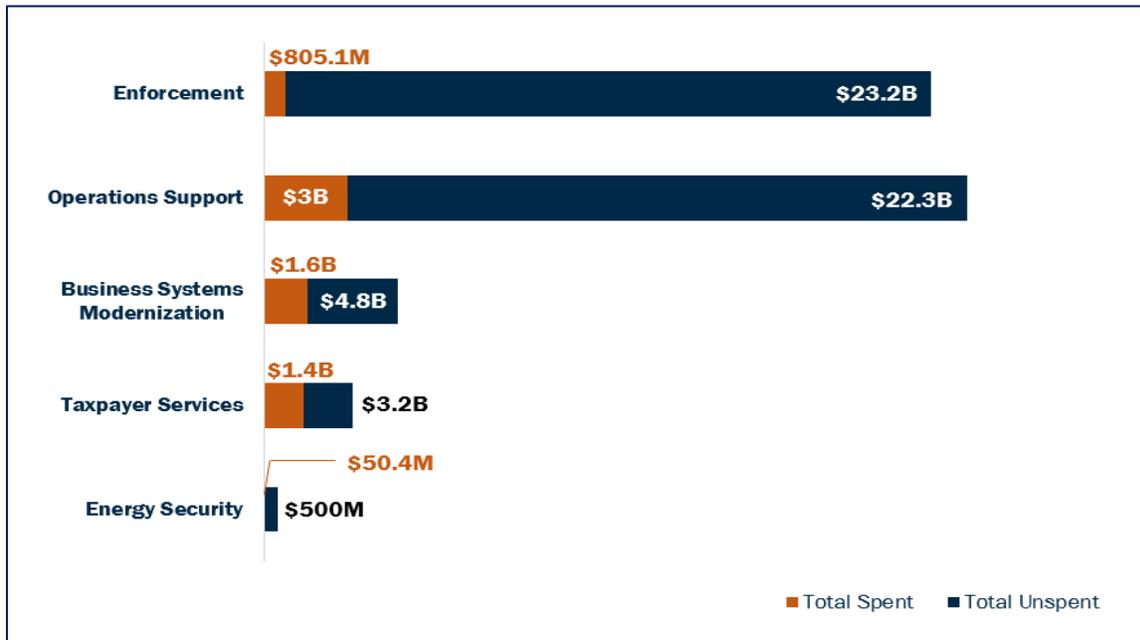
Through the Inflation Reduction Act of 2022 (IRA), the IRS received approximately \$80 billion in supplemental funding to improve the administration of our nation’s tax system and services to taxpayers.⁵ By the end of March 2024, Congress had reduced the IRS’s funding from the IRA to \$57.8 billion.⁶ TIGTA also received supplemental funding from the IRA. The \$403 million in funding that we received will help us provide oversight of the IRS and support our operations.

The IRA provided the IRS with funding to transform all aspects of its operations over the next decade. For Fiscal Year (FY) 2024, we identified “Managing IRA Transformation Efforts” as 1 of 9 [IRS management challenges](#). Following are highlights from our IRA-related reviews this reporting period. We plan to share ongoing quarterly and cumulative reporting on the IRS’s use of IRA funding to implement its Strategic Operating Plan (SOP).⁷ Visit [TIGTA.gov](https://www.tigta.gov) for additional information on our IRA oversight activities.

Quarterly Snapshot: The IRS’s Inflation Reduction Act Spending Through June 30, 2024

(Report Number [2024-IE-R020](#))

Figure 1: Cumulative IRA Expenditures by Funding Activity Through June 30, 2024⁸



Source: TIGTA-created graphic based on information provided by the Office of the Chief Financial Officer.

⁵ Pub. L. No. 117-169, 136 Stat. 1818.

⁶ Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, 138 Stat. 460 (rescinding \$20.2 billion); Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, 137 Stat. 10 (rescinding \$1.4 billion).

⁷ Publication 3744, *Internal Revenue Service Inflation Reduction Act Strategic Operating Plan* (Rev. 4-2023).

⁸ Percentages of IRA funds expended may not calculate correctly due to rounding. Additionally, the Enforcement allocation amount is after the \$21.6 billion in rescissions.

In this report, we presented our most recent cumulative and quarterly snapshot of how the IRS has expended IRA funds. As of June 30, 2024, the IRS had expended approximately \$6.9 billion (11.9 percent) of its \$57.8 billion in IRA funds (see Figure 1). Of the \$6.9 billion, approximately \$1.2 billion occurred in the third quarter of FY 2024 (April through June 2024).

In addition, the IRS expended approximately \$11.6 million in FY 2023 for the direct e-file tax return system. The IRS also indicated that \$2 billion of the \$6.9 billion in expended IRA funds were used to supplement the IRS's annual appropriation because the amount the IRS received was insufficient to cover normal operating expenses.

The report provided information only. We made no recommendations.

Actions Need to Be Taken to Ensure the Success of the Lifting Communities Up Initiative in Expanding Services and Assistance to Taxpayers in Underserved Populations

(Report Number [2024-IE-R012](#))

The Taxpayer First Act requires the IRS to develop a comprehensive taxpayer experience strategy.⁹ As part of the development of its strategy, the IRS identified several initiatives to expand services and assistance to taxpayers in underserved populations. One initiative is called Lifting Communities Up (LCU), which was developed to rebuild underserved communities by creating jobs for people in these communities. In FY 2022, the IRS selected the Mississippi Delta for its pilot LCU initiative.

Our evaluation of the LCU pilot initiative found that the IRS had not taken key steps to ensure the continuation of the LCU initiative. As of December 2023, the IRS Commissioner had not approved the Request for Organizational Change to formally establish the LCU Program Office. In addition, the IRS had not finalized the LCU's governing and operational policies and procedures or developed key performance measurements to assess the success of the initiative in the Mississippi Delta.

We made two recommendations that include establishing the LCU Program Office and developing a strategy to conduct in-person recruiting activities at educational institutions and job fairs as part of the Mississippi Delta hiring strategies. The IRS agreed with the recommendations.

Opportunities Exist to Improve Taxpayer Service to Underserved, Underrepresented, and Rural Communities (Report Number [2024-IE-R014](#))

In April 2023, the IRS issued its SOP, which outlined how the IRS plans to use its supplemental IRA funding to better serve taxpayers, tax professionals, and the broader tax system. The SOP notes that the IRS plans to make interactions easier and more convenient for taxpayers.

⁹ Pub. L. No. 116-25, 133 Stat. 981 (2019).

We found that the IRS has made improvements to increase the accessibility and availability of customer service in underserved, underrepresented, and rural communities; however, additional efforts are needed to improve the geographic outreach efforts in these communities. While the IRS uses various models to identify the underserved, underrepresented, and rural population, there is no clear definition for these populations.

When we asked the IRS for the criteria used to identify these populations, the response we received varied by business unit. Table 1 shows the inconsistency in how various IRS business units define an underserved taxpayer.

Table 1: Definition of Underserved Taxpayers From Various IRS Business Units

IRS Business Unit	Definition
Customer Assistance, Relationships and Education, Stakeholder Partnerships, Education, and Communication	<i>"These communities have not yet been defined."</i>
Customer Assistance, Relationships and Education (CARE), Field Assistance	<i>"There are various factors that are considered when determining whether a community is underserved or underrepresented. Some of this criterion includes factors such as: taxpayers with limited English proficiency, low- income, American Indian/Alaskan Native populations, and elderly populations."</i>
Transformation and Strategy Office	<i>"Immediate assistance needed or tax related impacts to national disasters, and legislative changes can also have an impact on which communities are considered underserved or underrepresented."</i>

Source: Response from IRS business units.

Without a clear definition of what constitutes these populations, the IRS is unable to measure its progress in increasing accessibility and availability to these segments of taxpayers. This includes the IRS’s inability to identify additional locations where there are segments of underserved taxpayers for which the IRS currently does not provide adequate face-to-face customer service. Our evaluation also identified that there is no comprehensive communication strategy to inform underserved taxpayers of the availability of these options.

We made five recommendations. The IRS agreed with all five recommendations.

The IRS Has Made Limited Progress Developing the Methodology to Comply With the Treasury Directive to Not Increase the Audit Rate for Taxpayers With Incomes Below \$400,000 Due to Planning and Implementation Challenges (Report Number [2024-308-043](#))

The \$24 billion of IRA funds allocated to IRS enforcement activities is intended in part to increase examinations of high-income taxpayers. In August 2022, the Secretary of the Treasury issued a Treasury Directive to the IRS Commissioner directing the IRS not to use

any additional resources to increase audits on small business or households earning below \$400,000 per year. In the directive, the Treasury Secretary stated that “enforcement resources will focus on high-end noncompliance.”

Although the IRS and Treasury chose Tax Year (TY) 2018 for the base year, as of May 2024, the IRS had yet to calculate the audit coverage for TY 2018 because it had not finalized its methodology for the audit coverage calculation. While the IRS routinely calculates audit coverage rates, the IRS and Treasury have been exploring a range of options to develop a different methodology for purposes of determining compliance with the directive.

Table 2 shows that examinations of taxpayers reporting total positive income (TPI) under \$400,000 accounted for 95 percent of total examinations in FYs 2019 to 2021 and 93 percent and 91 percent in FYs 2022 and 2023, respectively. Increasing the audit coverage rate for taxpayers reporting TPI greater than \$400,000 will require a significant shift in the IRS’s examination resources.

Table 2: Examinations of Taxpayers Reporting TPI Under and Over \$400,000

Examinations Started	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total Number of Records	574,951	466,921	519,167	446,100	400,446
Percentage of Examinations of TPI Less Than or Equal to \$400,000	95%	95%	95%	93%	91%
Percentage of Examinations of TPI Greater Than \$400,000	5%	5%	5%	7%	9%

Source: TIGTA analysis of Audit Information Management System and Return Transaction File data.

We made four recommendations. The IRS agreed with two recommendations, disagreed with one, and partially agreed with one.

Interim Results of the 2024 Filing Season (Report Number [2024-408-024](#))

Our report presented interim results evaluating whether the IRS was timely and accurately processing TY 2023 individual paper and electronically filed (e-filed) tax returns. The results were presented as of several dates between Jan. 29, 2024, and March 30, 2024, depending on when the information was available.

While e-file volumes decreased by 1.5 percent, the number of returns filed through the IRS Free File Program increased by 14 percent when compared to the same period during the 2023 Filing Season. The IRS also continued to increase the number of fraudulent tax returns detected and stopped from entering the tax processing system, *i.e.*, rejecting e-filed tax returns and preventing paper tax returns from posting. As of Feb. 24, 2024, the IRS reported that it identified 32,616 tax returns with approximately \$272.7 million claimed in fraudulent refunds and prevented the issuance of \$262.7 million (96.3 percent) of those refunds (see Table 3).

Table 3: Fraudulent Tax Returns and Refunds Identified and Stopped in Processing Years 2022, 2023, and 2024

Processing Year	Fraudulent Refund Returns Identified	Fraudulent Refund Returns Stopped	Amount of Fraudulent Refunds Identified	Amount of Fraudulent Refunds Stopped
2022	76,814	74,711	\$817,400,771	\$807,903,066
2023	31,079	30,730	\$310,724,203	\$303,718,702
2024	32,616	30,867	\$272,738,111	\$262,682,364

Source: IRS fraudulent tax return statistics for Processing Years 2022 (as of Feb. 26, 2022); 2023 (as of Feb. 25, 2023); and 2024 (as of Feb. 24, 2024).

We reported on several IRS customer service initiatives, such as the increase in visits to IRS.gov, and the launch of a public-facing dashboard that lists current processing statuses for general correspondence and key tax forms. The IRS also planned to assist about 2 million taxpayers at its Taxpayer Assistance Centers in FY 2024, which was a 22 percent increase from the number of taxpayers the IRS assisted during FY 2023.

This report provided interim information only. No recommendations were made.

Inflation Reduction Act: Implementation of the Elective Payment and Transfer of Credit Provision (Report Number [2024-408-066](#))

The IRA created new Internal Revenue Code sections allowing applicable entities to treat the unused portion of certain nonrefundable clean energy tax credits as an elective payment that generates a refund and allows eligible taxpayers to elect to transfer, *i.e.*, sell, certain clean energy tax credit(s) to an unrelated third-party buyer in exchange for cash. IRS regulations require taxpayers that intend to make an election for an elective payment or a transfer of credit to register each property or facility used to earn the credit after the property or facility is placed into service.

The IRS developed the Pre-Filing Registration tool within the Energy Credits Online portal for taxpayers to register their properties and facilities. As of May 21, 2024, we identified more than 1,700 entities entered information into the Pre-Filing Registration tool, accounting for about 62,500 properties or facilities. During that same time frame, the IRS reported that 130 tax returns had been filed reporting elective payments and/or transfers of credits totaling almost \$381 million.

Our review found that the IRS established access controls for the portal and a process to evaluate the properties being registered. The portal is accessible through IRS.gov where an individual user authenticates themselves and creates an account. The IRS also developed a

new process to evaluate the entities and properties prior to issuing registration numbers to help prevent duplication, improper payments, or excessive payments.

We made one recommendation. The IRS agreed with the recommendation.

Communication Breakdowns, Hiring Volume Surges, and Aging System Integration Challenges Delayed Some IRS Hiring Efforts (Report Number [2024-108-069](#))

Over the last decade, the IRS has faced a decline in staffing levels, which has affected its ability to fulfill its mission. IRA funds have allowed the IRS to expand its hiring efforts. In addition, the IRS was granted multiple Direct Hire Authorities (DHA) to expedite hiring and fill job vacancies when a critical hiring need or a severe shortage of candidates exists.

From Oct. 1, 2021, to Sept. 30, 2023, the IRS processed nearly 53,000 new hires. In FY 2022 there were almost 22,000 new hires and approximately 31,000 new hires in FY 2023. Although the IRS used multiple DHAs to expedite its hiring process to fill vacant positions, almost 19,000 of FYs 2022 and 2023 new hires exceeded the Office of Personnel Management's (OPM) target of 80 calendar days to hire.

We reviewed a statistically valid stratified random sample of 106 of the new hires who exceeded OPM's target of 80 calendar days to hire. We found that delays in the hiring process were the result of workload constraints and miscommunication, security checks exceeding their targeted completion time, and limitations in the IRS's hiring management system.

We made four recommendations to the IRS. Our recommendations included designing a corrective action plan focused on improving training, communication, and coordination throughout the hiring process; developing comprehensive, up-to-date reference materials; and taking steps to improve information accuracy and reduce data input errors in the IRS's hiring management system. The IRS agreed with all of our recommendations.

Progress of Information Technology Modernization Efforts (Report Number [2024-2S8-055](#))

Modernizing the IRS's information technology and business systems is essential for helping the IRS maintain the integrity of the nation's tax system, collect trillions of dollars, and keep up with economic and population growth.

The SOP outlines how the IRS will deploy IRA funding to better serve taxpayers, tax professionals, and the broader tax ecosystem. The SOP is structured to achieve 5 core transformation objectives that will be accomplished through the completion of 42 initiatives and 39 projects.

We reviewed the progress of the IRS's modernization efforts and the reported FY 2023 milestone statuses for Objective 4 of the core objectives. Our review covered the period of November 2023 through July 2024, and we issued a memorandum to document actions the IRS has taken.

We noted that the IRS is making progress in its modernization efforts while adhering to its strategic goals. Specifically, the Information Technology organization is making significant technical advancements in the areas of artificial intelligence, automation, cloud capabilities, data access, data quality, and data standards. We also noted the IRS is undergoing multiple new processes that, once fully operational, will pave the way for a new technology era across the enterprise.

The Direct File Pilot Deployed Successfully; However, Security and Testing Improvements Are Needed (Report Number [2024-200-050](#))

The IRA required the IRS to establish a task force to design and report to Congress on an IRS-run free, direct electronic filing tax return system. The IRS launched the Direct File Pilot program on Feb. 1, 2024, and implemented the pilot in phases throughout the 2024 Filing Season. The pilot was implemented to a limited scope of taxpayers with certain types of income, credits, deductions, and who reside in 1 of 12 participating states. The IRS Transformation and Strategy Office, with support from the Office of Information Technology, led the team to design and deploy the pilot.

The IRS issued the Authorization to Operate for the Direct File Pilot with eight moderate and low risks identified during security control assessments. We found that during systems development, the Direct File Pilot team did not appropriately complete two of its required artifacts, e.g., the Configuration Management Plan and the About Page. Once the Authorization to Operate was issued, the Direct File Pilot team completed its first required monthly Federal Risk and Authorization Management Program Continuous Monitoring Summary Report. However, we noted that the report was issued without the security assessment for the cloud platform upon which the Direct File Pilot resides.

We also found that the Direct File Pilot team issued Memorandums of Understanding to participating states without relevant security or technical details for managing the exchange of taxpayer data. Initially, the team developed high-level requirements in their test plan and test schedule; however, the repositories used for source code and issue tracking lacked traceability and reporting capabilities. None of the tests in the issue tracker were able to be traced back to the test plan. In addition, the Direct File Pilot contained sufficient documentation on bug, also called defect, remediation for only 12 (46 percent) of the 26 testing issues reviewed.

We made six recommendations. The IRS agreed with all of our recommendations.

Inflation Reduction Act: Interim Results of the Direct File Pilot (Report Number [2024-408-031](#))

The IRA provided the IRS with \$15 million to establish a task force to design an IRS-run, free, direct electronic filing system and prepare a report for Congress by May 16, 2023. This report provided interim information related to Phase A of the Direct File Pilot.

Our review of the eligibility checker and tax returns filed through Direct File during Phase A identified opportunities for the IRS to update the eligibility checker to clarify eligibility

requirements and potentially reduce taxpayer confusion and burden. For example, we identified inconsistent text between the Spanish and English translations for the Direct File eligibility checker.

The IRS met three of seven firm criteria established for exiting Phase A of the pilot, but two of the seven criteria were not met. For the remaining two criteria, TIGTA has been unable to determine whether these criteria were met before exiting Phase A.

We made three recommendations to the IRS. The IRS agreed with two recommendations and partially agreed with the third recommendation. Although management agreed with the importance of quantitative metrics to assist in evaluating the Direct File pilot, management did not establish numerical benchmarks as we recommended.

The Individual Tax Processing Engine Project Is Progressing, but Risks Remain

(Report Number [2024-208-052](#))

The Customer Account Data Engine 2 program is one of the most complex modernization programs in the federal government and involves major changes to core IRS tax processing systems. The program plans to reengineer the IRS's Individual Master File from an old programming language into a modern language and provide state-of-the-art individual taxpayer account processing.

The IRS established the Individual Tax Processing Engine (ITPE) project to update two programs that perform the core Individual Master File business functions of posting, settlement, and analysis, and are the most complex individual tax processing programs. For the ITPE project to be successful, the outputs of the project must match the outputs of the legacy system it will replace. To ensure that the outputs match, the IRS used high-volume functional testing. This testing combined functional and high-volume testing to evaluate code quality and collect performance metrics.

We assessed whether the IRS effectively managed the testing and defect remediation process for the ITPE project and whether a delay in implementing the project would affect the schedule of any IRA projects or milestones. We found that the ITPE project met its performance goal of processing the code within three hours for Filing Season 2023. However, the IRS stopped reporting a risk to stakeholders about a defect that could affect the ITPE project delivery.

We made two recommendations. The IRS agreed with both recommendations.

Promote the Economy, Efficiency, and Effectiveness of Tax Administration

TIGTA's Office of Audit strives to promote the economy, efficiency, and effectiveness of tax administration. We provide recommendations to improve IRS systems and operations and to ensure the fair and equitable treatment of taxpayers. Our 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 Office of Audit 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.

The following summaries highlight significant audits completed during this 6-month reporting period.

Additional Actions Need to Be Taken to Identify and Address Noncompliant Biofuel Tax Credit Claims (Report Number [2024-300-021](#))

The use of biodiesel instead of conventional diesel fuel is believed to reduce particulate matter and hydrocarbon emissions. Since Congress enacted legislation creating biofuel tax credits in Calendar Year 2004, the IRS has been susceptible to significant fraudulent schemes that have resulted in the payment of erroneous refunds.

We found that the IRS is not using all available compliance tools to encourage more tax compliance of biofuel tax claims. Of the 124 taxpayers we sampled, 42 claimed biofuel tax credits totaling about \$30.3 million. Our analysis found that the 42 taxpayers did not provide an approved registration number or a Certificate of Biodiesel; therefore, these claims would not be allowable.

Under current law, the IRS could only address these claims after the returns are filed and examined, and the agency issues notices of deficiency to the taxpayers as appropriate. The IRS does not have the legal authority to deny biofuel tax credits or otherwise enforce registration requirements on taxpayers that are not eligible to receive the credits at the time a tax return is filed.

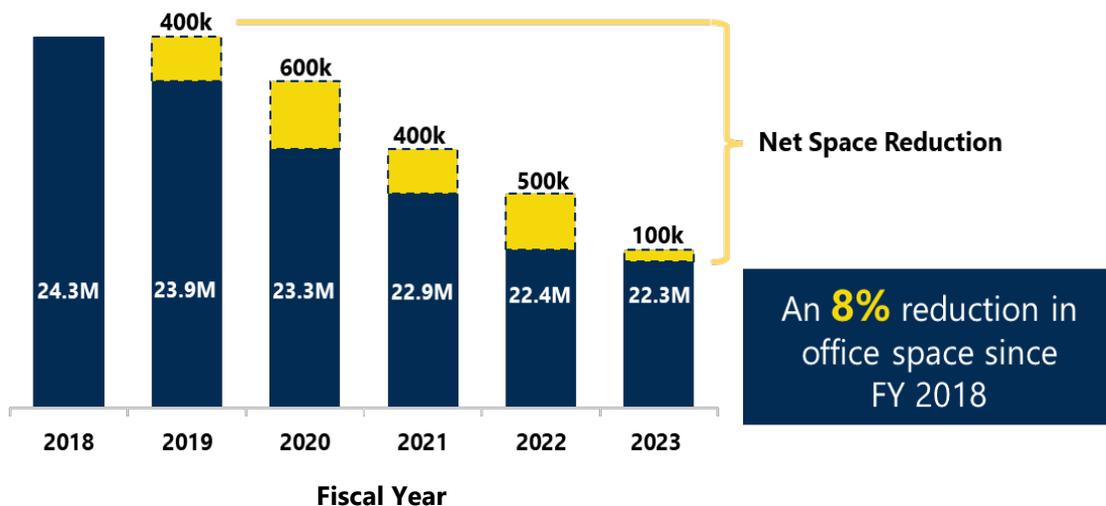
We also found that IRS compliance efforts primarily focused on biofuel tax credit claims made on Form 8849, Schedule 3, *Certain Fuel Mixtures and the Alternative Fuel Credit*; and Form 720, Schedule C, *Claims*. We noted that more effective efforts could be undertaken to evaluate claims made on Form 4136, *Credit for Federal Tax Paid on Fuels*.

We made four recommendations. The IRS agreed with three recommendations and partially agreed with one.

The IRS Has Reduced Its Overall Space Footprint; However, a Significant Amount of Unneeded Office Space Still Remains (Report Number [2024-100-027](#))

For FY 2024, the IRS indicated it would spend approximately \$600 million on real estate costs. This includes 516 office buildings totaling approximately 22.3 million square feet. Since FY 2018, the IRS has reduced its overall space footprint by approximately 2 million rentable square feet, from 24.3 million to 22.3 million, which represents a reduction of approximately 8 percent (see Figure 2).¹⁰

Figure 2: Changes in the IRS’s Real Estate Portfolio for FYs 2018 Through 2023



Source: The IRS Facilities Management and Security Services, Graphic Database Interface system, Facilities Consolidated Data Plus Reports for FYs 2018 through 2023. Numbers in this figure are rounded.

Although the IRS has made progress reducing its unneeded office space, additional efforts to address long-term space planning are important to increasing efficient space allocation and realizing associated cost savings. In FY 2023, more than one-half of IRS buildings had a workstation occupancy rate of 50 percent or less. In addition, the IRS has not implemented workstation sharing/hoteling for approximately 61 percent of its employees on frequent

¹⁰ This figure does not include space that is designated as joint space. The General Services Administration defines joint space as any space used by all tenants in a building such as food service, fitness, and childcare centers.

telework. We found that the IRS has enhanced its internal controls over occupancy information accuracy since our last review, but documentation could be improved.

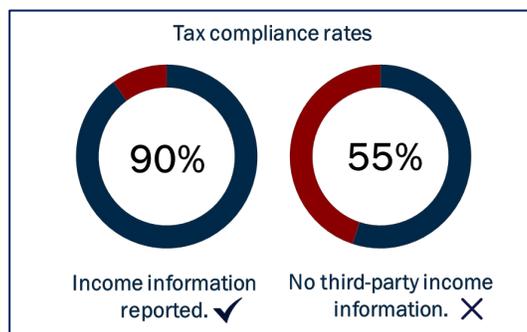
We made three recommendations. The IRS agreed with the recommendations and said the agency has developed corrective actions to address each one.

Virtual Currency Tax Compliance Enforcement Can Be Improved

(Report Number [2024-300-030](#))

In the last 15 years, virtual currency has grown into a trillion-dollar industry. The anonymity of virtual currency complicates the IRS’s enforcement efforts. The IRS does not always have a clear window into taxpayers’ transactions, and trading platforms do not generally provide information reporting documents to the agency.

Without information reporting documents, the IRS has been unable to use some of its enforcement tools to match reported virtual currency-related income to taxpayers’ tax returns to ensure that taxpayers are accurately reporting income generated from virtual currencies. When there is income information reporting from third parties, tax compliance exceeds 90 percent; however, when there is no third-party income information tax compliance is 55 percent.¹¹



We found that IRS Criminal Investigation has taken advantage of analytics tools to address virtual currency noncompliance. During FYs 2018 to 2023, there were 390 Criminal Investigation cases involving virtual currency or digital assets. Of those cases, 224 were recommended for prosecution.

The IRS’s civil examination enforcement efforts focused on digital assets are mostly indirect and negligible. The IRS established “Operation Hidden Treasure,” describing it as a partnership between the criminal and civil functions to identify taxpayers who omit digital assets from their tax returns. However, its primary purpose has been limited to the acquisition of tools and training, rather than pursuing taxpayers.

We made three recommendations. The IRS agreed with all three recommendations.

Actions Have Been Taken to Improve Security Controls for the Planned Expanded Use of Login.gov; However, Additional Security Improvements Are Needed

(Report Number [2024-200-032](#))

In December 2022, the IRS deployed Login.gov as one of its credential service providers (CSP) to offer authentication services. The CSPs are independent and trusted

¹¹ IRS, Publication 1415, *Federal Tax Compliance Research: Tax Gap Estimates for Tax Years 2014-2016*, p. 3 (Rev. 10-2022).

third parties that issue user authenticators and provide electronic credentials for accessing an information system or application. The IRS leverages Login.gov as a CSP for its Secure Access Digital Identity system.

We audited the effectiveness and security of the IRS's Login.gov deployment. We found that the IRS timely completed the initial analysis of Login.gov's Federal Risk and Authorization Management Program (FedRAMP) security package, which includes the Plans of Action and Milestones, the Digital Identity Acceptance Statement, and the Information System Contingency Plan. However, we noted that additional security controls need improvement.

We also found that continuous monitoring security reviews need improvement. Continuous monitoring security reviews were not completed timely and/or the results were not sent consistently to the Authorizing Official. This resulted in the IRS not knowing that the Personally Identifiable Information for 57,417 IRS user authentications may have been sent to unauthorized locations outside of the United States.

We made six recommendations. The IRS agreed with all six recommendations.

The Information Collected by Online Providers and Shared With Third Parties Is Not Clearly Disclosed to Taxpayers and Is Unknown to the IRS (Report Number [2024-400-062](#))

The IRS partners with tax professionals and other entities that assist taxpayers in meeting their tax obligations. Before accepting these individuals, the IRS conducts suitability checks, e.g., background and tax compliance checks, to ensure that reputable individuals are participating in the Authorized e-file Provider (*i.e.*, online providers), Acceptance Agent, and Enrolled Agent Programs. Allowing unsuitable individuals into these programs increases the risk to taxpayers.

Our review of four tax software companies found that providers requested taxpayer consent for the disclosure and use of tax return information, used the required format, and met requirements for electronic signatures. However, consent statements did not clearly identify the intended purpose of the disclosure and specific recipient(s) of the tax return information.

We also found that the guidance for obtaining taxpayer consent to use or disclose taxpayer information did not specifically address the use of pixels, *i.e.*, third-party code used to track information on a website. Additionally, we noted that the IRS did not have awareness of the full scope of information that an online provider routinely collects, beyond what is filed with the IRS or shared with third parties.

We made three recommendations. The IRS agreed with all three recommendations and plans to discuss the revenue procedure with Treasury; identify the most appropriate communication mechanism to raise awareness about data-sharing practices; and explore and identify potential solutions to ensure that Authorized e-file Providers comply with taxpayer consent statement requirements.

Former Contractor Employees Retained Access to IRS Facilities, Systems, and Equipment (Report Number [2024-100-063](#))

The IRS uses HRConnect, the Treasury Department's human resource and personnel system, to manage and track onboarding and separation data associated with contractor employees. Our review of 18,454 contractor employees listed as active on HRConnect as of April 2023 identified 1,821 (10 percent) former contractor employees who should have been listed as separated because they were no longer assigned to an ongoing contract.

As of October 2023, 63 of the 1,821 former contractor employees had not returned their assigned identification media allowing access to an IRS facility, of which 13 had active IRS network access. In addition, 17 of the 1,821 former contractor employees had not returned their assigned IRS computer hardware.

When the IRS does not properly separate contractor employees and retrieve the issued security items and identification media, it increases the risk of unauthorized entry to IRS facilities and workspaces, potentially endangering IRS employees. By not recovering security items and computers, the IRS increases the risk of former contractor employees improperly accessing its systems and sensitive taxpayer information. Unrecovered computers also represent a financial loss to the IRS.

We also noted that the IRS did not always document contractor separation actions as required. From Oct. 1, 2021, through Jan. 31, 2023, the IRS had 10,628 contractor employees who separated from the agency. In 12 of 20 contractor employee separations reviewed, the Contracting Officer's Representative either did not complete, or partially documented completing, the required contractor separation actions.

We made two recommendations. The IRS agreed with both of recommendations.

Management Took Actions to Address Erroneous Employee Retention Credit Claims; However, Some Questionable Claims Still Need to Be Addressed

(Report Number [2024-400-068](#))

This report was a continuation of our review of the Employee Retention Credit (ERC). The ERC was intended to provide businesses with relief from the adverse financial effects of the pandemic. On Sept. 14, 2023, the IRS placed a moratorium on processing new ERC claims due to a surge in the volume of suspicious claims from unscrupulous actors.

We found that the IRS increased awareness about ERC eligibility requirements by issuing numerous press releases and electronic news articles to tax professionals and other subscribers. The IRS also updated identity theft filters and reported that it identified more than 155,000 tax returns claiming potentially erroneous ERC, preventing \$487 million in refunds from being issued during Processing Years 2021 through 2023. However, we noted that the IRS does not apply updated filters to tax returns that were previously screened using old criteria. We identified 997 returns reporting \$19.6 million in potentially erroneous ERC that the IRS did not identify.

We also found that through June 29, 2023, the IRS made decisions to double the threshold and change the referral criteria to include only returns that met specific return scenarios. The IRS said these changes were to deal with the influx of ERC claims and to expedite the processing. However, the IRS's decisions resulted in 184,923 returns claiming \$41.8 billion in ERC from being considered for possible prerefund examination.

After the moratorium was announced, the IRS implemented several initiatives that assessed or prevented erroneous ERC amounts. These initiatives prevented \$1.6 billion in ERC and allowed the IRS to assess \$573 million in ERC as of April 13, 2024. However, we identified an additional 923 entities that claimed ERC of \$105 million that should have received a disallowance letter but were not initially identified by the IRS.

We made four recommendations. The IRS agreed with three recommendations and partially agreed with one.

Millions of Taxpayers Took Early Retirement Distributions but Some Did Not Pay the Additional Tax, Claim an Exception, or Report the Income (Report Number [2024-100-065](#))

Many individuals use retirement plans to save for their retirement. However, the law imposes a 10 percent additional tax on certain early retirement distributions. We assessed whether the IRS is effectively ensuring that taxpayers comply with Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, filing and payment requirements when they receive an early distribution from a retirement account.

Our analysis of TY 2021 tax return information identified approximately 2.8 million taxpayers who received early distributions of approximately \$12.9 billion but did not pay the additional 10 percent tax and did not file Forms 5329. These taxpayers could be subject to approximately \$1.29 billion in additional taxes and/or approximately \$322 million in Form 5329 failure to file penalties.

We found that taxpayers for whom third parties reported early distributions should have reported and paid the additional 10 percent tax, filed a Form 5329 claiming an exception, or both if only a portion of the early distribution was excepted. Our analysis applied the Form 5329 failure to file penalty on the 10 percent additional tax owed because the law applies the penalty to the amount owed on the return due date. However, IRS management was uncertain if it was appropriate to apply the penalty to this amount because taxpayers who belatedly file Forms 5329 are claiming exceptions to the tax and the subsequent amount owed is potentially zero, rendering the penalty amount to zero.

We also found that approximately 2.3 million of the 2.8 million taxpayers did not properly report \$11.4 billion in early distributions as taxable income, including 880 taxpayers with distribution amounts over \$200,000.

TIGTA made five recommendations. The IRS agreed or partially agreed with three recommendations and disagreed with two recommendations.

Assess Emerging Issues Impacting America's Tax System

TIGTA's Office of Inspections and Evaluations provides focused and expedited oversight to quickly assess emerging issues impacting tax administration and IRS operations.

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.

The following summaries highlight significant evaluations completed during this 6-month reporting period.

The Internal Revenue Service Is Not Fully Complying With the 90- and 120-Day Requirements of the “No TikTok on Government Devices” Implementation Guidance

(Report Number [2024-IE-R016](#))

The Consolidated Appropriations Act, 2023, enacted the No TikTok on Government Devices Act in December 2022.¹² In this report, we assessed the IRS's actions to timely address the 90- and 120-day requirements in the Office of Management and Budget (OMB) M-23-13, “No TikTok on Government Devices” Implementation Guidance.

We found that the IRS Office of the Chief Procurement Officer (OCPO) was not in compliance with OMB and Federal Acquisition Regulation (FAR) guidance because contracting officers did not always include the required clause in solicitations, contracts, and contract modifications to extend the period of performance. Specifically, our review of contract actions signed between June 2 and Aug. 16, 2023, found that contracting officers omitted the FAR clause in 68 of 163 contracts or solicitations and in 50 of 53 contract modifications. The FAR clause states that contractors are prohibited from using TikTok or a

¹² Pub. L. No. 117-328, 136 Stat. 4459 (2022).

subsidiary of TikTok’s parent company during the performance of a contract. In addition, we identified social media and recruiting contracts, which were not identified by the OCPO, that could potentially involve the use of TikTok.

We made five recommendations. The IRS agreed with four of the five recommendations and disagreed with one.

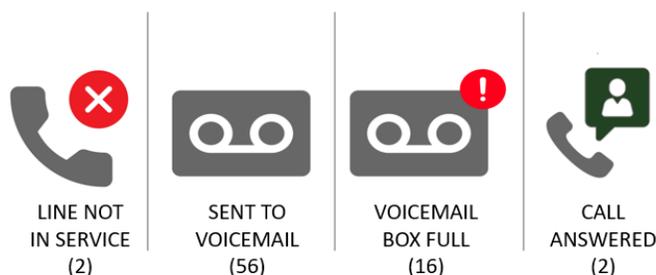
Improvements Are Needed to Ensure That Local Taxpayer Advocate Service Telephone Lines Are Properly Monitored (Report Number [2024-IE-R018](#))

The Taxpayer Advocate Service (TAS) is an independent IRS organization with a mission to help taxpayers resolve problems and recommend changes to IRS processes and procedures. Our report evaluated the readiness of local TAS telephone lines and the consistency of information posted online.

We found that local TAS telephone lines were not consistent in providing taxpayers the ability to speak with a TAS representative. We called all 76 local TAS telephone lines in the United States, including offices in the District of Columbia and Puerto Rico, using telephone numbers listed on the TAS and IRS websites. The calls found some telephone lines were not in service, voicemail boxes were full, and there were inconsistent recorded scripted messaging and callback time frames.

Only two telephone lines were answered by a TAS representative. Voicemail prompts indicated that callbacks would be received within time frames ranging from one business day to four weeks.

Figure 7: Caller Experience for Local TAS Telephone Lines



Source: TIGTA evaluator experience when calling local TAS telephone lines.

In addition, we found several discrepancies between what was listed on the TAS website and the IRS website when comparing contact information for telephone numbers, fax lines, and local addresses. We also identified voicemail messaging that had significant differences in the information being communicated.

During our evaluation, we issued an email alert to TAS management about our findings. TAS management partially agreed with our recommendations and took corrective actions to make changes to voicemail messages, made updates to the IRS and TAS websites, and provided more consistent information to taxpayers. Due to the actions taken, we did not make additional recommendations.

Protect the Integrity of Tax Administration

TIGTA is statutorily mandated to protect the integrity of federal tax administration. We accomplish 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:



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 carry out its role as the nation's revenue collector fairly, efficiently, and safely. 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.

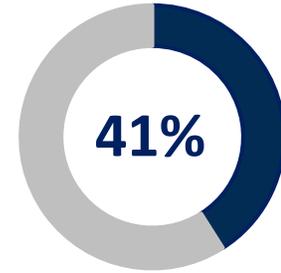
TIGTA investigates allegations of violations in these areas, and refers the findings to the U.S. Department of Justice or to state authorities for prosecution. We also refer allegations of violations involving IRS employee misconduct to IRS management.

In each of the following performance areas, we highlight example cases from the current reporting period.¹³ For additional details about the highlighted cases, visit the [TIGTA Investigative Activities](#) web page or click on the hyperlink in the case titles.

¹³ Facts in the summarized case narratives come from court documents of the jurisdictions named.

Performance Area: Employee Integrity

For our 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.



41%
of OI’s work was employee integrity investigations.

During this reporting period, employee integrity investigations accounted for 41 percent of OI’s work. OI conducted 530 employee misconduct investigations that were referred to the IRS for action. The IRS took action, up to and including termination, on 478 investigations and closed 52 without action.¹⁴

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

The following cases represent OI’s efforts to address employee misconduct during this reporting period.

Addressing Employee Misconduct

IRS Employee Indicted for Filing False Tax Returns

On April 16, 2024, in the District of Massachusetts, IRS employee Amy Ndeye Thioub was indicted on three counts of filing a false tax return and three counts of filing a false tax return by an employee of the United States.

According to the charging documents, Thioub has been employed by the IRS since 2006. Thioub has extensive and specialized knowledge and training in accounting techniques, practices, and investigative audit techniques. She is also responsible for examining and resolving various tax issues of individuals and business organizations that may include extensive national and/or international subsidiaries.

The indictment alleges Thioub fraudulently claimed thousands of dollars in false business expenses for at least TYs 2017, 2018, and 2019. Specifically, Thioub is alleged to

¹⁴ 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.

have filed a Schedule C claiming a net loss from a business. The net loss was carried over to her IRS Form 1040s and used to reduce Thioub’s adjusted gross income and ultimate tax liability. The Schedule C forms reported net business losses of \$42,805 in 2017; \$20,324 in 2018; and \$27,063 in 2019.

IRS Employee Sentenced for Mail Fraud Conspiracy

On June 27, 2024, Contessa M. Qualls was sentenced to 3 years’ probation, 80 hours of community service, and ordered to pay a \$100 court assessment. Qualls pleaded guilty to mail fraud conspiracy for her role in mailing drugs to the Toledo Correctional Institute (TCI).

In October 2021, Qualls, an IRS employee in Covington, Kentucky, obtained controlled substances from the internet and other sources for the purpose of mailing them to an inmate of TCI. On at least two occasions, Qualls used IRS mailings, sent from the IRS office in Covington, Kentucky, to mail documents soaked in a controlled substance known as “K2” or “spice,” to an inmate at TCI. Qualls mailed documents for the purpose of sale and distribution in TCI by the inmate. Using the IRS mailings, Qualls intended to deceive TCI officials by conveying the false impression that the mailings constituted official documents from a U.S. government agency, thus introducing the contraband into TCI without additional scrutiny or interception. Qualls intended the controlled substances to be sold and distributed in TCI.

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 while performing their official duties. We also pursue, investigate, and mitigate 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 tax administration functions. During this 6-month reporting period, OI provided 12 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 our 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, we conduct 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 reporting period, employee and infrastructure security investigations accounted for 24 percent of OI's work.



of OI's work was investigations of threats/assaults.

The following case represents OI's efforts to ensure the safety of IRS employees during the reporting period.

[Louisville Man Sentenced for Threatening to Bomb IRS Lockbox Facility](#)

On April 4, 2024, in the Western District of Kentucky, Cameron Hyatt was sentenced to 17 months imprisonment, 3 years of supervised release, and ordered to pay \$11,201 in restitution. Hyatt pleaded guilty to one count of false information and hoaxes and three counts of assaulting, resisting, or impeding three TIGTA special agents.

On April 13, 2023, Hyatt, a contract employee at an IRS Lockbox, a government facility for processing federal tax returns and tax remittances, sent a text message to his contracting agency that stated, "I am going home and killing myself, blowing my brains out." The next day a shift supervisor called Hyatt and advised him that he could not return to work until he was cleared by human resources. Hyatt called the shift supervisor multiple times and cursed at them. On April 17, 2023, a human resources representative advised Hyatt that his employment was terminated. Hyatt told the human resources representative not to call him again and stated he was going to kill himself. When told he was no longer permitted on any client site, including the IRS Lockbox, Hyatt stated, "That's okay because I'm going to bomb your place..." When interviewed by a TIGTA special agent, Hyatt stated he sent the text messages "because he wanted to...scare them for ruining my job, my livelihood."

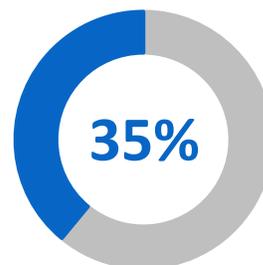
On April 20, 2023, Hyatt was arrested by TIGTA agents. During his arrest, Hyatt kicked and spit at a TIGTA special agent, kicked a second TIGTA special agent, and kicked and threatened to kill a third TIGTA special agent.

Performance Area: External Attempts to Corrupt Tax Administration

We also investigate 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 through the misuse of IRS portals. In addition, we investigate corruption and criminal activity involving the theft of U.S. Treasury checks, which can include Social Security benefits, COVID-19 stimulus checks, and tax refunds.

During this reporting period, investigations into attempts to corrupt or impede tax administration accounted for 35 percent of OI's work.

The following cases represent OI's efforts to address external attempts to corrupt or impede tax administration during this reporting period.



35%
of OI's work was investigating attempts to corrupt or impede tax administration.

Unregistered Agents' Bribery Scheme

People's Republic of China Agents Plead Guilty in IRS Bribery Scheme

In July 2024, in the Southern District of New York, John Chen, a U.S. citizen; and Lin Feng, a People's Republic of China (PRC) citizen; pleaded guilty to acting as unregistered agents of a foreign government and bribing a public official. The charges were in connection with a plot to target U.S.-based practitioners of Falun Gong, a spiritual movement banned in the PRC.

According to a U.S. Department of Justice press release, from January 2023 to May 2023, Chen and Feng engaged in a scheme directed by the PRC government to manipulate the IRS's Whistleblower Program in an effort to strip the tax-exempt status of an entity run and maintained by Falun Gong practitioners. After Chen filed a defective whistleblower complaint with the IRS, Chen and Feng paid \$5,000 in cash bribes, and promised to pay substantially more, to a purported IRS agent who was an undercover officer, in exchange for assistance in advancing the whistleblower complaint. During a meeting in Newburgh, New York, Chen gave the undercover officer a \$1,000 cash bribe as an initial, partial bribe payment. Chen further offered to pay the undercover officer a total of \$50,000 for opening an audit on the entity run by Falun Gong practitioners, as well as 60 percent of any whistleblower award from the IRS if Chen's whistleblower complaint was successful. Furthermore, Feng paid the undercover officer a \$4,000 cash bribe at John F. Kennedy International Airport as an additional partial bribe payment in furtherance of the scheme.

CARES Act Fraud

New Hampshire Man Sentenced for CARES Act Fraud

On May 29, 2024, in the District of New Hampshire, David Dodge was sentenced to 34 months imprisonment, 3 years of supervised release, and ordered to pay \$219,323 in restitution. Dodge pleaded guilty to bank fraud for his role involving Paycheck Protection Program (“PPP”) fraud.

Beginning in March 2020, Dodge used the identity of a minor child to apply for an Employer Identification Number (EIN) from the IRS. Dodge used that EIN in some of the fraudulent applications. According to a Department of Justice press release dated Feb. 21, 2024, Dodge claimed to own or control multiple businesses in New Hampshire and Massachusetts, but in reality, these companies had no operations and served no business purpose. Dodge used fake supporting documents, including fraudulent tax documents and a doctored limited liability company certificate, to submit 30 fraudulent applications for PPP loans from private lenders; Economic Injury Disaster Loans from the U. S. Small Business Administration; and pandemic relief grants from the New Hampshire Governor’s Office for Emergency Relief and Recovery, and the Massachusetts Growth Capital Corporation.

Lenders detected most of the fraudulent applications; however, Dodge was able to obtain \$219,323 out of the approximately \$2.5 million he sought. Dodge used some of the fraudulently obtained funds to purchase jewelry.

Idaho Man Indicted for Bank Fraud

On May 14, 2024, in the District of Idaho, Luis Vasquez was indicted for bank fraud related to a fraudulent PPP loan application. The indictment alleges that beginning in January 2021, Vasquez obtained an EIN from the IRS for Luis J Vasquez Enterprises.

Vasquez subsequently submitted false and fraudulent documents to the Idaho Central Credit Union, including a U.S. Small Business Administration Form 2483 PPP loan application, for a PPP loan on behalf of Luis J Vasquez Enterprises in the amount of \$51,614. The PPP application falsely claimed that Luis J Vasquez Enterprises had 11 employees; had average monthly payroll expenses of \$13,783; was in operation on February 15, 2020; and had employees for whom it paid salaries and payroll taxes.

Based upon the false statements in the PPP application and supporting documentation, the credit union funded the loan by disbursing \$51,614 in April 2021. Vasquez used the PPP loan funds for non-qualifying, non-business-related purposes, including, among others, payments to himself and other individuals who did not work for the business entity, and payment of personal expenses in violation of the terms of the PPP loan agreement.

Fighting Cybercrime

Jamaican National Sentenced in Business Email Compromise Scheme

On May 22, 2024, in the District of Maryland, Jamelia Thompson was sentenced to 37 months imprisonment, 2 years of supervised release, and ordered to pay \$546,000 in restitution after pleading guilty to bank fraud conspiracy for her role in a business email compromise scheme.

Beginning in April 2016, Thompson and her coconspirators used the IRS's Modernized Internet Employer Identification Number system to create various EINs in furtherance of a scheme to defraud. Many of these EINs were obtained from the IRS using stolen Personally Identifiable Information. These EINs, in conjunction with fraudulently obtained state business certificates, allowed the coconspirators to open bank accounts at various financial institutions for the purpose of depositing stolen and/or altered checks or for receiving fraudulently obtained wire transfers.

Thompson and her coconspirators obtained legitimate checks written on the accounts of payor business victims and made payable to payee business victims. Thompson and her coconspirators would alter the names of the payee on some of the checks and deposit the checks into bank accounts they had opened and controlled. Thompson and her coconspirators conducted over \$4 million in fraudulent bank transactions.

Impersonation Scams and Schemes

Man Sentenced to Seven Months in IRS Impersonation Scheme

On June 20, 2024, in the Eastern District of Pennsylvania, Himanshu Amin was sentenced to 7 months imprisonment and 3 years of supervised release. Amin was additionally ordered to pay \$58,811 in restitution—\$1,972 individually plus \$56,839 jointly and severally with another defendant.

From January 2016 to September 2016, a group of conspirators in India made phone calls to U.S. residents and falsely claimed the victim's owed money. The callers often pretended they worked for the IRS. The coconspirator callers told the victims how much money they purportedly owed, typically alleging the debt was for delinquent taxes. The callers frequently threatened the fraud victims with arrest if they failed to immediately pay the alleged debt.

Amin was an account holder who received proceeds of the fraud scheme via deposits from runners. Amin had access to multiple bank accounts as well as his personal bank accounts to receive and move fraud proceeds that were deposited by coconspirators. He received multiple cash deposits across numerous states and quickly moved the fraudulent proceeds from their accounts to another bank account.

The coconspirator callers caused approximately 100 victim taxpayers to pay at least \$799,151 to coconspirator runners who made deposits that were deposited into the bank accounts of the account holders.

California Man Pleads Guilty in Refund Fraud Case

On June 17, 2024, in the Eastern District of California, Miguel Martinez pleaded guilty to one count of conspiracy to submit false claims. From November 2019 through June 2023, Miguel Martinez and his coconspirators used stolen identities to create fake businesses. They then reported phony wage and withholding information for those businesses to the IRS. Martinez and his coconspirators subsequently used other individuals' stolen identities to file individual federal income tax returns with the IRS that falsely reported wages and withholdings for those individuals from the fake businesses.

Martinez and his coconspirators solicited and received advice from an IRS employee regarding how to avoid IRS fraud detection systems. The IRS employee's advice included information about the IRS's monetary thresholds, so the tax returns Martinez and his coconspirators filed were less likely to be deemed suspicious or flagged by the IRS for suspected fraud.

Martinez and his coconspirators filed thousands of fraudulent individual federal income tax returns, claiming over \$9.5 million in refunds and receiving \$2.3 million in refunds from the IRS. When arrested, Martinez had over \$750,000 in fraudulent tax refund checks, identification cards for more than 200 people, and multiple firearms and ammunition.

Theft of U.S. Treasury Checks

Postal Worker Charged With Stealing More Than \$4 Million in U.S. Treasury Checks

On July 8, 2024, in the Eastern District of New York, Ke Vaughn Wellington was indicted on one count of conspiracy to steal government funds, one count of theft of government funds, one count of possession of stolen mail, and one count of theft of mail by a U.S. Postal Service employee.

According to a U.S. Department of Justice press release and court documents, between June 2021 and August 2023, Wellington and a coconspirator engaged in a scheme to steal and sell Treasury checks intended for, among other things, individuals entitled to Social Security benefits, COVID-19 stimulus checks, and tax refunds. Wellington stole parcels containing Treasury checks from New York's John F. Kennedy (JFK) Mail Facility where he was employed at the time as a postal worker.

Together with others, Wellington sold the stolen Treasury checks for a cut of the profit. As part of the scheme, Wellington and a coconspirator stole over 125 Treasury checks valued at more than \$4 million.

Investigations Statistical Reports

Significant Investigative Achievements (April 1, 2024, Through September 30, 2024)

Complaints/Allegations Received by TIGTA	
Complaints Against IRS Employees	1,267
Complaints Against Non-Employees	2,067
Total Complaints/Allegations	3,334
Investigations Initiated	
Investigations Initiated	513
In Process Within TIGTA ¹⁵	497
Referred to IRS for Action	753
Referred to IRS for Information Only	132
Referred to a Non-IRS Entity ¹⁶	0
Closed With No Referral	631
Closed Associated With Prior Investigation	668
Closed With All Actions Completed	140
Total Complaints/Allegations	3,334
Investigations Opened and Closed	
Total Investigations Opened	904
Total Investigations Closed	1,032
Financial Accomplishments	
Embezzlement/Theft Funds Recovered	\$428,367
Contract Fraud and Overpayments Recovered	\$0
Court-Ordered Fines, Penalties, and Restitution	\$79,799,497
Out-of-Court Settlements	\$0
Potentially Compromised by Bribery	\$0
Tax Liability of Taxpayers Who Threaten and/or Assault IRS Employees	\$555,922
IRS Assets and Resources Protected Against Malicious Loss	\$0
Total Financial Accomplishments	\$80,783,787

¹⁵ Complaints for which final determination had not been made at the end of the reporting period.

¹⁶ 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	4	122	126
Referred – Declined for Prosecution	191	218	409
Referred – Pending Prosecutorial Decision	10	78	88
Total Criminal Referrals¹⁷	205	418	623
No Referral	194	132	326
Criminal Dispositions ¹⁸			
Criminal Disposition	Employee	Non-Employee	Total
Guilty (convicted)	0	6	6
Guilty (plea)	4	95	99
Nolo Contendere (no contest)	0	0	0
Pretrial Diversion	0	2	2
Deferred Prosecution ¹⁹	1	0	1
Not Guilty	0	6	6
Dismissed	0	4	4
Total Criminal Dispositions	5	113	118
Administrative Dispositions on Closed Investigations ²⁰			
Removed/Terminated			33
Suspended/Reduction in Grade			21
Resigned/Retired/Separated Prior to Adjudication			63
Oral or Written Reprimand/Admonishment			69
Clearance Letter/Closed, No Action Taken			47
Alternative Discipline/Letter With Cautionary Statement/Other			43
Non-Employee Actions ²¹			147
Total Administrative Dispositions			423

¹⁷ Criminal referrals include both federal and state dispositions.

¹⁸ 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. This table does not include investigations whose existence is protected from disclosure by I.R.C. § 6103.

¹⁹ 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.

²⁰ 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.

²¹ 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	
Referred to the Department of Justice for Criminal Prosecution	517
Referred to State/Local Prosecuting Authorities	27
Number of Indictments and Criminal Informations	
Indictments	100
Criminal Informations	16

Source: TIGTA OI's Criminal Results Management System.

Summary of Activity Relating to Complaints of Human Trafficking

Activity Relating to Complaints of Human Trafficking	
Number of Suspected Violations Reported	0
Number of Investigations	0
Status of Investigations	N/A
Outcome of Investigations	N/A

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.

No-Knock Warrants

During the reporting period, TIGTA did not have any “no-knock” warrants for entries:

- Pursuant to judicial authorization;
- Pursuant to exigent circumstances; and
- In which a law enforcement officer or other person was injured during a no-knock entry.

Suspension and Debarment

The following table represents the number of cases TIGTA has referred to Treasury’s Office of Procurement Executive, who is the Department’s Suspension and Debarment Official. Cases are referred for potential suspension or debarment action, including any subsequent action taken by the Treasury Department, between April 1, 2024, and Sept. 30, 2024.

Summary of Suspension and Debarment Referrals

	Referred	Pending	Suspended	Debarred	Declined
Office of Investigations	2	15	0	0	0

Closed Investigations Involving IRS Senior Government Employees²²

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 allowed harassment to an IRS employee.	Closed Without Action Letter	N/A	N/A	N/A
A senior government employee allegedly used illegal drugs and made threatening statements to a taxpayer.	Oral / Written Counseling	N/A	N/A	N/A
A senior government employee allegedly deleted IRS emails and obstructed a criminal investigation.	Admonished / Reprimanded	Declined	11/18/2022	11/18/2022
A senior government employee allegedly participated in unapproved outside employment.	Admonished / Reprimanded	N/A	N/A	N/A
A senior government employee allegedly participated in matters resulting in a conflict of interest.	Admonished / Reprimanded	N/A	N/A	N/A

²² 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. 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. § 405(a)(6).

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 provided preferential treatment to certain employees.	Oral / Written Counseling	N/A	N/A	N/A
A senior government employee allegedly provided preferential treatment to certain employees.	Oral / Written Counseling	N/A	N/A	N/A
A senior government employee allegedly provided preferential treatment to a certain employee.	Clearance Letter	N/A	N/A	N/A
A senior government employee allegedly abused the power of their position.	Clearance Letter	N/A	N/A	N/A
A senior government employee allegedly provided preferential treatment to taxpayers.	Clearance Letter	N/A	N/A	N/A
A senior government employee allegedly hired family members and obstructed the subsequent investigation.	Suspension, 10 Days	N/A	12/18/2023	12/18/2023

Reports With Unimplemented Corrective Actions

The Inspector General Act requires that we identify any recommendations described in previous semiannual reports, including the potential cost savings of those recommendations for which corrective actions have not been completed. Following is a list of audit and evaluation reports with unimplemented corrective actions. The list is based on information from the Treasury Department's Joint Audit Management Enterprise System (JAMES). Click the link in the report number to obtain more details about the recommendations.

Revising Tax Debt Identification Programming and Correcting Procedural Errors Could Improve the Tax Refund Offset Program

Recommendation 1

[Rep. No. 2016-40-028](#); March 2016

Improvements Are Needed to Ensure That Tax Accounts on the Automated Non-Master File Are Accurately Processed

Recommendation 1

Recommendation 2—Potential Increased Revenue: \$354,153

[Rep. No. 2017-40-037](#); May 2017

Further Actions Are Needed to Reduce the Risk of Employment Tax Fraud to Businesses That Use the Services of Professional Employer Organizations

Recommendation 3

[Rep. No. 2017-40-085](#); September 2017

Processes Need to Be Improved to Identify Incomplete and Fraudulent Applications for Individual Taxpayer Identification Numbers

Recommendation 5

[Rep. No. 2018-40-010](#); January 2018

Actions Are Needed to Reduce the Risk of Fraudulent Use of Employer Identification Numbers and to Improve the Effectiveness of the Application Process

Recommendations 3 and 9

[Rep. No. 2018-40-013](#); February 2018

Active Directory Oversight Needs Improvement and Criminal Investigation Computer Rooms Lack Minimum Security Controls

Recommendation 3

[Rep. No. 2018-20-034](#); June 2018

Improvements Are Needed in the Withholding Compliance Program

Recommendation 5

[Rep. No. 2018-30-072](#); September 2018

Additional Actions Are Needed to Reduce Alimony Reporting Discrepancies on Income Tax Returns

Recommendations 2 and 3

[Rep. No. 2019-40-048](#); August 2019

The Bring Your Own Device Program's Security Controls Need Improvement

Recommendation 4

[Rep. No. 2019-20-046](#); September 2019

Additional Actions Are Needed to Further Reduce Undeliverable Mail

Recommendations 1 and 2

[Rep. No. 2019-40-074](#); September 2019

Improvements Are Needed to Ensure That Consistent Suitability Checks Are Performed for Participation in Internal Revenue Service Programs

Recommendation 9

[Rep. No. 2020-40-005](#); November 2019

The Internal Revenue Service Can Improve Taxpayer Compliance for Virtual Currency Transactions

Recommendation 1

[Rep. No. 2020-30-066](#); September 2020

Security Controls Over Electronic Crimes Labs Need Improvement

Recommendations 1 and 3

[Rep. No. 2021-20-003](#); December 2020

Expansion of Self-Correction for Electronic Filers and Other Improvements Could Reduce Taxpayer Burden and Costs Associated With Tax Return Error Resolution

Recommendation 6

[Rep. No. 2021-40-008](#); December 2020

**Controls Over the Internal Revenue Service Contractor Tax Check Process
Need to Be Improved**

Recommendation 3

[Rep. No. 2021-10-039](#); June 2021

*******Platform Management Needs Improvement²³**

Recommendation 5

[Rep. No. 2021-20-063](#); September 2021

**Increased Availability of Tax Resources and Information for Limited English Proficient
and Visually Impaired Taxpayers Has Enhanced Assistance, but Additional Improvements
Are Needed**

Recommendations 4, 6, 7, and 8

[Rep. No. 2022-40-008](#); December 2021

Administration of the Individual Taxpayer Identification Number Program

Recommendation 1

[Rep. No. 2022-40-013](#); January 2022

**Plans to Close the Austin Tax Processing Center Should Be Halted Until Hiring Challenges
and Substantial Backlogs at Remaining Centers Are Addressed**

Recommendation 6

[Rep. No. 2022-40-015](#); February 2022

**Centralized Partnership Audit Regime Rules Have Been Implemented; However, Initial
No-Change Rates Are High and Measurable Goals Have Not Been Established**

Recommendation 3

[Rep. No. 2022-30-020](#); March 2022

**Program and Organizational Changes Are Needed to Address the Continued Inadequate Tax
Account Assistance Provided to Taxpayers**

Recommendations 11 and 18

[Rep. No. 2022-46-027](#); March 2022

Processing of Recovery Rebate Credit Claims During the 2021 Filing Season

Recommendation 1

Recommendation 3 – Potential Funds Put to Better Use: \$217,927,531

[Rep. No. 2022-46-032](#); May 2022

²³ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

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

Recommendation 2

[Rep. No. 2022-35-049](#); August 2022

Cloud Services Were Implemented Without Key Security Controls, Placing Taxpayer Data At Risk

Recommendation 1

[Rep. No. 2022-20-052](#); September 2022

Fiscal Year 2022 Statutory Review of Disclosure of Collection Activity With Respect to Joint Returns

Recommendation 2

[Rep. No. 2022-30-058](#); September 2022

Fiscal Year 2022 Statutory Review of Compliance With Legal Guidelines When Issuing Levies

Recommendation 3

[Rep. No. 2022-30-061](#); September 2022

Physical Security Controls at the ***²⁴**

Recommendation 1, 5, and 6

[Rep. No. 2023-IE-R001](#); October 2022

More Should Be Done to Increase Use and Availability of the IRS's Taxpayer Digital Communications Tools

Recommendation 3

[Rep. No. 2023-30-003](#); November 2022

Fiscal Year 2023 Biannual Independent Assessment of Private Collection Agency Performance

Recommendation 2

[Rep. No. 2023-30-005](#); December 2022

Opportunities Exist for the IRS to Develop a More Coordinated Approach

²⁴ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

to Examination Workplan Development and Resource Allocation
Recommendations 1, 2, and 4
[Rep. No. 2023-30-008](#); February 2023

Actions Have Been Taken to Implement Taxpayer First Act Provisions Related to the IRS Independent Office of Appeals; However, Some Improvements Are Still Needed
Recommendations 1 and 3
[Rep. No. 2023-15-010](#); February 2023

The IRS Has Not Adequately Prioritized Federal Civilian Employee Nonfilers
Recommendations 1, 8, 9, 10, and 11
[Rep. No. 2023-30-011](#); March 2023

Additional Actions Are Needed to Improve and Secure the Income Verification Express Service Program
Recommendations 7, 8, and 13
[Rep. No. 2023-45-014](#); March 2023

Actions Are Needed to Improve the Completeness, Development, and Review of IRS Tax Gap Estimates
Recommendation 6
[Rep. No. 2023-10-016](#); March 2023

The IRS Eliminated Its Employee Suggestion Program Without Plans for a Replacement
Recommendation 2
[Rep. No. 2023-30-020](#); March 2023

Implementation of the Taxpayer First Act Provision Regarding the Management and Purchase of Information Technology Resources Needs Improvement
Recommendation 6
[Rep. No. 2023-25-017](#); April 2023

Actions Are Being Taken to Reduce Risks to Employees Whose Names Are Required to Be Included on Internal Revenue Service Correspondence
Recommendations 1 and 2
[Rep. No. 2023-IE-R004](#); May 2023

Assessment of the Internal Revenue Service's Active Shooter Readiness and Training

Recommendations 3 and 5
[Rep. No. 2023-IE-R005](#); May 2023

Additional Actions Are Needed to Reduce Accounts Management Function Inventories to Below Pre-Pandemic Levels

Recommendations 6, 8, and 10
[Rep. No. 2023-46-026](#); May 2023

Services to Underserved Communities Have Been Ongoing; However, an Agencywide Strategy Has Not Been Developed

Recommendation 1
[Rep. No. 2023-15-027](#); May 2023

Plans Were Made to Implement the Taxpayer Experience Strategy, but Progress Is Not Monitored

Recommendations 1 and 2
[Rep. No. 2023-15-028](#); May 2023

Recurring Identification Is Needed to Ensure That Employers Full Pay the Deferred Social Security Tax

Recommendation 2
[Rep. No. 2023-46-030](#); May 2023

Opportunities Exist to Improve the Accuracy of Information in the Centralized Authorization File and Increase the Use of the Tax Pro Account System

Recommendation 1
[Rep. No. 2023-40-033](#); May 2023

Additional Actions Are Needed to Improve Data Collection and Analysis of Whistleblower Claims and Ensure Full Compliance With the Taxpayer First Act

Recommendation 1
[Rep. No. 2023-35-031](#); June 2023

Actions Have Been Taken to Improve the Privacy Program; However, Some Privacy Controls Have Not Been Fully Implemented and Assessed

Recommendation 4
[Rep. No. 2023-20-034](#); June 2023

American Rescue Plan Act: Review of the Reconciliation of the Child Tax Credit

Recommendation 1 – Potential Funds Put to Better Use: \$9,957,194
[Rep. No. 2023-47-035](#); June 2023

American Rescue Plan Act: Continued Review of Premium Tax Credit Provisions
Recommendations 1, 2, and 3
[Rep. No. 2023-47-036](#); June 2023

Actions Are Needed to Address Inaccurate, Incomplete, and Inconsistent Taxpayer Assistance Center Information Provided to Taxpayers
Recommendations 3, 4, 5, 6, and 7
[Rep. No. 2023-IE-R006](#); July 2023

Review of the IRS Independent Office of Appeals Collection Due Process Program
Recommendation 1
[Rep. No. 2023-10-038](#); July 2023

The Customer Callback System Benefits Taxpayers; However, Performance Measures Are Not Comprehensive and More Callers Could Qualify for Callback Offers
Recommendation 1
[Rep. No. 2023-10-046](#); July 2023

Sensitive Business and Individual Tax Account Information Stored on Microfilm Cannot Be Located
Recommendations 3, 5, and 12
[Rep. No. 2023-IE-R008](#); August 2023

Expanded Use of Special Payment Incentives Could Help Improve Recruitment and Retention Efforts
Recommendation 1
[Rep. No. 2023-10-043](#); August 2023

Known Exploited Vulnerabilities That Remain Unremediated Could Put the IRS Network at Risk
Recommendation 2
[Rep. No. 2023-20-048](#); August 2023

Fiscal Year 2023 Statutory Review of Restrictions on Directly Contacting

Represented Taxpayers

Recommendations 3 and 5

[Rep. No. 2023-30-051](#); August 2023

The IRS Needs to Leverage the Most Effective Training for Revenue Agents Examining High-Income Taxpayers

Recommendations 3 and 4

[Rep. No. 2023-30-054](#); August 2023

Review of the IRS's Process to Perform Mandatory Annual Examinations of Presidential Returns for Tax Years 2000 Through 2021

Recommendations 1, 2, 4, and 5

[Rep. No. 2023-IE-R011](#); September 2023

The Internal Revenue Service Has Experienced Challenges in Transitioning to Electronic Records

Recommendations 1 and 2

[Rep. No. 2023-10-050](#); September 2023

Actions Have Been Taken to Enhance Fuel Tax Credit Screening and Examination Processes; However, Improvements Are Still Needed

Recommendation 4

[Rep. No. 2023-30-053](#); September 2023

Fiscal Year 2023 Statutory Audit of Compliance With Legal Guidelines Restricting the Use of Records of Tax Enforcement Results

Recommendation 4

[Rep. No. 2023-30-058](#); September 2023

The Enterprise Physical Access Control System Implementation and Physical Security Controls Need Improvement

Recommendations 1, 2, 3, 5, and 6

[Rep. No. 2023-20-062](#); September 2023

Fiscal Year 2023 Statutory Review of Compliance With Legal Guidelines When Issuing Levies

Recommendations 1, 4, 6, and 7

[Rep. No. 2023-30-066](#); September 2023

The Innocent Spouse Program Needs Improved Guidance for Employees

44 | April 1, 2024 – September 30, 2024

and Increased Communications With Taxpayers

Recommendation 4

[Rep. No. 2024-300-001](#); October 2023

Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions

Recommendations 1, 2, and 3

[Rep. No. 2024-100-003](#); October 2023

The IRS Has Improved Audit Trail Collection; However, Not All Audit Trail Data Are Being Collected and User Account Controls Need Improvement

Recommendations 1 and 3

[Rep. No. 2024-200-005](#); October 2023

Actions Are Needed to Improve the Quality of Customer Service in Telephone Operations

Recommendation 4

[Rep. No. 2024-IE-R001](#); November 2023

The Internal Revenue Service Is Not Fully Complying With the No TikTok on Government Devices Implementation Guidance

Recommendations 3 and 6

[Rep. No. 2024-IE-R003](#); December 2023

Improvements Are Needed to Ensure the Health and Safety of Employees at the C-site

Recommendations 1, 4, 5, 6, 11, and 16

[Rep. No. 2024-IE-R006](#); December 2023

Post-Pandemic Actions Have Contributed to Declines in Automated Collection System Level of Service and Collection Inventories

Recommendations 2, 3, and 4

[Rep. No. 2024-300-008](#); December 2023

Administration of the Individual Taxpayer Identification Number Program

Recommendations 1, 2, 4, and 8

Recommendation 7 – Potential Funds Put to Better Use: \$8,114,040

[Rep. No. 2024-400-012](#); December 2023

Progress Update on Tax Return Scanning Initiatives

Recommendations 1 and 2
[Rep. No. 2024-408-013](#); December 2023

Interim Evaluation – Assessment of the IRS’s Comprehensive Facilities Security Review and Employee Safety and Security Measures
Recommendations 1, 2, 9, 11, 12, and 13
[Rep. No. 2024-IE-R004](#); January 2024

Assessment of Processes to Grant Access to Sensitive Systems and to Safeguard Federal Tax Information
Recommendations 1 and 2
[Rep. No. 2024-IE-R008](#); February 2024

The IRS Continues to Reduce Backlog Inventories in the Tax Processing Centers
Recommendation 1
[Rep. No. 2024-406-020](#); March 2024

Appendix I

Other Required Reporting

The Inspector General Act requires Inspectors General to address the following matters.

Topic	Results for the Reporting Period Ending September 30, 2024
Interference/Access to Information	<p>There were no attempts to interfere with TIGTA's independence, including:</p> <ul style="list-style-type: none"> • budget constraints; • incidents of resistance or objection to oversight activities; and/or • restricted or significantly delayed access to information.
Disputed Recommendations	There were no instances in which significant recommendations were disputed.
Revised Management Decisions	The IRS issued no significant revised management decisions.
Management Decisions for Reports Issued in a Prior Reporting Period	TIGTA received no management decisions during the current reporting period for reports issued in a prior reporting period.
Reports Issued in the Prior Reporting Period With No Management Response	There were no reports from a prior reporting period for which TIGTA failed to receive a management response within 60 days of issuance.
Disclosure	No reports were closed and not disclosed to the public.
Review of Legislation and Regulations	TIGTA's Office of Chief Counsel reviewed 147 proposed regulations and legislative requests during the reporting period.

Appendix II

TIGTA's Statutory Reviews

The following table reflects our FY 2024 statutory reviews.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
<p>Enforcement Statistics</p> <p>I.R.C. § 7803(d)(1)(A)</p>	<p>Requires TIGTA to evaluate the IRS's compliance with restrictions under RRA 98 § 1204 on the use of enforcement statistics to evaluate IRS employees.</p>	<p>Rep. No. 2024-300-061; Sep 2024</p> <p>We found instances of noncompliance with RRA 98 § 1204 requirements. Specifically, we identified the following noncompliance: 7 violations in which a Record of Tax Enforcement Results was used to evaluate an employee § 1204(a); 30 instances in which IRS management failed to either maintain the retention standard documentation or ensure that it was appropriately signed [§ 1204(b)]; and 28 managers who did not complete at least 1 FY 2023 quarterly certification [§ 1204(c)]. We identified six self-assessments containing high-risk terms and phrases, and Section 1204 and non-Section 1204 employees who are not consistently designated in the human resource system. Further, 34 Section 1204 employees failed to complete the Section 1204 training in FY 2023.</p>
<p>Restrictions on Directly Contacting Taxpayers</p> <p>I.R.C. § 7803(d)(1)(A)(ii)</p>	<p>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.</p>	<p>Rep. No. 2024-300-058; Sep 2024</p> <p>We analyzed the extent to which private collection agency (PCA) employees complied with the direct contact provisions of I.R.C. §§ 7521(b)(2) and (c) and the fair tax collection practices of I.R.C. § 6304(a)(2) during interactions with taxpayers or their representatives. We reviewed incoming and outgoing call logs from all three PCAs for July 1, 2022, to June 30, 2023, and found that the IRS does not always submit timely power of attorney information to the PCAs. For the 74 taxpayers reviewed, 3 taxpayers had power of attorney information on file with the IRS that did not correspond with information provided in the PCAs' call logs. In addition, we found that confusion may arise when taxpayer accounts assigned to a PCA are suspended awaiting the submission and processing of Form 2848, <i>Power of Attorney and Declaration of Representative</i>.</p>

<p>Filing of a Notice of Lien</p> <p>I.R.C. § 7803(d)(1)(A)(iii)</p>	<p>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.</p>	<p>Rep. No. 2024-300-037; Aug 2024</p> <p>Our systemic review of 103,460 Notice of Federal Tax Liens (NFTL) filed from July 1, 2022, to June 30, 2023, in which a Collection Due Process (CDP) notice was required to be sent to the taxpayer, and a separate review of a statistical sample of 117 NFTLs from the same population, identified a total of 272 taxpayers that were potentially not timely mailed a CDP notice as required by I.R.C. § 6320(a). The sample identified 41 cases in which the taxpayer designated their authorized representative to receive notices; however, in 3 of the 41 cases, the IRS did not provide CDP notices to the taxpayers' authorized representatives. We also identified thousands of levies that were issued during the period when taxpayers had the right to request a lien CDP hearing. We determined that the IRS did not take any of the required preemptive steps available to suspend collection activity on taxpayers impacted by the hurricane on Sept. 28, 2022.</p>
<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>Rep. No. 2024-100-018; Mar 2024</p> <p>We reviewed a judgmentally selected sample of 36 closed taxpayer audit files with assessment statute extensions and found that the IRS complied with I.R.C. § 6501(c)(4)(B). However, the IRS had difficulties providing most of the paper documents requested. The IRS is experiencing a backlog of inventory. We are currently evaluating the backlog and identified challenges the IRS is facing while attempting to eliminate the significant backlog.</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>Rep. No. 2024-300-056; Sep 2024</p> <p>We reviewed levies issued by Field Collection revenue officers for more than 48,000 taxpayers during the period July 1, 2022, through June 30, 2023. The IRS generally complied with legal and administrative requirements. However, we identified more than 1,900 instances of noncompliance that resulted in potential violations of taxpayers' rights or taxpayers being burdened.</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>Rep. No. 2024-300-060; Sep 2024</p> <p>We reviewed 103 levy CDP hearing requests from the error populations identified in the FY 2023 statutory reviews of levies and liens. Prohibited levy action was taken in 93 cases during the CDP hearing. In 11 of the cases, the hearing was cancelled so no law and administrative review was required. While 2 cases had no case file, the remaining 80 cases included statements from the appeals officer attesting that all legal and administrative requirements had been met. However, appeals officers did not verify that the IRS successfully suspended collection actions on the subject tax modules during the CDP hearing period. In 17 of the 93 cases with a prohibited levy, the IRS received over \$226,000 in levy payments. All the prohibited levy payments were refunded, or the taxpayer requested that the IRS apply the levy payment to another balance due.</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>Rep. No. 2024-300-054; Sep 2024</p> <p>We reviewed 73 taxpayer cases in which the IRS conducted seizures during the period July 1, 2022, through June 30, 2023. We found that Field Collection employees generally adhered to procedures that help ensure compliance with I.R.C. §§ 6330 through 6344. However, we identified three cases in which revenue officers conducted seizures without following proper procedures or obtaining proper approvals, potentially violating taxpayer rights.</p>
<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>Memorandum to IRS; May 2024</p> <p>Our review determined that Illegal Tax Protester codes were not used on the Master File during the review period of July 1, 2022, through June 30, 2023. Since our first review in FY 1999, when the IRS removed the Illegal Tax Protester code from the Master File, we have not identified any uses of the code or any other coding of a similar designation on the Master File.</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>Rep. No. 2024-300-051; Sep 2024</p> <p>We reviewed 100 case files from the Wage and Investment Division to determine whether employees followed the joint return disclosure requirements on collection information requests. We determined that disclosure requirements were not followed in 14 (28 percent) of the 50 Accounts Management cases and 6 (12 percent) of the 50 Field Assistance cases reviewed. In 16 cases, taxpayers or their representatives did not receive information related to collection activities of the taxpayers' joint liabilities to which they were entitled, and in four cases, taxpayers' information was inappropriately disclosed.</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 32.</p>
<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>Rep. No. 2024-300-059; Sep 2024</p> <p>Our review of Automated Labor and Employee Relations Tracking System (ALERTS) employee misconduct cases from July 1, 2022, through June 30, 2023, that were not coded as potential Fair Tax Collection Practices (FTCP) violations, found that 23 of the 123 cases included taxpayer complaints of harassment, abuse, and unprofessionalism and should have been documented in ALERTS as potential FTCP violations. Our review of PCAs incident logs from July 1, 2022, through June 30, 2023, found inconsistencies among the PCAs reporting potential Fair Debt Collection Practices Act § 805(b) third-party disclosure violations. We found 107 Field Collection and 5 Campus Collection potential FTCP violations in the Embedded Quality Review System case narratives that were not reported in the ALERTS database.</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>Rep. No. 2024-100-023; Apr 2024</p> <p>We reviewed a statistical sample of 99 of the 516 fully or partially denied Freedom of Information Act (FOIA) requests and determined that the IRS correctly withheld information using FOIA exemption (b)(7) for 98 of the 99 FOIA information requests we sampled. This was an improvement compared to our last report, in which we reported that the Disclosure Office did not follow FOIA redaction requirements for 11 of the 83 requests reviewed. We reviewed all 10 I.R.C. § 6103(c) and (e) requests and did not identify any disclosure errors.</p>
<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>Rep. No. 2024-400-026; May 2024</p> <p>For FY 2023, the IRS was largely compliant with reporting requirements contained in the Payment Integrity Information Act of 2019. However, the IRS still has not satisfied the Payment Integrity Act goal to reduce improper payment rates to less than 10 percent.</p>
<p>Government Charge Card Abuse Prevention Act of 2012</p> <p>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>Rep. No. 2024-100-016; Jan 2024</p> <p>Our 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.</p> <p>Rep. No. 2024-100-044; Jul 2024</p> <p>Our review of the IRS's purchase card program found that controls are generally effective, and the number of purchase card violations identified by the Chief Financial Officer's Credit Card Services Branch were minimal.</p>
<p>Biannual Independent Assessment of Private Collection Agency Performance</p>	<p>Independently evaluate the performance of private collection agencies.</p>	<p>Report due Dec 2024. To be included in the Mar 2025 SAR.</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 ONDCP Circular, <i>Drug Control Accounting</i>, dated May 1, 2007.</p>	<p>Requires TIGTA to authenticate the IRS's ONDCP detailed accounting submission and assertions.</p>	<p>Rep. No. 2024-100-014; Dec 2023</p> <p>We are not aware of any material modifications that should be made to the assertions in the IRS's FY 2023 Budget Formulation Compliance Report and Detailed Accounting Report in order for them to be in accordance with the ONDCP Circular.</p>

<p>Individual Taxpayer Identification Number (ITIN) Program</p>	<p>Assess that only individuals with a tax need are assigned an ITIN.</p>	<p>Rep. No. 2024-400-012; Dec 2023 Included in the Mar 2024 SAR.</p>
<p>Adequacy and Security of the Technology of the IRS</p> <p>I.R.C. § 7803(d)(1)(D)</p>	<p>Requires TIGTA to evaluate the adequacy and security of the IRS's technology.</p>	<p><u>Information Technology Reviews:</u></p> <p>Rep. No. 2024-408-004; Oct 2023</p> <p>Rep. No. 2024-200-009; Jan 2024</p> <p>Rep. No. 2024-200-015; Feb 2024</p> <p>Rep. No. 2024-IE-R008; Feb 2024</p> <p>Rep. No. 2024-406-020; Mar 2024</p> <p>Rep. No. 2024-200-025; Jun 2024</p> <p>Rep. No. 2024-408-031; Jun 2024</p> <p>Rep. No. 2024-200-038; Aug 2024</p> <p>Rep. No. 2024-2S8-055; Sep 2024</p> <p>Rep. No. 2024-208-052; Sep 2024</p> <p>Rep. No. 2024-400-062; Sep 2024</p> <p>Rep. No. 2024-408-066; Sep 2024</p> <p>Rep. No. 2024-200-049; Sep 2024</p> <p><u>Security Reviews:</u></p> <p>Rep. No. 2024-200-005; Oct 2023</p> <p>Rep. No. 2024-200-032; Jul 2024</p> <p>Rep. No. 2024-200-039; Jul 2024</p> <p>Rep. No. 2024-20S-034; Aug 2024</p> <p>Rep. No. 2024-200-046; Sep 2024</p> <p>Rep. No. 2024-200-042; Sep 2024</p> <p>Rep. No. 2024-200-047; Sep 2024</p> <p>Rep. No. 2024-200-048; Sep 2024</p> <p>Rep. No. 2024-100-063; Sep 2024</p> <p>Rep. No. 2024-200-050; Sep 2024</p>

Appendix III

Audit and Evaluation Reports Issued

April 1, 2024, Through September 30, 2024²⁵

Report Title	Report Number/Link ²⁶
April 2024	
Fiscal Year 2024 Mandatory Review of Compliance With the Freedom of Information Act	2024-100-023
Criminal Investigation Had Success With Ghost Employers, While Civil Enforcement Efforts Can Be Improved	2024-300-019
Additional Actions Need to Be Taken to Identify and Address Noncompliant Biofuel Tax Credit Claims	2024-300-021
Interim Results of the 2024 Filing Season	2024-408-024
Quarterly Snapshot: The IRS's Inflation Reduction Act Spending Through December 31, 2023	2024-IE-R011
May 2024	
Taxpayer Assistance Centers Generally Provided Quality Service, but Additional Actions Are Needed to Reduce Taxpayer Burden	2024-100-022
Assessment of Fiscal Year 2023 Compliance With Improper Payment Reporting Requirements	2024-400-026
Actions Need to Be Taken to Ensure the Success of the Lifting Communities Up Initiative in Expanding Services and Assistance to Taxpayers in Underserved Populations	2024-IE-R012
June 2024	
The IRS Has Reduced Its Overall Space Footprint; However, a Significant Amount of Unneeded Office Space Still Remains	2024-100-027
Some Corrective Actions to Address Reported Information Technology Weaknesses Were Not Adequately Documented and Effectively Implemented	2024-200-025
The IRS Ceased Compliance With the \$10 Million Taxpayer Treasury Directive in Favor of an Overall Focus on High-Income Taxpayer Noncompliance	2024-300-028
Inflation Reduction Act: Interim Results of the Direct File Pilot	2024-408-031
A Comprehensive Strategy Is Needed to Address the Significant Backlog of Adjustment Source Documentation Inventory	2024-IE-R013
Opportunities Exist to Improve Taxpayer Service to Underserved, Underrepresented, and Rural Communities	2024-IE-R014

²⁵ Unless otherwise noted, IRS management decisions were made by the end of the reporting period for all audit products listed in this appendix.

²⁶ Dollar values for any recommendations with Questioned Costs and/or Funds Put to Better Use are available in the Outcome Measure Appendix of the report linked, if applicable.

Quarterly Snapshot: The IRS's Inflation Reduction Act Spending Through March 31, 2024	2024-IE-R015
July 2024	
Improvements Are Needed to Effectively Provide Oversight and Management of the Interagency Agreement With the National Archives and Records Administration	2024-300-029
Virtual Currency Tax Compliance Enforcement Can Be Improved	2024-300-030
Actions Have Been Taken to Improve Security Controls for the Planned Expanded Use of Login.gov; However, Additional Security Improvements Are Needed	2024-200-032
Review of the Internal Revenue Service's Purchase Card Violations Report	2024-100-044
Ninety-Five Percent of IRS and Contractor Employees Were Tax Compliant; However, There Were Some Tax Delinquencies or Prior Conduct/Performance Issues	2024-100-033
Fiscal Year 2024 IRS Federal Information Security Modernization Act Evaluation	2024-200-039
The Internal Revenue Service Is Not Fully Complying With the 90- and 120-Day Requirements of the No TikTok on Government Devices Implementation Guidance	2024-IE-R016
Improvements Are Needed to Ensure That Local Taxpayer Advocate Service Telephone Lines Are Properly Monitored	2024-IE-R018
August 2024	
The IRS Does Not Have Specific Plans to Replace and Decommission Legacy Systems	2024-200-038
Access to and Safeguarding Federal Tax Information, Investigating Unauthorized Access, and Ongoing Audits on the Security of Taxpayer Data	2024-20S-034
Improvements to the Tax-Exempt Compliance Unit Could Reduce Mistakes and Unproductive Examination Referrals	2024-100-040
Review of the Advanced Manufacturing Production Credit Implementation Identified Weaknesses in the Pre-Rulemaking Process	2024-308-035
Fiscal Year 2024 Statutory Review of Compliance With Notice of Federal Tax Lien Filing Collection Due Process Procedures	2024-300-037
Efforts to Oversee State Agency Access to Federal Tax Information Were Generally Successful; However, Some Improvements Are Needed	2024-100-041
The IRS Faces Challenges to Address Tax Avoidance Strategies of Large Multinational Corporations	2024-400-045
The IRS Has Made Limited Progress Developing the Methodology to Comply With the Treasury Directive to Not Increase the Audit Rate for Taxpayers With Incomes Below \$400,000 Due to Planning and Implementation Challenges	2024-308-043
Employee Safety and Physical Security Review of the *****Taxpayer Assistance Center and Tax Compliance Office ²⁷	2024-IE-R017

²⁷ Redaction due to subject matter that might create a risk of circumvention of the law if publicly released.

September 2024	
The Vulnerability Disclosure Policy Has Been Implemented; However, Actions Are Needed to Improve the Program	2024-200-046
Review of the Corporate Alternative Minimum Tax Implementation Identified Weaknesses in the Pre-Rulemaking Process	2024-308-036
Compliance Data Warehouse Security Needs Improvement	2024-200-042
Improvements Are Needed in the Cloud Security Assessment, Approval, and Monitoring Processes	2024-200-047
Progress of Information Technology Modernization Efforts	2024-2S8-055
The Individual Tax Processing Engine Project Is Progressing, but Risks Remain	2024-208-052
Actions Need to Be Taken to Improve the Data Loss Prevention Solution and Reduce the Risk of Data Exfiltration	2024-200-048
Fiscal Year 2024 Mandatory Review of Disclosure of Collection Activity With Respect to Joint Returns	2024-300-051
The Information Collected by Online Providers and Shared With Third Parties Is Not Clearly Disclosed to Taxpayers and Is Unknown to the IRS	2024-400-062
Former Contractor Employees Retained Access to IRS Facilities, Systems, and Equipment	2024-100-063
Customer Satisfaction Survey Results Are Not Used Effectively to Improve Taxpayer Services	2024-100-053
Inflation Reduction Act: Implementation of the Elective Payment and Transfer of Credit Provision	2024-408-066
Review of the IRS Independent Office of Appeals Collection Due Process Program	2024-300-060
Fiscal Year 2024 Statutory Review of Compliance With Legal Guidelines When Issuing Levies	2024-300-056
Fiscal Year 2024 Statutory Review of Potential Fair Tax Collection Practices Violations	2024-300-059
The Direct File Pilot Deployed Successfully; However, Security and Testing Improvements Are Needed	2024-200-050
The IRS Is Not Meeting Key Federal Requirements in Its Transition to Internet Protocol Version 6	2024-200-049
Fiscal Year 2024 Statutory Audit of Compliance With Legal Guidelines Restricting the Use of Records of Tax Enforcement Results	2024-300-061
Fiscal Year 2024 Mandatory Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property	2024-300-054
Fiscal Year 2024 Statutory Review of Restrictions on Directly Contacting Represented Taxpayers	2024-300-058
Communication Breakdowns, Hiring Volume Surges, and Aging System Integration Challenges Delayed Some IRS Hiring Efforts	2024-108-069
Security Vulnerability Management and Configuration Compliance of a General Support System and Major Application Need Improvement	2024-200-057
Management Took Actions to Address Erroneous Employee Retention Credit Claims; However, Some Questionable Claims Still Need to Be Addressed	2024-400-068

Improvements Are Needed to Ensure Oversight of and Increase Participation in the Free File Program	2024-400-067
The IRS Could Collect Over a Billion Dollars in Taxes From Unreported Wagering Income	2024-300-064
Millions of Taxpayers Took Early Retirement Distributions but Some Did Not Pay the Additional Tax, Claim an Exception, or Report the Income	2024-100-065
Additional Actions Are Needed to Clearly Inform Taxpayers in Federally Declared Disaster Areas of Balance Due Payment Postponement Time Frames	2024-IE-R019
Quarterly Snapshot: The IRS's Inflation Reduction Act Spending Through June 30, 2024	2024-IE-R020

Appendix IV

Inspector General Peer Review Activity

This appendix implements § 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act.²⁸

For the period April 1, 2024 – September 30, 2024:

Peer Reviews Conducted of TIGTA by Another Office of Inspector General

- The Department of Veterans Affairs Office of Inspector General completed a peer review of our Office of Audit. The review was completed Sept. 18, 2024, with a rating of pass.
- The Department of Agriculture Office of Inspector General completed a peer review of our Office of Investigations (OI) on May 11, 2024. The review found that OI is in compliance with quality standards established by the Council of the Inspectors General on Integrity and Efficiency and other applicable guidelines and statutes.

Outstanding Recommendations From Peer Reviews of TIGTA

- There are no outstanding recommendations from the two peer reviews of TIGTA.

Peer Reviews Conducted by TIGTA

- TIGTA did not conduct a peer review during this reporting period.

Outstanding Recommendations From Peer Reviews Conducted by TIGTA

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

²⁸ Codified at 5 U.S.C. § 405(b)(14)-(16).

Appendix V

Data Tables Provided by the Internal Revenue Service

The memorandum copied below is the IRS's transmittal to TIGTA. The IRS provided the tables that follow the memorandum. They consist of IRS employee misconduct reports from the IRS Automated Labor and Employee Relations Tracking System (ALERTS) for the period April 1, 2024, through Sept. 30, 2024. 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



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

HUMAN CAPITAL OFFICE

October 3, 2024

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: **Geralda Larkins** Digitally signed by Geralda Larkins
Date: 2024.10.03 16:52:29 -0400
Director, Labor/Employee Relations and Negotiations

SUBJECT: Input for the Treasury Inspector General for Tax Administration (TIGTA) Semiannual Report to Congress

In response to your memorandum dated July 29, 2024, 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, 2024, through September 30, 2024.

- Report of Employee Misconduct by Disposition Groups
- Report of Employee Misconduct – National Summary
- Summary of Substantiated § 1203 Inquiries Recorded in Automated Labor and Employee Relations Tracking System (ALERTS)

The attached tables contain information about:

- Alleged misconduct reported to IRS managers
- Disposition of the allegations resolved during the period
- Status of the inventory as of September 30, 2024

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.

The Summary of Substantiated Section 1203 Allegations contains information on the disposition of substantiated Section 1203 allegations. During this period, IRS managers substantiated 99 Section 1203 allegations. To date, the removal penalty was mitigated for 6 employees. The remaining 93 substantiated allegations are still in the adjudication process.

If you have any questions, please contact Aishadia Alexander, Acting Associate Director, LERN Program Execution Office at Aishadia.M.Alexander@irs.gov.

Attachments (3)

cc: Danny Werfel, Commissioner of Internal Revenue
Melanie Krause, Chief Operating Officer
Terry Lemons, Chief, Communications & Liaison
Mark Kaizen, Associate Chief Counsel (GLS)
Traci DiMartini, IRS Human Capital Officer

The Following Tables Are Provided by the IRS:

Report of Employee Misconduct by Disposition Groups

Period Covering April 1, 2024, Through September 30, 2024

Disposition	Administrative Case	Employee Character Investigation	Employee Tax Compliance Case	TIGTA Report of Investigation	Totals
ALTERNATIVE DISCIPLINE: IN LIEU OF REPRIMAND	0	ND	6	0	6
ALTERNATIVE DISCIPLINE: IN LIEU OF SUSPENSION	8	ND	12	5	25
ADMONISHMENT	95	5	298	18	416
CASE SUSPENDED PENDING EMPLOYEE RETURN TO DUTY	ND	ND	0	0	0
CLEARANCE LETTER	38	ND	21	16	75
CLOSED - SUPPLEMENTAL REQUESTED	ND	ND	ND	ND	ND
CLOSED WITHOUT ACTION CAUTIONARY LETTER	188	116	358	42	704
CLOSED WITHOUT ACTION LETTER	90	44	55	31	220
FORWARDED TO TIGTA	89	ND	ND	ND	89
INDEFINITE SUSPENSION	0	ND	ND	0	0
ORAL COUNSELING	37	ND	6	ND	43
PROBATION/SEPARATION	359	16	0	16	391
PROSECUTION PENDING FOR TIGTA'S REPORT OF INVESTIGATION (ROI)	ND	ND	ND	ND	ND
REMOVAL AT U.S. OFFICE OF PERSONNEL MANAGEMENT DIRECTION	ND	11	ND	ND	11
REMOVAL (PROBATION PERIOD COMPLETE)	44	0	0	21	65
REPRIMAND	87	5	78	32	202
RESIGNATION, RETIREMENT, ETC. (REASON NOTED ON SF50)	20	0	8	11	39
RESIGNATION, RETIREMENT, ETC. (REASON NOT NOTED ON SF50)	104	16	30	26	176
SEPARATION OF TEMPORARY EMPLOYEE	ND	ND	ND	ND	ND
SUSPENSION, 14 DAYS OR LESS	39	ND	42	21	102
SUSPENSION, MORE THAN 14 DAYS	5	ND	6	11	22
TERMINATION FOR ABANDONMENT OF POSITION	13	ND	ND	ND	13
WRITTEN COUNSELING	161	66	396	32	655
TOTAL	1,377	279	1,316	282	3,254

Source: Automated Labor and Employee Relations Tracking System (ALERTS) (extract date: Oct. 1, 2024). 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. Columns containing no data are annotated with ND.

Report of Employee Misconduct National Summary Period Covering April 1, 2024, Through September 30, 2024

Inventory Case Type	Open Inventory	Conduct Cases Received	Cases Closed			Ending Inventory
			Conduct Issues	Cases Merged With Other Cases	Non-Conduct Issues	
Administrative Case	652	1,968	1,663	100	12	845
Employee Character Investigation	200	325	347	20	ND	158
Employee Tax Compliance Case	1,598	1,394	1,399	69	ND	1,524
TIGTA Report of Investigation	446	404	380	14	ND	456
Total	2,896	4,091	3,789	203	12	2,983

Source: ALERTS (extract date: Oct. 1, 2024). 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. Columns containing no data are annotated with ND.

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

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

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

TIGTA Investigation - Any matter involving an employee in which TIGTA investigated 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
Period Covering April 1, 2024, Through September 30, 2024**

§ 1203 Violation	Removals	Resigned/ Retired	Probation Separation	Removed on Other Grounds	Penalty Mitigated	In Personnel Process	Total
1203(b)(3): CIVIL RIGHTS/CONSTRUCTIVE VIOLATION	ND	ND	ND	ND	ND	0	0
1203(b)(8): WILLFUL UNTIMELY RETURN	0	ND	ND	0	6	67	73
1203(b)(9): WILLFUL UNDERSTATED TAX	0	ND	0	ND	ND	26	26
Total	0	ND	0	0	6	93	99

Source: ALERTS (extract date: Oct. 1, 2024). 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. Columns containing no data are annotated with ND.

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

ALERTS	Automated Labor and Employee Relations Tracking System
CARE	Customer Assistance, Relationships and Education
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDP	Collection Due Process
C.F.R.	Code of Federal Regulations
CSP	credential service providers
EIN	Employer Identification Number
ERC	Employee Retention Credit
FAR	Federal Acquisition Regulation
FedRamp	Federal Risk and Authorization Management Program
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
IRS	Internal Revenue Service
ITIN	Individual Taxpayer Identification Number
ITPE	Individual Tax Processing Engine
JAMES	Joint Audit Management Enterprise System
LCU	Lifting Up Communities (IRS initiative)
NFTL	Notice of Federal Tax Liens

OCPO	Office of the Chief Procurement Officer (IRS)
OI	Office of Investigations
OMB	Office of Management and Budget
ONDCP	Office of National Drug Control Policy
PCA	private collection agency
PPP	Paycheck Protection Program
PRC	People's Republic of China
RRA	IRS Restructuring and Reform Act of 1998
SOP	Strategic Operating Plan (IRS)
TAS	Taxpayer Advocate Service
TCI	Toledo Correctional Institute
TPI	Total Positive Income
TY	Tax Year
TIGTA	Treasury Inspector General for Tax Administration
U.S.C.	United States Code

TO REPORT WASTE, FRAUD, OR ABUSE:

CALL OUR TOLL-FREE HOTLINE

1-800-366-4484

BY WEB:

www.tigta.gov

BY FAX:

202-927-7002

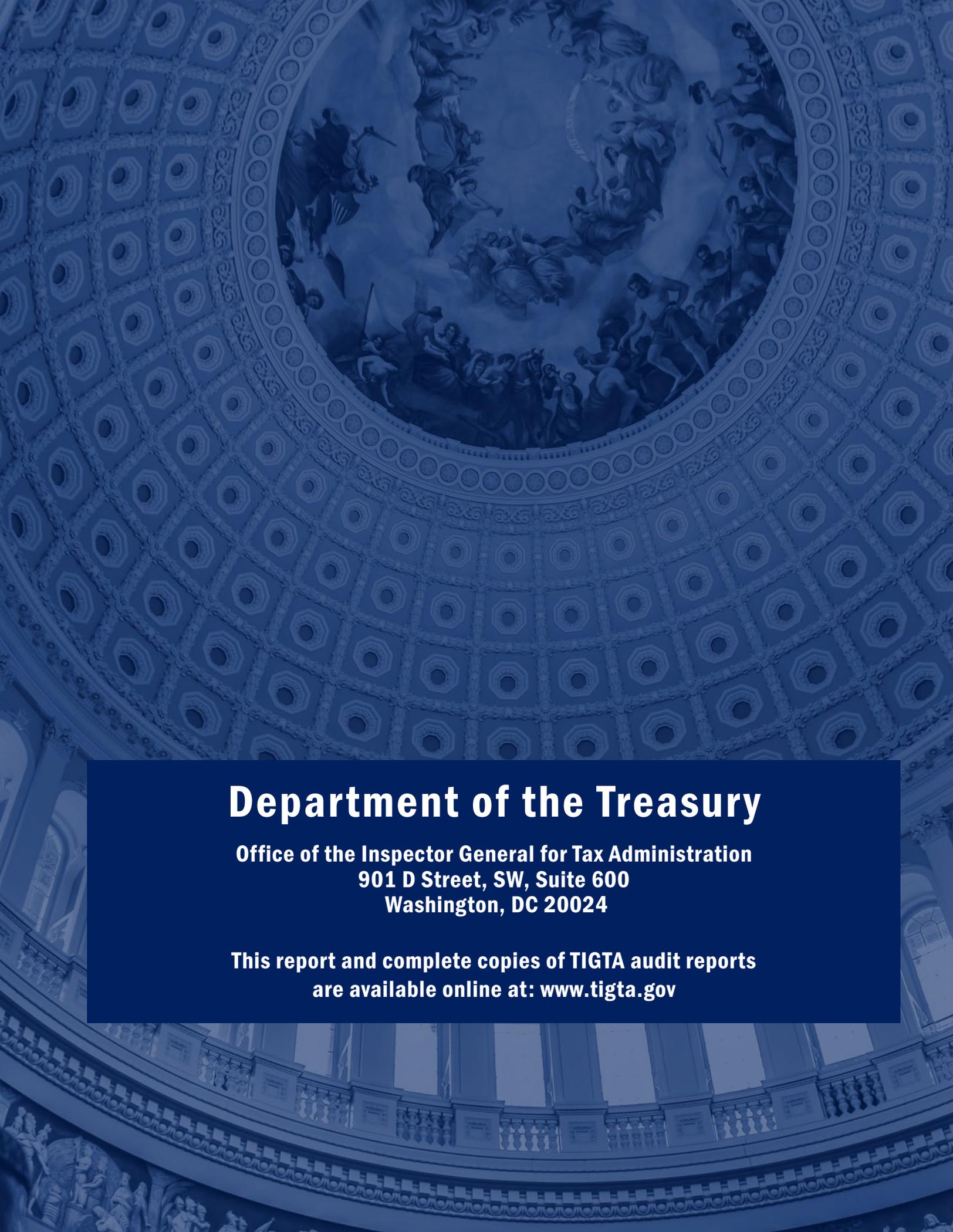
OR WRITE:

Treasury Inspector General for Tax Administration

P.O. Box 23291

Washington, DC 20026

Information you provide is confidential. You may remain anonymous.



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**