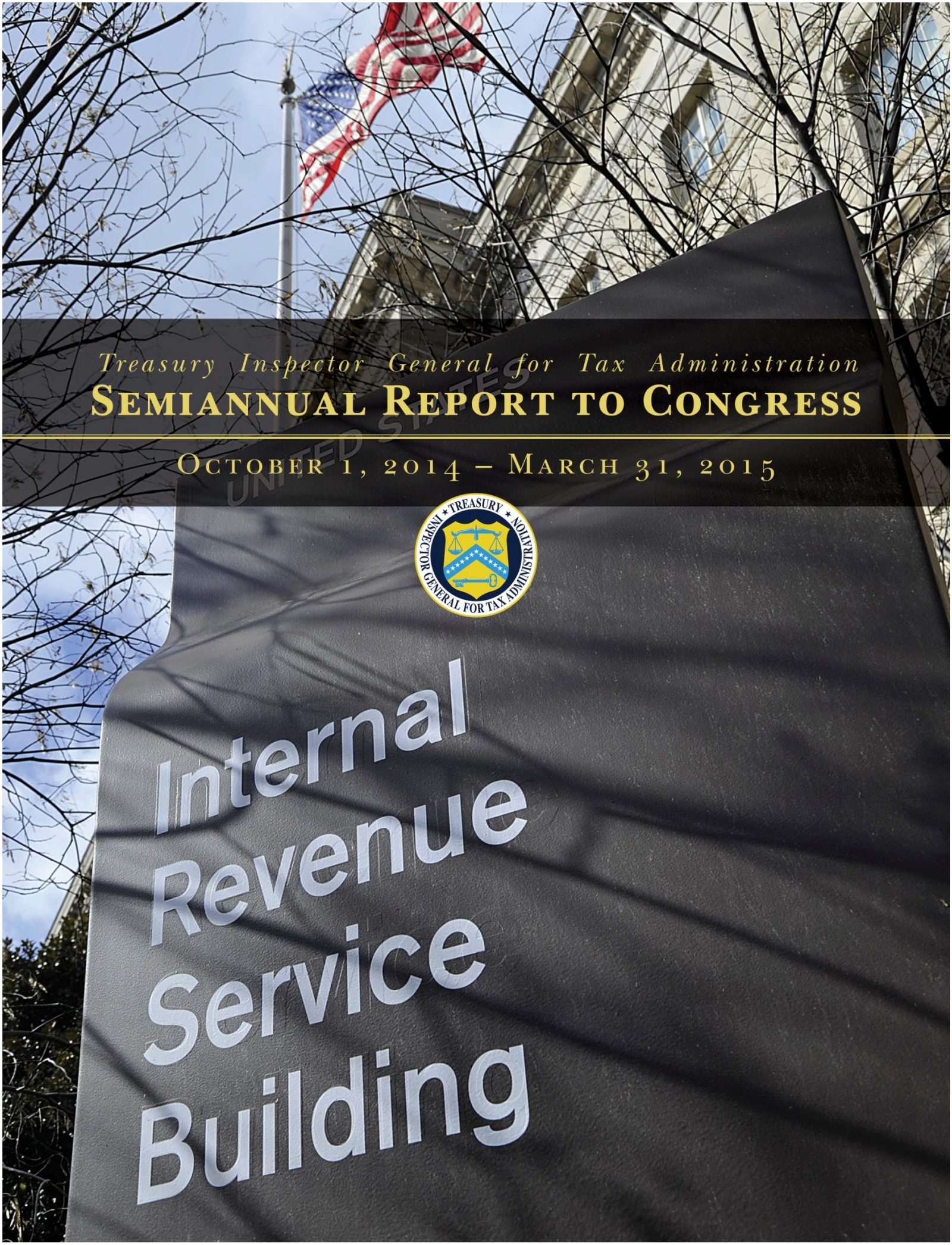
Treasury Inspector General for Tax Administration

Semiannual Report to Congress

October 1, 2014 – March 31, 2015



Treasury Inspector General for Tax Administration (TIGTA)

TIGTA's Vision

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

TIGTA's Mission

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

TIGTA's Core Values

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

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

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

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

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

TAXES ARE WHAT WE PAY FOR A CIVILIZED SOCIETY

Inspector General's Message to Congress

It is once again an honor to submit this Semiannual Report to Congress, highlighting the many significant accomplishments of the Treasury Inspector General for Tax Administration (TIGTA) in fulfilling its mission to provide oversight of the Internal Revenue Service (IRS) and protect the integrity of Federal tax administration.

During this reporting period, October 1, 2014 to March 31, 2015, TIGTA's Office of Audit has completed 21 audits, and its Office of Investigations (OI) has completed 1,358 investigations. TIGTA's combined audit and investigative efforts have resulted in the recovery, protection, and identification of monetary benefits totaling $21.6 billion.

Challenges to the integrity of the Federal tax system have never been greater. The largest, most pervasive IRS impersonation scam in the history of this agency continues to generate roughly 12,000 calls a week to our hotline. More than 3,300 taxpayers have lost a reported $16.8 million to these criminals, who fraudulently claim to be IRS officials as they place calls to taxpayers in all 50 States and demand payment of fictitious tax debts. Because of the complexity of their operations, scams such as these are not typically resolved quickly. The Office of Investigations is diligently working to identify the perpetrators so they can be held to account for their actions.

While our investigation continues, we have made progress in bringing some of the perpetrators to justice, including two individuals who pled guilty and were sentenced for their supporting roles in the scheme. Meanwhile, in collaboration with other Federal agencies, we are conducting an aggressive public outreach effort to warn people against falling victim to the scam. In January, I issued a public warning to all taxpayers to be on "high alert" to this scam. By raising awareness, we make the criminals work harder in furtherance of their scheme.

On a much smaller scale, but equally troubling, are threats to tax administration posed by those few IRS employees who misuse their positions to commit identity theft and other fraudulent schemes. During this reporting period, one IRS employee and two co-conspirators were convicted in Missouri for inappropriately accessing the tax accounts of taxpayers to steal these individuals' identities and for fraudulently inducing the IRS to issue refunds in the names of their stolen identities.

Among noteworthy audits completed during this period, TIGTA auditors found that the IRS's tax-exempt organizations division has implemented the changes recommended by TIGTA to its process of reviewing applications for tax-exempt status. However, another

audit found that billions of dollars in potentially erroneous education credits continue to be claimed for ineligible students and institutions.

TIGTA continues to monitor the IRS's implementation of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, which represents the largest set of tax law changes in more than 20 years. During this reporting period, TIGTA conducted an assessment of IRS preparations to ensure compliance with minimum essential coverage and shared responsibility payment requirements under the Act.

As always, I look forward to working with Congress, the Administration, the IRS, and our auditors, investigators, evaluators, attorneys, and support personnel as we continue tirelessly in the pursuit of our efforts to protect the security of taxpayer information and ensure the integrity of Federal tax administration.

Sincerely,

J. Russell George
Inspector General

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TIGTA's Profile

The Treasury Inspector General for Tax Administration (TIGTA) provides independent oversight of the Department of the Treasury's matters involving activities of the Internal Revenue Service (IRS), the IRS Oversight Board, and the IRS Office of Chief Counsel. Although TIGTA is placed organizationally within the Department of the Treasury and reports to the Secretary of the Treasury and to Congress, it functions independently from all other offices and bureaus within the Department.

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

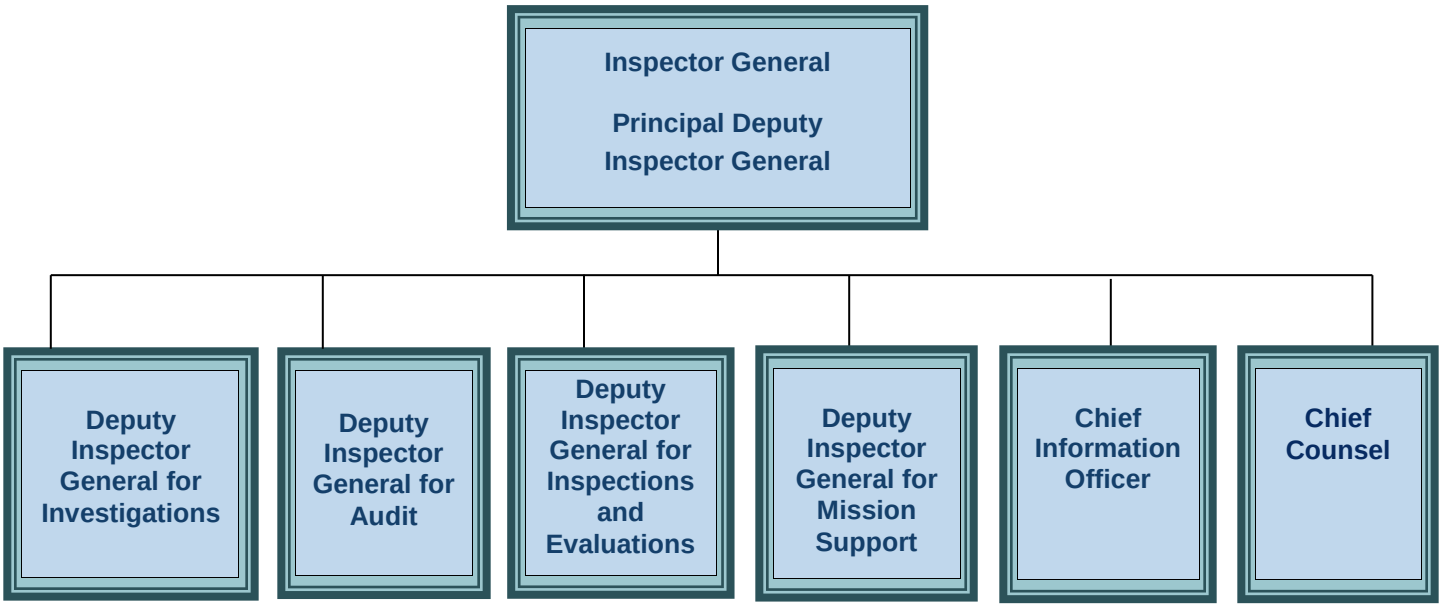
TIGTA's organizational structure is comprised of the Office of the Inspector General and six functional offices: the Office of Investigations; the Office of Audit; the Office of Inspections and Evaluations; the Office of Mission Support; the Office of Information Technology; and the Office of Chief Counsel. (See chart on page 8.)

TIGTA provides audit, investigative, and inspection and evaluation services that promote economy, efficiency, and integrity in the administration of the Internal Revenue laws.

Statutory Mandate

- **Protect** against 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** the economy and efficiency in the administration of tax laws.
- **Prevent** and detect waste, fraud, and abuse in IRS programs and operations.
- **Inform** the Secretary of the Treasury and Congress of problems and deficiencies identified and of the progress made in resolving them.

Organizational Structure



Authorities

TIGTA derives its authority from the Inspector General Act of 1978, as amended.[1] TIGTA has access to tax returns and return information in the performance of its tax administration responsibilities. TIGTA also reports potential Federal criminal violations directly to the U.S. Department of Justice. TIGTA and the Commissioner of the IRS have established policies and procedures delineating responsibilities to investigate potential criminal offenses under Internal Revenue laws. In addition, the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98)[2] amended the Inspector General Act of 1978 to give TIGTA the statutory authority to carry firearms, execute and serve search and arrest warrants, serve subpoenas and summonses, and make arrests as set forth in Internal Revenue Code (I.R.C.) § 7608(b)(2).

[1] 5 U.S.C. app. 3 (amended 2008).
[2] Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., and 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

TIGTA's Highlights

Examples of High-Profile Cases by the Office of Investigations

Indiana Man Sentenced to 90 Months in Prison in Investment and Impersonation Scheme

Timothy Coughlin was sentenced in the Eastern District of Virginia on October 23, 2014, for wire fraud and impersonation of a Federal official.[3] Coughlin pled guilty to the offenses on June 25, 2014.[4]

According to court documents, Coughlin, who was a resident of Indianapolis, Indiana, created Oxford International Credit Union and Oxford International Cooperative Union[5] for purported online investments and devised a scheme to obtain money from investors by means of false representations.[6] Through website postings and audio recordings, Coughlin fabricated, or caused others to fabricate, information related to the businesses, the investments, and even his own background.[7] Coughlin was touted by his associates as a decorated U.S. Navy pilot with an extensive military background, when in fact he never served in any military branch of the United States.[8]

By 2009, approximately $12.8 million had been invested in Oxford International Credit Union. Coughlin initially told investors they could withdraw money whenever they wanted. Later, however, as the sole approving authority, Coughlin ceased withdrawals and began telling his associates and investors that taxing authorities in the United States and Canada were freezing assets related to both of the businesses.[9]

In early 2012, using a fictitious private letter memorandum purportedly between the IRS and Oxford International Credit Union, Coughlin told investors that an agreement had been reached with the taxing authorities.[10] In fact, Coughlin had drafted the agreement and forged, or caused another person to forge, the signature of an actual IRS employee in Washington, D.C.[11]

Coughlin was sentenced to 90-months imprisonment, followed by three years of supervised release. While on supervised release, Coughlin is not to engage in any

[3] E.D. Va. Judg. filed Oct. 24, 2014.
[4] E.D. Va. Plea Agr. filed June 25, 2014.
[5] E.D. Va. Stat. of Facts filed June 25, 2014.
[6] E.D. Va. Crim. Info. filed June 25, 2014.
[7] E.D. Va. Stat. of Facts filed June 25, 2014.
[8] *Id.*
[9] *Id.*
[10] *Id.*
[11] *Id.*

business involving securities or investments and must undergo a mental health evaluation.[12] Coughlin was further ordered to pay restitution to his victims[13] and forfeit fraud-related assets, including vehicles, an ultra-light aircraft, and funds from several foreign bank accounts, for a total monetary judgment of $10,084,625.56.[14]

California Couple Sentenced for Interference With the IRS and False Claims

On January 13, 2015, in the Southern District of California, James Francis Murphy and Denine Christine Murphy were sentenced for corrupt interference with the administration of the Internal Revenue laws and false claims.[15] James Murphy was also sentenced on four counts of fictitious financial obligations.[16] The two were found guilty of the offenses in a June 2014 jury trial.[17]

According to court documents, James and Denine Murphy, husband and wife, corruptly endeavored to obstruct and impede the due administration of the Internal Revenue laws from at least 2000 to 2012. James Murphy was an osteopathic physician licensed in California and Nebraska, operating a for-profit medical practice in Encinitas, California and Omaha, Nebraska.[18]

The Murphys attempted to interfere with the due administration of the Internal Revenue laws by sending false written accusations of criminal conduct to an IRS employee in order to intimidate the employee from performing his official duties, and by presenting numerous Notices Concerning Fiduciary Relationship to the IRS that falsely identified the Secretary of the Treasury as their fiduciary and bore the forged signature of the Secretary.[19]

Additionally, the Murphys filed false tax returns and fictitious Forms 1099-OID, claiming refunds totaling over $1.2 million to which they were not entitled. They attempted to hide income generated by James Murphy's medical practice and to unlawfully evade Federal income taxes on such. James Murphy presented several fictitious financial instruments to the IRS, totaling over $3.4 million, that purported to be actual securities for payment of the Murphys' income taxes due.[20]

James Murphy was sentenced to 48 months in prison, followed by three years of supervised probation, and ordered to pay restitution to the IRS in the amount of $447,528.[21] Denine Murphy was sentenced to three years of probation, including 12

[12] E.D. Va. Judg. filed Oct. 24, 2014.
[13] *Id.*
[14] E.D. Va. Consent Order of Forfeiture filed Oct. 24, 2014.
[15] S.D. Cal. Judgment for James Francis Murphy filed Jan. 16, 2015; S.D. Cal. Judgment for Denine Christine Murphy filed Jan. 16, 2015.
[16] S.D. Cal. Judgment for James Francis Murphy filed Jan. 16, 2015.
[17] S.D. Cal. Verdict filed June 20, 2014.
[18] S.D. Cal. Indict. filed June 21, 2012.
[19] *Id.*
[20] *Id.*
[21] S.D. Cal. Judgment for James Francis Murphy filed Jan. 16, 2015.

months of home incarceration and monitoring, and was ordered to pay $178,246 in restitution to the IRS.[22]

[22] S.D. Cal. Judgment for Denine Christine Murphy filed Jan. 16, 2015.

Examples of High-Profile Reports by the Office of Audit

Additional Consideration of Prior Conduct and Performance Issues Is Needed When Hiring Former Employees

IRS records show that between January 2010 and September 2013, the IRS hired more than 7,000 former employees, of which 78 percent were to fill temporary or seasonal positions. Most rehired employees did not have performance or conduct issues associated with prior IRS employment. However, TIGTA found that the IRS did hire hundreds of former employees with these issues. TIGTA reviewed a random sample from more than 300 employees with significant prior performance or conduct issues who were hired between January 2010 and July 2013, and determined that the IRS appropriately applied Office of Personnel Management (OPM) suitability standards (*e.g.*, determining whether applicants' prior IRS employment reflected criminal activity, material false statements, or illegal drug use).

However, TIGTA identified hundreds of former employees who were hired despite prior substantiated conduct or performance issues. For example, 141 former employees with prior substantiated tax issues, including five who the IRS found had willfully failed to file their Federal tax returns, were rehired. Other substantiated issues from previous IRS employment included unauthorized access to taxpayer information, leave abuse, falsification of official forms, unacceptable performance, misuse of IRS property, and off-duty misconduct.

Although they may meet OPM suitability standards, prior employees with known conduct and performance issues who are rehired represent an increased risk to the IRS and to taxpayers. For example, TIGTA found that nearly 20 percent of the rehired former employees sampled who had prior substantiated or unresolved conduct or performance issues also had new conduct or performance issues (*e.g.*, tax noncompliance or unauthorized access to tax account information).

During the audit, IRS officials stated that prior conduct and performance issues did not play a significant role in their determination of the candidates who were best qualified. They also stated that they believed they were applying OPM suitability standards appropriately. In addition, IRS officials stated that both OPM and IRS General Legal Services should be consulted to determine if full consideration of prior conduct and performance issues violates Federal regulations.

TIGTA recommended that the IRS work with General Legal Services and OPM to determine whether and during what part of the hiring process it can fully consider prior conduct and performance issues.

IRS management agreed with the recommendation and stated that it had already consulted with and requested written opinions from General Legal Services and OPM, but believes that the current process is adequate to mitigate any risks to American taxpayers. However, TIGTA remains concerned because IRS records indicate that it is rehiring individuals with significant prior conduct and performance issues.
Reference No. 2015-10-006

Billions of Dollars in Potentially Erroneous Education Credits Continue to Be Claimed for Ineligible Students and Institutions

The Taxpayer Relief Act of 1997[23] created two permanent education tax credits, the Hope Credit and Lifetime Learning Credit. The American Recovery and Reinvestment Act of 2009[24] temporarily replaced the Hope Credit with a refundable tax credit[25] known as the American Opportunity Tax Credit (AOTC). The AOTC was initially set to expire at the end of Calendar Year (CY) 2010, but has since been extended through CY 2017. These credits help taxpayers offset the costs of higher education.

The IRS still does not have effective processes to identify erroneous claims for education credits. Although the IRS has taken steps to address some of TIGTA's recommendations, many of the deficiencies that were previously identified still exist. As a result, taxpayers continue to receive billions of dollars in potentially erroneous education credits.

Based on TIGTA's analysis of education credits claimed and received on Tax Year (TY) 2012 tax returns, TIGTA estimates that more than 3.6 million taxpayers (claiming more than 3.8 million students) received more than $5.6 billion in potentially erroneous education credits ($2.5 billion in refundable credits and $3.1 billion in nonrefundable credits). Specifically, TIGTA estimates that:

- More than 2 million taxpayers received more than $3.2 billion in education credits for students with no Form 1098-T, *Tuition Statement;*
- More than 1.6 million taxpayers received approximately $2.5 billion in education credits for students attending ineligible institutions;
- 419,827 taxpayers received more than $650 million for students whom they used to claim the AOTC for more than four tax years; and
- 427,345 taxpayers received approximately $662 million in AOTCs for students who attended school less than half-time.

Further analysis of the more than 3.6 million taxpayers that TIGTA identified as claiming education credits for ineligible students or ineligible institutions showed that 765,943 (21 percent) both claimed a student for which the IRS has no Form 1098-T and listed an

[23] Pub. L. No. 105-34, 111 Stat. 788.
[24] Pub. L. No. 111-5, 123 Stat. 115.
[25] A refundable credit is not limited to the amount of an individual's tax liability and can result in a Federal tax refund that is larger than the amount of a person's Federal income tax withholding for that year. In contrast, a nonrefundable credit can only reduce the tax liability to zero.

ineligible institution on their Form 8863, *Education Credits (American Opportunity and Lifetime Learning Credits)*.

TIGTA made five recommendations to the IRS to improve the detection and prevention of erroneous education credit claims, including that the IRS work with the Department of the Treasury to consider a legislative proposal to move the required filing date for Forms 1098-T to January 31, so that this information can be used at the time tax returns are processed to help identify improper education credit claims.

IRS management agreed to implement two of the recommendations, but it did not agree to implement the other three. TIGTA noted its concerns with the IRS's response to the recommendations within the report.
Reference No. 2015-40-027

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

This audit followed up on an earlier report, which concluded that the IRS was not providing quality customer service to identity theft victims. The objective was to determine whether the IRS is improving its assistance to victims of identity theft.

On average, the IRS took 278 days to resolve the tax accounts of identity theft victims due a refund, according to TIGTA's review of a statistically valid sample of 100 identity theft tax accounts resolved in the Accounts Management function in Fiscal Year (FY) 2013. That is an improvement over the average of 312 days it took the IRS to resolve tax accounts of identity theft victims due a refund in FY 2012.

TIGTA's review found that the IRS continues to make errors when resolving the tax accounts of victims of identity theft. Based on the results of its review, TIGTA estimates that, of the 267,692 taxpayers whose accounts were resolved, 25,565 (10 percent) may have been resolved incorrectly, resulting in the delay of refunds or the victims' receiving incorrect refund amounts.

Finally, TIGTA continues to find that the information the IRS reports related to the time period for case processing and resolution is misleading. For example, the IRS informs taxpayers who inquire about the status of their identity theft cases that such cases are resolved within 180 days, when in fact on average it took the IRS 278 days to close the cases that it resolved in FY 2013.

TIGTA made five recommendations to the IRS, including that it develop processes and procedures to: ensure that case closing actions and account adjustments are accurate; accurately calculate the average time it takes to fully resolve taxpayer accounts affected by identity theft; and accurately report the number of identity theft cases resolved to include only those taxpayers for whom the IRS fully resolves their accounts and issues any refunds due.

The IRS agreed with three recommendations and partially agreed with another recommendation. The IRS disagreed with the recommendation to develop processes and procedures to calculate the average time it takes to fully resolve taxpayer accounts. TIGTA continues to believe that further actions are needed to improve the IRS's tracking of these timeframes. Until this is corrected, the IRS will continue to provide an inaccurate account resolution timeframe to taxpayers due refunds.
Reference No. 2015-40-024

TAXES ARE WHAT WE PAY FOR A CIVILIZED SOCIETY

Promote the Economy, Efficiency, and Effectiveness of Tax Administration

TIGTA's Office of Audit (OA) strives to promote the economy, efficiency, and effectiveness of tax administration. TIGTA provides recommendations to improve the IRS's systems and operations and to ensure the fair and equitable treatment of taxpayers. TIGTA's comprehensive and independent performance and financial audits of the IRS's programs and operations primarily address statutorily mandated reviews and high-risk challenges that 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 the statutory coverage required by RRA 98 and other laws, as well as areas of concern to Congress, the Secretary of the Treasury, the Commissioner of the IRS, and other key stakeholders.

Audit Emphasis Areas for October 2014 Through March 2015

- Tax Compliance Initiatives
- Fraudulent Claims and Improper Payments

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

Tax Compliance Initiatives

Tax compliance initiatives include the administration of tax regulations, collection of the correct amount of tax from businesses and individuals, and oversight of tax-exempt and Government entities. Increasing budgetary pressure has led to a reduction of IRS resources in the enforcement area, thus impacting tax compliance. The continuing decline in the number of IRS personnel has contributed to a decrease in the number of examinations and an increase in the number of delinquent tax accounts that are assigned to an inactive status.

The Fresh Start Initiatives Have Benefited Many Taxpayers, but Additional Monitoring and Evaluation Is Needed

In February 2011, the IRS began implementing the first of several Fresh Start Initiatives[26] to assist economically distressed taxpayers by offering viable collection alternatives to help resolve their delinquent balance due accounts. The IRS's implementation of the Fresh Start Initiatives provided a number of benefits to thousands of struggling taxpayers. For example, the number of Notices of Federal Tax Lien (NFTL) filed on taxpayers with assessed liabilities of less than $10,000 decreased 60 percent, from 488,378 in FY 2010 to 195,009 in FY 2013. Many other taxpayers benefited from streamlined procedures for processing installment agreements and offers in compromise. In addition, penalties were not assessed on certain taxpayers who requested a filing extension.

Although the Fresh Start Initiatives were generally implemented effectively, additional attention should be given in a few areas. For example, 524 taxpayers, who collectively owed approximately $10.5 million, defaulted on their Direct Debit Installment Agreements after the IRS had withdrawn the NFTLs, yet the IRS did not file new NFTLs. In addition, the IRS has not fully assessed the revenue impact of filing fewer NFTLs. Performance measures may have helped identify potential problems and areas for improvement, but they were not established for all of the initiatives.

TIGTA recommended that the IRS:

- Ensure new NFTLs are filed for the 524 taxpayers who defaulted on their Direct Debit Installment Agreements after their NFTLs were withdrawn;
- Establish controls to ensure that new NFTLs are filed on taxpayers who default on their Direct Debit Installment Agreements;
- Assess the long-term revenue protection impact of the Fresh Start Initiative that increased the minimum dollar threshold for NFTL determinations in Field Collection; and
- Establish methods to monitor and assess the performance of the Fresh Start Initiatives.

IRS management generally agreed with the recommendations and plans to take appropriate corrective actions. Although IRS management agreed that there should be established methods to assess performance, it stated that it has limited information technology resources to commit to a submission or completion of a work request at this time.

Reference No. 2015-30-005

[26] IRS initiatives implemented to assist economically distressed taxpayers by offering viable collection alternatives to help resolve their delinquent balance due accounts.

Status of Actions Taken to Improve the Processing of Tax-Exempt Applications Involving Political Campaign Intervention

In a prior audit,[27] TIGTA found that ineffective management resulted in:

- The use of inappropriate criteria to identify for review organizations applying for tax-exempt status, based on names and policy positions instead of indications of political campaign intervention;
- Substantially delayed processing of certain applications; and
- The issuance of unnecessary information requests.

Recommendations from the prior audit were made to help ensure that applications for tax-exempt status were processed in a fair, impartial, and timely manner.

The IRS has taken significant actions to eliminate the selection of potential political cases based on names and policy positions, expedite processing of I.R.C. Section (§) 501(c)(4) social welfare organization applications, and eliminate unnecessary information requests.

First, the IRS eliminated the use of Be On the Look Out (BOLO) listings, which TIGTA determined had contained inappropriate criteria regarding political advocacy cases. TIGTA conducted interviews with a random sample of employees, who confirmed that BOLOs or similar listings were no longer being used.

Second, the Exempt Organizations function completed processing of 149 of the 160 applications for tax-exempt status that, as of December 2012, had been open for lengthy periods. To expedite processing of I.R.C. § 501(c)(4) social welfare applications, the IRS developed an optional expedited self-certification process. This expedited process is not available to other types of organizations, *e.g.*, labor organizations and business leagues, with similar political campaign intervention limitations.

Third, the IRS has developed preapproved questions and has instituted a quality review process to provide better assurance that unnecessary information requests are not sent to applicants.

The Department of the Treasury is revising draft guidance to address how to measure the "primary activity" of social welfare organizations. Until this guidance is finalized, the IRS does not have a clearly defined test for determining whether an organization's request for exemption as a social welfare organization should be approved. As a result, for those applicants not choosing the optional expedited process, the IRS continues to use a subjective facts-and-circumstances process.

TIGTA recommended that the IRS take action to improve upon the timing and execution of future training for relevant Rulings and Agreements office employees, including all

[27] TIGTA, Ref. No. 2013-10-053, *Inappropriate Criteria Were Used to Identify Tax-Exempt Applications for Review* (May 2013).

Determinations Unit employees. In addition, if the optional expedited self-certification process for I.R.C. § 501(c)(4) organizations becomes a permanent process, the IRS should consider providing this option to additional organizations with similar political campaign intervention limitations.

IRS management agreed with the recommendations and plans to take appropriate corrective actions.
Reference No. 2015-10-025

Processes Are Needed to Link Third-Party Payers and Employers to Reduce Risks Relating to Employment Tax Fraud

Employers can appoint or enter into an agreement with a third party to take over some or all of their Federal employment tax withholding, tax return preparation, reporting, and tax payment responsibilities. Approximately 40 percent of small firms use a third-party payer for tasks ranging from paying employees to Federal employment taxes. There are four common types of third-party payer arrangements: Payroll Service Provider (PSP), Reporting Agent, Section 3504 Agent, and Professional Employer Organization (PEO).

Third-party payer arrangements usually work as intended; however, there have been instances in which third-party payers receive funds from employers for payment of payroll taxes, but they have not remitted those taxes to the IRS. This causes significant problems for employers because the funds have been expended but the taxes are still due. TIGTA evaluated whether controls are adequate to protect the taxpayer's and Government's interests when third-party payroll providers are not compliant with payment and filing requirements.

TIGTA identified that processes still have not been established to link employers with all third-party payers. Of the four most common types of third-party payer arrangements, only Reporting Agents and Section 3504 Agents are required to submit an authorization form that discloses the relationship between an employer and a third-party payer. The IRS does not require a similar authorization for employers that use a PSP or a PEO. The inability of the IRS to identify employers that use the services of a PEO is a concern that TIGTA has raised in prior reports.

In addition, authorization forms are not always accurately processed. TIGTA's review of 85 agent authorization forms processed in CY 2013 identified 11 forms with errors. Because of these errors, authorizations provided by employers to their Reporting Agents were incorrectly reflected in IRS systems.

Finally, the IRS has not established an effective process to ensure that indicators are accurately assigned to Section 3504 agent and employer tax accounts. Review of the tax accounts associated with Section 3504 Agents filing 78 Forms 2678, *Employer/ Payer Appointment of Agent*, identified 13 that contained erroneous indicators. The errors incorrectly identified Section 3504 Agents as employers and vice versa.

TIGTA recommended that the IRS:

- Partner with the Bureau of the Fiscal Service to develop a plan to use the Electronic Federal Tax Payment System® to link a PSP with an employer;
- Establish a program in which employers can inform the IRS of the PEOs they authorize to file and pay employment taxes;
- Require those PEOs with a service agreement to attach a Schedule R (Form 941), *Allocation Schedule for Aggregate Form 941 Filers*, to employment tax returns; and
- Develop processes and procedures to ensure authorization information and Section 3504 agent indicators are accurate.

IRS management agreed with the recommendations and is working on establishing the voluntary certification program for PEOs that was enacted into law in December 2014. While the voluntary certification program will link PEOs that certify to employers, it will have no effect on PEOs that do not certify. The IRS will continue to be unable to readily identify noncompliance with payment and filing requirements on the part of these non-certifying PEOs.
Reference No. 2015-40-023

Fraudulent Claims and Improper Payments

Improper payments by Federal Government agencies have been an issue for many years, and numerous efforts have been made to identify, measure, and reduce them. These efforts include laws specifically addressing improper payments, an Executive Order,[28] and guidance by certain oversight agencies, such as OMB. The Improper Payments Information Act of 2002[29] requires Federal agencies, including the IRS, to estimate the amount of improper payments they make each year and report to Congress on the causes of, and the steps taken to reduce, improper payments, as well as to address whether they have the information systems and other infrastructure needed to reduce improper payments.

Processes Do Not Ensure That Corporations Accurately Claim Carryforward General Business Credits

The general business credit (made up of several separate business-related credits) is offered as an incentive for a business to engage in certain kinds of activities considered beneficial to the economy or to the public at large, such as improving disability access for customers or providing child care for employees. TIGTA identified 3,285 electronically filed Forms 1120, *U.S. Corporation Income Tax Return*, filed in Processing Year[30] (PY)

[28] Exec. Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, 74 Fed. Reg. 62201 (2009).
[29] Pub. L. No. 107-300, 116 Stat. 2350.
[30] A Processing year is the calendar year in which tax returns are processed by the Internal Revenue Service.

2013 on which corporations claimed potentially erroneous carryforward credits totaling more than $2.7 billion.

TIGTA also found that a programming error caused some corporations to not receive general business credits they had claimed. TIGTA identified 717 PY 2013 corporate tax returns for which taxpayers did not receive a total of more than $170 million in Empowerment Zone Employment Credits they had claimed.

Finally, TIGTA identified 1,411 corporate tax returns filed in PYs 2012 and 2013 that erroneously claimed a total of almost $35 million in current year general business credits for Eligible Small Businesses subsequent to the expiration of the relevant tax provision.

TIGTA made several recommendations, which included that the IRS:

- Verify whether the 3,285 corporate filers that TIGTA identified as having a questionable carryforward amount are entitled to claim the carryforward amount;
- Determine whether the programming error affects paper-filed business returns; and
- Verify whether taxes were affected for the 1,411 corporate filers that TIGTA identified as having an incorrect Eligible Small Business designation.

The IRS agreed with three of TIGTA's five recommendations and disagreed with two. It plans to review two samples of cases for audit potential and determine whether any further action is required. In addition, the IRS has requested corrections to general business credit programming for the 2016 Filing Season. TIGTA is concerned about the lack of sufficient corrective action in response to its other two recommendations. Implementing these recommendations would significantly improve the IRS's ability to ensure compliance in this area.
Reference No. 2015-40-012

Affordable Care Act

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (Affordable Care Act or the Act)[31] contains an extensive array of tax law changes and provides incentives and tax breaks to individuals and small businesses to offset health care expenses. The Act also imposes penalties, administered through the tax code, on individuals and businesses that do not obtain health care coverage for themselves or their employees. It represents the largest set of tax law changes in more than 20 years and poses a significant challenge to the IRS.

With the development and implementation of new programs by the Department of Health and Human Services (HHS) and the IRS to fulfill the requirements of the Affordable Care Act, both the HHS Office of the Inspector General (OIG) and TIGTA have developed multi-year strategies to assess implementation of the Act. These strategies include continuing the ongoing coordination between the HHS OIG and TIGTA to help ensure that our work is complementary, and forming a joint working team focused primarily on premium tax credits. We plan to closely coordinate with the HHS OIG to review those processes that are highly interdependent between HHS and the IRS, or to perform work jointly where appropriate.

TIGTA has issued numerous reports related to the IRS's efforts to implement the Affordable Care Act tax provisions. For this six-month period, TIGTA issued the following significant reports:

The Affordable Care Act: Processes Have Been Implemented to Administer the Patient-Centered Outcomes Research Fee, but Controls Need Improvement to Ensure Filing Compliance

The Affordable Care Act provides for an excise tax equal to one or more dollars based on the average number of lives covered under a specified health insurance policy or self-insured health plan during a specific year. The new Patient-Centered Outcomes Research (PCOR) fee is used to offset the costs of the PCOR Institute, which funds research that will provide information to assist patients and their health care providers in making more informed health care decisions.

TIGTA found that 72,035 health insurance policy issuers/self-insured plan sponsors filed a Form 720, *Quarterly Federal Excise Tax Return*, with PCOR fees totaling $114 million for TY 2012. Of these filers, 30,996 (43 percent) paid a PCOR fee of less than $4.25 each, which is the IRS's cost to process one of these returns.

The IRS developed a PCOR compliance plan that states that it will use third-party data sources to identify potential nonfilers. The IRS is in the process of analyzing this information for use in evaluating TY 2012 return filing compliance. However, the data that

[31] Pub. L. No. 111-152, 124 Stat. 1029 (codified in scattered titles of the U.S.C.).

the IRS obtained do not include the necessary information to calculate the potential PCOR fees owed by these nonfilers.

TIGTA reviewed additional data from these third-party sources. For TY 2012, TIGTA identified 25 health insurance policy issuers and 1,753 self-insured health plan sponsors that potentially did not file a Form 720 reporting a PCOR fee as required. For the quarter ending June 30, 2013, TIGTA also found 2,242 transactions that had transcription errors, which resulted in an overstatement of approximately 359 million average lives covered. While the average number of lives recorded in the Business Return Transaction File is not reliable, these errors do not affect the PCOR fees paid.

TIGTA recommended that the IRS:

- Obtain the data needed to identify noncompliance with the filing and payment requirements for PCOR fees;
- Based on these results, identify nonfilers, send notices as appropriate, and determine if additional enforcement actions are required;
- Alert and instruct employees on how to avoid the significant Form 720 transcription errors that materially affect the accuracy of the average number of lives covered for the PCOR fees; and
- Establish a systemic error report for the Form 720 with a PCOR fee and refer accounts for possible examination that do not match.

IRS management agreed with the first three recommendations but disagreed with the fourth recommendation, stating that it has limited Information Technology resources and funding available. However, TIGTA believes that establishing a systemic error report that generates when the PCOR fee and/or tax payments do not match will have minimal impact on IRS resources, as well as allow the IRS to improve its monitoring of PCOR fee reporting and payment compliance.
Reference No. 2015-33-019

Affordable Care Act: Assessment of Internal Revenue Service Preparations to Ensure Compliance With Minimum Essential Coverage and Shared Responsibility Payment Requirements

The Affordable Care Act requires each individual to have basic health insurance coverage known as Minimum Essential Coverage (MEC) beginning in January 2014. Every taxpayer, and any individual the taxpayer could claim as a dependent for Federal income tax purposes, who did not maintain MEC must either be exempted from the requirement or pay a Shared Responsibility Payment (SRP). The SRP applies to each individual included on the tax return who fails to have MEC for each month of the calendar year unless he or she qualifies for an exemption. The taxpayer will need to make an SRP when filing his or her Federal income tax return.

The ACA requires all individuals to have MEC, have an exemption, or make an SRP when filing their Federal income tax return.

In addition, the Affordable Care Act requires Health Care Exchanges, employers, and insurance providers (referred to as insurers) to provide individuals with information related to their health insurance coverage. However, on July 9, 2013, the Department of the Treasury delayed employer and insurer reporting of health insurance information until March 2016. As a result, the IRS has not developed processes and procedures to verify compliance with MEC requirements for the 2015 Filing Season. The IRS will assess MEC compliance on TY 2014 tax returns that it identifies through its normal examination compliance activity and plans to use information obtained during the 2015 Filing Season to develop post-processing compliance strategies to be used in future years.

The IRS recognizes that the calculation of the SRP is complex and has developed a tool to assist examiners in calculating the SRP when examining a tax return. TIGTA found that this tool accurately computes the SRP, and it believes that the tool would be helpful to taxpayers and should be made available on IRS.gov.

TIGTA recommended that the IRS add an online SRP calculation tool to IRS.gov for the 2016 Filing Season, in a continued effort to provide taxpayers with interactive self-assistance tools. IRS management agreed with this recommendation and plans to take appropriate corrective action.
Reference No. 2015-43-030

Protect the Integrity of Tax Administration

TIGTA is statutorily mandated to protect the integrity of Federal tax administration. TIGTA accomplishes its 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, all of which undermine the integrity of the Nation's voluntary tax system.

TIGTA special agents are authorized to execute and serve search warrants and arrest warrants; serve subpoenas and summonses; and make arrests without a warrant for any offense against the United States that is related to Internal Revenue laws and is committed in a special agent's presence, or for any felony cognizable under such laws if there are reasonable grounds to believe that the person to be arrested has committed, or is committing, any such felony.

The Performance Model

The Office of Investigations accomplishes its mission objectives through the hard work of its employees and a performance model that focuses OI's resources on three primary areas of investigative responsibility:

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

The Office of Investigations utilizes performance measures that identify the percentage of results derived from investigative activities that most accurately align with the strategic goals of the organization and that provide the greatest impact on the protection of the integrity of Federal tax administration.

Employee misconduct undermines the IRS's ability to deliver taxpayer service, to enforce tax laws effectively, and to collect taxes owed to the Federal Government. External threats against the IRS impede its ability to fairly and efficiently carry out its role as the Nation's revenue collector. Individuals who attempt to corrupt or otherwise interfere with tax administration negatively impact the IRS's ability to collect revenue.

TIGTA refers its investigations to the Department of Justice and, on occasion, to local authorities for prosecution when warranted.

Performance Area: Employee Integrity

Taxpayers must have confidence in the fair and impartial administration of the Federal tax system. IRS employee misconduct, whether real or perceived, 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 return information; and identity theft.

During this reporting period, employee integrity investigations accounted for 50 percent of OI's work. The following cases represent OI's efforts to ensure employee integrity during this six-month reporting period:

IRS Employee Indicted for Filing False Tax Returns

On October 9, 2014, in the Eastern District of California, Kimberly Brown-English was charged in a six-count indictment with offenses by officers and employees of the United States for preparing and filing false Federal tax returns.[32]

According to the indictment, Brown-English was employed by the IRS at the Fresno Service Center in Fresno, California, at all times relevant to the charges. Brown-English was employed initially by the IRS in 2002 and worked as a seasonal Data Transcriber from 2004 to 2012. She was promoted in September 2012 to the position of Correspondence Examination Technician. Her primary duty was to provide assistance to taxpayers throughout the United States who were under IRS examination by educating them on tax laws and helping them to resolve IRS examination issues. Brown-English was required to complete training courses for her position that included the topics of Earned Income Tax Credit (EITC), Child Tax Credits, claimed dependents, and filing status.[33]

In 2012 and 2013, respectively, Brown-English allegedly prepared and filed her own 2011 and 2012 Federal income tax returns, in which she falsely claimed two dependents and listed them as her "parent" and her "nephew." She also claimed her filing status was Head of Household. The tax returns each contained materially false items. Neither of the individuals claimed as dependents had a familial relationship with Brown-English. One lived with her during 2011 and 2012, but paid rent and had an income. The other was homeless and did not reside with Brown-English. As a result of Brown-English's false returns, made under penalty of perjury, she obtained refunds from the IRS to which she was not entitled.[34]

[32] E.D. Cal. Indict. filed Oct. 9, 2014.
[33] *Id.*
[34] *Id.*

Additionally, between January 2012 and April 2013, Brown-English allegedly created opportunities for other individuals to defraud the United States by preparing and filing fraudulent Federal income tax returns for them. Brown-English prepared and filed the 2011 and 2012 returns for one individual falsely claiming dependents, the EITC, the Child Tax Credit, and Head-of-Household filing status. In fact, the dependents did not live with the taxpayer more than half of the year, nor did the taxpayer provide more than 50 percent of the dependents' support, thus making the taxpayer ineligible to claim them as dependents, file as Head of Household, or receive the Earned Income Credit and Additional Child Tax Credit.[35]

During the same time period, Brown-English allegedly prepared and filed the 2011 and 2012 tax returns of a second individual with similar false claims. On the individual's 2011 return, five dependents were fraudulently claimed. One dependent was claimed for 2012. The returns also contained false claims for the Child Tax Credit, the Additional Child Tax Credit, the EITC, and Head-of-Household filing status. Again, this taxpayer did not meet the eligibility requirements for claiming the dependents or the associated tax credits. As a result of Brown-English's preparation and submission of the false returns for these two individuals, they were able to falsely decrease their tax liability and obtain refunds from the IRS to which they were not entitled.[36]

IRS Employee Arrested for Fraudulent Tax Returns

IRS employee Yolanda Castro was arrested on February 27, 2015,[37] for making false Federal tax returns. Castro was indicted in the Eastern District of California the previous day, February 26, 2015, on charges of making a fraudulent tax return by an employee of the United States, aiding and assisting fraud and false statements, and false statements to a Government agency.[38]

According to court documents, Castro has been employed by the IRS in Fresno, California, for approximately 20 years as a tax examiner and, most recently, as a contact representative responsible for responding to taxpayers' inquiries and making adjustments to taxpayers' accounts.[39]

Between 2007 and 2013, Castro prepared and filed, or caused to be filed, numerous fraudulent Federal income tax returns for herself, her family members, and others, on which she knowingly placed false information for purported child care services, education expenses, business expenses, and casualty losses. As a result of her fraudulent conduct, Castro defrauded the United States of approximately $37,387.[40]

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[35] *Id.*
[36] *Id.*
[37] E.D. Cal. Executed Arrest Warrant filed Feb. 27, 2015.
[38] E.D. Cal. Indict. filed Feb. 26, 2015.
[39] *Id.*
[40] *Id.*

Specifically, as part of her fraudulent return scheme, Castro claimed education expenses and child care expenses on her own Federal tax returns that she knew she did not incur. Further, in connection with an audit of one of these false returns, Castro knowingly provided the IRS auditor with fabricated receipts for college textbooks and child care services, and made false statements to the auditor about the textbook purchases. She did so to deceive the auditor and conceal the fact that she had fraudulently claimed the education and child care credits.[41]

Additionally, Castro willfully aided and assisted in the preparation of six Federal returns for others, in which she falsely identified purported child care providers and fraudulently claimed $17,800 in child care services. The fraudulent information Castro included in these tax returns yielded tax deductions and credits for which Castro and the taxpayers whose returns she prepared were not eligible. In some cases, Castro had access to the personal identifying information of the purported child care providers because she had prepared those taxpayers' returns in the past. However, on at least one occasion, Castro illicitly accessed IRS databases to review the purported provider's personal identifying information.[42]

Additional court appearances are pending.[43]

Identity Theft and the Insider Threat

It is particularly troubling when IRS employees, who are entrusted with the sensitive personal and financial information of taxpayers, misuse their positions in furtherance of identity theft and other fraud schemes. This breach of trust negatively impacts our Nation's voluntary tax system and erodes confidence in the IRS. TIGTA proactively reviews the activities of IRS employees who access taxpayer accounts for any indication of unauthorized accesses that may be part of a larger fraud scheme.

The following cases represent OI's efforts to investigate identity theft committed by IRS employees during this six-month reporting period:

Former IRS Employee Sentenced for Identity Theft Conspiracy Using Taxpayer Information

On November 13, 2014, former IRS employee Taylor Knight was sentenced in the Western District of Missouri for conspiracy to defraud the U.S. Government; the date of imposition was October 27, 2014.[44] Knight and her co-defendants Michael Moore and Michael Stalcup were indicted in March 2014 for conspiracy to defraud the United States, aggravated identity theft, theft of Government money, mail fraud, and Social Security

[41] *Id.*
[42] *Id.*
[43] E.D. Cal. Crim. Docket filed Feb. 26, 2015.
[44] W.D. Mo. Judgment filed Nov. 13, 2014.

Number (SSN) misuse.[45] All three pled guilty to conspiracy to defraud the U.S. Government.[46]

Between approximately March 2009 and January 2012, Knight worked for the IRS in Kansas City, Missouri . According to court documents, the charges against Knight stemmed from an elaborate scheme in which she abused her position of trust as an IRS employee to access taxpayer information in furtherance of various Federal offenses.[47]

Knight inappropriately accessed information maintained by the IRS for three taxpayers, in each case for her personal reasons and not for official Government business. The defendants then used the identifications of these three taxpayers to fraudulently induce the IRS into issuing tax refund payments. The defendants assumed the identities of the taxpayers in order to fraudulently obtain refunds and then converted and/or attempted to convert those payments for their personal use.[48]

As part of the conspiracy, Knight accessed the records of one of the taxpayers and then submitted a false online application for a prepaid debit card. The card was approved and mailed to an address in Missouri. Knight submitted this false online application to test whether her scheme was viable.[49]

In furtherance of the scheme, Knight accessed the tax accounts of the other two victims and then submitted a bogus online application for three prepaid debit cards in the names of the taxpayers, a married couple. These cards were mailed to a Missouri address belonging to co-defendant Michael Moore's grandmother. Knight and Moore were romantically involved at the time and agreed to use this address to conceal Knight's role in the conspiracy. Moore monitored the mail sent to his grandmother's address and retrieved the three prepaid debit cards.[50]

The conspirators then filed a fraudulent tax return via the Internet, using the victims' names and seeking a refund of $21,163. However, the IRS approved a greater refund in the amount of $46,572 because the bogus tax return underreported the true tax payments of the victims. The IRS deposited $5,000 onto one of the debit cards Knight had obtained in the victim's name. However, when the IRS attempted to deposit the remaining $41,572 refund on the other debit cards, the receiving banks rejected the deposits. In early December 2011, at Knight's request and with her assistance, Moore telephoned the IRS and falsely claimed to be the victim taxpayer in order to change the address of record. Moore requested that the outstanding refund amount be mailed to a new address in

[45] W.D. Mo. Indict. filed Mar. 19, 2014.
[46] W.D. Mo. Plea Agr. Taylor Knight filed July 28, 2014; W.D. Mo. Plea Agr. Michael Moore filed Aug. 7, 2014; W.D. Mo. Plea Agr. Michael Stalcup filed Oct. 8, 2014.
[47] W.D. Mo. Indict. filed Mar. 19, 2014.
[48] *Id.*
[49] *Id.*
[50] W.D. Mo. Plea Agr. Taylor Knight filed July 28, 2014.

Missouri. Moore had previously resided at the address and knew it was unoccupied at the time.[51]

The victims filed legitimate amended returns for previous tax years, and the IRS issued the couple a refund check in the amount of $46,734.20 around December 30, 2011. However, since the IRS had already processed Moore's address change request, the Treasury check was mailed to the address provided by Moore, where Moore retrieved the check.[52]

In order to assume the identity of the female victim, Knight obtained false identification documents, including a Social Security card, Visa® debit card, MasterCard® debit card, and fraudulent Missouri and New York driver's licenses bearing the name of the victim but a photograph of Knight. Additionally, Knight obtained counterfeit documents in the name of the male victim that displayed a photograph of Moore.[53]

Knight then requested the assistance of her acquaintance, Michael Stalcup, in getting the fraudulent $46,734.20 Treasury check cashed. She offered to pay Stalcup $500 for his assistance. Stalcup, who knew the check was payable to the victim taxpayers and was aware Knight had fraudulently obtained the check, agreed to assist her.[54]

Knight and Stalcup attempted to cash the Treasury check at an Express Mart using the fraudulent identification items in the victims' names. Stalcup even encouraged the clerk to cash the check by making a statement to the effect that, "We only need $40,000 out of it. Yes, we'll give you $6,000." Express Mart refused to cash the check and reported the incident to law enforcement.[55]

Knight was sentenced to 24 months in prison, followed by three years of supervised release. She was further ordered to pay $5,000 in restitution to the IRS.[56] On January 20, 2015, Moore was sentenced to 12 months and one day in prison for his role in the conspiracy, followed by three years of supervised probation. The sentence date of imposition was January 7, 2015. Moore also shares responsibility for the $5,000 in restitution to the IRS.[57]

Joan Mobley Indicted for False Statements and Aggravated Identity Theft

On December 3, 2014, in the District of New Mexico, Joan Mobley was charged with false statements and aggravated identity theft in a 28-count indictment.[58]

[51] W.D. Mo. Indict. filed Mar. 19, 2014.
[52] *Id.*
[53] *Id.*
[54] *Id.*
[55] *Id.*
[56] W.D. Mo. Judgment filed Nov. 13, 2014.
[57] W.D. Mo. Judgment filed Jan. 20, 2015.
[58] D. N.M. Indictment filed Dec. 3, 2014.

According to the court documents, Mobley was charged with 14 counts of willfully and knowingly making materially false statements and representations related to eight different taxpayers in matters within the jurisdiction of the IRS. Specifically, Mobley falsely stated that the taxpayers had consented to extend the time the IRS had to assess employment taxes, knowing the taxpayers had not. Additionally, Mobley falsely represented that the taxpayers had agreed to the assessment and collection of additional tax when they had not.[59]

The indictment includes 14 counts of aggravated identity theft for Mobley's use, without lawful authority, of the means of identification of another person (*i.e.,* the taxpayers) in relation to the false statements.[60]

A jury trial is set for June 22, 2015.[61]

Employee Integrity Projects

TIGTA ensures employee integrity by conducting proactive investigative initiatives to detect misconduct in the administration of IRS programs. During this reporting period, TIGTA initiated nine proactive projects to detect systemic weaknesses or potential IRS program vulnerabilities.

10 Former IRS Employees Sentenced for Unemployment Benefits Fraud

Ten former IRS employees were sentenced in the Western District of Missouri between January 26, 2015, and January 28, 2015, for the theft of Government funds, stemming from unemployment benefits fraud.[62]

The IRS employees, Michelle Glavin, Priscillia Smith, Christopher Bair, Tiffani Harding, Christopher Castillo, Brenda Jones, Jesse Love, Leisa Hunsel, Shalonda Bradley, and Berneta Weedin, were indicted on December 10, 2013, for theft of Government property and bank fraud related to an unemployment benefits scheme.[63]

According to the court documents, the Missouri Division of Employment Security (MODES) administered the unemployment benefits for the State on behalf of the Federal Government, and the approved benefits for the individuals were then transferred to Central Bank. Between January 2008 and February 2013, the above-named defendants knowingly and willfully stole money belonging to the United States and executed a scheme to defraud Central Bank by fraudulently obtaining unemployment benefits.[64]

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[59] *Id.*
[60] *Id.*
[61] D. N.M. Criminal Docket filed Dec. 3, 2014.
[62] W.D. Mo. Judgments: Christopher Bair, Michelle Glavin filed Jan. 26, 2015; W.D. Mo. Judgments: Priscillia Smith, Tiffani Harding, Christopher Castillo, Brenda Jones, Jesse Love, Leisa Hunsel, Shalonda Bradley, and Berneta Weedin filed Jan. 28, 2015.
[63] W.D. Mo. Indict. filed Dec. 10, 2013.
[64] *Id.*

The individuals were required to certify any work and earnings weekly, via the Internet or telephone, in order for MODES to determine the validity of continued benefits. All 10 of the defendants were employed at the IRS while claiming unemployment benefits through MODES, resulting in the fraudulent payment of benefits to them in amounts ranging from $6,127 to $21,348, with an aggregate total of $112,609. They also made false representations in connection with their weekly unemployment claims to obtain debit cards and/or financial deposits and negotiable instruments of funds transferred from MODES to Central Bank.[65]

The defendants pled guilty to fraudulently obtaining Missouri benefits, plus Extended Unemployment Compensation Account benefits from the Federal Government, while employed at the IRS.[66]

Nine of the 10 individuals were sentenced to five years of Federal probation; the tenth received three years of probation. All were ordered to pay restitution, totaling $100,931.77.[67]

Performance Area: Employee and Infrastructure Security

Collecting taxes is a critical function of the Federal Government. Threats and assaults directed at IRS employees, facilities, and infrastructure impede the effective administration of the Federal tax system and the IRS's ability to collect tax revenue. All reports of threats, assaults, and forcible interference against IRS employees performing their official duties are referred to OI. During this six-month reporting period, OI responded to 974 threat-related incidents.

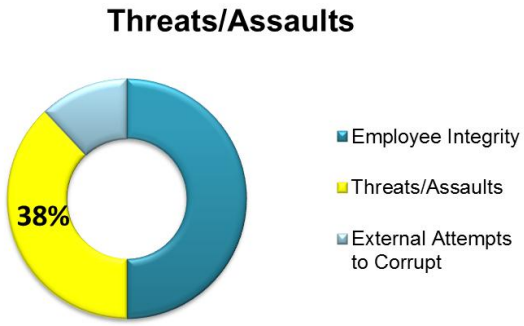
Contact with the IRS can be stressful and emotional for taxpayers. While the majority of taxpayer contacts are routine, some may become confrontational and even violent. TIGTA's special agents are authorized to provide physical security, known as "armed escorts," to IRS employees who have face-to-face contact with a taxpayer who may pose a danger to the employee, to ensure that IRS employees have a secure environment in which they can perform their critical tax administration functions. During this six-month reporting period, OI conducted 39 armed escorts for IRS employees.

The Office of Investigations undertakes investigative initiatives to identify individuals who could commit violence against IRS employees, or who could otherwise pose a threat to IRS employees, facilities, or infrastructure. It also provides crucial intelligence to IRS

[65] *Id.*
[66] W.D. Mo. Plea Agr. Berneta Weedin filed May 27, 2014; W.D. Mo. Plea Agr.: Shalonda Bradley, Christopher Castillo, Michelle Glavin, Tiffani Harding, Jesse Love filed May 28, 2014; W.D. Mo. Plea Agr.: Brenda Jones, Priscillia Smith filed June 4, 2014; W.D. Mo. Plea Agr. Christopher Bair filed June 24, 2014; W.D. Mo. Plea Agr. Leisa Hunsel filed Aug. 15, 2014.
[67] W.D. Mo. Judgments: Christopher Bair, Michelle Glavin filed Jan. 26, 2015; W.D. Mo. Judgments: Priscillia Smith, Tiffani Harding, Christopher Castillo, Brenda Jones, Jesse Love, Leisa Hunsel, Shalonda Bradley, and Berneta Weedin filed Jan. 28, 2015.

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 people.

The Office of Investigation's investigative information sharing with the IRS Office of Employee Protection (OEP) to identify potentially dangerous taxpayers is one example of TIGTA's commitment to protecting IRS employees. Taxpayers meeting OEP criteria are designated as potentially dangerous. Five years after this designation has been made, TIGTA conducts a follow-up assessment of the taxpayer so that OEP can determine if the taxpayer still poses a danger to IRS employees.



During this six-month reporting period, threat and assault investigations accounted for 38 percent of OI's work. The following cases represent OI's efforts to ensure the safety of IRS employees during the reporting period:

Andrew Calcione, Jr. Sentenced for Threatening to Murder an IRS Employee and Family Member

On October 3, 2014, in the District of Rhode Island, Andrew Calcione, Jr. was sentenced[68] for retaliating against a Federal official with threats and for threatening the official's family member.[69] Calcione was found guilty of the offenses in a bench trial in May 2014.[70]

Calcione knowingly and intentionally threatened to assault and murder an IRS revenue agent, as well as the revenue agent's immediate family member. Calcione made such threats with the intent to impede, intimidate, and interfere with the official duties of the IRS employee and to retaliate against the employee on account of the employee's performance of official IRS business.[71]

According to the Government's pretrial memorandum, an IRS examination of Calcione's 2008-2010 Federal tax returns had resulted in an estimated tax liability of $300,000. Calcione previously operated his own insurance and financial services business in Rhode Island, but the Rhode Island Department of Business Regulation had taken action against his insurance producer's license. A few days after Calcione was contacted by the IRS revenue agent regarding the ongoing examination of his tax returns, Calcione left a voice mail message that contained threatening statements on the revenue agent's business telephone. The Government indicated the threat was clear, unambiguous, and frighteningly detailed. In summary, Calcione said he was going to show up where the

[68] D. R.I. Judg. filed Oct. 7, 2014.
[69] D. R.I. Indict. filed Jan. 15, 2014.
[70] D. R.I. Docket filed Jan. 15, 2014.
[71] D. R.I. Indict. filed Jan. 15, 2014.

revenue agent lives the next time he called. The Government alleged that the message further contained a threat to torture the revenue agent, rape and kill his wife, then murder his child in front of him, all before ultimately killing the revenue agent.[72] Calcione was sentenced to 12 months and one day in prison, followed by three years of supervised probation. Calcione was further ordered to complete 300 hours of community service and participate in a mental health program.[73]

Utah Man Sentenced for Weapons Charge Had Threatened to Bomb an IRS Office

On October 30, 2014, in the District of Utah, Keith Pierce was sentenced for illegal possession of a machine gun.[74] Pierce was charged with Federal weapons violations in a three-count indictment in July 2013,[75] and entered a guilty plea for the possession charge on August 18, 2014.[76]

According to court documents, an investigation of Pierce was initiated in November 2012, after he made statements to a confidential source about bombing the IRS office in Provo, Utah, the Provo Police Department, and a court building. Pierce also claimed to have access to automatic weapons, as well as the tools and knowledge to make fully automatic weapons. During the investigation, Pierce delivered a fully automatic firearm with an obliterated serial number to a Federal Bureau of Investigation undercover employee. Testing of the weapon revealed its modified configuration, and the Bureau of Alcohol, Tobacco, Firearms, and Explosives concluded it could be defined as a machine gun.[77]

Pierce acknowledged that he unlawfully possessed a Bushmaster AR-15 rifle, which had been converted from semi-automatic to fully automatic. As part of his plea agreement, Pierce agreed to forfeit a Glock .30 pistol, a Mosin Nagant rifle, and the Bushmaster AR-15 rifle.[78]

Pierce was sentenced to 24-months imprisonment, followed by three years of supervised release. He was further ordered to participate in a mental health treatment program and pay $4,000 in restitution.[79]

Performance Area: External Attempts to Corrupt Tax Administration

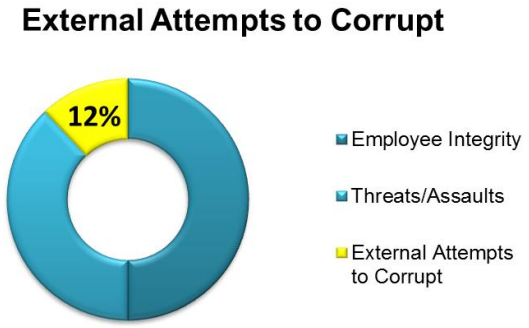
TIGTA also investigates external attempts to corrupt or impede tax administration. Taxpayers may interfere with the IRS's ability to collect revenue for the United States in many ways, for instance by: filing false or frivolous documents against IRS employees; impersonating IRS employees or misusing IRS seals; using fraudulent IRS documentation

[72] D. R.I. Government's Pretrial Memorandum filed Apr. 30, 2014.
[73] D. R.I. Judg. filed Oct. 7, 2014.
[74] D. Utah Judg. filed Oct. 31, 2014.
[75] D. Utah Indict. filed July 23, 2013.
[76] D. Utah Stmt. in Adv. of Plea filed Aug. 18, 2014; D. Utah Crim. Docket filed July 23, 2013.
[77] D. Utah Compl. filed July 9, 2013.
[78] D. Utah Stmt. in Adv. of Plea filed Aug. 18, 2014.
[79] D. Utah Judg. filed Oct. 31, 2014.

to perpetrate criminal activity; offering bribes to IRS employees to influence their tax cases; or committing fraud in contracts awarded by the IRS to contractors. These attempts to corrupt or otherwise interfere with tax administration not only inhibit the IRS's ability to collect revenue, but they also undermine the public's confidence in fair and effective tax administration.

For example, IRS employees who have contact with the public frequently receive frivolous correspondence and threatening letters. Individuals with personal vendettas against the IRS sometimes file false liens or other financial encumbrances against IRS employees in retaliation. The filing of an invalid lien in retaliation against a Government employee not only creates personal financial troubles for the targeted employee, but is also a criminal act. TIGTA special agents investigate these acts of retaliation and work with the Department of Justice to prosecute such acts that interfere with or impede Federal tax administration.

Individuals may also impersonate the IRS or its employees to obtain Personally Identifiable Information (PII)[80] from unsuspecting taxpayers or to defraud them out of their money. These individuals may claim to be IRS employees on the telephone or may misuse IRS logos, seals, or symbols to create official-looking letters and e-mails sent to taxpayers. The taxpayers are often told they owe money to the IRS that must be paid through a pre-loaded debit card or wire transfer. Sometimes taxpayers are tricked into providing their PII, which the impersonator uses to commit identity theft. TIGTA aggressively investigates these criminal activities to ensure that taxpayers maintain confidence in the integrity of Federal tax administration.



During this reporting period, investigations into attempts to corrupt or impede tax administration accounted for 12 percent of OI's work.

IRS Impersonation Scam

Between October 2013 and March 31, 2015, TIGTA logged more than 434,000 contacts from taxpayers who reported that they received telephone calls from individuals who claimed to be IRS employees. The impersonators told the victims that they owed additional tax and that if it was not immediately paid, they would be arrested, lose their driver's licenses, or face other consequences. More than 3,300 victims reported that they paid the impersonators a total of over $16.8 million dollars. Because of the complexity of their operations, scams such as these are not typically resolved quickly. The Office of Investigations is diligently working to identify the perpetrators so they can be prosecuted.

[80] PII is any information that, by itself or in combination with other information, may be used to uniquely identify an individual. Examples of PII are names, addresses, and SSNs.

The following case is an example of OI's investigative efforts in this area:

Two Individuals Sentenced for Role in Telephone Impersonation Scam in Florida

On February 2, 2015, in the Southern District of Florida, Dorothy John and Sohail Sheikh were sentenced for use of unauthorized access devices.[81] Both John and Sheikh pled guilty to the offense in November 2014.[82]

According to court documents, John and Sheikh knowingly and with intent to defraud trafficked in and used unauthorized access devices to obtain items of value.[83] Specifically, John and Sheikh were part of a pervasive scam wherein persons working in call centers in India contact American citizens and pretend to be from official U.S. Government or judicial agencies, including the IRS and the U.S. Attorney's Office. The scammers falsely tell the victims they have a tax lien or have committed a crime and have to pay a sum of money. Victims are instructed to make their respective payments to the purported Government agencies via MoneyPak®, a prepaid money card. On occasion, the victims have been provided with a tracking number, a confirmation number, and a legitimate Government address.[84]

Once the U.S. citizen pays money onto a MoneyPak®, the scammers transfer the money onto a prepaid debit card. Scammers employ runners throughout the United States to obtain and launder the fraudulent proceeds, typically for a two percent fee, by withdrawing funds from the prepaid debit cards via money order purchases, and then depositing the money orders into specified bank accounts for the benefit of the scammers.[85]

Records for one of these fraudulent prepaid debit cards led investigators to information that identified John and Sheikh as individuals who frequently made money order purchases at a Miami, Florida Walmart using prepaid debit cards.[86] Continued investigation revealed John and Sheikh were runners connected to the scam. The two would purchase prepaid debit cards from pharmacies, dollar stores, and other locations, and the cards would subsequently be loaded with fraudulently obtained funds. John and Sheikh would then use the prepaid debit cards to purchase money orders at supermarkets and other locations, and deposit the money orders into various bank accounts. The investigation revealed John and Sheikh purchased a total of $37,000 in money orders from prepaid debit cards in June and July 2014.[87]

When interviewed, John estimated she had used prepaid debit cards to purchase approximately $5,000 in money orders per day, six days a week, for a total of roughly

[81] S.D. Fla. Judgments: Dorothy John, Sohail Sheikh filed Feb. 4, 2015.
[82] S.D. Fla. Plea Agreement Sheikh Sohail filed Nov. 24, 2014; S.D. Fla. Plea Agreement Dorothy John filed Nov, 25, 2014.
[83] S.D. Fla. Superseding Info. filed Oct. 9, 2014.
[84] S.D. Fla. Crim. Compl. filed Sept. 5, 2014.
[85] S.D. Fla. Factual Proffers: Dorothy John, Sohail Sheikh filed Nov. 24, 2014.
[86] S.D. Fla. Crim. Compl. filed Sept. 5, 2014.
[87] S.D. Fla. Factual Proffers: Dorothy John, Sohail Sheikh filed Nov. 24, 2014.

$900,000 in money order purchases between November 2013 and July 2014.[88] John and Sheikh were both sentenced to three years of supervised probation, including six months of home detention and monitoring, and were ordered to pay $150 in restitution.[89]

Corrupt Interference

The following cases represent OI's efforts to address and deter external attempts to corrupt tax administration during this six-month reporting period:

Illinois Man Sentenced for Obstruction of Justice and Retaliating Against Federal Officials

On December 18, 2014, in the Northern District of Illinois, Tyree Davis, Sr. was sentenced for influencing an officer of the court by threats or force, and for retaliation against a Federal judge or officer of the court.[90] Davis pled guilty to the offenses in July 2014.[91]

According to the court documents, Davis's actions were in retaliation for the conviction and imprisonment of LaShawn Yvonne Littrice. The two lived together and Davis often referred to Littrice as his wife. In 2010, Littrice was convicted for aiding and assisting in the preparation of false tax returns and was sentenced to 42 months in prison. Littrice appealed her conviction and sentence, and this appeal was pending at the times relevant to Davis's conduct.[92]

During 2010 and 2011, Davis corruptly endeavored to influence, obstruct, and impede the administration of justice in the matter of *United States v. Littrice*, by sending correspondence to the Chief Judge in the Northern District of Illinois and the judge who presided over Littrice's conviction, threatening them with arrest if the Common Law Demand of Release for Littrice was not honored.[93]

Davis also retaliated against the judges and other Federal officials involved in the proceedings by filing false liens against their personal property. Davis filed liens in the amount of one hundred billion dollars against each of the two judges, the Assistant U.S. Attorney responsible for the prosecution of Littrice, and the IRS special agent responsible for investigating Littrice. Davis filed the liens against these officials on account of the performance of their official duties, knowing the encumbrances were false. Davis listed Littrice as the claimant and referenced her criminal case number. Additionally, Davis sent notices of the liens filed against the judges to other individuals and entities, including the Secretary of State, the Secretary of the Treasury, Members of Congress, Chief Justice John Roberts, and the credit bureaus.[94]

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[88] S.D. Fla. Crim. Compl. filed Sept. 5, 2014.
[89] S.D. Fla. Judgments: Dorothy John, Sohail Sheikh filed Feb. 4, 2015.
[90] N.D. Ill. Judgment filed Dec. 23, 2014.
[91] N.D. Ill. Plea Agr. filed July 18, 2014.
[92] *Id.*
[93] *Id.*
[94] *Id.*

Davis was arrested for the offenses on July 25, 2013, and was initially released on bond. Less than one week later, Davis engaged in a scheme to obtain and use fraudulent vehicle titles, continuing a pattern of using false documents for personal gain.[95] Davis's bond was revoked on October 31, 2013, and he was remanded into custody.[96]

Davis was sentenced to 46-months imprisonment, followed by three years of supervised release. The court also ordered the following special conditions for Davis's supervised release: Davis is forbidden from associating with any known member of the Sovereign Citizen organization; is forbidden from engaging in any correspondence with the victims in the case or other Government officials without approval of his probation officer; and shall not file any retaliatory liens against Government officials while on supervised release.[97]

California Florist Sentenced for Corrupt Interference with Internal Revenue Laws and Other Violations

On November 20, 2014, in the Eastern District of California, James O. Molen was sentenced for retaliating against Federal officers, corruptly impeding the due administration of the Internal Revenue laws, and contempt of court.[98] Molen was found guilty of all counts in a May 2014 jury trial and was remanded to custody at the conclusion of the trial.[99]

According to court documents, from 2003 to 2010, Molen, a resident of Chico, California, corruptly endeavored to impede the due administration of the Internal Revenue laws by recording false liens against Federal judges and Executive Branch employees, making false and frivolous statements to the IRS, and offering a fictitious instrument as payment to the IRS, among other things.[100]

Molen retaliated against two IRS revenue officers by filing false liens and encumbrances against their personal property in public records. Molen did so because of the revenue officers' performance of their official duties, knowing that the liens and encumbrances were false and that they contained at least one fictitious statement and representation. Additionally, Molen filed Uniform Commercial Code Financing Statements with the California Secretary of State, purporting to secure debts owed by the same two IRS revenue officers.[101]

The contempt of court charges against Molen stemmed from a 2007 civil judgment, wherein he was permanently forbidden from filing any documents or instruments that purported to create a nonconsensual lien or encumbrance against a Government

[95] N.D. Ill. Motion to Revoke Bond filed Oct. 10, 2013.
[96] N.D. Ill. Criminal Docket filed July 24, 2013.
[97] N.D. Ill. Judgment filed Dec. 23, 2014.
[98] E.D. Cal. Judg. filed Dec. 5, 2014.
[99] E.D. Cal. Verdict filed May 27, 2014.
[100] E.D. Cal. Indict. filed July 12, 2012.
[101] *Id.*

employee.[102] Molen knowingly and willfully disobeyed this order by filing documents against the IRS revenue officers in February 2010.[103]

Molen was sentenced to 36-months imprisonment, followed by three years of supervised probation. He was also fined $10,000 and further ordered to cooperate with the IRS in the determination and payment of any taxes owed.[104]

A Notice of Appeal was filed on December 2, 2014.[105] In a handwritten document, signed by Molen on December 7, 2014, he declared, among other things, the court's lack of jurisdiction over him as a "California State Citizen, and not a U.S. citizen or a 14th Amendment citizen."[106]

Ohio Accountant Sentenced for Attempting to Interfere with Administration of the Internal Revenue Laws and Other Violations

On December 16, 2014, in the Eastern District of Pennsylvania, accountant Andrew Zelenkofske was sentenced for attempting to interfere with the administration of the Internal Revenue laws, wire fraud, mail fraud, and engaging in monetary transactions in property derived from specified unlawful activity.[107] Zelenkofske was charged with the offenses on January 9, 2014[108] and June 3, 2014,[109] in associated cases.

According to court documents, from approximately 2009 through 2013, Zelenkofske engaged in various schemes to defraud individuals to obtain money and property by means of false and fraudulent pretenses and representations, and to obstruct the due administration of the Internal Revenue laws.[110]

Zelenkofske, a resident of Ohio, provided tax and accounting services to individuals, including the preparation of Federal and State income tax returns. Some of Zelenkofske's clients were Pennsylvania residents. Zelenkofske had power of attorney to represent a Pennsylvania couple before the IRS. After the IRS issued a levy to a financial firm in the amount of $91,193.53 to collect taxes owed by the couple, Zelenkofske corruptly endeavored to obstruct and impede the due administration of the Internal Revenue laws by transmitting, via e-mail, a falsified IRS Form 668-D, *Release of Levy*, which purported to remove the levy from the couple's account. Zelenkofske did so knowing the IRS had not authorized the release of the levy from that account.[111]

[102] E.D. Cal. Order filed Feb. 26, 2007.
[103] E.D. Cal. Indict. filed July 12, 2012.
[104] E.D. Cal. Judg. filed Dec. 5, 2014.
[105] E.D. Cal. Notice of New Appeal filed Dec. 9, 2014.
[106] E.D. Cal. Reply to U.S. Opposition to Defendant's Frivolous Post-Trial Filings filed Dec. 9, 2014.
[107] E.D. Pa. Judg. filed Dec. 16, 2014.
[108] E.D. Pa. Indict. filed Jan. 9, 2014.
[109] E.D. Pa. Info. filed June 3, 2014.
[110] E.D. Pa. Indict. filed Jan. 9, 2014; E.D. Pa. Info. filed June 3, 2014.
[111] *Id*.

Prior to this, around April 2011, Zelenkofske-devised a scheme to defraud another Pennsylvania victim, a senior citizen with little experience managing financial matters. Zelenkofske falsely represented to the victim that the victim owed the IRS a substantial amount of taxes, and directed the victim to send him multiple payments for taxes purportedly owed by the victim. Zelenkofske kept all of the money received from the victim and used it for his own personal and business expenses, defrauding the victim of approximately $237,050.[112]

Zelenkofske also identified start-up businesses as investments for his clients and business associates. In 2003, Zelenkofske recruited four individuals to invest in a start-up retailer in Philadelphia, Pennsylvania called Five Below, Inc. Zelenkofske and the other four individuals each contributed $40,000 towards the investment. In 2010, Five Below issued a dividend check in the amount of $704,556.58 to the holding company. Zelenkofske received and deposited the check as the managing member of the holding company, but concealed the payment from the victims, misrepresenting to them that he had not received it. When confronted about the dividend payment, Zelenkofske admitted its receipt and entered into an agreement to repay the victims approximately $563,520. He repaid a portion of the debt, defrauding the victims of approximately $137,254.[113]

In another scheme, Zelenkofske solicited $650,000 from clients, purportedly for the purpose of investing in a start-up biotechnology company. Rather than using the funds as he represented, Zelenkofske used the money to finance his own personal and business expenses and to make a $200,000 investment in the start-up company in his own name.[114]

Zelenkofske was sentenced to 36 months in prison, followed by three years of supervised release, and was further ordered to pay $987,050.00 in restitution to victims.[115]

Massachusetts Chiropractor Sentenced for Bribery of a Public Official

Chiropractor Stephen Jacobs was sentenced for bribery of a public official on January 13, 2015, in the District of Massachusetts.[116] He pled guilty to the offense in October 2014.[117]

According to court documents, Jacobs unequivocally admitted that he knowingly and intentionally committed the crime,[118] bribery of a public official. In 2013, an Internal Revenue agent was assigned an examination of Jacobs's U.S. Federal Income Tax Form 1040 for 2011. When the assigned revenue agent met with Jacobs, he advised the agent that he had made $5,000 payments to two different women because he had touched them inappropriately during medical treatment sessions. The revenue agent told Jacobs

[112] E.D. Pa. Info. filed June 3, 2014.
[113] *Id.*
[114] E.D. Pa. Indict. filed Jan. 9, 2014.
[115] E.D. Pa. Judg. filed Dec. 16, 2014.
[116] D. Mass. Judgment filed Jan. 15, 2015.
[117] D. Mass. Plea Agr. filed Oct. 9, 2014.
[118] *Id.*

that these payments were not allowable deductions. Jacobs became agitated and, in essence, asked if there was anything the revenue agent could do for him.[119]

In a subsequent meeting, Jacobs became upset when the revenue agent requested documentation for personal and vehicle expenses. Jacobs asked if the revenue agent wanted to be paid and offered him $5,000 to terminate the examination. Later the same day, Jacobs paid the revenue agent $5,000 in cash for the purpose of terminating the examination. The revenue agent provided Jacobs with a "no change" audit letter and examination reports reflecting no tax due for 2011 and a 13 cent refund for 2012.[120]

As part of the plea agreement, Jacobs agreed to cooperate with the Examination and Collection Divisions of the IRS, file accurate and complete tax returns for those years for which returns had not been filed or for which inaccurate returns had been filed, and make a good faith effort to pay any tax liabilities.[121] Jacobs was sentenced to nine months in prison, followed by two years of supervised release. He was further ordered to pay a $10,000 fine and participate in a mental health treatment program.[122]

The presiding judge stated, in part, "Bribery is one of the most severe crimes that this court confronts. …it cuts to the very heart of our government. Bribery is unacceptable. Bribery is a crime that has an evil component of its very own. And it is necessary…that those who commit bribery go to prison."[123]

Taxpayer Outreach

Tax-related identity theft and IRS impersonation telephone scams cause a strain upon limited IRS and TIGTA resources and challenge the integrity of Federal tax administration. TIGTA is dedicated to educating the public on identity theft and IRS impersonation scams in its efforts to prevent fraud against the IRS and protect U.S. taxpayers from falling prey to these scams. TIGTA has been working closely with the IRS, the Federal Trade Commission (FTC), U.S. Attorneys' offices, and a variety of State and local governments and media outlets to publish press releases, warnings, and other public awareness announcements to alert taxpayers of this current scam.

During this reporting period, Deputy Inspector General for Investigations Timothy P. Camus has worked closely with TIGTA's Office of Communications to grant more than a dozen on-camera interviews to broadcast media and scores of telephone interviews to print publications around the country, in an effort to warn taxpayers about the scam and prevent them from becoming victims. These media outlets include all major television networks, CNN, Telemundo, *The Wall Street Journal,* Gannett Newspapers, and regional and local newspapers and television stations around the country.

[119] D. Mass. Crim. Compl. filed Feb. 6, 2014.
[120] *Id.*
[121] D. Mass. Plea Agr. filed Oct. 9, 2014.
[122] D. Mass. Judgment filed Jan. 15, 2015.
[123] D. Mass. Judge's Findings filed Jan. 15, 2015.

On January 27, 2015, Assistant Inspector General for Investigations (AIGI) Michael Delgado participated with the FTC and the Association of American Retired Persons in a nationwide webinar titled, *Tax Identity Theft and IRS Imposter Scams.* The webinar was part of the FTC's 2nd annual Tax Identity Theft Awareness Week. AIGI Delgado provided the webinar attendees not only with sensible steps to protect their PII from identity thieves, but also with tips on how to quickly identify and stop telephone scammers claiming to represent the IRS.

TAXES ARE WHAT WE PAY FOR A CIVILIZED SOCIETY

Advance Oversight of America's Tax System

TIGTA's Office of Inspections and Evaluations (I&E) provides responsive, timely, and cost-effective inspections and evaluations of challenging areas within the IRS, providing TIGTA with additional flexibility and capability to produce value-added products and services to improve tax administration. The work of I&E is not a substitute for audits and investigations; in fact, its findings may result in subsequent audits and/or investigations.

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

Inspections are intended to:

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

Evaluations are intended to:

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

The following reports are highlights of some of the significant inspections and evaluations conducted during this six-month reporting period:

The Internal Revenue Service's Use of Its Streamlined Critical Pay Authority

This project determined whether the IRS's use of its streamlined critical pay authority conformed to established laws and regulations, and assessed the costs associated with the program. The Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98) authorized the IRS to hire up to 40 individuals at any one time into positions it deems to require extremely high-level expertise in an administrative, technical, or professional field that is critical to the IRS's success. While this authority was originally granted for 10 years, it was extended on two occasions before expiring on September 30, 2013.

Beginning in July 1998, the IRS used its streamlined critical pay authority to fill 168 critical pay positions. Over half were information technology positions; the remaining positions were distributed among the other nine IRS functions. A total of 102 appointees filled the 168 positions. Sixty-three of the 102 individuals held a single term appointment, while the remaining 39 held two or more appointments.

TIGTA determined that the critical pay positions were adequately justified, the need to recruit or retain exceptionally well-qualified individuals was demonstrated, pay limitations were adhered to, and the four-year cost of the program (CYs 2010 through 2013) was approximately $1.7 million. Also, most of the packages that TIGTA reviewed had not been approved by the Secretary of the Treasury or any other Treasury official, but instead had been approved by the IRS Commissioner after the Department of the Treasury, in November 2009, delegated its approval authority to the Commissioner. By the delegation of this authority, a key control intended to provide some oversight of the program was effectively eliminated.

Lastly, TIGTA found that two critical pay appointees had previously worked for the IRS. After separating from the IRS, they had held private sector jobs for several years before returning to fill the critical pay positions to which they were appointed.

TIGTA did not make any recommendations to the IRS concerning its use of the authority. If Congress chooses to once again authorize the IRS to use streamlined critical pay authority for a specific period of time, or permanently, TIGTA believes it would be beneficial to clearly define the extent of the program's independent oversight, if any, and to designate the individuals who would provide such oversight. It would also be beneficial to clarify what, if any, period of separation should be required of former IRS employees before they can be rehired by the IRS as a streamlined critical pay appointee.

In their response to the report, IRS officials stated that they agreed with the facts in the report.

Reference No. 2015-IE-R001

The Internal Revenue Service Adhered to the Required Bargaining Process and Federal Guidance in the Payment of Fiscal Year 2013 Performance Awards

This project was initiated to determine if the IRS met performance award reductions required by relevant Federal guidance and the process it followed to achieve those reductions. In February 2013, OMB issued guidance to Federal agencies not to issue discretionary monetary awards while sequestration was in place,[124] unless such awards were legally required.[125]

The *2012 National Agreement II*[126] establishes an awards program for bargaining unit employees and lays out the process by which the IRS is contractually obligated to engage the National Treasury Employees Union (NTEU)[127] in bargaining to negotiate the

[124] Sequestration is a process of automatic, largely across-the-board spending reductions to meet or enforce certain budget policy goals.
[125] M-13-05, *Agency Responsibilities for Implementation of Potential Joint Committee Sequestration* (Feb. 27, 2013).
[126] The National Agreement is the contract between the IRS and the NTEU, which was signed on June 14, 2012, and implemented on October 1, 2012. NTEU, *2012 National Agreement II*, http://www.nteu.org/Documents/IRSContract.pdf (last visited Aug. 21, 2014).
[127] The NTEU is the union representing IRS bargaining unit employees.

implementation and impact of the IRS's proposed change to bargaining unit performance awards.

TIGTA found that the IRS adhered to the process stipulated in the *2012 National Agreement II*, as well as to relevant Federal awards guidance, when negotiating changes to the FY 2013 bargaining unit performance awards. The negotiations resulted in an agreement between the IRS and the NTEU in which bargaining unit employees' awards would be paid at one percent of the bargaining unit employees' aggregate FY 2013 salaries, rather than 1.75 percent as originally specified in Article 18 of the *2012 National Agreement II*.

TIGTA did not make any recommendations to the IRS. IRS management agreed with the facts presented in the report.
Reference No. 2015-IE-R003

Requests for Taxpayer Information Were Generally Processed Properly in the Return and Income Verification Services and the Income Verification Express Service Programs

This report presented the results of TIGTA's inspection to determine whether there are adequate processes and procedures in place designed to prevent inadvertent disclosures of taxpayer information in the Return and Income Verification Services (RAIVS)[128] and the Income Verification Express Service (IVES)[129] programs.

The IRS established the RAIVS and the IVES programs within the Wage and Investment (W&I) Division to provide tax information to taxpayers and/or their authorized representatives, Federal agencies, or other parties. It is imperative that employees in these programs properly process requests for sensitive taxpayer information; otherwise, PII may be inadvertently disclosed and might be used to perpetrate acts of harm, such as identity theft.

TIGTA found that the verification services units have adequate processes and procedures in place designed to prevent inadvertent disclosures of taxpayer information. However, we found that the number of inadvertent disclosures reported is significantly understated because disclosures are counted by incident and the information related to each unique taxpayer involved was not recorded in the Service-Wide Notice Information Program (SNIP)[130] system as required. Additionally, inadvertent disclosures were not reported within one hour of discovery; the verification services units were using inconsistent methods for documenting disclosures; and the cause of the disclosures could not be readily determined. In one location reviewed, the required quality review reconciliation was not routinely conducted. Lastly, the

[128] The RAIVS program provides copies of the returns or transcripts of returns upon request.
[129] The IVES program is used by mortgage lenders and others within the financial community to confirm the income of a borrower during the processing of a loan application.
[130] The SNIP serves as the centralized source for reporting inadvertent disclosures. All inadvertent disclosures must be entered into the SNIP database.

correct process for reporting inadvertent disclosures to the W&I Division Office of Taxpayer Correspondence was not fully documented in the W&I Division reporting procedures.

TIGTA recommended that the Commissioner, W&I Division, require that the processing units use the SNIP to report an inadvertent disclosure for each taxpayer; reevaluate the policy for reporting disclosures within one hour of discovery; determine the proper method to document and fully report disclosures; ensure that quality review teams conduct the required reconciliations; and ensure that the correct process for reporting inadvertent disclosures to the Office of Taxpayer Correspondence is documented.

IRS officials agreed with three of TIGTA's recommendations and plan to implement corrective actions. For the other two recommendations, IRS officials emphasized that they have an alternative method for documenting inadvertent disclosures for each taxpayer and sent a reminder to staff to report inadvertent disclosures within one hour of discovery.

Reference No. 2015-IE-R004

TIGTA's International Programs

TIGTA is committed to providing comprehensive oversight of IRS international programs and operations by developing a strategy of international audit, inspection, and law enforcement liaison and outreach. This strategy will enhance TIGTA's capacity to execute its oversight model in the international environment.

The United States taxes U.S. individuals and businesses on their worldwide income and taxes foreign persons on their U.S. source income. International tax administration can be divided into four general areas:

- U.S. business cross-border;
- Foreign business in the United States;
- Individual cross-border; and
- Foreign person with taxable U.S. income.

The tax law for cross-border transactions and investments can be highly complex and specialized.

The President, the Secretary of the Treasury, and the IRS Commissioner have placed an emphasis on international tax compliance. Also, business tax reform discussions include potential substantive changes to intercompany transfer pricing policy. In addition, the IRS is implementing the Foreign Account Tax Compliance Act[131] to help prevent U.S. taxpayers from hiding assets offshore.

International Visitors

In October, 2014, TIGTA hosted the Honorable Ali Nozoori, the Inspector General (IG) for Taxation for the country of Australia. The meeting was to discuss whether there should be any structural changes to the Australian Tax Office, such as the creation of an independent appeals area along the lines of the IRS Appeals function. Accordingly, the visiting IG wanted to learn more about the IRS Appeals function, and how the IRS handles tax disputes.

[131] Pub. L. No. 111-147, Subtitle A, 124 Stat. 71, 96-116 (2010) (codified in scattered sections of 26 U.S.C.).

TAXES ARE WHAT WE PAY FOR A CIVILIZED SOCIETY

Congressional Testimony

During this reporting period, TIGTA was represented before Congress on four occasions. Inspector General J. Russell George testified at three congressional hearings. In addition, a senior-level TIGTA official testified jointly with the Inspector General at one hearing and separately at another.

On February 25, 2015, Mr. George testified before the House Committee on Appropriations, Subcommittee on Financial Services and General Government, at its "Oversight Hearing – Internal Revenue Service." The Inspector General's testimony highlighted several ways for the IRS to perform its mission more efficiently and effectively while it faces many resource-related challenges. The following is a summary of his oral testimony.

TIGTA has determined that permitting the electronic filing of amended tax returns could save the IRS money and prevent the issuance of erroneous tax refunds. We believe the IRS could save about $17 million dollars per year if it allowed taxpayers to electronically file amended tax returns, rather than allowing only paper filings. Electronic filing of amended returns would also enable the IRS to use the same processes it currently uses to verify originally filed tax returns. TIGTA estimates that over the next five years using these processes could prevent the issuance of the more than $2.1 billion dollars in potentially erroneous refunds associated with amended returns.[132]

TIGTA also found that the IRS's fieldwork collection[133] process is not designed to identify cases with the highest collection potential. Given the significant growth in delinquent accounts and the reduction in the number of IRS employees, it is essential to ensure that cases with the highest risk and potential for collection are identified.[134]

The IRS could also make more informed business decisions when determining how to use its limited resources. For example, the IRS has eliminated or reduced services at Taxpayer Assistance Centers. Although the IRS has stated that the services eliminated or reduced were, in part, the result of the IRS's anticipated budget cuts, the IRS's plans did not show to what extent the services cut would lower costs.[135] Moreover, the IRS later had to reverse certain decisions it made relating to this issue.

Additional authority and timelier reporting of third-party data would also assist the IRS in improving tax administration. Each year, the IRS receives information returns filed by third parties, such as employers and educational institutions. These returns provide the

[132] TIGTA, Ref. No. 2014-40-028, *Amended Tax Return Filing and Processing Needs to Be Modernized to Reduce Erroneous Refunds, Processing Costs, and Taxpayer Burden* (Apr. 2014).
[133] The IRS's Collection function has the primary responsibility for collecting delinquent taxes and tax returns while ensuring that taxpayer rights are protected.
[134] See TIGTA, Ref. No. 2014-30-068, *Field Collection Could Work Cases With Better Collection Potential* (Sep. 2014).
[135] TIGTA, Ref. No. 2014-40-038, *Processes to Determine Optimal Face-to-Face Taxpayer Services, Locations, and Virtual Services Have Not Been Established* (June 2014).

IRS with the information needed to verify taxpayers' claims for benefits such as the EITC and the American Opportunity Tax Credit. However, information returns are generally not filed with the IRS until after most taxpayers have filed their annual tax returns.

Requiring third parties to file information returns earlier would provide the IRS with the opportunity to use the information contained on these forms to verify tax returns at the time they are processed rather than after refunds are issued. For example, in TY 2012 the IRS issued more than $3.2 billion dollars in potentially erroneous education credits to taxpayers. These taxpayers had claimed the credit for students for whom the IRS did not receive a Form 1098-T, *Tuition Statement*, from a postsecondary educational institution.

However, even if the third-party information returns are received more timely, the IRS still needs certain additional authorities to more efficiently and effectively use these data. Generally, the IRS must audit any tax return it identifies as making a questionable claim before it can adjust or deny the claim, even if the IRS has reliable data that indicate the claim is erroneous. The Department of the Treasury has, as part of every IRS budget request since FY 2013, included a legislative proposal to obtain "correctable error authority," which would permit the IRS to systemically deny all tax claims for which the IRS has reliable data showing the claim to be erroneous. TIGTA estimates the use of correctable error authority, along with expanded use of the HHS National Directory of New Hires, could have prevented the issuance of more than $1.7 billion dollars in questionable EITC claims in TY 2012.[136]

On February 26, 2015, the Inspector General and Timothy P. Camus, Deputy Inspector General of Investigations, testified before the House Committee on Oversight and Government Reform to provide a progress report on TIGTA's efforts to recover former IRS Exempt Organization Unit Director Lois Lerner's missing e-mails. The Inspector General emphasized that the objective of appearing before the Committee was to provide as much information as possible on the progress of our e-mail recovery efforts without compromising the integrity of TIGTA's ongoing investigation into the circumstances surrounding the IRS's loss of data, the hard drive crash, and the manner in which the IRS handled its electronic media. He further stressed that we have not reached any conclusions on these issues, and the information provided during the hearing may in fact change before we complete this ongoing investigation.

On March 3, 2015, Mr. George testified before the Senate Committee on Appropriations, Subcommittee on Financial Services and General Government, regarding the FY 2016 budget requests of TIGTA and the IRS, and on specific areas where the IRS could perform its mission more effectively. The following is a summary of the Inspector General's testimony.

The proposed IRS budget requests appropriated resources of $12.9 billion dollars. This is an increase of $2 billion dollars from the FY 2015 enacted level. This proposed increase is intended to improve taxpayer service levels and enforcement efforts. It also provides for critical Information Technology changes related to the Affordable Care Act

[136] TIGTA, Audit Number 201440015, *Billions of Dollars in Potentially Erroneous Education Credits Continue to be Claimed for Ineligible Students and Institutions*, report planned for March 2015.

and for other requirements needed to sustain information technology infrastructure. We have reported that a trend of lower budgets and reduced staffing has affected the IRS's ability to effectively deliver services in its priority program areas, including customer service and enforcement,[137] at a time when it has the increased responsibility of implementing certain provisions of the Affordable Care Act.

The IRS also continues to dedicate significant resources to detecting and reviewing tax returns of potential identity theft victims and to assist the victims. The IRS employees who work the majority of identity theft cases are telephone assistors who also respond to taxpayers' calls to the IRS's toll-free telephone lines. This has contributed to the IRS's inability to timely resolve victims' cases as well as to a continued decline in its ability to timely respond to taxpayers' written correspondence. As of February 14, 2015, the average wait time for the IRS to answer a call was 28 minutes, the level of service was only 43 percent, and its over-age correspondence inventory was 1.3 million.[138]

TIGTA's FY 2016 proposed budget requests appropriated resources of $167 million, an increase of 5.7 percent compared to the FY 2015 enacted budget. TIGTA's budget priorities include mitigating risks associated with tax refund fraud and identity theft, monitoring the IRS's implementation of the Affordable Care Act and other tax law changes, and assessing the IRS's efforts to improve tax compliance involving foreign financial assets and offshore accounts. In addition, activities that will continue to take priority include: investigating allegations of serious misconduct and criminal activity by IRS employees; ensuring that IRS employees are safe and that IRS facilities, data, and infrastructure are secure and are not impeded by threats of violence; and protecting the IRS against external attempts to corrupt or otherwise interfere with tax administration.

While the IRS faces many resource-related challenges, TIGTA has recently reported on several areas where the IRS can achieve cost savings, more efficiently use its limited resources, and make more informed business decisions.[139] For example, in August 2012, TIGTA reported that the IRS can achieve additional cost savings by better managing its real property costs. The IRS completed 17 space consolidation and relocation projects between October 2010 and December 2011, which the IRS estimated would result in $2.8 million of realized rent savings in FY 2012. However, we also reported that the IRS continues to incur rental costs for more workstations than it requires. TIGTA estimated that if the employees whom the IRS allows to routinely telework on a full- or part-time basis shared their workstations on days they were not in the office, 10,244 workstations could potentially be eliminated. The sharing of these workstations could allow the IRS to

[137] TIGTA, Ref. No. 2014-10-025, *Implementation of Fiscal Year 2013 Sequestration Budget Reductions* (June 2014).
[138] TIGTA, Audit No. 201330013, *Budget Cuts Resulted in Significant Declines in Key Resources and Unfavorable Trends in Collection Program Performance*, report planned for April 2015.
[139] See TIGTA, Ref. No. 2013-10-104, *The Use of Return on Investment Information in Managing Tax Enforcement Resources Could Be Improved* (Sep. 2013); TIGTA, Ref. No. 2014-40-038, *Processes to Determine Optimal Face-to-Face Taxpayer Services, Locations, and Virtual Services Have Not Been Established* (June 2014); TIGTA, Ref. No. 2014-30-068, *Field Collection Could Work Cases With Better Collection Potential* (Sep. 2014); and TIGTA, Ref. No. 2014-40-084, *A Service-Wide Strategy Is Needed to Increase Business Tax Return Electronic Filing* (Sep. 2014).

reduce its long-term office space needs by almost one million square feet, resulting in potential rental savings of approximately $111 million over five years.[140]

On March 12, 2015, Mr. Camus testified before the Senate Committee on Finance on the topic of tax schemes and scams during the 2015 filing season. Mr. Camus's opening statement outlined the top schemes that are currently affecting taxpayers: the IRS impersonation phone scam, the lottery scam, and tax refund-related identity theft. The following is a summary of his testimony.

Each year the IRS compiles on its website what it refers to as the "Dirty Dozen" tax scams. Many of these schemes and scams peak during the filing season, as people prepare their returns or utilize the services of paid preparers. The 2015 Filing Season has unfortunately brought more of the same. However, there are two tax scams in particular that are among the most pernicious and dangerous. They have proven to be surprisingly effective and fast ways to steal taxpayers' money. In this fast-paced electronic environment, the money can be gone before the victims ever realize they have been scammed.

The first scam is the phone impersonation scam, and it is the largest and most pervasive impersonation scam of which we are aware. Here is how it works: The intended victim receives an unsolicited telephone call from a person claiming to be an IRS agent. The caller, using a fake name, tells the victim a made-up "badge number," and claims that the victim owes taxes and is criminally liable for the amount owed. The callers may even know the last four digits of the victim's SSN. They then threaten the victim by stating that if the victim fails to pay immediately, he or she will be arrested and face other actions such as the loss of a driver's license. Mr. Camus indicated that he had himself received one of these calls at his home one Saturday.

The scam has claimed thousands of victims in every State represented by the Members of the committee. In fact, TIGTA has received over 366,000 reports of these calls, averaging between 9,000 and 12,000 every week. As of March 9, 2015, over 3,000 individuals had been victimized by this scam, and had paid a total of $15.5 million, or an average of over $5,000 per victim. The highest reported loss by one individual was a staggering $500,000.

In one particularly sad story, a Member of this committee had forwarded a letter to TIGTA from a constituent whose close relative suffered a tragic death after receiving harassing phone calls from these scammers. To help educate taxpayers, we are reaching out via the media in conjunction with the IRS and the Federal Trade Commission, as well as providing testimony to the committee, in hopes of eliminating this type of abuse and of preventing other vulnerable individuals from being victimized.

Another ongoing scam, which is a continuation of an older scam, involves using the story that the victim has won the lottery. It starts with an e-mail or telephone call out of the blue declaring that the victim has won the lottery, but in order to collect the winnings the victim

[140] TIGTA, Ref. No. 2012-10-100, *Significant Additional Real Estate Cost Savings Can Be Achieved by Implementing a Telework Workstation Sharing Strategy* (Aug. 2012).

needs to send the money to pre-pay the tax to the IRS. The lottery scam often, but not always, originates from outside of the United States. In the end, the victims pay the money, but they never receive any lottery winnings.

Just as serious as these scams is the risk of taxpayer refund identity theft.[141] The IRS has made improvements in its detection of identity theft tax returns before fraudulent tax refunds are released, but continued attention is needed to effectively combat this crime. The IRS has taken steps to more effectively prevent the filing of identity theft tax returns by locking the tax accounts of deceased individuals to prevent others from filing a tax return using the departed's name and SSN. For example, for PY 2014, the IRS rejected over 338,000 e-filed tax returns and stopped nearly 16,000 paper-filed tax returns through the use of these locks, just 11 days after the filing season began. This year, the IRS reported that it has prevented the issuance of more than $2 million in fraudulent tax refunds as a result of its identity theft filters.

Other schemes, such as prisoner fraud, scams by unscrupulous tax preparers, and phishing scams, and important information on ways in which the IRS will and will not contact you, are also discussed in-depth in the written testimony of Mr. Camus.[142]

[141] The U.S. Department of Justice, Tax Division, refers to this type of scam as Stolen Identity Refund Fraud (SIRF).
[142] The written testimonies for congressional hearings are available under the "Publications" section of TIGTA's website, www.treasury.gov/tigta

TAXES ARE WHAT WE PAY FOR A CIVILIZED SOCIETY

Audit Statistical Reports
Reports With Questioned Costs

TIGTA issued no audit reports with questioned costs during this semiannual reporting period. The phrase "questioned costs" means costs that are questioned because of:

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

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

Reports With Questioned Costs			
Report Category	**Number**	**Questioned Costs[143] (in thousands)**	**Unsupported Costs (in thousands)**
1. Reports with no management decision at the beginning of the reporting period	8	$44,373	$0
2. Reports issued during the reporting period	0	$0	$0
3. Subtotals (Item 1 plus Item 2)	**8**	**$44,373**	**$0**
4. Reports for which a management decision was made during the reporting period			
a. Value of disallowed costs	0	$0	$0
b. Value of costs not disallowed	0	$0	$0
5. Reports with no management decision at the end of the reporting period (Item 3 minus Item 4)	**8**	**$44,373**	**$0**
6. Reports with no management decision within six months of issuance	8	$44,373	$0

[143] "Questioned costs" includes "unsupported costs."

Reports With Recommendations That Funds Be Put to Better Use

TIGTA issued two audit reports during this semiannual reporting period with the recommendation that funds be put to better use.[144] The phrase "recommendation that funds be put to better use" means funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

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

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

Reports With Recommendations That Funds Be Put to Better Use		
Report Category	**Number**	**Amount (in thousands)**
1. Reports with no management decision at the beginning of the reporting period	0	$0
2. Reports issued during the reporting period	2	$9,125,214
3. Subtotals (Item 1 plus Item 2)	**2**	**$9,125,214**
4. Reports for which a management decision was made during the reporting period a. Value of recommendations to which management agreed		
i. Based on proposed management action	1	$1,019
ii. Based on proposed legislative action	0	$0
b. Value of recommendations to which management did not agree	1	$9,124,195
5. Reports with no management decision at the end of the reporting period (Item 3 minus Item 4)	**0**	**$0**
6. Reports with no management decision within six months of issuance	0	$0

[144] See Appendix II for identification of audit reports involved.

Reports With Additional Quantifiable Impact on Tax Administration

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

Definitions of these additional measures are:

Increased Revenue: Assessment or collection of additional taxes.

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

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

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

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

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

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

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

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

Reports With Additional Quantifiable Impact on Tax Administration			
Outcome Measure Category	**Number of Reports[145]**	**Number of Taxpayer Accounts**	**Dollar Value (in thousands)**
Increased Revenue	1	0	$3,300
Revenue Protection	4	2,875,972	$12,495,742
Reduction of Burden on Taxpayers	2	25,716	$0
Taxpayer Rights and Entitlements at Risk	0	0	$0
Taxpayer Privacy and Security	2	311	$0
Inefficient Use of Resources	0	0	$0
Reliability of Management Information	2	2,959	$170,078
Protection of Resources	2	0	$18,810

Management did not agree with the outcome measures in the following reports:

- Increased Revenue: Reference No. 2015-33-019;
- Revenue Protection: Reference Nos. 2015-30-005, 2015-40-012, and 2015-40-027;
- Protection of Resources: Reference No. 2015-10-011; and
- Reliability of Information: Reference No. 2015-33-019.

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

- Increased Revenue: Reference No. 2015-33-019; and
- Protection of Resources: Reference No. 2015-10-001.

[145] See Appendix II for identification of audit reports involved.

Investigations Statistical Reports

Significant Investigative Achievements October 1, 2014 – March 31, 2015	
Complaints/Allegations Received by TIGTA	
Complaints against IRS Employees	2,439
Complaints against Non-Employees	3,812
Total Complaints/Allegations	**6,251**
Status of Complaints/Allegations Received by TIGTA	
Investigations Initiated	885
In Process within TIGTA[146]	704
Referred to IRS for Action	638
Referred to IRS for Information Only	1,169
Referred to a Non-IRS Entity[147]	1
Closed with No Referral	876
Closed Associated with Prior Investigation	1,749
Closed with All Actions Completed	229
Total Complaints	**6,251**
Investigations Opened and Closed	
Total Investigations Opened	1,341
Total Investigations Closed	1,358
Financial Accomplishments	
Embezzlement/Theft Funds Recovered	0
Contract Fraud and Overpayments Recovered	0
Court Ordered Fines, Penalties and Restitution	$ 14,558,310
Out-of-Court Settlements	0
Total Financial Accomplishments	**$14,558,310**

[146] Complaints for which final determination had not been made at the end of the reporting period.
[147] 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	28	23	**51**
Referred – Declined for Prosecution	251	120	**371**
Referred – Pending Prosecutorial Decision	31	26	**57**
Total Criminal Referrals[148]	**310**	**169**	**479**
No Referral	**323**	**516**	**839**

Criminal Dispositions[149]			
Criminal Disposition	**Employee**	**Non-Employee**	**Total**
Guilty	9	33	**42**
Nolo Contendere (no contest)	4	0	**4**
Pre-trial Diversion	2	1	**3**
Deferred Prosecution[150]	0	0	**0**
Not Guilty	1	0	**1**
Dismissed	1	0	**1**
Total Criminal Dispositions	**17**	**34**	**51**

Administrative Dispositions on Closed Investigations[151]	
Administrative Disposition	**Total**
Removed / Terminated	30
Suspended / Reduction in Grade	64
Resigned / Retired / Separated Prior to Adjudication	81
Oral or Written Reprimand / Admonishment	170
Clearance Letter / Closed, No Action Taken	90
Alternative Discipline / Letter with Cautionary Statement / Other	139
Non-Employee Actions[152]	238
Total Administrative Dispositions	**812**

[148] Criminal referrals include both Federal and State dispositions.
[149] 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 Status of Closed Criminal Investigations table above.
[150] Generally in a deferred prosecution, the defendant accepts responsibility for his/her 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.
[151] 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. These data, as reported, reflects a change in the way administrative dispositions were previously categorized.
[152] Administrative actions taken by the IRS against non-IRS employees.

Inspections and Evaluations Statistical Reports

Reports With Questioned Costs

TIGTA issued no inspection reports with questioned costs during this semiannual reporting period. The phrase "questioned costs" means costs that are questioned because of:

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

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

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

TAXES ARE WHAT WE PAY FOR A CIVILIZED SOCIETY

Appendix I
Statistical Reports – Other

Audit Reports With Significant Unimplemented Corrective Actions

The Inspector General Act of 1978, as amended, requires identification of significant recommendations described in previous semiannual reports for which corrective actions have not been completed. The following list is based on information from the IRS Office of Management Control's automated tracking system maintained by Treasury management officials.

Reference Number	IRS Management Challenge Area	Issued	Projected Completion Date	Report Title and Recommendation Summary *(F = Finding No., R = Recommendation No.)*
2009-40-130	Processing Returns and Implementing Tax Law Changes During the Tax Filing Season	September 2009	10/15/15	***Repeated Efforts to Modernize Paper Tax Return Processing Have Been Unsuccessful; However, Actions Can Be Taken to Increase Electronic Filing and Reduce Processing Costs*** F-1, R-2. Refocus the Modernized Submission Processing Concept to include implementing a process to convert paper filed tax returns prepared by individuals using a tax preparation software package into an electronic format.
2011-20-046	Security of the IRS	May 2011	11/15/16	***Access Controls for the Automated Insolvency System Need Improvement*** F-1, R-1. Identify incompatible duties and implement policies to segregate those duties, issue a memorandum to program managers requiring them to adhere to the new policy when assigning duties and approving Automated Insolvency System access privileges, and designate a limited number of employees to perform the User Administrator duties.
2013-40-009	Fraudulent Claims and Improper Payments	December 2012	01/15/16	***Many Taxpayers Are Still Not Complying With Noncash Charitable Contribution Reporting Requirements*** F-1, R-2. Capture the contribution date, donee signature and/or acknowledgement date, and Declaration of Appraiser, and type of property donated from Forms 8283 and develop processes to use the information to ensure that taxpayers are meeting the requirements for claiming deductions for noncash charitable contributions.
2013-20-013	Achieving Program Efficiencies and Cost Savings	June 2013	04/25/15	***The Data Center Consolidation Initiative Has Made Significant Progress, but Program Management Should Be Improved to Ensure Goals Are Achieved*** F-1, R-3. Ensure that the Detroit Enterprise Computer Center is consolidated into the Martinsburg and Memphis Enterprise Computing Center.

Reference Number	IRS Management Challenge Area	Issued	Projected Completion Date	Report Title and Recommendation Summary *(F = Finding No., R = Recommendation No.)*
2013-10-082	Tax Compliance Initiatives	August 2013	5/15/15 5/15/15 5/15/15	***Contractor Employees Have Millions of Dollars of Federal Tax Debts*** F-1, R-1. Establish and implement policies and procedures to ensure that contractor employee tax compliance is continually monitored, similar to the way IRS Federal employee tax compliance is monitored. F-1, R-2. Establish and implement policies and procedures to require that contractor employee background investigation revalidations, which occur when a contractor employee has had two years or more break in service, requires a tax compliance component. F-1, R-3. Ensure that any contractor employees we identified as potentially non-compliant are further evaluated and that any contractor employees who are not tax compliant are promptly brought into compliance or removed from IRS contracts.
2013-20-108	Security for Taxpayer Data and Employees	September 2013	02/25/16	***Better Cost-Benefit Analysis and Security Measures Are Needed for the Bring Your Own Device Pilot*** F-2, R-4. Provide periodic refresher training for Bring Your Own Device participants that clearly explain the risks associated with personal mobile devices.
2013-23-119	Implementing Major Tax Law Changes	September 2013	10/25/15	***Affordable Care Act: Improvements Are Needed to Strengthen Systems Development Controls for the Premium Tax Credit Project*** F-4, R-1. Ensure that the Internal Revenue Manual is updated to provide specific guidance on how IRS management is to effectively manage, monitor, and mitigate fraud risk for information technology systems.
2013-30-121	Tax Compliance Initiatives	September 2013	05/15/15 05/15/15	***The Online Payment Agreement Program Benefits Taxpayers and the Internal Revenue Service, But More Could Be Done to Expand Its Use*** F-1, R-1. Measure Online Payment Agreement (OPA) program performance results against OPA program goals and manage the program to achieve those goals. F-2, R-2. Perform an evaluation of installment agreement programs, including the OPA program to identify barriers to using the OPA program and determine the reasons taxpayers used the methods they did to establish their payment agreements.
2013-40-122	Fraudulent Claims and Improper Payments	September 2013	06/15/17	***Detection Has Improved; However, Identity Theft Continues to Result in Billions of Dollars in Potentially Fraudulent Tax Refunds*** F-1, R-1. Implement a process to deactivate Individual Taxpayer Identification Numbers assigned to individuals prior to January 1, 2013, who no longer have a tax filing requirement.
2013-40-123	Fraudulent Claims and Improper Payments	September 2013	09/15/15	***The Law Which Penalizes Erroneous Refund and Credit Claims Was Not Properly Implemented*** F-1, R-1. Develop processes and procedures to enable Campus Operations to assess the erroneous refund penalty for disallowed credit claims that are excessive and do not have a reasonable basis.
2014-40-011	Fraudulent Claims and Improper Payments	February 2014	03/15/16	***Processes for Ensuring Compliance With Qualifying Advanced Energy Project Credit Requirements Can Be Strengthened*** F-2, R-1. Ensure a process to identify and verify that individual taxpayer tax returns claiming Advanced Energy Credits are valid.

Reference Number	IRS Management Challenge Area	Issued	Projected Completion Date	Report Title and Recommendation Summary *(F = Finding No., R = Recommendation No.)*
2014-20-002	Achieving Program Efficiencies and Cost Savings	February 2014	07/25/15 01/25/16 01/25/16	***The Internal Revenue Service Should Improve Mainframe Software Asset Management and Reduce Costs*** F-1, R-2. Develop an enterprise-wide organizational structure to manage mainframe software assets and licenses. F-1, R-4. Develop detailed standard operating procedures for using mainframe software licensing tools to manage software licenses. F-1, R-7. Maintain data in the inventory system that the IRS can use to more effectively review mainframe software licensing agreements, purchases, deployment, usage, and other related aspects of mainframe licensing to identify additional savings in software spending.
2014-10-008	Tax Compliance Initiatives	March 2014	04/15/15	***Millions of Dollars in Potentially Improper Self Employed Retirement Plan Reductions Are Allowed*** F-3, R-1. Work with the Department of the Treasury to assess whether it would be cost effective to recommend legislative changes to require third party information reporting such as that currently required for Simplified Employee Pension Plans, Savings Incentive Match Plans for Employees, and other Individual Retirement Arrangements for those types of retirement plans that currently have no reporting requirement for providing information on amounts contributed.
2014-30-023	Tax Compliance Initiatives	May 2014	05/15/15	***Expansion of the Delinquent Return Refund Hold Program Could Improve Filing Compliance and Help Reduce the Tax Gap*** F-2, R-1. Develop specific performance measures in the program that compare actual results with management's goal of improving filing compliance.
2014-10-033	Providing Quality Service Operations	June 2014	12/15/15 12/15/15 12/15/15	***The Taxpayer Advocate Service Can Improve the Processing of Systemic Burden Cases*** F-1, R-1. Reissue guidance to explain the requirement to only contact authorized representatives when applicable, and emphasize this in future training. F-1, R-3. Review the results of sample findings and incorporate lessons learned into future training. F-3, R-2. Reemphasize the importance of ensuring the accuracy of criteria, primary core issues, and relief codes to personnel to improve the accuracy of information that is used to make managerial decisions and what is reported to Congress and the public.
2014-10-037	Security for Taxpayer Data and IRS Employees	July 2014	06/15/15 06/15/15	***Some Contractor Personnel Without Background Investigations Had Access to Taxpayer Data and Other Sensitive Information*** F-1, R-1. Establish clear policies and procedures to assure that the types of service contracts have the appropriate security provisions included in the related solicitation and contract, and that associated contractor personnel have appropriate interim access approval or final background investigation prior to beginning work on the project. F-2, R-1. Use the results of the contract cases identified to provide program office and procurement office staff with additional training on contractor security requirements, including obtaining timely background investigations and the necessity for contractor personnel to sign nondisclosure agreements prior to contract work being performed.

Reference Number	IRS Management Challenge Area	Issued	Projected Completion Date	Report Title and Recommendation Summary *(F = Finding No., R = Recommendation No.)*
2014-43-043	Implementing the Affordable Care Act and Other Tax Law Changes	July 2014	12/15/15 02/15/16 02/15/16	***The Affordable Care Act: An Improved Strategy Is Needed to Ensure Accurate Reporting and Payment of the Medical Device Excise Tax*** F-1, R-1. Continue refining the compliance strategy to include actions that can be taken to identify noncompliant manufacturers. F-2, R-2. Establish a process for paper-filed Form 720 to math verify the accuracy of the medical device excise tax amount and correspond with taxpayers on the corrected taxable amount. F-2, R-3. Initiate a process to correspond with taxpayers to obtain missing taxable sales or tax amounts during the processing of paper-filed Forms 720 reporting the medical device excise tax.
2014-30-067	Tax Compliance Initiatives	September 2014	09/15/15	***Additional Actions Are Needed to Ensure That Improper Fuel Tax Credit Claims Are Disallowed*** F-2, R-1. Provide managers and examiners with additional training and procedures to determine acceptable supporting documentation for claiming a fuel tax credit and review amended returns when the original return has been adjusted beyond removing the fuel tax credit.
2014-23-070	Implementing the Affordable Care Act and Other Tax Law Changes	September 2014	07/15/15 07/15/15 07/15/15 07/15/15	***Affordable Care Act: Expanded Guidance Provided Assistance to the Exchanges, but Greater Assurance of the Protection of Federal Tax Information Is Needed*** F-1, R-1. Revise Publication 1075 to state that agencies that are deploying new systems must conduct an independent assessment of the security controls in their information systems prior to issuing the initial authority to operate, and must provide the Security Assessment Report (SAR) and signed security authorizations of their systems to the Office of Safeguards before release of Federal Tax Information (FTI) will be granted. F-1, R-2. Revise Office of Safeguards' policies to include a review of the SAR for any significant security deficiencies before approving the release of FTI and to use SAR results as a factor in assessing risk and prioritizing agencies for on-site reviews. F-2, R-1. Prioritize according to risk and timely schedule on-site reviews of agencies that have deployed new systems and received FTI, particularly when those new systems relate to sensitive programs such as the Affordable Care Act. F-3, R-1. Update procedures in the Internal Revenue Manual, including clarifying procedures for immediate suspension or termination of FTI, and identifying which managers have the authority to do so when deficiencies are serious enough to potentially allow unauthorized access or disclosure of FTI.
2014-30-080	Tax Compliance Initiatives	September 2014	09/15/15 09/15/15 11/15/15	***Declining Resources Have Contributed to Unfavorable Trends in Several Key Automated Collection System Business Results*** F-1, R-1. Re-examine the Automated Collection System's (ACS) role in the Collection workflow process, including inventory delivery to the ACS as well as case retention criteria, and align ACS resources accordingly. F-1, R-2. Request a study to determine the impact on tax administration of the policy change not requiring lien determinations on certain unpaid balances when transferring cases to the Queue. F-2, R-1. Establish performance metrics for ACS call handling data to measure the impact that answering incoming taxpayer calls has on compliance business results.

Reference Number	IRS Management Challenge Area	Issued	Projected Completion Date	Report Title and Recommendation Summary *(F = Finding No., R = Recommendation No.)*
2014-40-084	Modernization	September 2014	01/15/16 01/15/16 01/15/17 10/15/15	***A Service-Wide Strategy Is Needed to Increase Business Tax Return Electronic Filing*** F-1, R-1. Develop a Service-wide strategy that outlines specific efforts the IRS will initiate to advance the e-filing rate of business tax returns. F-1, R-3. Evaluate the feasibility of providing business filers with the option of Free Fillable Forms. F-2, R-1. Develop a less burdensome electronic signature process for businesses e-filing employment tax returns using the Modernized e-File system. F-4, R-1. Work with the Department of the Treasury Office of Tax Policy to consider a legislative proposal to revise current requirements and/or create new requirements for e-filing of business tax returns that would increase the overall e-filing rate.
2014-40-086	Providing Quality Taxpayer Service Operations	September 2014	07/15/15	***Identity Protection Personal Identification Numbers Are Not Provided to All Eligible Taxpayers*** F-2, R-2. Establish a process to ensure that identity protection personal identification number criteria are accurately programmed by the Applications Development function.
2014-20-088	Modernization	September 2014	03/25/17 10/25/15	***The Information Reporting and Document Matching Case Management System Could Not Be Deployed*** F-1, R-2. Ensure that the Information Reporting And Document Matching Case Management (IRDMCM) System requirements are completely identified. F-1, R-3. Ensure that case management capabilities of Entellitrak, or its replacement solution, are thoroughly assessed to ensure that it satisfies the IRDMCM System requirements and meets stated business needs.

Other Statistical Reports

The Inspector General Act of 1978 requires Inspectors General to address the following issues:	
Issue	**Result for TIGTA**
Access to Information Report unreasonable refusals of information available to the agency that relate to programs and operations for which the Inspector General has responsibilities.	As of March 31, 2015, there were no instances where information or assistance requested by the Office of Audit was refused.
Disputed Audit Recommendations Provide information on significant management decisions in response to audit recommendations with which the Inspector General disagrees.	As of March 31, 2015, there were no instances where significant recommendations were disputed.
Revised Management Decisions Provide a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	As of March 31, 2015, there were no significant revised management decisions.
Audit Reports Issued in the Prior Reporting Period With No Management Response Provide a summary of each audit report issued before the beginning of the current reporting period for which no management response has been received by the end of the current reporting period.	As of March 31, 2015, there were no prior reports where management's response was not received.
Review of Legislation and Regulations Review existing and proposed legislation and regulations, and make recommendations concerning the impact of such legislation or regulations.	TIGTA's Office of Chief Counsel reviewed 102 existing or proposed regulations and legislative requests during this reporting period.

Inspection Reports With Significant Unimplemented Corrective Actions

The Inspector General Act of 1978, as amended, requires identification of significant recommendations described in previous semiannual reports for which corrective actions have not been completed. The following list is based on information from the IRS Office of Management Control's automated tracking system maintained by Treasury management officials.

Reference Number	Issued	Projected Completion Date	Report Title and Recommendation Summary *(F = Finding No., R = Recommendation No., P = Plan No.)*
2011-IE-R004	June 2011	10/15/2015	**Follow-up Review of Controls Over Religious Compensatory Time** F-1, R-2, P-1. The IRS Human Capital Officer should modify the IRS religious compensatory time (RCT) procedures to require that all employees (bargaining unit and non-bargaining unit) submit written requests to earn or use RCT, and develop a standard form for requesting, authorizing, and documenting the use of RCT.
2013-IE-R006	July 2013	10/15/2015 10/15/2015	**Review of the Implementation of the Telework Enhancement Act of 2010** F-1, R-1, P-1. The IRS Human Capital Officer should revise the IRS's telework policy to indicate that a non-bargaining unit employee with an approved telework agreement can be expected to telework outside his or her normal telework schedule in the case of an emergency situation. F-1, R-2, P-1. The IRS Human Capital Officer should require that telework agreements include specific language on whether the employee is expected to telework when the office is closed due to an emergency.
2013-IE-R008	August 2013	1/15/2017 1/15/2016 1/15/2016	**The Internal Revenue Service Needs to Improve the Comprehensiveness, Accuracy, Reliability, and Timeliness of the Tax Gap Estimate** F-2, R-1, P-1. The Director, Office of Research, Analysis, and Statistics (RAS), should develop processes and procedures to ensure compliance with applicable Office of Management and Budget (OMB) standards to improve the overall confidence that can be placed in the accuracy and reliability of the Tax Gap estimate. This includes developing a method to estimate the total costs for performing each Tax Gap estimate and study. This information will assist decision makers in determining the methods and frequency of future studies. F-2, R-2, P-1. The Director, Office of RAS, should issue a published report to explain the methods, assumptions, and premises used to develop the estimates. Furthermore, the report should also include comments about the confidence of the reliability and accuracy of the estimate and comparisons with previous estimates. The report should specifically state instances where no estimates have been developed and whether the absence of an estimate could affect the final estimate and the Voluntary Compliance Rate (VCR). Finally, the report should be subject to peer review. F-4, R-2, P-1. The Director, Office of RAS, should consider conducting a National Research Project (NRP) review on small corporations filing Form 1120, *U.S. Corporate Income Tax Return*, with total assets of less than $10 million. This will allow the IRS to more accurately model the small corporate Tax Gap by using a random sample results partnered with the detection controlled estimation (DCE) method. Subsequently, the IRS could use the results of the NRP to better calibrate the yield curve analysis results used to estimate the small corporate Tax Gap in future years.

Appendix II

Audit Products
October 1, 2014 - March 31, 2015

Audit Products	
Reference Number	**Report Title**
	October 2014
	N/A
	November 2014
2015-40-003	Law Enforcement Assistance Program Requests Are Not Always Processed Timely and Accurately (Taxpayer Privacy and Security: 141 taxpayer accounts impacted)
	December 2014
2015-10-001	Additional Measures Are Needed to Improve the Physical Security Risk Assessment Program (Protection of Resources: 14,575 IRS employees and 26 IRS facilities impacted)
2015-10-010	Independent Attestation Review of the Internal Revenue Service's Fiscal Year 2014 Annual Accounting of Drug Control Funds and Related Performance
2015-40-009	The Internal Revenue Service Is Working Toward Compliance With Executive Order 13520 Reporting Requirements
2015-10-006	Additional Consideration of Prior Conduct and Performance Issues Is Needed When Hiring Former Employees
2015-30-005	The Fresh Start Initiatives Have Benefited Many Taxpayers, but Additional Monitoring and Evaluation Is Needed (Revenue Protection: $10,469,857)
2015-40-007	Improvements Are Needed to Better Identify False Income Documents Submitted to Commit Tax Fraud (Funds Put to Better Use: $1,019,241)
	January 2015
2015-20-008	Security Enhancements Are Needed to Better Protect Tax Return Information That Passes Through the Integrated Enterprise Portal–Registered User Portal (Taxpayer Privacy and Security: 170 taxpayer accounts impacted)
2015-10-021	Review of the Internal Revenue Service's Purchase Card Violations Report and the Status of Government Charge Card Recommendations
	February 2015
2015-40-012	Processes Do Not Ensure That Corporations Accurately Claim Carryforward General Business Credits (Revenue Protection: $1,441,554,202 impacting 3,050 taxpayer accounts; Reliability of Information: $170,077,737 impacting 717 taxpayer accounts)
2015-1C-013	Fiscal Year 2014 Mandatory Annual Audit Requirement 6, Labor Floor Check
2015-1C-014	Audit of Contractor's Home Office for Fiscal Year 2008 Incurred Costs
2015-1C-015	Audit of Contractor's Fiscal Year 2006 Time-and-Materials Contract and Fiscal Year 2007 Incurred Costs
2015-1C-016	Audit on Claimed Amounts in Contractor's Request for Equitable Adjustment, Dated April 17, 2014
2015-1C-017	Audit on Contractor's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year 2007

March 2015	
2015-40-023	Processes Are Needed to Link Third-Party Payers and Employers to Reduce Risks Related to Employment Tax Fraud
2015-10-020	Actions Can Be Taken to Further Improve the Strategy for Addressing Excess Contributions to Individual Retirement Arrangements (Revenue Protection: $37,629,675 impacting 57,484 taxpayer accounts; Taxpayer Burden: 151 taxpayer accounts impacted)
2015-30-004	Additional Improvements Are Needed to Measure the Success and Productivity of the Partnership Audit Process
2015-40-024	Victims of Identity Theft Continue to Experience Delays and Errors in Receiving Refunds (Taxpayer Burden: 25,565 taxpayer accounts impacted)
2015-1C-022	Audit of Contractor's Fiscal Year Ending March 31, 2008
2015-1C-018	Audit of Contractor's Compliance With Defense Federal Acquisition Regulation Supplement Part 252.242-7006, Accounting System Criteria
2015-33-019	The Affordable Care Act: Processes Have Been Implemented to Administer the Patient-Centered Outcomes Research Fee, but Controls Need Improvement to Ensure Filing Compliance (Increased Revenue: $3,300,000 impacting 25 health insurance policy issuers and 1,753 self-insured health plan sponsors; Reliability of Information: 2,242 taxpayer accounts impacted)
2015-10-011	Existing Procurement Practices Allowed Corporations With Federal Tax Debt to Obtain Contract Awards (Protection of Resources: $18,810,362)
2015-40-027	Billions of Dollars in Potentially Erroneous Education Credits Continue to Be Claimed for Ineligible Students and Institutions (Funds Put to Better Use: $9,124,194,932; Revenue Protection: $11,006,088,566 impacting 2,815,438 taxpayer accounts)
2015-10-025	Status of Actions Taken to Improve the Processing of Tax-Exempt Applications Involving Political Campaign Intervention
2015-43-030	Affordable Care Act: Assessment of Internal Revenue Service Preparations to Ensure Compliance With Minimum Essential Coverage and Shared Responsibility Payment Requirements
2015-40-032	Interim Results of the 2015 Filing Season
2015-13-029	Review of the Accounting Structure Used for the Administration of Premium Tax Credits

Appendix III

TIGTA's Statutory Reporting Requirements

TIGTA did not issue any audit reports required by statute dealing with the adequacy and security of IRS technology during this reporting period. In FY 2015, TIGTA will complete its 16th round of statutory reviews that are required annually by RRA 98. It will also complete its annual reviews of the Federal Financial Management Improvement Act of 1996, the Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission and Assertions, the Government Charge Card Abuse Prevention Act of 2012, Executive Order 13520 - Reducing Improper Payments and Eliminating Waste in Federal Programs, and the Improper Payments Elimination and Recovery Act of 2010. The following table reflects these FY 2015 statutory reviews.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
Enforcement Statistics Internal Revenue Code (I.R.C.) Section (§) 7803(d)(1)(A)(i)	Requires TIGTA to evaluate the IRS's compliance with restrictions under RRA 98 § 1204 on the use of enforcement statistics to evaluate IRS employees.	In fieldwork phase
Restrictions on Directly Contacting Taxpayers I.R.C. § 7803(d)(1)(A)(ii)	Requires TIGTA to evaluate the IRS's compliance with restrictions under I.R.C. § 7521 on directly contacting taxpayers who have indicated they prefer their representatives be contacted.	In fieldwork phase
Filing of a Notice of Lien I.R.C. § 7803(d)(1)(A)(iii)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. § 6320 upon the filing of a notice of lien.	In fieldwork phase
Extensions of the Statute of Limitations for Assessment of Tax I.R.C. § 7803(d)(1)(C) I.R.C. § 6501(c)(4)(B)	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 to particular issues or a particular period of time.	In fieldwork phase

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
Levies I.R.C. § 7803(d)(1)(A)(iv)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. § 6330 regarding levies.	In fieldwork phase
Collection Due Process I.R.C. § 7803(d)(1)(A)(iii) and (iv)	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.	In fieldwork phase
Seizures I.R.C. § 7803(d)(1)(A)(iv)	Requires TIGTA to evaluate the IRS's compliance with required procedures under I.R.C. §§ 6330 through 6344 when conducting seizures.	In fieldwork phase
Taxpayer Designations – Illegal Tax Protester Designation and Nonfiler Designation I.R.C. § 7803(d)(1)(A)(v)	An evaluation of the IRS's compliance with restrictions under RRA 98 § 3707 on designation of taxpayers.	In fieldwork phase
Disclosure of Collection Activities With Respect to Joint Returns I.R.C. § 7803(d)(1)(B) I.R.C. § 6103(e)(8)	Requires TIGTA to review and certify whether the IRS is complying with I.R.C. § 6103(e) (8) to disclose information to an individual filing a joint return on collection activity involving the other individual filing the return.	In fieldwork phase
Taxpayer Complaints I.R.C. § 7803(d)(2)(A)	Requires TIGTA to include in each of its *Semiannual Reports to Congress* the number of taxpayer complaints received and the number of employee misconduct and taxpayer abuse allegations received by IRS or TIGTA from taxpayers, IRS employees, and other sources.	Statistical results on the number of taxpayer complaints received are shown on page 61.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
Administrative or Civil Actions With Respect to the Fair Tax Collection Practices Act of 1996 I.R.C. § 7803(d)(1)(G) I.R.C. § 6304 RRA 98 § 3466	Requires TIGTA to include information regarding any administrative or civil actions with respect to violations of the fair debt collection provision of I.R.C. § 6304, including a summary of such actions and any resulting judgments or awards granted.	In fieldwork phase
Denial of Requests for Information I.R.C. § 7803(d)(1)(F) I.R.C. § 7803(d)(3)(A)	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).	In fieldwork phase
Adequacy and Security of the Technology of the IRS I.R.C. § 7803(d)(1)(D)	Requires TIGTA to evaluate the IRS's adequacy and security of its technology.	***Information Technology Reviews:*** None issued ***Security Reviews:*** None issued
Federal Financial Management Improvement Act of 1996 (FFMIA) 31 U.S.C. § 3512	Requires TIGTA to evaluate the financial management systems to ensure compliance with Federal requirements or the establishment of a remediation plan with resources, remedies, and intermediate target dates to bring the IRS into substantial compliance.	In fieldwork phase
Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission and Assertions National Drug Enforcement Policy 21 U.S.C. § 1704(d) and the Office of National Drug Control Policy Circular entitled *Drug Control Accounting*, dated May 1, 2007.	Requires TIGTA to authenticate the IRS's ONDCP detailed accounting submission and assertions.	**Ref. No. 2015-10-010, December 2014** Nothing came to TIGTA's attention that caused it to believe that the assertions in the Detailed Accounting Submission and Performance Summary Report were not fairly presented in all material respects in accordance with the ONDCP's established criteria.

Reference to Statutory Coverage	Explanation of the Provision	Comments/TIGTA Audit Status
Government Charge Card Abuse Prevention Act of 2012 Pub. L. No. 112-194 (October 2012).	Requires TIGTA to report on IRS progress in implementing purchase and travel card audit recommendations.	**Ref. No. 2015-10-021, January 2015** The IRS identified and reported 11 instances of confirmed purchase card misuse pending final agency action. TIGTA's independent review identified one additional case of potential purchase card misuse pending a TIGTA investigation. TIGTA also determined that the IRS established policies and controls designed to mitigate the risk of fraud and inappropriate Government travel and purchase charge card practices. In FY 2014, the IRS implemented five recommendations from two prior TIGTA reports of the IRS's charge card programs. One recommendation remains open.
Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*	Requires TIGTA to assess the IRS's compliance with the Order on an annual basis.	**Ref. No. 2015-40-009, December 2014** The IRS is not in compliance with certain requirements of Executive Order 13520 for FY 2013. The IRS has not established annual improper payment reduction targets as required. Nonetheless, the IRS is making some progress related to its inability to comply with the requirement. The IRS has obtained approval from the Office of Management and Budget to establish and report supplemental measures in lieu of annual reduction targets.
Improper Payments Elimination and Recovery Act of 2010 (IPERA) 31 U.S.C. § 3321	Requires TIGTA to assess the IRS's compliance with improper payment requirements.	In fieldwork phase

Appendix IV

Section 1203 Standards

In general, the Commissioner of Internal Revenue 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 other 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 Internal Revenue Code of 1986, as amended (the Code), the Department of the Treasury regulations, or policies of the IRS (including the Internal Revenue Manual) for the purpose of retaliating against or harassing a taxpayer, taxpayer representative, or other employee of the IRS;
- Willfully misusing provisions of § 6103 of the Code for the purpose of concealing information from a congressional inquiry;
- Willfully failing to file any return of tax required under the Code 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 Commissioner of Internal Revenue 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, in his/her sole discretion, 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.

Appendix V

Implementing Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Inspector General Peer Review Activity October 1, 2014 Through March 31, 2015

Peer Reviews Conducted of TIGTA's Office of Audit:

No peer reviews were conducted of the TIGTA Office of Audit during this reporting period.

Peer Reviews Conducted by TIGTA's Office of Audit:

No peer reviews were conducted by the TIGTA Office of Audit during this reporting period.

Peer Reviews Conducted of TIGTA's Office of Investigations:

No peer reviews were conducted of the TIGTA Office of Investigations during this reporting period.

Peer Reviews Conducted by TIGTA's Office of Investigations:

No peer reviews were conducted by the TIGTA Office of Investigations during this reporting period.

Peer Reviews Conducted of TIGTA's Office of Inspections and Evaluations:

No peer reviews were conducted of the TIGTA Office of Inspections and Evaluations during this reporting period.

Peer Reviews Conducted by TIGTA's Office of Inspections and Evaluations:

No peer reviews were conducted by the TIGTA Office of Inspections and Evaluations during this reporting period.

Appendix VI

Data Tables Provided by the Internal Revenue Service

The memorandum copied below is the IRS's transmittal to TIGTA. The tables that follow the memorandum contain information that the IRS provided to TIGTA and consist of IRS employee misconduct reports from the IRS Automated Labor and Employee Relations Tracking System (ALERTS) for the period from October 1, 2014 through March 31, 2015. Also, data concerning substantiated RRA 98 §1203 allegations for the same period are included. IRS management conducted inquiries into the cases reflected in these tables.

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

April 17, 2015

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: Lia Colbert
Director, Workforce Relations Division

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

In response to your memorandum on February 6, 2015, 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 October 1, 2014, through March 31, 2015.

- Report of Employee Misconduct by Disposition Groups
- Report of Employee Misconduct – National Summary
- Summary of Substantiated Section 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 March 31, 2015

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 67 Section 1203 allegations and removed 16 employees. Three employees retired or resigned before a final administrative action by management. In four of the removals, IRS managers considered information forwarded in a TIGTA investigation. The Commissioner mitigated proposed removals in 14 cases. If you have any questions, please contact Sheila Barbee, Acting Associate Director, Employee Conduct and Compliance Office at (202) 317-6929.

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Attachments (3)

cc: John A. Koskinen, Commissioner of Internal Revenue
John Dalrymple, Deputy Commissioner for Services and Enforcement
Stuart Burns, Acting Deputy Commissioner for Operations Support
Nina Olson, National Taxpayer Advocate
Monica Davy, Executive Director, Equity, Diversity and Inclusion
Terry Lemons, Chief, Communications & Liaison
Curtis Wilson, Associate Chief Counsel (GLS)
Daniel T. Riordan, Chief Human Capital Officer

The Following Tables Are Provided by the IRS.

Reports of Employee Misconduct Summary by Disposition Groups

Period Covering October 1, 2014 through March 31, 2015

Disposition	TIGTA Report of Investigation	Administrative Case	Employee Tax Compliance Case	Employee Character Investigation	Totals
REMOVAL (PROBATION PERIOD COMPLETE)	28	35	9	0	**72**
REMOVAL AT OPM DIRECTION	0	0	0	7	**7**
PROBATION/SEPARATION	4	78	0	2	**85**
SEPARATION OF TEMP	0	4	0	0	**4**
RESIGN.,RET., ETC. (SF50 NOTED)	10	18	0	0	**30**
RESIGN. RET., ETC. (SF50 NOT NOTED)	38	75	25	1	**139**
SUSP., 14 DAYS OR LESS	49	140	78	0	**267**
SUSP., MORE THAN 14 DAYS	33	28	17	0	**78**
INDEFINITE SUSPENSION	5	6	0	0	**11**
REPRIMAND	65	122	76	0	**263**
ADMONISHMENT	100	136	204	2	**442**
WRITTEN COUNSELING	49	195	115	0	**359**
ORAL COUNSELING	0	53	4	0	**57**
A D: IN LIEU OF REPRIMAND	8	16	5	0	**29**
A D: IN LIEU OF SUSPENSION	17	29	15	0	**61**
CLEARANCE LETTER	62	102	9	0	**173**
CWA CAUTIONARY LTR	94	138	48	44	**324**
CWA LETTER	50	108	21	3	**182**
TERMINATION FOR ABANDOMENT OF POSITION	0	4	0	0	**4**
CASE SUSPENDED PENDING EMPLOYEE RTD	0	0	0	0	**1**
CLOSED – SUPPLEMENTAL REQUESTED	0	0	0	0	**0**
FORWARDED TO TIGTA	0	7	0	0	**9**
Total	**612**	**1,294**	**632**	**59**	**2,597**

Source: Automated Labor and Employee Relations Tracking System (ALERTS).

Notes: Columns containing numbers of two or less and protected by I.R.C. § 6103 are annotated with a zero.

A D is an abbreviation for "Alternative Discipline."

This report is being produced in accordance with 26 U.S.C. § 7803(d)(2) and § 4(a)2 of Treasury Delegation Order 115-01, January 14, 1999.

Extract Date: April 1, 2015.

Reports of Employee Misconduct National Summary

Period Covering October 1, 2014 through March 31, 2015

Inventory Case Type	Open Inventory	Conduct Cases Received	Cases Closed			Ending Inventory
			Conduct Issues	Cases Merged with Other Cases	Non-Conduct Issues	
ADMINISTRATIVE CASE	493	1,797	1,742	39	44	465
EMPLOYEE CHARACTER INVESTIGATION	19	65	65	3	0	16
EMPLOYEE TAX COMPLIANCE CASE	443	896	680	204	0	455
TIGTA REPORT OF INVESTIGATION	593	631	724	6	0	494
Total	**1,548**	**3,389**	**3,211**	**252**	**44**	**1,430**

Source: Automated Labor and Employee Relations Tracking System (ALERTS).

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

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

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

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

This report is being produced in accordance with 26 U.S.C. 7803(d)(2) and §4(a)2 of Treasury Delegation Order 115-01, January 14, 1999.

Extract Date: Wednesday, April 1, 2015.

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

Period Covering October 1, 2014 through March 31, 2015

§ 1203 Violation	*Removals	*Resigned/ Retired	*Probation Separation	*Removed On Other Grounds	*Penalty Mitigated	In Personnel Process	Total
§ 1203(b)(1) Willfull Unauth Seiz TP	0	0	0	0	0	0	**0**
§ 1203(b)(2) False Statement Under Oath	0	0	0	0	0	0	**0**
§ 1203(b)(4) Concealed Work Error	0	0	0	0	0	0	**0**
§ 1203(b)(5) Assault or Battery	0	0	0	0	0	0	**0**
§ 1203(b)(6) IRC/IRM/Reg Viol-Retal	0	0	0	0	0	0	**0**
§ 1203(b)(8) Willful Untimely Return	3	3	0	0	4	16	**27**
§ 1203(b)(9) Willful Understated Tax	13	0	0	0	10	17	**40**
§ 1203(b)(10) Threat of Audit/Personal	0	0	0	0	0	0	**0**
Total	**16**	**3**	**0**	**1**	**14**	**33**	**67**

Source: Automated Labor and Employee Relations Tracking System (ALERTS).

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

Columns containing numbers of two or less and protected by I.R.C. Section 6103 are annotated with a 0.

This report is being produced in accordance with 26 U.S.C. 7803(d)(2) and §4(a)2 of Treasury Delegation Order 115-01, January 14, 1999.

Extract Date: Wednesday, April 1, 2015.

*These cases are included in the totals of Table above entitled “Reports of Employee Misconduct Summary by Disposition Groups.”

Glossary of Acronyms

AIGI	Assistant Inspector General for Investigations
AOTC	American Opportunity Tax Credit
BOLO	Be On the Look Out
CY	Calendar Year
EITC	Earned Income Tax Credit
FTC	Federal Trade Commission
FY	Fiscal Year
HHS	Department of Health and Human Services
I&E	Office of Inspections and Evaluations
I.R.C.	Internal Revenue Code
IG	Inspector General
IRS	Internal Revenue Service
IVES	Income Verification Express Service
MEC	Minimum Essential Coverage
MODES	Missouri Division of Employment Security
NFTL	Notice of Federal Tax Lien
NTEU	National Treasury Employees Union
OA	Office of Audit
OEP	Office of Employee Protection
OI	Office of Investigations
OIG	Office of the Inspector General
OPM	Office of Personnel Management

PCOR	Patient-Centered Outcomes Research
PEO	Professional Employer Organization
PII	Personally Identifiable Information
PSP	Payroll Service Provider
PY	Processing Years
RAIVS	Return and Income Verification Services
RRA 98	Internal Revenue Service Restructuring and Reform Act of 1998
SIRF	Stolen Identity Refund Fraud
SNIP	Service-Wide Notice Information Program
SRP	Shared Responsibility Payment
SSN	Social Security Number
TIGTA	Treasury Inspector General for Tax Administration
TY	Tax Year
W&I	Wage and Investment

ACRONYMS USED EXCLUSIVELY IN APPENDICES	
ACS	Automated Collection System
ALERTS	Automated Labor and Employee Relations Tracking System
DCE	Detection Controlled Estimation
FFMIA	Federal Financial Management Improvement Act of 1996
FTI	Federal Tax Information
IPERA	Improper Payments Elimination and Recovery Act of 2010
IRDMCM	Information Reporting And Document Matching Case Management
NRP	National Research Project
ONDCP	Office of National Drug Control Policy
OPA	Online Payment Agreement
RAS	Research, Analysis and Statistics
RCT	Religious Compensatory Time
SAR	Security Assessment Report
VCR	Voluntary Compliance Rate

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