



Fiscal Year 2015

Annual Audit Plan

Treasury

Inspector General

for Tax

Administration

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Fiscal Year 2015 Annual Audit Plan

Message From the Deputy Inspector General for Audit

The Internal Revenue Service (IRS) dealt with many difficult challenges during Fiscal Year (FY) 2014, including senior leadership changes, implementation of new laws and programs with reduced resources, and ongoing congressional investigations. In FY 2015, with its reduced budget and smaller staff, the IRS will continue to face challenges in carrying out its mission.

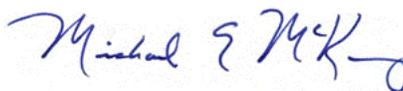
This year, the Office of Audit will be focusing on key emphasis areas that are significant components of the major management challenges facing the IRS. These emphasis areas require continuing coverage because of their significance and impact on tax administration.

- **Affordable Care Act Implementation and Administration** – The ACA impacts individual and business taxpayers at all income levels, IRS compliance and enforcement programs, information reporting requirements, the administration of tax penalties and information technology. The upcoming 2015 Filing Season will present many challenges for the IRS since this is the first year individuals will be filing tax returns to claim the premium tax credit, which includes reconciling advance payments. Individuals are required to have qualifying health insurance and/or qualify for an exemption, and may be subject to a penalty for not maintaining minimum essential health insurance coverage. The IRS's ability to ensure accurate tax returns are filed and information reported is correct is dependent on the timely receipt of information from Exchanges, insurance providers and employers. A further challenge for the IRS is the fact that a number of the reporting provisions relating to insurance providers and employers have been delayed.
- **Identity Theft Detection and Prevention** – Stopping identity theft and refund fraud continues to be a top priority for the IRS. The IRS's work on identity theft and refund fraud continues to grow and includes nearly every part of the organization. The IRS has reported that for the 2013 Filing Season its identity theft efforts have prevented in excess of \$24 billion in fraudulent tax refunds from being issued. However, the IRS does acknowledge that billions of dollars in fraudulent refunds resulting from identity theft go undetected each year and has a number of projects underway to continue to improve the IRS's detection and prevention efforts. The IRS also continues to increase and expand its efforts to help victims of identity theft. These efforts are multi-faceted and focus on victim case resolution, development of programs and information to protect the taxpayer from future misuse of their personal information, and providing various options for victims to obtain assistance and resource information for resolving tax issues.
- **Tax-Exempt Organizations** – The laws and rules governing the administration of tax-exempt entities are complex. These entities are not subject to Federal income tax, but they represent a significant aspect of tax administration. The IRS's prior use of inappropriate criteria for selecting and reviewing applications for tax-exempt status has

been a significant concern and the IRS has made substantial changes in its administration of this process. In FY 2015, TIGTA will continue to focus on IRS oversight of tax-exempt organizations. This will include following up on prior TIGTA recommendations for improvement in the processing of tax-exempt organization applications with indications of significant political campaign intervention.

- **International Tax Compliance** – The tax compliance of business and individual taxpayers involved in international transactions remains a significant area of concern for the IRS. Complex transfer pricing issues, concerns with base erosion and profit-shifting, as well as identifying U.S. taxpayers with hidden foreign assets and accounts continue to demand additional IRS resources. As the number and complexity of international transactions continues to grow, the IRS must focus its international efforts on ensuring compliance with the tax laws regardless of where the taxpayers reside. The Foreign Account Tax Compliance Act (FATCA)¹ was enacted to combat tax evasion by U.S. persons holding investments in offshore accounts and is an important development in the IRS's efforts to improve U.S. tax compliance involving foreign financial assets and offshore accounts.

We are committed to delivering our mission of ensuring an effective and efficient tax administration system and preventing, detecting, and deterring waste, fraud, and abuse. We plan to devote approximately 33 percent of FY 2015 audit resources to projects mandated by law or at the specific request of Congress, the IRS, the IRS Oversight Board, and other stakeholders. Our audit coverage is determined by assessing the risks associated with the potential audit universe and identifying the highest priority audits to address each of the top 10 IRS major management challenges. The factors considered during the risk assessment process include stakeholders' concerns; significant changes; potential waste, fraud, and abuse; internal controls; taxpayer impact; and size of the program. Our FY 2015 Annual Audit Plan is designed to address the programs most critical to an effective and efficient tax administration system.



Michael E. McKenney
Deputy Inspector General for Audit

¹ Pub. L. No. 111-147, §§ 501-41, 124 Stat 71, 97-117 (2010)(codified in scattered sections of 26 U.S.C.).

The Mission and the Organization

TIGTA was established in January 1999, in accordance with the IRS Restructuring and Reform Act of 1998 (RRA 98),² with the powers and authorities given to other Inspectors General under the Inspector General Act.³ TIGTA provides independent oversight of Department of the Treasury matters involving IRS activities, the IRS Oversight Board, the National Taxpayer Advocate, and the IRS Office of Chief Counsel.

TIGTA's focus is devoted entirely to the IRS and its related entities, and it conducts independent and objective audits, inspections and evaluations, and investigations of the IRS's programs and activities. TIGTA is organizationally placed within the Department of the Treasury but is independent of the Department and all other offices and agencies within it. TIGTA is committed to providing timely, useful, and reliable information to IRS officials (including its Chief Counsel), the IRS Oversight Board, the Department of the Treasury, Congress, and the public.

TIGTA's Office of Audit identifies opportunities to improve the administration of the Nation's tax laws by conducting comprehensive, independent performance and financial audits of IRS programs, operations, and activities to:

- Assess efficiency, economy, effectiveness, and program accomplishments.
- Ensure compliance with applicable laws and regulations.
- Prevent, detect, and deter fraud, waste, and abuse.

The Office of Audit program consists of reviews mandated by statute or regulation as well as reviews identified through the Office of Audit's planning and evaluation process. The Office of Audit strategically evaluates IRS programs, activities, and functions so that resources are expended in the areas of highest vulnerability to the Nation's tax system. It provides recommendations to improve IRS systems and operations, while ensuring the fair and equitable treatment of taxpayers.

Under the leadership of the Inspector General, the Deputy Inspector General for Audit is responsible for the Office of Audit. Five Assistant Inspectors General for Audit report to the Deputy Inspector General for Audit. They cover:

- (1) Management Services and Exempt Organizations;
- (2) Security and Information Technology Services;
- (3) Compliance and Enforcement Operations;
- (4) Returns Processing and Account Services; and
- (5) Management Planning and Workforce Development.

Please see [Appendix I](#) for the Office of Audit organization chart.

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., 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.).

³ Inspector General Act of 1978, 5 U.S.C. app. 3 (2010).

Audit Program for Fiscal Year 2015

The Office of Audit FY 2015 Annual Audit Plan communicates TIGTA's audit priorities to the IRS, Congress, and other interested parties. Many of the activities described in the Annual Audit Plan address the fundamental goals related to the IRS's mission to administer its programs effectively and efficiently. The FY 2015 Annual Audit Plan includes 151 new audits or in-process audits.

Each year, TIGTA identifies and addresses the major management and performance challenges and key cross-cutting issues confronting the IRS. This Annual Audit Plan is organized by its list of the major challenges facing the IRS for FY 2015 ([Appendix II](#)). It includes mandatory coverage imposed by the RRA 98 and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial audits.

TIGTA's audit work is concentrated on high-risk areas and the IRS's progress in achieving its strategic goals. To identify FY 2015 high-risk areas for audit coverage, TIGTA uses a risk assessment strategy within its core business areas. The Assistant Inspectors General for Audit advise the Deputy Inspector General for Audit on the major risks facing the IRS in their respective program areas and annually propose a national audit plan based on perceived risks, stakeholder concerns, and follow-up reviews of previously audited areas with significant control weaknesses. In addition, to keep apprised of operating conditions and emerging issues, the Office of Audit maintains liaison and working contact with applicable stakeholders such as IRS executives, the IRS Oversight Board, the Department of the Treasury, the Government Accountability Office, and Congress. The Office of Audit's staff day allocation for the next fiscal year is highlighted in [Appendix III](#).

Office of Audit's Program Areas

The following narratives briefly describe the alignment of TIGTA's business units and the areas within the IRS that these units will review during FY 2015.

Management Services and Exempt Organizations

The Management Services and Exempt Organizations unit reviews several IRS programs, including Financial Management, the Tax Exempt and Government Entities Division, the Agency-Wide Shared Services function, the IRS Human Capital Office, the IRS Oversight Board, and acquisition and procurement fraud.

The Management Services and Exempt Organizations unit also addresses IRS offices reporting directly to the IRS Commissioner, including the Taxpayer Advocate Service; Office of Chief Counsel; Office of Appeals; Office of Equity, Diversity, and Inclusion; Office of Research, Analysis, and Statistics; and Office of Compliance Analytics.

Security and Information Technology Services

The Security and Information Technology Services unit assesses the IRS's information technology programs by implementing audit strategies that evaluate: (1) cybersecurity, including reviews of the Federal Information Security Management Act of 2002 (FISMA),⁴ audit trails, privacy, security monitoring and reporting, and incident management; (2) systems development, including reviews of the key modernization investments, computer applications supporting the Patient Protection and Affordable Care Act⁵ (Affordable Care Act), and other high-priority projects and applications; and (3) information technology operations, including reviews of Computing Center operations, asset and data management controls, disaster recovery capabilities, and information technology procurement practices.

Compliance and Enforcement Operations

The Compliance and Enforcement Operations unit reviews reporting, filing, and payment compliance IRS-wide. This includes the Examination and Collection functions of all taxpayer groups, both international and domestic (except for tax-exempt organizations). This unit focuses

⁴ Pub. L. No. 107-347, Title III, 116 Stat. 2899, 2946-2961 (codified as amended in 44 U.S.C. §§ 3541-3549).

⁵ Pub. L. No. 111-148, 124 Stat. 119 (2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.

on all activities concerning compliance with and enforcement of tax laws and regulations, including Criminal Investigation and tax preparers involved in inappropriate or criminal activity.

Returns Processing and Account Services

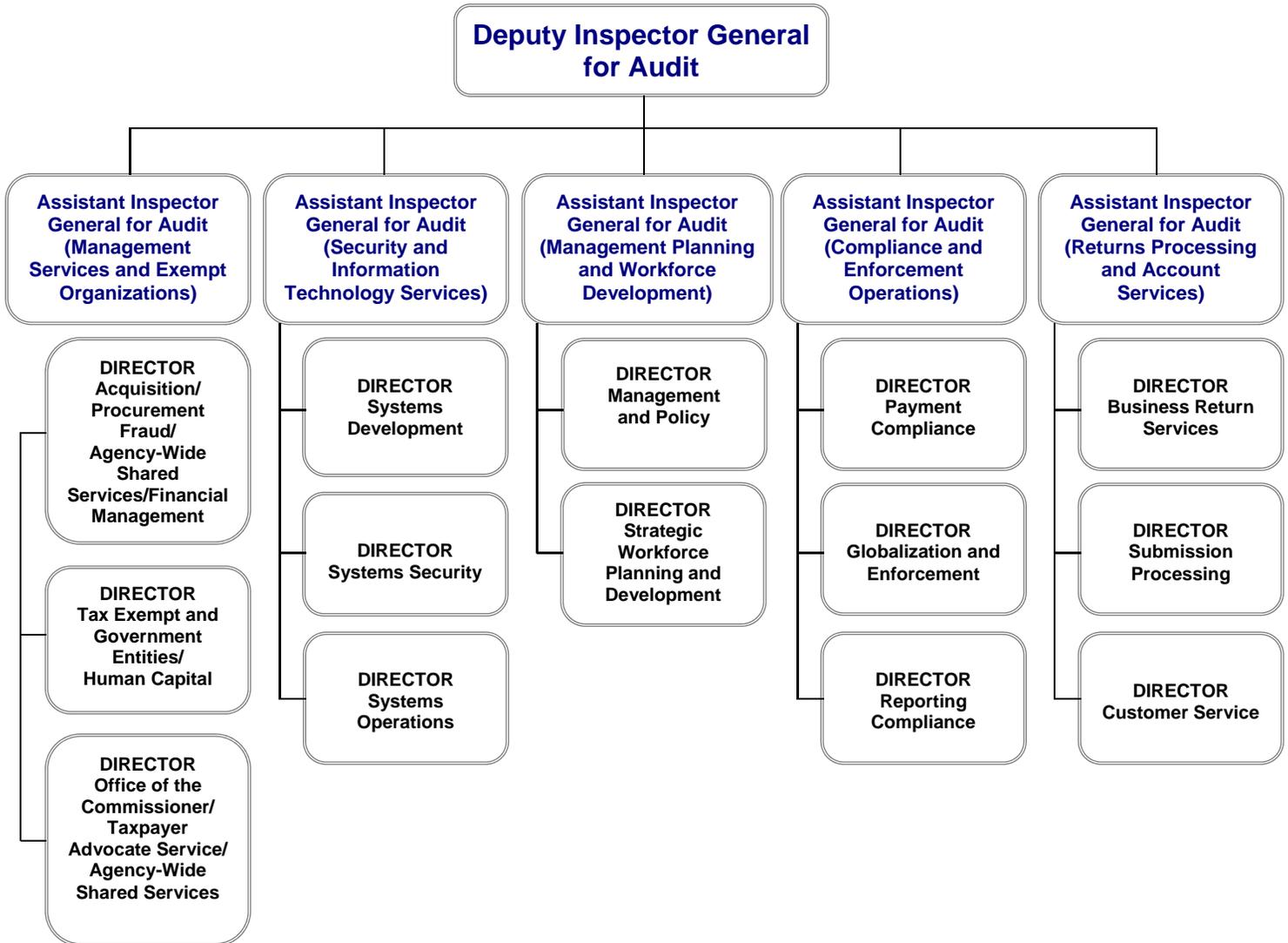
The Returns Processing and Accounts Services unit reviews activities related to the preparation and processing of tax returns and the issuing of refunds to taxpayers. This includes customer service activities, outreach efforts, tax law implementation, taxpayer assistance, notices, submission processing, and upfront compliance such as the Frivolous Returns Program and the Taxpayer Assurance Program. This unit focuses on: (1) all activities leading to the preparation, filing, processing, posting, and adjusting of tax returns and related tax account information for both business and individual taxpayers and (2) the authorization and monitoring of tax preparers and electronic filing (e-file) providers.

Management Planning and Workforce Development

The Management Planning and Workforce Development unit provides both mission-critical support and assistance to the entire Office of Audit organization. Key audit management responsibilities include guidance and direction for strategic and annual planning; quality assurance and oversight; recruiting, training, and professional developmental activities; performance budgeting; and integrity. Specifically, this unit ensures direction and collaborative support needed to assist the Office of Audit in meeting its plans to address the major management and performance challenges and key cross-cutting issues confronting the IRS.

Organization Chart

Treasury Inspector General for Tax Administration Office of Audit



Major Management and Performance Challenges Facing the Internal Revenue Service

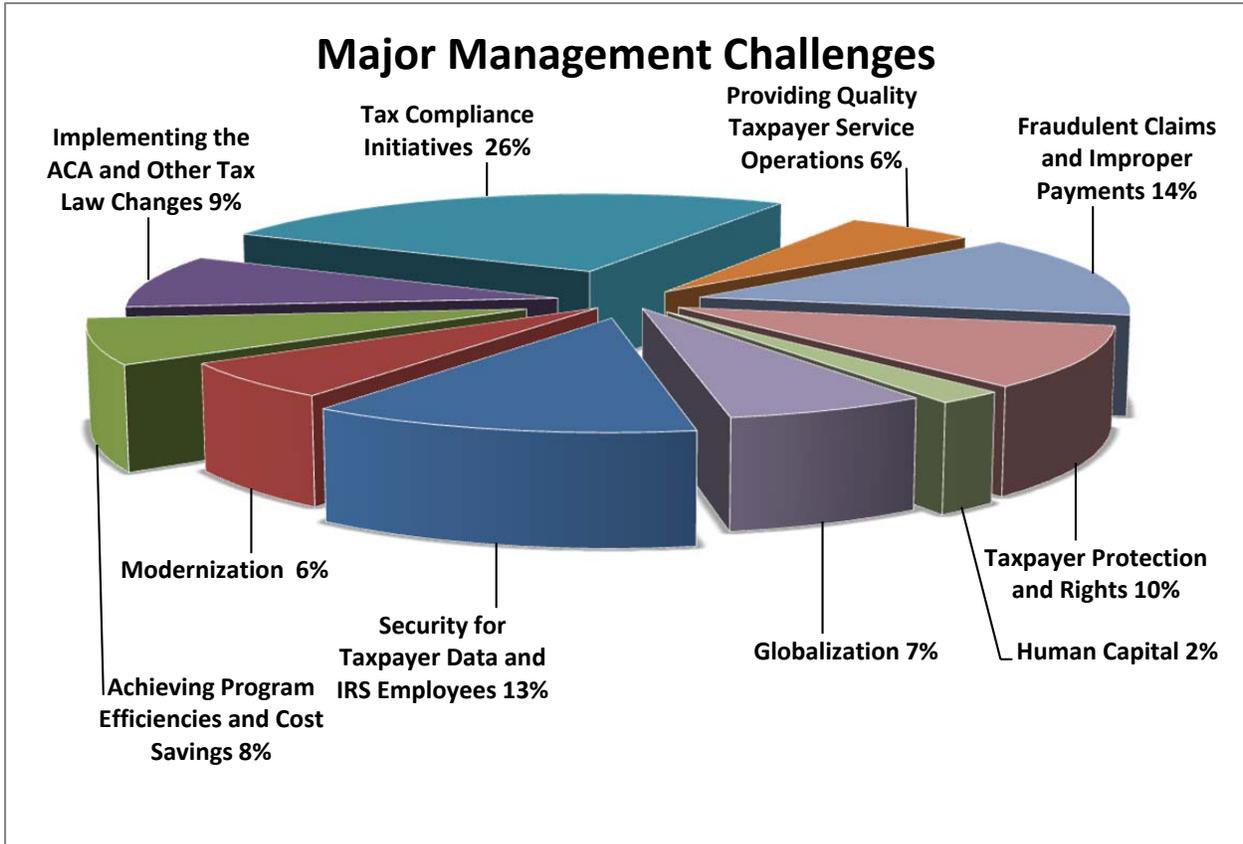
TIGTA has identified the following risk areas as the major management and performance challenges facing the IRS in FY 2015:

- ❖ Security for Taxpayer Data and IRS Employees
- ❖ Implementing the Affordable Care Act and Other Tax Law Changes
- ❖ Tax Compliance Initiatives
- ❖ Fraudulent Claims and Improper Payments
- ❖ Achieving Program Efficiencies and Cost Savings
- ❖ Modernization
- ❖ Providing Quality Taxpayer Service Operations
- ❖ Globalization
- ❖ Taxpayer Protection and Rights
- ❖ Human Capital

TIGTA's FY 2015 annual summary of these issues, including comments on progress the IRS has made toward resolving the challenges or the vulnerabilities that it continues to face in achieving results, may be viewed on the Internet at the following address:

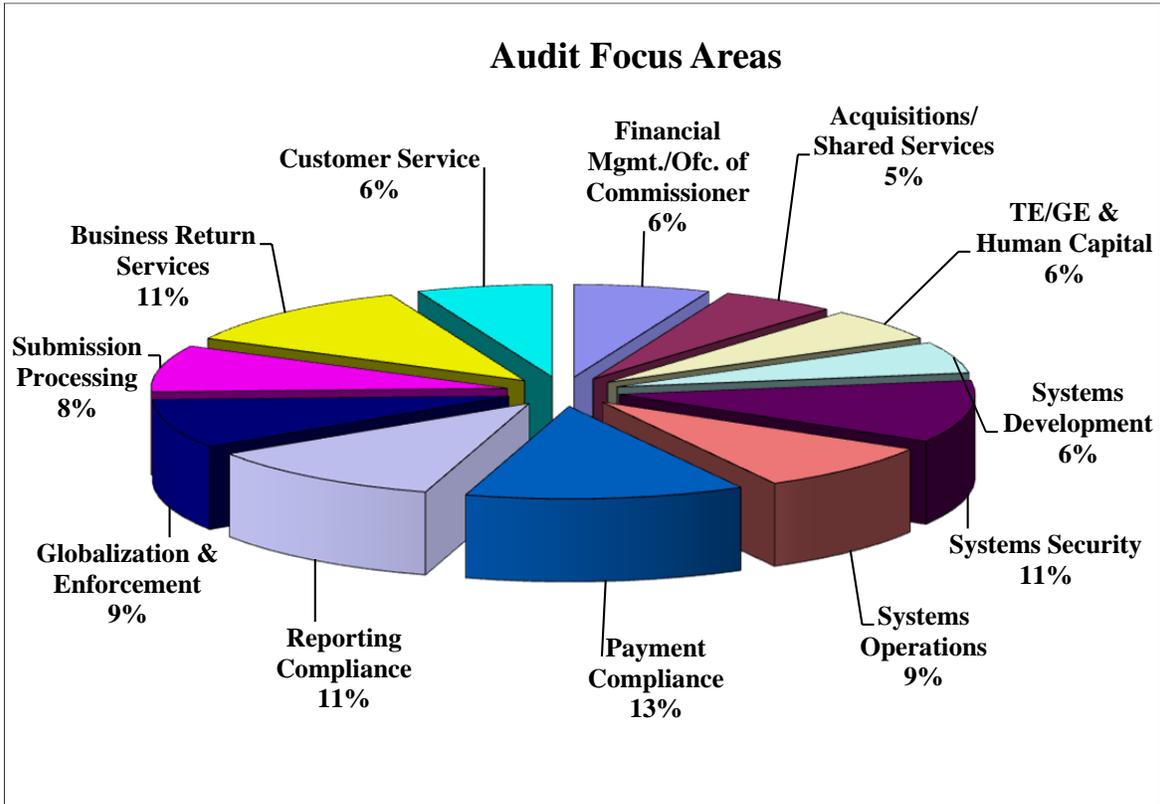
http://www.treas.gov/tigta/oa_management.shtml

Office of Audit's Fiscal Year 2015
Staff Day Allocation
By Major Challenges Facing Internal Revenue Service Management



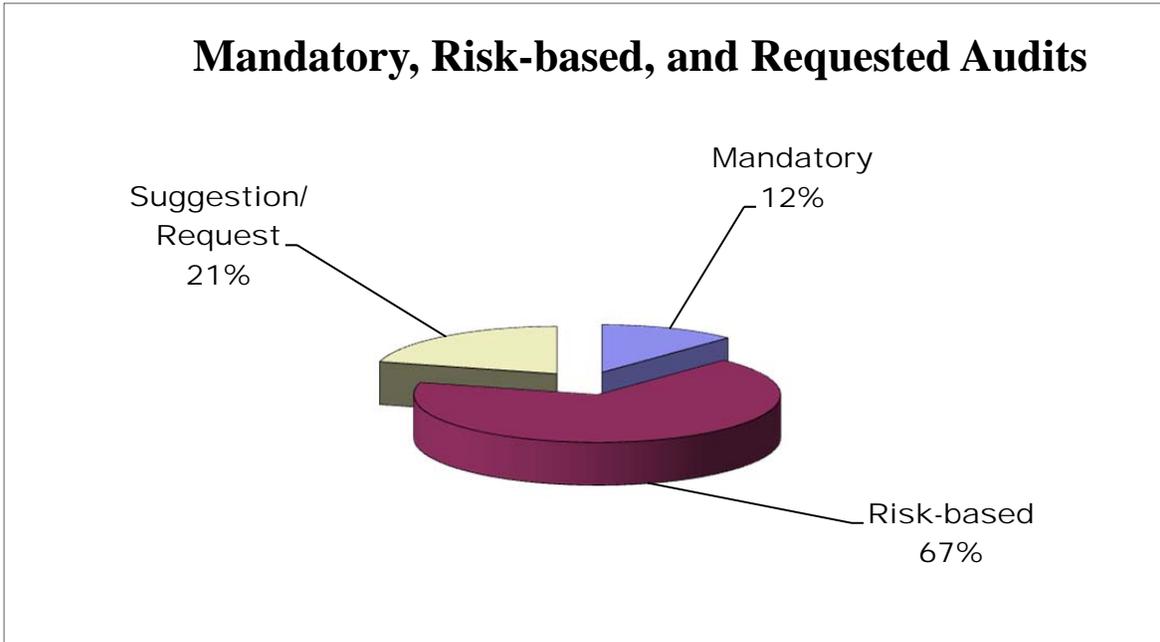
Note: Some audits relate to more than one major challenge area. In addition, FY 2015 staff days are included for audits that were started in FY 2014 with planned completion dates in FY 2015. Totals might not equal 100 percent due to rounding.

Office of Audit's Fiscal Year 2015
Staff Day Allocation
By Audit Focus Areas



Note: FY 2015 staff days are included for audits that were started in FY 2014 with planned completion dates in FY 2015. TE/GE = Tax Exempt and Government Entities.

Office of Audit's Fiscal Year 2015
Staff Day Allocation
By Mandatory, Risk-Based, and Requested Audits



Note: FY 2015 staff days are included for audits that were started in FY 2014 with planned completion dates in FY 2015.

List of Planned Audits for Fiscal Year 2015 by Major Management and Performance Challenges

Fiscal Year 2015 Planned Audits for CHALLENGE 1: Security for Taxpayer Data and IRS Employees

In addition to securing a vast amount of sensitive financial and personal data, the IRS must also protect more than 92,000 employees and more than 650 facilities throughout the country. Physical violence, harassment, and intimidation of these employees pose significant challenges to the implementation of a fair and effective system of tax administration. These are challenging operating conditions for the IRS that underscore the need for continued vigilance in the area of physical and personnel security. Effective information systems security is essential to ensure that data are protected against inadvertent or deliberate misuse, improper disclosure, or destruction and that computer operations supporting tax administration are secured against disruption or compromise. We have 17 new or in-process audits for this major management and performance challenge.

❖ ***FY 2015 Federal Information Security Management Act***

(FY 2015 – New Start – Audit Number: 201520001)

Audit Objective: Determine the IRS's progress in meeting the requirements of the 2015 Federal Information Security Management Act¹ mandatory review of the IRS's unclassified information technology system security program.

❖ ***Security of Privacy Impact Assessment Management System***

(FY 2015 – New Start – Audit Number: 201520002)

Audit Objective: Determine whether the Privacy Impact Assessment Management System is secure against unauthorized access and is effectively working as intended to support the Privacy Impact Assessment program.

❖ ***Security on the Affordable Care Act² Portal***

(FY 2015 – New Start – Audit Number: 201520303)

Audit Objective: Determine whether the IRS's Integrated Enterprise Portal Transaction Portal Environment offering external web services to the public are protected against web-

¹ Pub. L. No. 107-347, Title III, 116 Stat. 2899, 2946-2961 (codified as amended in 44 U.S.C. §§ 3541–3549).

² Pub. L. No. 111-148, 124 Stat. 119 (2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.

based attacks, configured securely, patched timely, and timely remediated when vulnerabilities or misconfigurations are identified.

❖ ***Audit Trails on New Systems***

(FY 2015 – New Start – Audit Number: 201520004)

Audit Objective: Evaluate the IRS’s efforts to implement effective Unauthorized Access of taxpayer records audit trails for new information systems that store and process taxpayer data.

❖ ***Mainframe Security***

(FY 2015 – New Start – Audit Number: 201520005)

Audit Objective: Determine whether the IRS has implemented adequate security controls to address access, authentication, secure configuration, and logging on the mainframe operating systems within the enterprise’s computing environment.

❖ ***eAuthentication Release 2***

(FY 2015 – New Start – Audit Number: 201520006)

Audit Objective: Determine whether eAuthentication provides a common service framework to proof/register individual identities and provide/validate credentials for electronic access to external-facing IRS systems, applications, and data repositories.

❖ ***Windows® Updates***

(FY 2015 – New Start – Audit Number: 201520007)

Audit Objective: Assess the progress on upgrading the information technology enterprise architecture on its Windows environment, including Windows XP® and Windows Server 2003.®

❖ ***Database Security***

(FY 2015 – New Start – Audit Number: 201520008)

Audit Objective: Determine whether the IRS adequately configured databases operating in its non-mainframe production environment to properly secure taxpayer data.

❖ ***Contractor Safeguard of Data***

(FY 2015 – New Start – Audit Number: 201520009)

Audit Objective: At the suggestion of the IRS, evaluate the effectiveness and efficiency of the contractor security assessment/review programs.

❖ ***SharePoint® Operation and Security Controls***

(FY 2015 – New Start – Audit Number: 201520013)

Audit Objective: Assess the implementation of Sharepoint® capabilities in support of business goals, required functionality, and security and administrative controls, including user access privileges and protection of sensitive data.

❖ ***Disaster Recovery Plans and Testing Practices for Computing Centers***

(FY 2015 – New Start – Audit Number: 201520014)

Audit Objective: Determine whether the IRS has developed and implemented an effective disaster recovery testing capability needed to recover major computer systems from one Computing Center to another and to verify whether key systems and data can be successfully recovered following planned disaster scenarios.

❖ ***Controls Over External Systems Interconnections***

(FY 2015 – New Start – Audit Number: 201520015)

Audit Objective: Determine whether controls are in place and operating effectively to protect IRS networks from security issues related to connections to external systems.

❖ ***Effectiveness of Physical Security Standards to Protect Internal Revenue Service Facilities***

(FY 2014 – Work in Process – Audit Number: 201410004)

Audit Objective: Determine whether IRS Level IV and V facilities are in compliance with Interagency Security Committee physical security standards.

❖ ***Security of the Registered User Portion of the Integrated Enterprise Portal***

(FY 2014 – Work in Process – Audit Number: 201420007)

Audit Objective: Determine whether the IRS's Registered User Portal offering external web services to the public are configured securely, protected against web-based attacks, patched timely, and timely remediated when vulnerabilities or misconfigurations are identified.

❖ ***Access and Password Controls Over Elevated Privileged Accounts***

(FY 2014 – Work in Process – Audit Number: 201420008)

Audit Objective: Determine whether access and password controls over elevated privileged accounts for systems, applications, and databases are appropriate and meet agency standards.

❖ ***Law Enforcement Assistance Program***

(FY 2013 – Work in Process – Audit Number: 201340037)

Audit Objective: Determine whether requests for tax return data under the Law Enforcement Assistance program are processed accurately, timely, and securely.

❖ ***Eliminating the Use of Social Security Numbers -- Follow-Up***

(FY 2014 – Work in Process – Audit Number: 201440012)

Audit Objective: Assess the IRS's progress to eliminate taxpayer Social Security Numbers from outgoing correspondence and implement 2-D Bar Coding.³

Fiscal Year 2015 Planned Audits for CHALLENGE 2:
Implementing the Affordable Care Act and
Other Tax Law Changes

Each filing season tests the ability of the IRS to implement major tax law changes made by Congress. Correctly implementing tax law changes remains a significant challenge because the IRS must often act quickly to assess the changes and determine the necessary actions to ensure that all legislated requirements are satisfied. In addition, the IRS must often create new or revise existing tax forms, instructions, and publications; revise internal operating procedures; and reprogram computer systems to accurately and timely process tax returns claiming the new tax law changes. The Affordable Care Act represents the largest set of tax law changes in more than 20 years and presents a continuing source of challenge for the IRS as provisions take effect. TIGTA has developed a multi-year strategy to assess Affordable Care Act implementation, including coordinating with the Health and Human Services Office of the Inspector General (HHS OIG) to ensure our work is complementary. We plan to closely coordinate, or perform work jointly, with the HHS OIG to review those processes that are highly interdependent between HHS and the IRS. For example, we are currently working jointly with the HHS OIG on a review to examine controls and processes for the Advance Premium Tax Credit and Premium Tax Credit program. We have 13 new or in-process audits for this major management and performance challenge.

❖ ***Review of the Controls Over the Financial Accounting for Advanced Premium Tax Credits***

(FY 2015 – New Start – Audit Number: 201510312)

Audit Objective: Assess the processes used to document, account, control, process and report obligations, outlays, and deobligations for the Premium Tax Credit.

❖ ***Foreign Accounts Tax Compliance Act System for Withholding, Compliance, Refund Fraud Detection, and Storage***

(FY 2015 – New Start – Audit Number: 201520022)

Audit Objective: Determine whether the IRS has effectively designed, developed, and tested the Foreign Accounts Tax Compliance Act⁴ System for withholding, compliance, refund fraud detection, and storage.

³ TIGTA, Ref. No. 2010-40-098, *Target Dates Have Not Been Established to Eliminate or Reduce Taxpayer Social Security Numbers From Outgoing Correspondence* (Aug. 2010).

- ❖ ***Assessment of the Affordable Care Act Verification Service Release 1 Project Under Affordable Care Act Release 5.0***
(FY 2015 – New Start – Audit Number: 201520324)
Audit Objective: Determine whether the IRS has adequately designed, developed, and tested Affordable Care Act Verification Service Release 1.

- ❖ ***Affordable Care Act Release 6.1 Compliance Validation Release 1.0***
(FY 2015 – New Start – Audit Number: 201520318)
Audit Objective: Determine whether the IRS has properly designed, developed, and tested Affordable Care Act Compliance Validation Release 1.

- ❖ ***2015 Interim Filing Season***
(FY 2015 – New Start – Audit Number: 201540018)
Audit Objective: Provide select information relating to the IRS’s 2015 Filing Season.

- ❖ ***2015 Filing Season***
(FY 2015 – New Start – Audit Number: 201540019)
Audit Objective: Evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2015 Filing Season.

- ❖ ***Affordable Care Act: Accuracy of the IRS’s Verification of Individuals’ Compliance With the Premium Tax Credit***
(FY 2015 – New Start – Audit Number: 201540317)
Audit Objective: Evaluate the effectiveness of the IRS’s verification of Premium Tax Credit claims during the 2015 Filing Season.

- ❖ ***Affordable Care Act Coverage Data Repository***
(FY 2014 – Work in Process – Audit Number: 201420310)
Audit Objective: Determine whether the IRS is adequately mitigating Affordable Care Act systems development risks to achieve stated business and information technology requirements for Coverage Data Repository as an authoritative source for Affordable Care Act data.

- ❖ ***Review of the Affordable Care Act Release 5.0 Information Sharing and Reporting System Release 4.0***
(FY 2014 – Work in Process – Audit Number: 201420326)
Audit Objective: Determine whether the IRS has properly designed, developed, and tested Information Sharing and Reporting System Release 4.0.

⁴ Pub. L. No. 111-147, Subtitle A, 124 Stat 71, *96-116 (2010)(codified in scattered sections of 26 U.S.C.).

❖ ***Patient-Centered Outcomes Research Trust Fund***

(FY 2013 – Work in Process – Audit Number: 201330348)

Audit Objective: Evaluate the IRS’s implementation of the Affordable Care Act Section 6301 dealing with the Patient-Centered Outcomes Research Trust Fund.

❖ ***Implementation of the Affordable Care Act Health Insurance Providers Fee***

(FY 2014 – Work in Process – Audit Number: 201440303)

Audit Objective: Determine whether the IRS has developed processes for identifying providers required to file premiums reports for the Health Insurance Providers Fee (provision 9010), assessing penalties on those that do not, and determining Health Insurance Providers’ market shares and applicable annual fees.

❖ ***Affordable Care Act: Preparations for Premium Tax Credit Processing***

(FY 2014 – Work in Process – Audit Number: 201440325)

Audit Objective: Assess the status of the IRS’s preparations for verifying the accuracy of Premium Tax Credit claims during the 2015 Filing Season.

❖ ***Affordable Care Act: Preparations for Ensuring Minimum Essential Health Coverage and Assessing the Individual Shared Responsibility Payment***

(FY 2014 – Work in Process – Audit Number: 201440327)

Audit Objective: Evaluate the status of the IRS’s preparations for determining whether individuals maintained Minimal Essential Coverage and assessing the Shared Responsibility Payment during the 2015 Filing Season.

Fiscal Year 2015 Planned Audits for CHALLENGE 3:
Tax Compliance Initiatives

Increasing budgetary pressure has led to a reduction of IRS resources in the enforcement area, which has impacted tax compliance. The decline in personnel has contributed to a decrease in the number of examinations and an increase in the number of delinquent tax accounts being assigned to an inactive status. 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. We have 39 new or in-process audits for this major management and performance challenge.

❖ ***Processing and Monitoring of Balance Due Notice Cases – Follow-Up***
(FY 2015 – New Start – Audit Number: 201530010)

Audit Objective: Determine whether the Compliance Services Collection Operations controls involving balance due notice cases ensure that appropriate and timely resolution actions are taken, and ensure that inventory is effectively managed and worked.⁵

❖ ***Effectiveness of Collecting Trust Fund Recovery Penalty Assessment***
(FY 2015 – New Start – Audit Number: 201530011)

Audit Objective: Determine whether the Collection Field function is taking effective actions to maximize Trust Fund Recovery Penalty collections.

❖ ***Federal Payment Levy Program – Follow-Up***
(FY 2015 – New Start – Audit Number: 201530012)

Audit Objective: Determine whether the Federal Payment Levy Program is properly collecting delinquent taxes and adequately protecting taxpayers' rights.⁶

❖ ***Federal Tax Deposit Alert Soft Notices***
(FY 2015 – New Start – Audit Number: 201530013)

Audit Objective: At the suggestion of the IRS Oversight Board, determine whether the IRS is effectively collecting delinquent employment tax deposits, assessing the Failure to Deposit penalty, and ensuring that taxpayers remain in compliance through the Federal Tax Deposit Alert program.

❖ ***Systemic Direct Debit Installment Agreement Defaults***
(FY 2015 – New Start – Audit Number: 201530014)

Audit Objective: Determine whether the systemic default of Direct Debit Installment Agreements improves taxpayer compliance.

❖ ***Trends in Compliance Activities Through Fiscal Year 2014***
(FY 2015 – New Start – Audit Number: 201530015)

Audit Objective: At the suggestion of the IRS Oversight Board, provide various statistical information and data trends related to Collection and Examination function activities.

⁵ TIGTA, Ref. No. 2010-30-019, *Processing and Monitoring of Balance Due Notice Cases Needs Improvement* (Mar. 2010).

⁶ TIGTA, Ref. No. 2009-40-031, *The Federal Payment Levy Program Needs to Reduce Taxpayer Burden and Maximize Revenue* (Feb. 2009).

❖ ***Disposition of Offers in Compromise – Follow-Up***

(FY 2015 – New Start – Audit Number: 201530016)

Audit Objective: Determine whether dispositions of Offers in Compromise were appropriate and determine whether corrective actions from a prior TIGTA report were effective.⁷

❖ ***Efforts for Addressing and Reducing Tax Fraud***

(FY 2015 – New Start – Audit Number: 201530017)

Audit Objective: At the suggestion of the IRS Oversight Board, evaluate overall efforts to reduce and combat tax fraud and determine whether an enterprise-wide fraud strategy is needed.

❖ ***Campus Exam Classification of Individual Amended Returns With Claims for Refunds and Abatements***

(FY 2015 – New Start – Audit Number: 201530018)

Audit Objective: Determine whether the IRS is properly evaluating claims on individual amended returns referred for exam classification.

❖ ***Review of the Attributed Tip Income Program – Follow-Up***

(FY 2015 – New Start – Audit Number: 201530019)

Audit Objective: Determine the IRS's progress in improving the Attributed Tip Income Program and expanding it to other industries in which tipping is customary.⁸

❖ ***Compliance Management Operations in the Large Business and International Division***

(FY 2015 – New Start – Audit Number: 201530020)

Audit Objective: Identify the types of noncompliance the Compliance Management Operations process has detected among large corporations and the progress it has made towards addressing noncompliance.

❖ ***Addressing Income From Use of Alternative Payment Methods***

(FY 2015 – New Start – Audit Number: 201530022)

Audit Objective: Evaluate the IRS's strategy for addressing income produced through virtual currencies and other alternative payment methods.

⁷ TIGTA, Ref. No. 2012-30-033, *Increasing Requests for Offers in Compromise Have Created Inventory Backlogs and Delayed Responses to Taxpayers* (Mar. 2012).

⁸ TIGTA, Ref. No. 2006-30-132, *Additional Enhancements Could Improve Tax Compliance of Employees Who Receive Tips* (Sep. 2006).

❖ ***Criminal Investigation Case Selection***

(FY 2015 – New Start – Audit Number: 201530027)

Audit Objective: Evaluate the case selection process for the IRS’s tax-related criminal investigations.

❖ ***Delinquent Taxes Owed by State and Local Government Entities – Follow-Up***

(FY 2015 – New Start – Audit Number: 201530028)

Audit Objective: At the suggestion of the IRS, evaluate the IRS’s efforts to collect delinquent taxes and secure delinquent tax returns from State and Local governments.⁹

❖ ***Accuracy of Paper-Filed Business Tax Returns***

(FY 2015 – New Start – Audit Number: 201540006)

Audit Objective: Determine whether IRS controls ensure that paper-filed business tax returns are transcribed accurately.

❖ ***Domestic Production Activities Deduction***

(FY 2015 – New Start – Audit Number: 201540008)

Audit Objective: Assess whether the IRS has sufficient controls in place to ensure that the Domestic Production Activities Deduction is being properly claimed.

❖ ***Assistance to Innocent Taxpayers Affected by the Taxpayer Protection Program Identity Theft Filters***

(FY 2015 – New Start – Audit Number: 201540010)

Audit Objective: Assess efforts to reduce the burden of innocent taxpayers affected by the Taxpayer Protection Program’s identity theft filters.

❖ ***Efforts to Detect and Prevent Individuals From Avoiding Tax by Claiming Frivolous Tax Arguments***

(FY 2015 – New Start – Audit Number: 201540022)

Audit Objective: Assess the IRS’s efforts to identify and prevent the avoidance of individual income tax based on frivolous tax arguments.

❖ ***Selected Criteria for Identifying Tax-Exempt Applications for Further Review***

(FY 2013 – Work in Process – Audit Number: 201310034)

Audit Objective: Assess the IRS’s development and use of select terms to identify tax-exempt applications for review.

⁹ TIGTA, Ref. No. 2007-10-166, *Efforts to Collect Delinquent Employment Taxes Owed by Government Entities Could Be Improved* (Aug. 2007).

❖ ***Strategy to Address Noncompliance With Individual Retirement Arrangement Contribution Requirements – Follow-Up***

(FY 2014 – Work in Process – Audit Number: 201410008)

Audit Objective: Determine whether the IRS has effectively designed an IRS-wide strategy to identify and address excess contributions to Individual Retirement Arrangements.¹⁰

❖ ***Status of Actions to Improve Identification and Processing of Applications for Tax-Exempt Status Involving Political Campaign Intervention -- Follow-Up***

(FY 2014 – Work in Process – Audit Number: 201410009)

Audit Objective: Determine the status of the IRS's efforts to take corrective actions on recommendations¹¹ to improve identification and processing of applications for tax-exempt status involving political campaign intervention.

❖ ***Strategy to Address Noncompliance With Individual Retirement Arrangement Required Minimum Distribution Requirements – Follow-Up***

(FY 2014 – Work in Process – Audit Number: 201410015)

Audit Objective: Determine whether IRS processes provide reasonable assurance that taxpayers are complying with provisions for taking required minimum distributions from their Individual Retirement Arrangements.¹²

❖ ***The Effectiveness of Controls Over Tax Checks on Prospective Contractors***

(FY 2014 – Work in Process – Audit Number: 201410022)

Audit Objective: Determine whether the IRS contracting officers are completing tax checks and are providing any exception cases (awards made to tax delinquent contractors or subcontractors) to IRS Collection Policy as required.

❖ ***Impact Automated Underreporter Program Notices Have on Compliance***

(FY 2012 – Work in Process – Audit Number: 201230026)

Audit Objective: At the suggestion of the IRS Oversight Board, determine the type and extent of noncompliance addressed by the Automated Underreporter Program and if additional steps could be taken to enhance program accomplishments.

¹⁰ TIGTA, Ref. No. 2010-40-043, *A Service-Wide Strategy Is Needed to Address Growing Noncompliance With Individual Retirement Account Contribution and Distribution Requirements* (Mar. 2010).

¹¹ TIGTA, Ref. No. 2013-10-053, *Inappropriate Criteria Were Used to Identify Tax-Exempt Applications for Review* (May 2013).

¹² TIGTA, Ref. No. 2010-40-043, *A Service-Wide Strategy Is Needed to Address Growing Noncompliance With Individual Retirement Account Contribution and Distribution Requirements* (Mar. 2010).

- ❖ ***Impact of Budget Cuts on Collection Programs***
(FY 2013 – Work in Process – Audit Number: 201330010)
Audit Objective: Determine the impact that the IRS budget cuts have had on collection programs and employees.
- ❖ ***Impact on the Fresh Start Initiative on Future Tax Compliance***
(FY 2013 – Work in Process – Audit Number: 201330011)
Audit Objective: Determine the effectiveness of the Fresh Start Initiative in promoting future tax compliance.
- ❖ ***Impact of Redesigned Collection Notices on Taxpayer Response and Compliance Rates***
(FY 2013 – Work in Process – Audit Number: 201330012)
Audit Objective: Determine whether the IRS is tracking, measuring and achieving the expected taxpayer service and business goals of the redesigned collection notices.
- ❖ ***Collection Actions Involving Delinquent Federal Employees***
(FY 2013 – Work in Process – Audit Number: 201330013)
Audit Objective: Determine whether the IRS has adequate controls and procedures in place to properly identify and resolve tax compliance issues among Federal employees and retirees.
- ❖ ***Seizure and Sale Activities***
(FY 2013 – Work in Process – Audit Number: 201330016)
Audit Objective: Analyze the IRS’s seizures and sales to determine whether improvements can be made to increase revenue and protect taxpayer rights.
- ❖ ***Defunct Corporations Closed as Currently Not Collectible***
(FY 2013 – Work in Process – Audit Number: 201330018)
Audit Objective: Determine whether the Collection Field function is performing all required collection actions before closing corporation delinquent accounts as *currently not collectible – defunct* and if all tax periods for defunct corporation taxpayers are properly closed.
- ❖ ***Examination of Individual Amended Returns With Claims for Refunds and Abatements***
(FY 2013 – Work in Process – Audit Number: 201330047)
Audit Objective: Determine whether the IRS’s controls over the examination of individual amended return claims ensure that claims are properly evaluated and accurately processed and are effective in preventing the issuance of improper refunds.

❖ ***Whistleblower***

(FY 2014 – Work in Process – Audit Number: 201430019)

Audit Objective: Determine whether the IRS ensures that whistleblower claims are appropriately and timely investigated to identify any noncompliance or potential fraud, including using statutory exceptions to the disclosure laws to discuss claims with whistleblowers.

❖ ***Consideration of Preparer Penalties During Audits***

(FY 2014 – Work in Process – Audit Number: 201430020)

Audit Objective: Determine whether preparer penalties are appropriately considered in accordance with IRS procedures and guidelines during audits to promote compliance with tax laws.

❖ ***Tax Compliance of High-Wealth Individuals***

(FY 2014 – Work in Process – Audit Number: 201430023)

Audit Objective: Evaluate the IRS's efforts to ensure the tax compliance of high-wealth individuals.

❖ ***Penalty Abatements***

(FY 2014 – Work in Process – Audit Number: 201430026)

Audit Objective: Determine whether the IRS's controls are sufficient to ensure appropriate accuracy-related penalty abatements.

❖ ***Partnership Audit Program***

(FY 2014 – Work in Process – Audit Number: 201430027)

Audit Objective: Identify the types of noncompliance the IRS has detected among partnerships and the progress the IRS has made towards addressing this noncompliance.

❖ ***Third-Party Payer Arrangements***

(FY 2013 – Work in Process – Audit Number: 201340024)

Audit Objective: Determine whether controls are adequate to protect the taxpayer's and Government's interest when third party payers are not compliant with payment and filing requirements.

❖ ***Federal Unemployment Tax Certification Program***

(FY 2014 – Work in Process – Audit Number: 201440008)

Audit Objective: Evaluate whether the IRS's Federal Unemployment Tax Certification Program ensures the accuracy of Federal Unemployment Tax credit claims.

❖ ***Combined Annual Wage Reporting Program***

(FY 2014 – Work in Process – Audit Number: 201440009)

Audit Objective: Evaluate whether the IRS’s Combined Annual Wage Reporting Program ensures that employers report and remit the proper amount of employment taxes.

Fiscal Year 2015 Planned Audits for CHALLENGE 4:
Fraudulent Claims and Improper Payments

For the IRS, improper and erroneous credits and payments generally involve improperly paid refunds, tax return filing fraud, or overpayments to vendors or contractors. This challenge also includes refundable credits that the IRS administers and contracts or other payments made by the IRS. We have 24 new or in-process audits planned for this major management and performance challenge.

❖ ***Government Charge Card Abuse Prevention Act of 2012 (October 1 – March 31)***

(FY 2015 – New Start – Audit Number: 201510010)

Audit Objective: Describe confirmed violations of purchase or integrated cards and identify IRS plans to comply with the Government Charge Card Abuse Prevention Act of 2012.¹³

❖ ***Government Charge Card Abuse Prevention Act of 2012 (April 1 – September 30)***

(FY 2015 – New Start – Audit Number: 201510011)

Audit Objective: Describe confirmed violations of purchase or integrated cards and identify IRS plans to comply with the Government Charge Card Prevention Abuse Act of 2012.

❖ ***Electronic Fraud Detection System Filing Season 2015 Development***

(FY 2015 – New Start – Audit Number: 201520021)

Audit Objective: Determine whether the IRS has properly designed, developed, and tested significant enhancements to the Electronic Fraud Detection System.

❖ ***Effectiveness of the Internal Revenue Service’s Continued Efforts to Reduce Identity Theft -- Follow-Up***

(FY 2015 – New Start – Audit Number: 201540001)

Audit Objective: Analyze Tax Year 2013 tax returns to determine the effectiveness of the IRS’s on-going efforts to detect and prevent identity theft.¹⁴

¹³ Pub. L. No. 112-194. 126 Stat. 1445.

❖ ***Net Operating Loss Carryforward***

(FY 2015 – New Start – Audit Number: 201540002)

Audit Objective: Determine whether IRS controls over business net operating loss carryforwards are accurately calculating and verifying these claims on corporate income tax returns.

❖ ***Withholding on United States Income Tax Return of a Foreign Corporation***

(FY 2015 – New Start – Audit Number: 201540003)

Audit Objective: Assess the IRS's procedures and controls to identify and prevent questionable withholding claims on Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*.

❖ ***Prior Year Minimum Tax Credit***

(FY 2015 – New Start – Audit Number: 201540004)

Audit Objective: Assess the IRS's controls to detect and prevent questionable claims for the prior year minimum taxes on corporate tax returns.

❖ ***Historic Rehabilitation Credit***

(FY 2015 – New Start – Audit Number: 201540005)

Audit Objective: Assess the IRS's controls to effectively process and monitor business taxpayer claims for the Historic Rehabilitation Credit.

❖ ***Questionable Tax Refund Offsets Applied to Another Government Agency***

(FY 2015 – New Start – Audit Number: 201540007)

Audit Objective: Assess the effectiveness of the IRS's processes to ensure only valid refunds are being offset to pay debt to another government agency.

❖ ***Duplicate Use of Taxpayer Identification Numbers -- Follow-Up***

(FY 2015 – New Start – Audit Number: 201540020)

Audit Objective: Assess the effectiveness of the IRS's efforts to prevent taxpayers from inappropriately receiving tax benefits as a result of the multiple uses of Taxpayer Identification Numbers.¹⁵

❖ ***Evaluation of the Automated Questionable Credit Program***

(FY 2015 – New Start – Audit Number: 201540021)

Audit Objective: Evaluate the effectiveness of the Automated Questionable Credit Program in preventing tax refunds resulting from erroneous tax credit claims.

¹⁴ TIGTA, Audit No. 201440001, *Detection and Prevention of Identity Theft on Individual Tax Accounts -- Follow-Up*.

¹⁵ TIGTA, Ref. No. 2010-40-117, *Multiple Use of Taxpayer Identification Numbers Continues to Result in Significant Erroneous Exemptions and Credits* (Sep. 2010).

❖ ***Compliance With the Improper Payment Elimination and Recovery Act in FY 2014***

(FY 2015 – New Start – Audit Number: 201540024)

Audit Objective: Determine whether the IRS complied with the requirements contained in the Improper Payment Elimination and Recovery Act for FY 2014.¹⁶

❖ ***Compliance With the Consolidated Appropriations Act of 2012 and Related Suspension and Debarment Program***

(FY 2014 – Work in Process – Audit Number: 201410013)

Audit Objective: Determine whether the IRS has complied with the requirements of the Consolidated Appropriations Act of 2012¹⁷ for procurements.

❖ ***Return Review Program Implementation of Predictive Analytic Models, Business Rules Design, Testing, Maintenance, and Deployment***

(FY 2014 – Work in Process – Audit Number: 201420017)

Audit Objective: Evaluate the information technology and management related to predictive analytic models and business rules design, development, and testing.

❖ ***Identification of Questionable Wage and Tax Statements***

(FY 2013 – Work in Process – Audit Number: 201340033)

Audit Objective: Assess the IRS's efforts to identify questionable Form W-2, *Wage and Tax Statement*, received from the Social Security Administration that were prepared and submitted by individuals attempting to commit fraud.

❖ ***General Business Credits Claimed on Business Tax Returns***

(FY 2013 – Work in Process – Audit Number: 201340022)

Audit Objective: Determine whether the IRS's controls are adequate to identify questionable claims for General Business Credits claimed on business tax returns.

❖ ***Effectiveness of the Internal Revenue Service's Efforts to Detect and Prevent Identity Theft -- Follow-Up***

(FY 2014 – Work in Process – Audit Number: 201440001)

Audit Objective: Determine the effectiveness of the IRS's on-going efforts to detect and prevent identity theft.¹⁸

¹⁶ Pub. L. No. 111-204, 124 Stat. 2224.

¹⁷ Pub. L. No. 112-74, 2012, § 630, 125 Stat. 786, 928.

¹⁸ TIGTA, Ref. No. 2013-40-122, *Detection Has Improved; However, Identity Theft Continues to Result in Billions of Dollars in Potentially Fraudulent Tax Refunds* (Sep. 2013).

- ❖ ***Detection and Prevention of Identity Theft on Business Tax Accounts***
(FY 2014 – Work in Process – Audit Number: 201440004)
Audit Objective: Determine the effectiveness of the IRS’s efforts to implement a business return program to detect and prevent identity theft.

- ❖ ***Efforts to Identify and Prevent Erroneous Education Credits***
(FY 2014 – Work in Process – Audit Number: 201440015)
Audit Objective: Assess the IRS’s efforts to improve the detection and prevention of questionable education credit claims.

- ❖ ***Efforts to Authenticate Individual Income Tax Return Filers***
(FY 2014 – Work in Process – Audit Number: 201440016)
Audit Objective: Assess the IRS’s efforts to authenticate individual taxpayers’ identities at the time a tax return is filed.

- ❖ ***Compliance With Executive Order 13520 in Fiscal Year 2013***
(FY 2014 – Work in Process – Audit Number: 201440019)
Audit Objective: Determine whether the IRS complied with the requirements contained in Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, with regard to reducing improper payments in FY 2013.

- ❖ ***Individual Taxpayer Identification Number Program Authentication of Embassy or Consul Stamps***
(FY 2014 – Work in Process – Audit Number: 201440026)
Audit Objective: Assess the IRS’s process for authenticating the validity of Embassy or Consul Stamps on documents provided to prove an Individual Taxpayer Identification Number applicant’s identity and foreign status.

- ❖ ***Use of Social Security Administration Data to Address Erroneous Earned Income Tax Credits***
(FY 2014 – Work in Process – Audit Number: 201440028)
Audit Objective: Determine whether the IRS is using information from the Social Security Administration to effectively address erroneous Earned Income Tax Credit payments associated with self-employment income.

- ❖ ***Effectiveness of Identity Theft Filters in the Return Review Program***
(FY 2014 – Work in Process – Audit Number: 201440030)
Audit Objective: Evaluate the effectiveness of the IRS’s Return Review Program in identifying potentially fraudulent tax returns involving identity theft during return processing.

Fiscal Year 2015 Planned Audits for CHALLENGE 5:
Achieving Program Efficiencies and Cost Savings

Given the current economic environment, the IRS must ensure it is using their resources efficiently and that every tax dollar is spent wisely. This has become more pressing in recent years as the IRS has struggled to maintain key taxpayer service and enforcement operations while operating with a reduced budget and smaller staff. While the IRS has made progress in using its data to improve program effectiveness and reduce costs, this area continues to be a major challenge. We have 10 new or in-process audits for this major management and performance challenge.

❖ ***Fees Paid to the Federal Protective Services for Risk Assessments***
(FY 2015 – New Start – Audit Number: 201510001)

Audit Objective: Determine whether security fees paid to the Federal Protective Services are substantiated and whether there is duplication in security services performed by IRS personnel.

❖ ***Conference Report Recommendations -- Follow-Up***
(FY 2015 – New Start – Audit Number: 201510002)

Audit Objective: Determine whether the IRS has completed implementation of recommendations made in a prior TIGTA report.¹⁹

❖ ***Annual Review of the Internal Revenue Service's Federal Financial Management Improvement Act FY 2014 Remediation Plan***
(FY 2015 – New Start – Audit Number: 201510005)

Audit Objective: Determine the IRS's compliance with Federal Financial Management Improvement Act²⁰ requirements.

❖ ***Implementation of an Enterprise Risk Management Program***
(FY 2015 – New Start – Audit Number: 201510009)

Audit Objective: At the suggestion of the IRS Oversight Board, determine whether the IRS has taken effective steps to plan for implementation of a corporate Enterprise Risk Management Program.

¹⁹ TIGTA, Ref. No. 2013-10-037, *Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California* (May 2013).

²⁰ Pub. L. No. 104-208, 110 Stat. 3009.

❖ ***Information Technology Procurement Process and Risk Management***

(FY 2015 – New Start – Audit Number: 201520017)

Audit Objective: Determine whether the IRS’s Information Technology Procurement policies, processes, and practices incorporate appropriate risk mitigation to deter high-risk contracting activities and to ensure compliance with the Federal Acquisition Regulation.

❖ ***Attestation Review of the Internal Revenue Service’s FY 2014 Annual Accounting of Drug Control Funds***

(FY 2014 – Work in Process – Audit Number: 201410020)

Audit Objective: Perform an attestation review of the IRS’s reporting of FY 2014 Office of National Drug Control Policy Expenditures and Related Performance for the purpose of expressing a conclusion about the reliability of each assertion made in the Detailed Accounting Submission and Performance Summary Report.

❖ ***Controls Over the Use of Funds Disbursed for Volunteer Income Tax Assistance and Tax Counseling for the Elderly Program Grants***

(FY 2014 – Work in Process – Audit Number: 201410021)

Audit Objective: Determine whether the IRS has established effective controls to provide reasonable assurance that Volunteer Income Tax Assistance and Tax Counseling for the Elderly program grant funds are used only for expenses that support the intent of the program and are allowable under program guidelines.

❖ ***Data Mining and Analytics***

(FY 2012 – Work in Process – Audit Number: 201220220)

Audit Objective: Review the effectiveness of the IRS’s usage of data mining and analytics to improve tax administration.

❖ ***Control Weaknesses in the Excess Collection File***

(FY 2014 – Work in Process – Audit Number: 201430024)

Audit Objective: Determine whether the controls over the Excess Collections File adequately prevent improper transactions and ensure expired credits are appropriately transferred to the Department of the Treasury.

❖ ***Implementation of Merchant Card Reporting***

(FY 2014 – Work in Process – Audit Number: 201440005)

Audit Objective: Assess the effectiveness of IRS’s actions to ensure compliance with information reporting requirements for credit card payments and efforts to implement a process to match income reported from sales to income reported on tax returns.

Fiscal Year 2015 Planned Audits for CHALLENGE 6: Modernization

The Modernization Program is a complex effort to modernize IRS technology and related business processes. The IRS's modernization efforts continue to focus on core tax administration systems designed to provide more sophisticated tools to taxpayers and IRS employees and will provide the foundation for implementing a real-time tax system, reducing improper payments and fraudulent refunds, and providing the technology infrastructure and architecture that will enable taxpayers and other stakeholders the capability to securely access tax account information. We have nine new or in-process audits for this major management and performance challenge.

❖ ***FY 2015 Annual Assessment of the IRS's Information Technology***

(FY 2015 – New Start – Audit Number: 201520010)

Audit Objective: Evaluate the adequacy and security of IRS information technology as required by the RRA 98.²¹

❖ ***Capability Maturity Model Integration Practices and Validation of Ratings***

(FY 2015 – New Start – Audit Number: 201520011)

Audit Objective: Evaluate the IRS's implementation of Capability Maturity Model Integration software development practices to ensure processes are consistently applied across projects and are working as intended.

❖ ***Voice Over Internet Protocol***

(FY 2015 – New Start – Audit Number: 201520012)

Audit Objective: Determine whether the IRS has adequately planned, implemented, and secured its nationwide Voice Over Internet Protocol phone systems.

❖ ***Transition to Data Storage-As-a-Service***

(FY 2015 – New Start – Audit Number: 201520016)

Audit Objective: Evaluate the progress, effectiveness, and efficiency of the IRS's Enterprise Computing Center Support program on enterprise-wide data storage-as-a-service capabilities needed for IRS systems and operations.

❖ ***Integrated Production Model Data Strategy***

(FY 2015 – New Start – Audit Number: 201520019)

Audit Objective: Assess maturity of the Integrated Production Model data strategy for supporting data-centric systems modernization and application development.

²¹ 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., 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.).

❖ ***Efforts to Implement an Enterprise-Wide Case Management Solution***

(FY 2015 – New Start – Audit Number: 201520020)

Audit Objective: Assess the IRS's efforts to identify and address enterprise-wide requirements for an integrated case management solution.

❖ ***Customer Account Data Engine 2 Transition State 2 Release Plan***

(FY 2015 – New Start – Audit Number: 201520023)

Audit Objective: Determine whether the IRS has developed adequate plans to achieve the goals of the Customer Account Data Engine 2 Transition State 2.

❖ ***Development of Requirements for the Customer Account Data Engine 2 System to Address the IRS's Financial Material Weakness***

(FY 2014 – Work in Process – Audit Number: 201420011)

Audit Objective: Assess the efforts of the Information Technology organization, the Chief Financial Officer, and Wage & Investment Division to address the IRS's financial material weaknesses through planning activities for Transition State 2 of the Customer Account Data Engine 2 system.

❖ ***Final Integration Test Planning and Preparation***

(FY 2014 – Work in Process – Audit Number: 201420025)

Audit Objective: Evaluate the effectiveness of final Integration Test Planning and Preparation for Processing Year 2015.

Fiscal Year 2015 Planned Audits for CHALLENGE 7: Providing Quality Taxpayer Service Operations

The IRS recognizes that the delivery of effective taxpayer service has a significant impact on voluntary tax compliance. Answering taxpayers' questions to assist them to correctly prepare their returns reduces the need to send notices and correspondence when taxpayers make errors. Effective taxpayer service also reduces unintentional noncompliance and reduces the need for future collection activity. Although the IRS has implemented certain procedures to better assist taxpayers, budget reductions pose a significant challenge and continue to result in the IRS cutting service to taxpayers. As demand for taxpayer services continues to increase, resources devoted to customer service have decreased, thereby affecting the quality of customer service that the IRS is able to provide. We have 12 new or in-process audits for this major management and performance challenge.

❖ ***Contact Analytics to Improve Customer Service***
(FY 2015 – New Start – Audit Number: 201540011)

Audit Objective: At the suggestion of the IRS Oversight Board, determine whether Contact Analytics is used to improve taxpayer service.

❖ ***Quality Statistical Sample Review Program***
(FY 2015 – New Start – Audit Number: 201540012)

Audit Objective: Determine whether the Quality Statistical Sample review program provides a sufficient evaluation of the accuracy of tax return preparation at Volunteer Income Tax Assistance sites.

❖ ***Customized Letters Sent to Taxpayers***
(FY 2015 – New Start – Audit Number: 201540013)

Audit Objective: Evaluate controls to ensure the accuracy of customized letters sent to taxpayers.

❖ ***Requests for Relief Under the Injured Spouse Program -- Follow-Up***
(FY 2015 – New Start – Audit Number: 201540014)

Audit Objective: Determine whether taxpayers' requests for relief under the Injured Spouse program are processed accurately and timely.²²

²² TIGTA, Ref. No. 2005-40-001, *Injured Spouse Guidance Is Not Consistent* (Oct. 2004).

❖ ***IRS’s Resolution of Accounts on the Invalid Segment of the Individual Master File***

(FY 2015 – New Start – Audit Number: 201540023)

Audit Objective: Assess the IRS’s efforts to resolve accounts on the invalid segment of the Individual Master File.

❖ ***Timeliness of Correspondence Processing -- Follow-Up***

(FY 2015 – New Start – Audit Number: 201540025)

Audit Objective: At the suggestion of the IRS Oversight Board, evaluate processes to timely process taxpayer correspondence.²³

❖ ***Office of Appeals Penalty Abatements***

(FY 2014 – Work in Process – Audit Number: 201410018)

Audit Objective: Evaluate whether penalties were abated in accordance with Office of Appeals criteria.

❖ ***Development and Implementation of the Enterprise Portal***

(FY 2014 – Work in Process – Audit Number: 201420022)

Audit Objective: Review the IRS’s development and implementation of the IRS Enterprise Portal.

❖ ***Identity Theft Victim Assistance -- Follow-Up***

(FY 2013 – Work in Process – Audit Number: 201340036)

Audit Objective: Determine whether the IRS is improving its assistance to victims of identity theft.²⁴

❖ ***Issuance of Preparer Tax Identification Numbers***

(FY 2014 – Work in Process – Audit Number: 201440010)

Audit Objective: Evaluate the Return Preparer Office’s process to issue Preparer Tax Identification Numbers.

❖ ***Online Customer Service Strategy***

(FY 2014 – Work in Process – Audit Number: 201440011)

Audit Objective: Evaluate the Service on Demand initiative to determine whether planning is adequate to develop a long-term online customer service strategy.

²³ TIGTA, Ref. No. 2013-40-105, *Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases* (Sep. 2013).

²⁴ TIGTA, Ref. No. 2008-40-086, *Outreach Has Improved, but More Action Is Needed to Effectively Address Employment-Related and Tax Fraud Identity Theft* (Mar. 2008).

❖ ***Identity Protection Specialized Unit and Identity Theft Victims***
(FY 2014 – Work in Process – Audit Number: 201440024)

Audit Objective: Determine whether the Identity Protection Specialized Unit results in a streamlined process to resolve identity theft cases, including providing victims with a single point of contact.

Fiscal Year 2015 Planned Audits for CHALLENGE 8:
Globalization

The scope, complexity, and magnitude of the international financial system present significant enforcement challenges for the IRS. The number of taxpayers conducting international business transactions continues to grow as technological advances provide opportunities for offshore investments that were once only possible for large corporations and wealthy individuals. We have 10 new or in-process audits for this major management and performance challenge.

❖ ***Exchange of Information With Foreign Countries***

(FY 2015 – New Start – Audit Number: 201530021)

Audit Objective: Evaluate the IRS’s efforts to improve tax compliance by using information obtained through the Exchange of Information Program agreements with foreign countries.

❖ ***International Customer Service***

(FY 2015 – New Start – Audit Number: 201530023)

Audit Objective: At the suggestion of the IRS Oversight Board, evaluate the IRS’s strategies and customer service efforts to help U.S. taxpayers living abroad meet their tax responsibilities.

❖ ***Treaty Based Income Tax Exemptions***

(FY 2015 – New Start – Audit Number: 201530024)

Audit Objective: Evaluate the IRS’s efforts to ensure the accuracy of treaty based income tax exemptions.

❖ ***Transfer Pricing Across International Borders***

(FY 2015 – New Start – Audit Number: 201530025)

Audit Objective: Assess the barriers to the IRS efficiently evaluating transfer pricing issues.

❖ ***Reporting of Passive Rental Income on United States Property Owned by Foreign Individuals***

(FY 2015 – New Start – Audit Number: 201530026)

Audit Objective: Evaluate the IRS’s efforts in identifying and addressing foreign individuals who should be paying tax on passive rental income of U.S. real property.

❖ ***International Tax Notices***

(FY 2013 – Work in Process – Audit Number: 201330022)

Audit Objective: Evaluate the process for sending tax correspondence (notices and letters) to business and individual taxpayers who reside outside the United States, analyze how the

taxpayers responded, and determine whether the correspondence resulted in improved compliance.

❖ ***Totalization Agreements***

(FY 2013 – Work in Process – Audit Number: 201330023)

Audit Objective: Evaluate the IRS’s efforts to identify taxpayers affected by Totalization Agreements and ensure that their U.S. Social Security taxes are properly paid in accordance with these international agreements.

❖ ***Foreign Tax Credit***

(FY 2013 – Work in Process – Audit Number: 201330050)

Audit Objective: Determine whether IRS controls ensure that the Foreign Tax Credit is accurately claimed on a tax return when foreign government taxes are used to offset Federal taxes.

❖ ***Implementation of the Foreign Account Tax Compliance Act***

(FY 2014 – Work in Process – Audit Number: 201430015)

Audit Objective: Assess the IRS’s progress in implementing the Foreign Account Tax Compliance Act.²⁵

❖ ***Offshore Voluntary Disclosure Program***

(FY 2014 – Work in Process – Audit Number: 201430028)

Audit Objective: Assess how well the IRS is managing the Offshore Voluntary Disclosure Program and its efforts to improve taxpayer compliance.

²⁵ Pub. L. No. 111-147, Subtitle A, 124 Stat. 71, *96-116 (2010) (codified in scattered sections of 26 U.S.C.).

Fiscal Year 2015 Planned Audits for CHALLENGE 9:
Taxpayer Protection and Rights

The IRS must ensure that tax compliance activities are balanced with the rights of taxpayers to receive fair and equitable treatment. The IRS continues to dedicate significant resources and attention to complying with taxpayer rights provisions of the RRA 98.²⁶ We have 13 new or in-process audits for this major management and performance challenge.

❖ ***FY 2015 Mandatory Review of Collection Due Process***

(FY 2015 – New Start – Audit Number: 201510004)

Audit Objective: Determine whether the Office of Appeals complied with 26 U.S.C. §§ 6320(b) and (c) and 6330 (b) and (c) when taxpayers exercised their right to appeal the filing of a Notice of Federal Tax Lien or a Notice of Intent to Levy.

❖ ***FY 2015 Mandatory Review of Fair Tax Collection Practices Act Violations for FY 2014***

(FY 2015 – New Start – Audit Number: 201510008)

Audit Objective: Obtain information on any IRS administrative or civil actions resulting from violations of the Fair Tax Collection Practices Act, Internal Revenue Code (I.R.C.) § 6304.

❖ ***FY 2015 Mandatory Review of Liens***

(FY 2015 – New Start – Audit Number: 201530001)

Audit Objective: Determine whether liens issued by the IRS comply with legal guidelines set forth in the I.R.C. and related guidance in the Federal Tax Lien Handbook.

❖ ***FY 2015 Mandatory Review of Seizures***

(FY 2015 – New Start – Audit Number: 201530002)

Audit Objective: Determine whether seizures conducted by the IRS complied with legal provisions set forth in I.R.C. §§ 6330 through 6344 and with the IRS's own internal procedures.

❖ ***FY 2015 Mandatory Review of Levies***

(FY 2015 – New Start – Audit Number: 201530003)

Audit Objective: Determine whether the IRS has complied with 26 U.S.C. § 6330, Notice and Opportunity for Hearing Before Levy.

²⁶ 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., 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.).

❖ ***FY 2015 Mandatory Review of Disclosure of Collection Activities on Joint Returns***

(FY 2015 – New Start – Audit Number: 201530004)

Audit Objective: Determine if the IRS is complying with the provisions of the I.R.C. § 6103(e)(8) as related to the disclosure of collection activities to joint filers.

❖ ***FY 2015 Mandatory Review of Compliance With Restrictions on the Use of Enforcement Statistics***

(FY 2015 – New Start – Audit Number: 201530005)

Audit Objective: Determine whether the IRS is complying with restrictions on the use of enforcement statistics to evaluate employees.

❖ ***FY 2015 Mandatory Review of Compliance With the Freedom of Information Act***

(FY 2015 – New Start – Audit Number: 201530006)

Audit Objective: Determine whether the IRS improperly withheld information requested by taxpayers in writing, based on the Freedom of Information Act (FOIA)²⁷ exemption (b)(3), in conjunction with I.R.C. § 6103, and/or FOIA exemption (b)(7), or by replying that responsive records were not available.

❖ ***FY 2015 Mandatory Review of Illegal Tax Protestors and Similar Designations***

(FY 2015 – New Start – Audit Number: 201530007)

Audit Objective: Determine whether the IRS complied with RRA 98²⁸ § 3707 and internal IRS guidelines that prohibit IRS officers and employees from referring to taxpayers as Illegal Tax Protestors or any similar designations.

❖ ***FY 2015 Mandatory Review of Restrictions on Directly Contacting Taxpayers***

(FY 2015 – New Start – Audit Number: 201530008)

Audit Objective: Determine whether the IRS is in compliance with legal guidelines addressing the direct contact of taxpayers and their representatives set forth in the I.R.C. § 7521(b)(2) and (c).

❖ ***FY 2015 Mandatory Review of Assessment Statute Extension Dates***

(FY 2015 – New Start – Audit Number: 201530009)

Audit Objective: Determine whether the IRS is complying with the I.R.C. § 6501(c)(4)(B), which requires the IRS to provide notice to taxpayers of their right to decline to extend the

²⁷ 5 U.S.C. § 552.

²⁸ 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., 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.).

assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues.

❖ ***Assistance to Taxpayers Affected by Employment-Related Identity Theft***
(FY 2015 – New Start – Audit Number: 201540015)

Audit Objective: Evaluate the Automated Underreporter processes to identify identity theft cases and assist victims.

❖ ***Specialized Identity Theft Teams***
(FY 2014 – Work in Process – Audit Number: 201430010)

Audit Objective: Determine whether the Collection function is protecting taxpayer rights and the Government’s interest when identifying taxpayers who have been victims of identity theft.

Fiscal Year 2015 Planned Audits for CHALLENGE 10:
Human Capital

Human capital is the Federal Government’s most critical asset, making strategic management of human capital a continuing challenge facing the IRS. Budget reductions in recent years have caused the IRS to reduce staffing, which may have unforeseen implications on the IRS’s ability to carry out its mission in future years. We have four new or in-process audits for this major management and performance challenge.

❖ ***Chief Counsel Employee Disciplinary Actions***
(FY 2015 – New Start – Audit Number: 201510003)

Audit Objective: Evaluate the Chief Counsel’s process for administering disciplinary action against its employees, and determine how the adjudication of Chief Counsel employee disciplinary cases compares to guidelines for IRS employees.

❖ ***Rehiring Employees With Prior Conduct or Performance Issues***
(FY 2013 – Work in Process – Audit Number: 201310029)

Audit Objective: Identify whether processes for determining employment suitability provide reasonable assurance that former employees are only rehired after all prior performance and conduct issues have been considered and decisions are consistent with the Office of Personnel Management Suitability Processing Handbook.

❖ ***Controls Over Employee Tax Compliance***
(FY 2014 – Work in Process – Audit Number: 201410005)

Audit Objective: Determine the IRS’s response to employee tax non-compliance.

❖ ***Internal Controls Related to Adding or Removing Dependents to Employees’ Federal Employee’s Health Benefits Program***

(FY 2014 – Work in Process – Audit Number: 201410019)

Audit Objective: Determine the adequacy of procedures in place to timely verify the validity of employees’ dependents and timely remove the dependents when they become ineligible in accordance with the Federal Employee’s Health Benefits Program.

List of Planned Mandatory Audits for Fiscal Year 2015

Each year, TIGTA performs audits on the mandatory coverage imposed by the IRS Restructuring and Reform Act of 1998 (RRA 98)¹ and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial audits. These mandatory audits are listed here. We have 20 new or in-process mandatory audits in this Plan.

❖ ***FY 2015 Mandatory Review of Liens***

(FY 2015 – New Start – Audit Number: 201530001)

Audit Objective: Determine whether liens issued by the IRS comply with legal guidelines set forth in the I.R.C and related guidance in the Federal Tax Lien Handbook.

❖ ***FY 2015 Mandatory Review of Seizures***

(FY 2015 – New Start – Audit Number: 201530002)

Audit Objective: Determine whether seizures conducted by the IRS complied with legal provisions set forth in I.R.C. §§ 6330 through 6344 and with the IRS's own internal procedures.

❖ ***FY 2015 Mandatory Review of Levies***

(FY 2015 – New Start – Audit Number: 201530003)

Audit Objective: Determine whether the IRS has complied with 26 U.S.C. § 6330, Notice and Opportunity for Hearing Before Levy.

❖ ***FY 2015 Mandatory Review of Disclosure of Collection Activities on Joint Returns***

(FY 2015 – New Start – Audit Number: 201530004)

Audit Objective: Determine whether the IRS is complying with provisions of the I.R.C. § 6103(e)(8) as related to the disclosure of collection activities to joint filers.

❖ ***FY 2015 Mandatory Review of Compliance With Restrictions on the Use of Enforcement Statistics***

(FY 2015 – New Start – Audit Number: 201530005)

Audit Objective: Determine whether the IRS is complying with restrictions on the use of enforcement statistics to evaluate employees.

¹ 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., 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.).

❖ ***FY 2015 Mandatory Review of the Compliance With the Freedom of Information Act***

(FY 2015 – New Start – Audit Number: 201530006)

Audit Objective: Determine whether the IRS improperly withheld information requested by taxpayers in writing, based on the Freedom of Information Act (FOIA)² exemption (b)(3), in conjunction with I.R.C. § 6103, and/or FOIA exemption (b)(7), or by replying that responsive records were not available.

❖ ***FY 2015 Mandatory Review of Illegal Tax Protestors and Similar Designations***

(FY 2015 – New Start – Audit Number: 201530007)

Audit Objective: Determine whether the IRS complied with RRA 98 § 3707 and internal IRS guidelines that prohibit IRS officers and employees from referring to taxpayers as Illegal Tax Protesters or any similar designations.

❖ ***FY 2015 Mandatory Review of Restrictions on Directly Contacting Taxpayers***

(FY 2015 – New Start – Audit Number: 201530008)

Audit Objective: Determine whether the IRS is in compliance with legal guidelines addressing the direct contact of taxpayers and their representatives set forth in the I.R.C. § 7521(b)(2) and (c).

❖ ***FY 2015 Mandatory Review of Assessment Statute Extension Dates***

(FY 2015 – New Start – Audit Number: 201530009)

Audit Objective: Determine whether the IRS is complying with the I.R.C. § 6501(c)(4)(B), which requires the IRS to provide notice to taxpayers of their right to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues.

❖ ***Security of Privacy Impact Assessment Management System***

(FY 2015 – New Start – Audit Number: 201520002)

Audit Objective: Determine whether the Privacy Impact Assessment Management System is secure against unauthorized access and is effectively working as intended to support the Privacy Impact Assessment program.

² 5 U.S.C. § 552.

❖ ***FY 2015 Federal Information Security Management Act***

(FY 2015 – New Start – Audit Number: 201520004)

Audit Objective: Determine the IRS’s progress in meeting the requirements of the 2015 Federal Information Security Management Act³ mandatory review of the IRS’s unclassified information technology system security program.

❖ ***FY 2015 Annual Assessment of the IRS’s Information Technology***

(FY 2015 – New Start – Audit Number: 201520010)

Audit Objective: Evaluate the adequacy and security of IRS information technology, as required by the RRA 98.⁴

❖ ***FY 2015 Mandatory Review of Collection Due Process***

(FY 2015 – New Start – Audit Number: 201510004)

Audit Objective: Determine whether the Office of Appeals complied with 26 U.S.C. §§ 6320(b) and (c) and 6330(b) and (c) when taxpayers exercised their right to appeal the filing of a Notice of Federal Tax Lien or a Notice of Intent to Levy.

❖ ***Annual Review of the Internal Revenue Service’s Federal Financial Management Improvement Act FY 2014 Remediation Plan***

(FY 2015 – New Start – Audit Number: 201510005)

Audit Objective: Determine the IRS’s compliance with the Federal Financial Management Improvement Act⁵ requirements.

❖ ***FY 2015 Mandatory Review of Fair Tax Collection Practices Act Violations for FY 2014***

(FY 2015 – New Start – Audit Number: 201510008)

Audit Objective: Obtain information on any IRS administrative or civil actions resulting from violations of the Fair Tax Collection Practices Act, I.R.C. § 6304.

³ Pub. L. No. 107-347, Title III, 116 Stat. 2899, 2946-2961 (codified as amended in 44 U.S.C. §§ 3541–3549).

⁴ 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., 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.).

⁵ Pub. L. No. 104-208, 110 Stat. 3009.

❖ ***Government Charge Card Abuse Prevention Act of 2012 -
(October 1 - March 31)***

(FY 2015 – New Start – Audit Number: 201510010)

Audit Objective: Describe confirmed violations of purchase or integrated cards and identify IRS plans to comply with the Government Charge Card Abuse Prevention Act of 2012.⁶

❖ ***Government Charge Card Abuse Prevention Act of 2012 –
(April 1 - September 30)***

(FY 2015 – New Start – Audit Number: 201510011)

Audit Objective: Describe confirmed violations of purchase or integrated cards and identify IRS plans to comply with the Government Charge Card Abuse Prevention Act of 2012.

❖ ***Compliance With the Improper Payment Elimination and Recovery Act in
FY 2014***

(FY 2015 – New Start – Audit Number: 201540024)

Audit Objective: Describe whether the IRS complied with the requirements contained in the Improper Payment Elimination and Recovery Act for FY 2014.⁷

❖ ***Attestation Review of the Internal Revenue Service’s FY 2014 Annual
Accounting of Drug Control Funds***

(FY 2014 – Work in Process – Audit Number: 201410020)

Audit Objective: Perform an attestation review of the IRS’s reporting of FY 2014 Office of National Drug Control Policy Expenditures and Related Performance for the purpose of expressing a conclusion about the reliability of each assertion made in the Detailed Accounting Submission and Performance Summary Report.

❖ ***Compliance With Executive Order 13520 in FY 2013***

(FY 2014 – Work in Process – Audit Number: 201440019)

Audit Objective: Determine whether the IRS complied with the requirements contained in Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, with regard to reducing improper payments in FY 2013.

⁶ Pub. L. No. 112-194, 126 Stat. 1445.

⁷ Pub. L. No. 111-204, 124 Stat. 2224.

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