



Treasury Inspector General for Tax Administration Office of Audit

INADEQUATE MANAGEMENT INFORMATION HAS ADVERSELY AFFECTED THE ACCEPTANCE AGENT PROGRAM

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Highlights

Highlights of Report Number: 2009-40-087 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The purpose of the Individual Taxpayer Identification Number (ITIN) is to provide alien individuals, whether or not they reside in the United States, an identifying number for use in connection with United States tax return filing requirements. One way taxpayers obtain ITINs is through Internal Revenue Service (IRS) approved Acceptance Agents or Certifying Acceptance Agents (hereafter, both will be referred to as Agents unless otherwise stipulated).

The primary means the IRS has to regulate Agents are the application screening process and the monitoring program. The volume of ITINs is growing, increasing the risk of fraudulent tax returns using ITINs. Inadequate screening and monitoring increase the risk to both the taxpaying public and the Federal Government for potential losses associated with unscrupulous Agents.

WHY TIGTA DID THE AUDIT

This audit was part of the Treasury Inspector General for Tax Administration's Fiscal Year 2008 Annual Audit Plan. An Acceptance Agent is a person (an individual or an entity) who is authorized to assist alien individuals and other foreign persons (who are ineligible to receive Social Security Numbers) in obtaining an ITIN from the IRS. A Certifying Acceptance Agent is authorized to certify whether the documented proof is adequate. The overall objective of this review was to determine whether the IRS' screening and monitoring of Acceptance Agents is effective.

WHAT TIGTA FOUND

Management information is insufficient to effectively oversee the Acceptance Agent Program. The ITIN Program's management information system only allows queries to individual records and does not generate ad hoc reports or provide regular or periodic reports that can be used to oversee the Acceptance Agent Program. As a result, the ITIN Program Office is unable to monitor

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Agents or their activity and/or measure their compliance with rules and regulations.

The application screening process also does not always ensure the integrity of the individuals applying for participation in the Acceptance Agent Program. In addition, compliance checks are manual. The IRS does not use a system for Agents such as its Automated e-file Application Processing System, which automates the process of checking and monitoring tax compliance and ensures that applicants are current with their tax return filings and tax payments.

In addition, monitoring visits to Agents are not being conducted. The ITIN Program Office believes it should not be responsible for compliance work and it has contacted the IRS Examination function to see if it can conduct compliance reviews of Agents.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, Wage and Investment Division, and the Deputy Commissioner for Operations Support, ensure that the management information system is modified to generate periodic and regular reports, followed by the development of procedures and internal controls to monitor the Acceptance Agent Program. Resources should be sufficient to make certain all validations are completed and checks passed before an application is accepted. Compliance checks should be automated. In addition, sufficient staffing should be provided to review the documents that support the Application for IRS Individual Taxpayer Identification Number (Form W-7) submitted by Certifying Acceptance Agents.

In their response to the report, IRS officials agreed with all of our recommendations. The IRS plans to modify the management information system to generate periodic and regular reports, including ad hoc reports. Once the management information system has been modified, the ITIN Program Office plans to develop procedures and internal controls to effectively monitor the Acceptance Agent Program. Further, the IRS plans to train 10 additional assistants to process ITIN applications. This will ensure that resources are sufficient and available as backup to the current resources. In addition, meetings are underway to determine the feasibility of automating compliance checks. Finally, the ITIN Program Office is working to develop a compliance review process.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2009reports/200940087fr.pdf>

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