

TREASURY
INSPECTOR GENERAL

FOR TAX ADMINISTRATION

Annual Audit
Plan Fiscal Year 2012



Table of Contents

<u>Message from the Deputy Inspector General for Audit</u>	1
<u>The Mission and the Organization</u>	5
<u>Audit Program for Fiscal Year 2012</u>	6
<u>Office of Audit’s Program Areas</u>	7
<u>Appendix I – Organization Chart – Office of Audit</u>	9
<u>Appendix II – Major Management and Performance Challenges Facing the Internal Revenue Service</u>	10
<u>Appendix III – The Internal Revenue Service’s Strategic Goals and Foundations</u>	11
<u>Appendix IV – Office of Audit’s Fiscal Year 2012 Staff Day Allocation</u>	12
<u>Section A – Major Challenges Facing Internal Revenue Service Management</u>	12
<u>Section B – Internal Revenue Service Strategic Plan Goals and Foundations</u>	13
<u>Section C – Audit Focus Areas</u>	14
<u>Section D – Mandatory, Risk-Based, and Requested Audits</u>	15
<u>Appendix V – List of Planned Audits for Fiscal Year 2012 by Major Management and Performance Challenges</u>	16
<u>Challenge 1 – Security for Taxpayer Data and Employees</u>	16
<u>Challenge 2A – Tax Compliance Initiatives</u>	19
<u>Challenge 2B – Modernization</u>	29
<u>Challenge 4 – Implementing Major Tax Law Changes</u>	31
<u>Challenge 5 – Fraudulent Claims and Improper Payments</u>	33
<u>Challenge 6 – Providing Quality Taxpayer Service Operations</u>	37
<u>Challenge 7 – Human Capital</u>	39
<u>Challenge 8 – Globalization</u>	40
<u>Challenge 9 – Taxpayer Protection and Rights</u>	42
<u>Challenge 10 – Achieving Program Efficiencies and Cost Savings</u>	44
<u>Appendix VI - List of Planned Mandatory Audits for Fiscal Year 2012</u>	48

Fiscal Year 2012 Annual Audit Plan

Message From the Deputy Inspector General for Audit

Federal agencies are under increasing pressure to deliver effectively their programs in a transparent, accountable, and cost-efficient manner. The Internal Revenue Service (IRS) is no different. The IRS operates in a rapidly changing environment that includes the ever-increasing complexity of, and frequent revisions to, the Internal Revenue Code (I.R.C or Code), making it more difficult to explain and enforce the tax laws and more costly for taxpayers who want to comply. The IRS has also taken on major roles in nontraditional tax matters in response to recent legislation. As the tax code is modified to effect broad policy changes, the IRS is faced with the challenge of quickly responding by effectively shifting resources and altering established plans. For example, the recently enacted health care reform legislation¹ will have a significant effect on the IRS in the coming years. The IRS has also been tasked to improve its performance metrics and its return on investment to the American taxpayer, especially with the current austere budget conditions that require streamlined operations and cost savings to offset funding cuts.

In addition to these pressing environmental factors, we believe that in Fiscal Year (FY) 2012, the IRS will continue to face many of the same major challenges that we have previously identified, to include: ensuring security of taxpayer information, facilities, and personnel; modernization of its computer systems and business processes; addressing tax compliance; balancing customer service and enforcement while protecting taxpayer rights; and the strategic management of its human capital. In FY 2012, we will continue to address the major management and performance challenges facing the IRS and focus on key cross-cutting risk areas.

Millions of taxpayers entrust the IRS with sensitive financial, personal, and other data that are processed by and stored on IRS computer systems. Reports of identity thefts from both the private and public sectors have heightened awareness of the need to protect sensitive data. The risk that taxpayers' identities could be stolen by exploiting security weaknesses in the IRS's computer systems continues to increase, as does the risk that IRS computer operations could be disrupted. Internal factors (such as the increased connectivity of computer systems and use of portable devices) and external factors (such as the volatile threat environment resulting from increased terrorist and hacker activity) require strong security controls.

In addition to securing sensitive financial and personal data, the IRS must also protect approximately 100,000 employees and more than 700 facilities throughout the country. Attacks and threats against IRS employees and facilities have risen steadily in recent years. Animosity towards the tax collection process is nothing new, but recent events point to a surge of hostility

¹ Patient Protection and Affordable Care Act, 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.

towards the Federal Government. The ongoing public debate regarding the health care reform legislation and continued concerns over the country's economy may also lead to increased threats against the Federal Government, including IRS employees and facilities, underscoring the need for continuing vigilance in the area of physical and personnel security.

Another compelling challenge for the IRS is tax compliance. Tax compliance initiatives include administering tax regulations, collecting the correct amount of tax dollars from businesses and individuals, and overseeing tax-exempt and government entities. Increasing compliance with the tax code is at the heart of the IRS enforcement programs. The IRS is focusing its enforcement activities to deliver better results and to target those corporations and high-income individuals who fail to report or pay what they owe. The IRS's estimate of the Tax Gap, which is defined as the difference between what taxpayers are supposed to pay and what is voluntarily and timely paid, is \$345 billion. The IRS has significant challenges in obtaining complete and timely data regarding compliance and developing the methods for interpreting the data. In addition, the IRS needs broader strategies and better research to address effectively noncompliance.

The Business Systems Modernization Program (Modernization Program or Program) is a complex effort to modernize IRS technology and related business processes. It involves integrating thousands of hardware and software components while replacing outdated technology and maintaining the current tax system. The IRS originally estimated that the Modernization Program would last up to 15 years and incur contractor costs of approximately \$8 billion. The Program is going on its 14th year and has received approximately \$3.46 billion for contractor services, plus an additional \$554 million for internal IRS costs. The IRS's modernization efforts continue to focus on core tax administration systems designed to provide tools that are more sophisticated to taxpayers and IRS employees. The Modernization Program provides new information technology capabilities and the related benefits to both the IRS and taxpayers. Since January 2011, the IRS has implemented new versions of the current Customer Account Data Engine, the Modernized e-File system, and the Accounts Management system. Additionally, the IRS has continued making progress in preparing for the deployment of the Customer Account Data Engine 2 system.

Since 1995, the IRS had identified and reported the Modernization Program as a material weakness. In a June 2011 memorandum to the Department of the Treasury's Assistant Secretary for Management and Chief Financial Officer, the IRS Commissioner certified that the previously identified internal and management control issues had been fully addressed and the Modernization Program no longer warranted being identified as a material weakness. While we support the IRS's decision, we believe the Program remains a risk, and we suggest it continue to stress improvements in its overall processes and performance.

Congress frequently changes the tax laws, so some level of change is a normal part of the IRS environment. Although the IRS has generally been able to adapt and react to tax law changes, these changes do have a major effect on how the IRS conducts its activities, determines resource requirements, and progresses toward meeting its strategic goals. While the IRS has recognized the increasing complexity of tax administration in formulating its Strategic Plan, it can never predict with certainty the timing and extent of changes in the tax laws. As an example, the

American Recovery and Reinvestment Act of 2009 (Recovery Act)² presented significant challenges to all Federal agencies, and some of its tax provisions have been extended by subsequent legislation.³ The health care reform legislation also contains an extensive array of tax law provisions that the IRS will administer. The IRS estimates that at least 42 provisions will either add to or amend the tax code, and at least eight will require the IRS to build new processes that do not exist within the current tax administration system.

Recognizing that effective taxpayer service has a significant impact on voluntary tax compliance, the IRS continues to focus on improving its service. Assisting taxpayers in preparing their returns by answering tax questions reduces the burden of notices and correspondence that taxpayers might have received if they made errors on their returns. Taxpayer service also reduces overall unintentional noncompliance and the need for compliance activity in the future. As a result of resource shifts and other factors, the IRS developed its Taxpayer Assistance Blueprint to improve service for taxpayers by focusing on services that support the needs of individuals who should file U.S. Individual Income Tax Returns (Form 1040 series). While the IRS has begun implementing the initiatives, many are dependent upon future funding.

Strategic human capital is an essential part of any organization's efforts to maximize performance and assure accountability for achieving results. Like many Federal Government agencies, the IRS is experiencing workforce challenges, including recruiting, training, and retaining employees, as well as an increasing wave of retirements. During FY 2012, nearly 35 percent of the IRS's executives and nearly 21 percent of its nonexecutive managers will be eligible to retire. In addition, to fill the projected leadership shortage, the IRS has stated that it must recruit one manager a day for the next 10 years. The IRS's challenge of having the right people in the right place at the right time is affected by complex internal and external factors.

The IRS also faces significant enforcement challenges posed by the complexity and magnitude of the international financial system. As technology continues to advance and cross-border transactions rise, the IRS faces the growing challenge created by economic globalization. Over the past few years, the IRS has taken action to coordinate international tax compliance issues. The IRS has developed a strategic plan specifically for international tax issues, with goals to enforce the law to ensure all taxpayers meet their obligation to pay taxes and improve service to make voluntary compliance less burdensome. The IRS has also worked with the Department of Justice on tax evasion cases in locations with bank secrecy laws. The IRS realigned its operations to create a more centralized organization dedicated to improving international tax compliance and believes that the Large Business and International Division will improve international tax compliance by focusing with greater consistency and efficiency on high-risk issues and cases.

As the IRS adapts to, and operates in, an increasingly complex and rapidly changing environment, the Treasury Inspector General for Tax Administration (TIGTA) is similarly

² Pub. L. No. 111-5, 123 Stat. 115.

³ The tax provisions of the Recovery Act are contained in Division B, the American Recovery and Reinvestment Tax Act of 2009 (Recovery Tax Act), Pub. L. No. 111-5, § 1001, 123 Stat 115, *306, subsequently amended by the Tax Relief Unemployment Insurance Reauthorization and Job Creation Act of 2010, Pub. L. No. 111-312, 124 Stat. 3296.

challenged to continue to meet our mission of assessing and helping to prevent, detect, and deter fraud, waste, and abuse in IRS programs and operations. Our stakeholders are encouraging us to provide earlier oversight involvement with more of a preventive focus to reduce costs, prevent or minimize problems, and ultimately be more effective.

We also plan to devote approximately 23 percent of FY 2012 audit resources to projects mandated by law or at the specific request of the Congress, the IRS, the IRS Oversight Board, and other stakeholders. At the same time, we must be nimble enough to focus on new provisions established by the health care reform legislation and the acceleration of globalization of tax issues, while maintaining the appropriate focus on our high-risk assessments. In addition to the individual audits supporting the 10 major management and performance challenges faced by the IRS, during FY 2012, we will focus on several broader audit strategy areas such as procurement fraud, return preparer regulation, and the health care reform legislation. Our FY 2012 Annual Audit Plan (see [List of Planned Audits for Fiscal Year 2012 by Major Management and Performance Challenges](#)) is designed to accomplish these goals.



Michael R. Phillips
Deputy Inspector General for Audit

The Mission and the Organization

TIGTA was established in January 1999, in accordance with the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98),⁴ with the powers and authorities given to other Inspectors General under the Inspector General Act.⁵ 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 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; and
- (4) Returns Processing and Accounts Services.

The fifth covers the Office of Audit's strategic planning and human resources programs. Please see [Appendix I](#) for the Office of Audit organization chart.

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

Audit Program for Fiscal Year 2012

The Office of Audit FY 2012 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.

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 listing of the major challenges facing the IRS for FY 2012 ([Appendix II](#)). The Plan includes mandatory coverage imposed by 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 2012 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, Department of the Treasury, the U.S. Government Accountability Office officials, and the Congress. The IRS's goals and objectives for the next fiscal year are 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 2012.

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 Chief Human Capital Officer, 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 Compliance Analytics Initiatives.

Security and Information Technology Services

The Security and Information Technology Services unit assesses the IRS's information technology (IT) programs by implementing audit strategies that evaluate: (1) Cybersecurity, including reviews of the Federal Information Security Management Act of 2002 (FISMA),¹ audit trails, privacy, security monitoring and reporting, and incident management; (2) Systems Modernization and Application Development, including reviews of the Modernization Program, computer applications supporting the Patient Protection and Affordable Care Act (Affordable Care Act), and other high priority projects and applications; and (3) IT Operations, including reviews of computing center operations, asset management, and IT procurement.

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 on all activities concerning compliance with and enforcement of tax laws and regulations,

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

including the Criminal Investigation (CI) (except the Questionable Refund Program) and tax preparers involved in inappropriate or criminal activity.

Returns Processing and Accounts Services

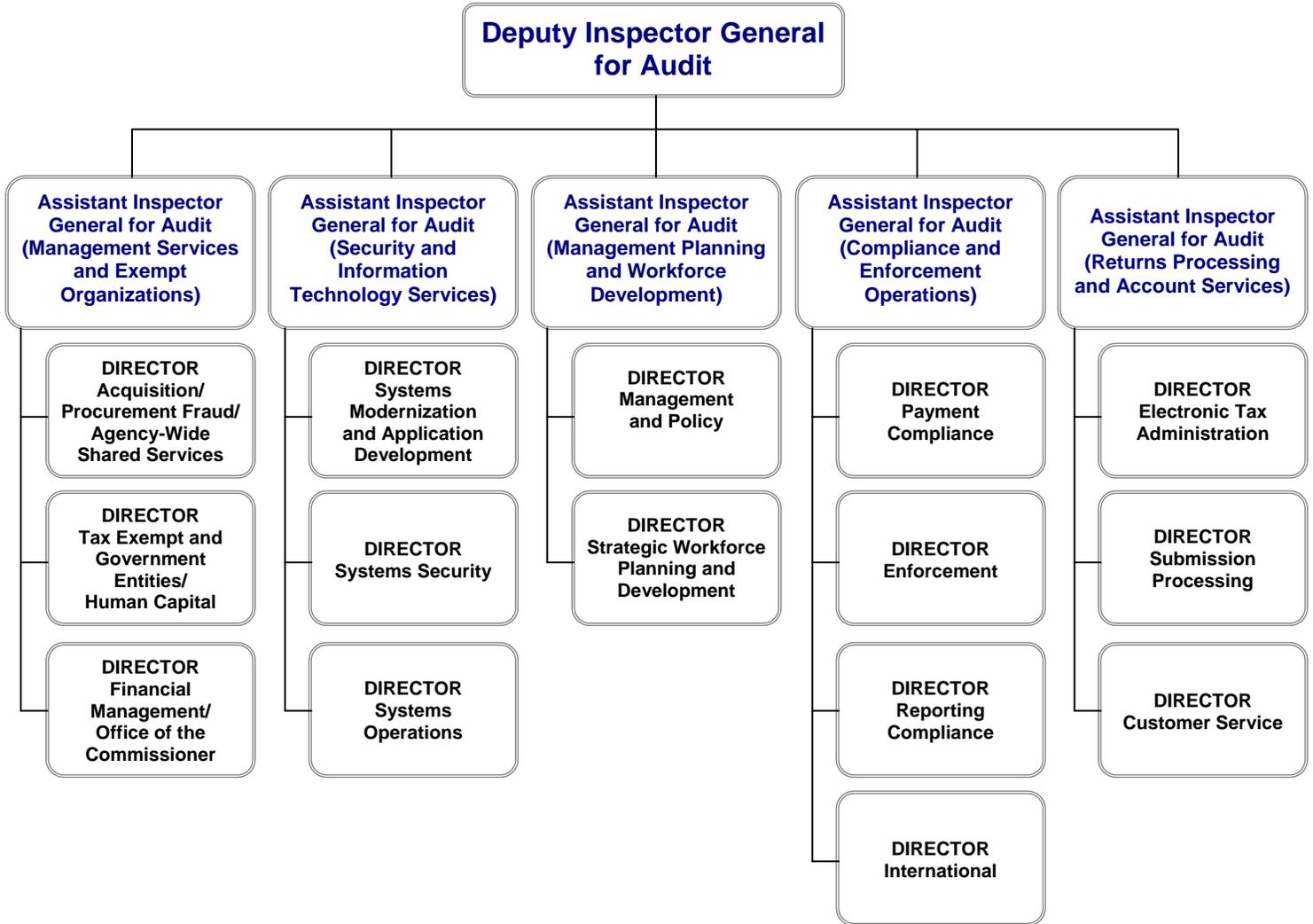
The Returns Processing and Accounts Services unit reviews activities related to the preparation and processing of tax returns and the issuing of refunds to taxpayers. This includes customer service activities, outreach efforts, tax law implementation, taxpayer assistance, notices, submission processing, and upfront compliance such as the Frivolous Returns Program and the Criminal Investigation Questionable Refund 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 developmental activities; performance budgeting; integrity; and public affairs. 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 2012:

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

TIGTA's FY 2012 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

The Internal Revenue Service's Strategic Goals and Foundations¹

IRS Strategic Plan 2009–2013

GOAL 1

Improve Service to Make Voluntary Compliance Easier

Objectives

- Incorporate taxpayer perspectives to improve all service interactions.
- Expedite and improve issue resolution across all interactions with taxpayers, making it easier to navigate the IRS.
- Provide taxpayers with targeted, timely guidance and outreach.
- Strengthen partnerships with tax practitioners, tax preparers, and other third parties in order to ensure effective tax administration.

GOAL 1

Enforce the Law to Ensure Everyone Meets Their Obligation to Pay Taxes

Objectives

- Proactively enforce the law in a timely manner while respecting taxpayer rights and minimizing taxpayer burden.
- Expand enforcement approaches and tools.
- Meet the challenges of international tax administration.
- Allocate compliance resources using a data-driven approach to target existing and emerging high-risk areas.
- Continue focused oversight of the tax-exempt sector.
- Ensure that all tax practitioners, tax preparers, and other

Strategic Foundations

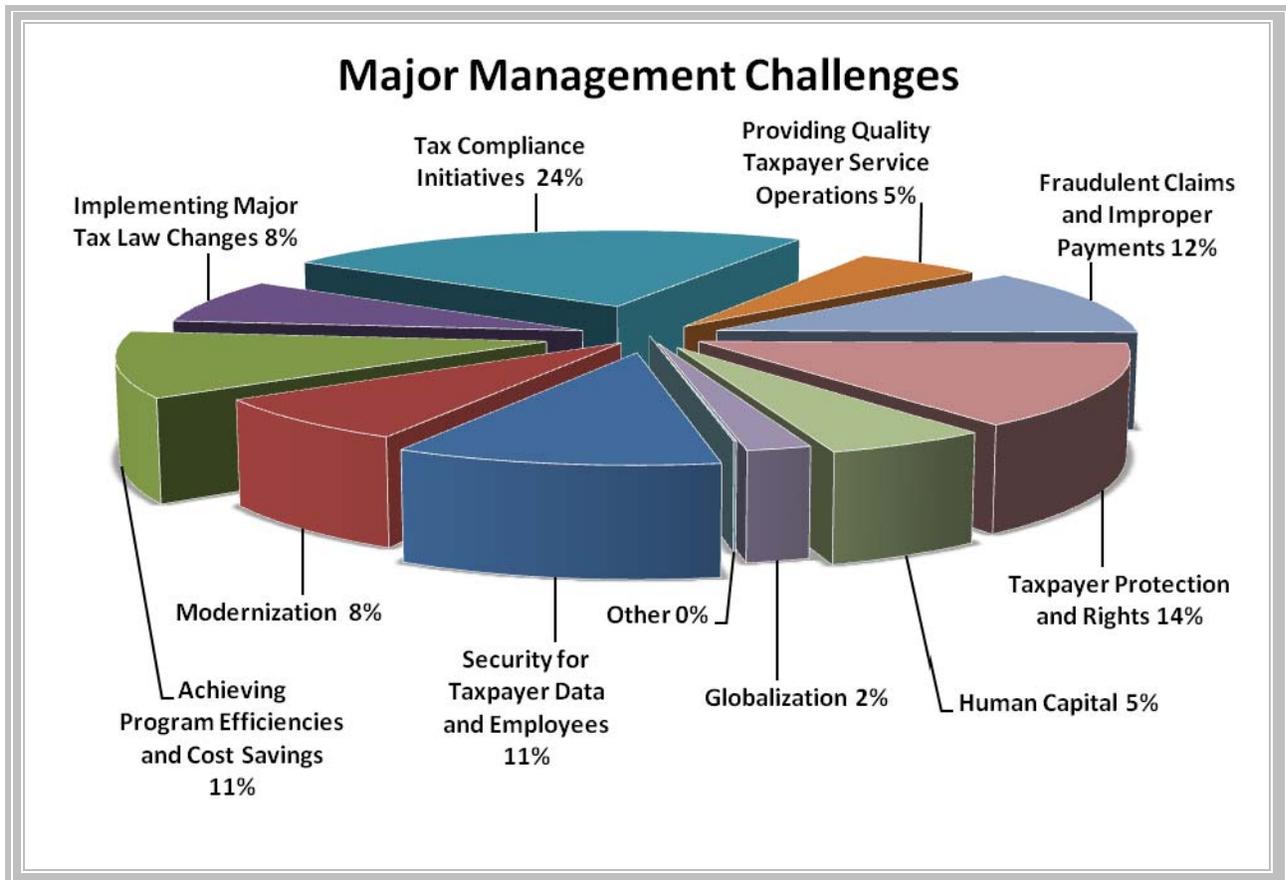
Invest for High Performance

Objectives

- Make the IRS the best place to work in government.
- Build and deploy advanced information technology systems, processes, and tools to improve IRS efficiency and productivity.
- Use data and research across the organization to make informed decisions and allocate resources.
- Ensure the privacy and security of data and the safety and security of employees.

¹ Excerpt from the Internal Revenue Service FY 2009–2013 Strategic Plan, revised April 2009.

Office of Audit's Fiscal Year 2012
Staff Day Allocation
By Major Challenges Facing Internal Revenue Service Management



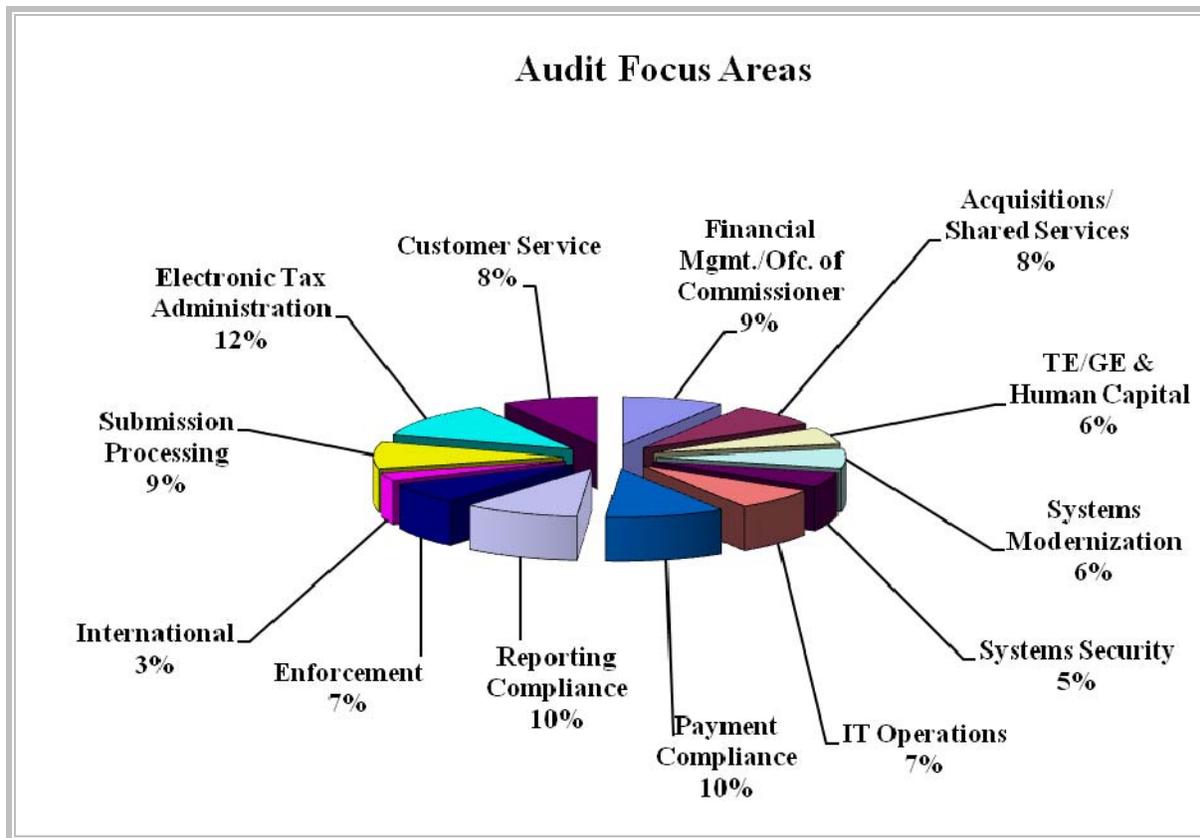
Note: Some audits relate to more than one major challenge area. In addition, FY 2012 staff days are included for audits that were started in FY 2011 with planned completion dates in FY 2012. Totals might not equal 100 percent due to rounding.

Office of Audit’s Fiscal Year 2012
Staff Day Allocation
By Internal Revenue Service Strategic Plan Goals and Foundations



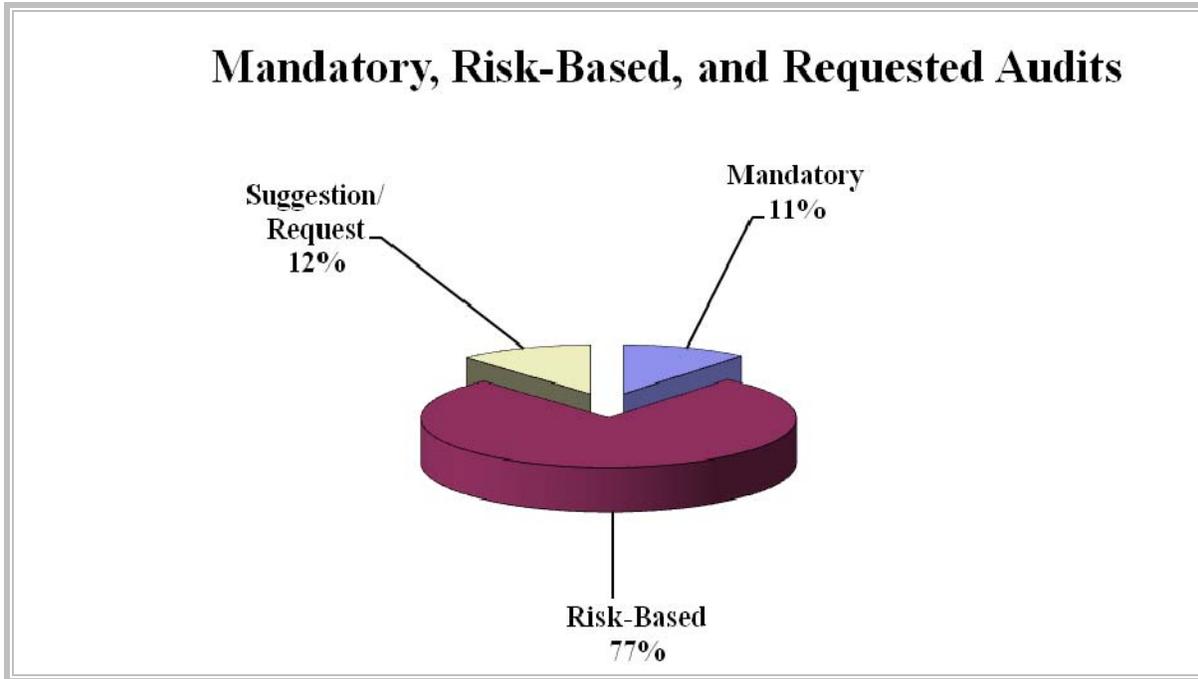
Note: Some audits relate to more than one strategy area. In addition, FY 2012 staff days are included for audits that were started in FY 2011 with planned completion dates in FY 2012. Totals might not equal 100 percent due to rounding.

Office of Audit's Fiscal Year 2012
Staff Day Allocation
By Audit Focus Areas



Note: FY 2012 staff days are included for audits that were started in FY 2011 with planned completion dates in FY 2012. Totals might not equal 100 percent due to rounding. IT = Information Technology. TE/GE = Tax Exempt and Government Entities.

Office of Audit's Fiscal Year 2012
Staff Day Allocation
By Mandatory, Risk-Based, and Requested Audits



Note: FY 2012 staff days are included for audits that were started in FY 2011 with planned completion dates in FY 2012.

List of Planned Audits for Fiscal Year 2012 by Major Management and Performance Challenges

Fiscal Year 2012 Planned Audits for CHALLENGE 1: Security for Taxpayer Data and Employees

In addition to securing a vast amount of sensitive financial and personal data, the IRS must also protect approximately 100,000 employees and more than 700 facilities throughout the country. Attacks and threats against IRS employees and facilities have risen steadily in recent years. Concurrent with the IRS's monitoring of threats against its employees and facilities, the IRS must also continue its vigilance regarding computer security. As computer usage continues to be inextricably integrated into core business processes, the need for effective information systems security becomes essential to ensure the confidentiality, integrity, and availability of data.

- ***2012 Federal Information Security Management Act (Unclassified Systems)***
(FY 2012 – New Start – Audit Number: 201220001)

Audit Objective: Determine the progress made by the IRS in meeting the requirements of the 2012 FISMA mandatory review of the IRS's unclassified information technology systems security program.

- ***The Computer Security Material Weakness***
(FY 2012 – New Start – Audit Number: 201220002)

Audit Objective: Assess the IRS's progress on closing or downgrading the remaining open portions of its computer security material weakness. Determine whether the IRS is taking sufficient and effective actions to resolve the vulnerabilities relating to its computer security material weakness and implementing repeatable processes to ensure the weaknesses do not reoccur.

- ***e-Authentication Solution***
(FY 2012 – New Start – Audit Number: 201220003)

Audit Objective: Determine whether the IRS's e-Authentication project is developing the identity and authentication system needed to provide secure online services to taxpayers and tax practitioners.

- ***Unauthorized Access Audit Trails***

(FY 2012 – New Start – Audit Number: 201220004)

Audit Objective: At the request of the IRS, evaluate the IRS’s efforts to implement effective Unauthorized Access audit trails for information systems that store and process taxpayer data.

- ***Security of Customer Account Data Engine 2 Transition State 1 Application***

(FY 2012 – New Start – Audit Number: 201220005)

Audit Objective: Evaluate the security controls on the Customer Account Data Engine 2 Transition State 1 application to ensure the system protects the confidentiality, integrity, and availability of taxpayer data.

- ***Patch Management***

(FY 2012 – New Start – Audit Number: 201220006)

Audit Objective: Evaluate the effectiveness of the IRS’s patch management¹ process.

- ***Adherence to Windows® Server Security Policies***

(FY 2012 – New Start – Audit Number: 201220007)

Audit Objective: Determine whether the IRS has implemented required Windows® server security policies and settings enterprise-wide.

- ***Security Compliance Posture Monitoring and Report***

(FY 2012 – New Start – Audit Number: 201220008)

Audit Objective: Evaluate the IRS’s efforts to complete the Security Compliance Posture Monitoring and Reporting project and implement automated monitoring of computer security configurations.

- ***Privacy Assessment***

(FY 2012 – New Start – Audit Number: 201220009)

Audit Objective: Determine whether the IRS has an effective Privacy Program to meet the Office of Management and Budget’s requirements to safeguard the use and protection of taxpayer information.

- ***Employee Protection System***

(FY 2012 – New Start – Audit Number: 201240007)

Audit Objective: Determine whether the Office of Employee Protection is effectively administering the Potentially Dangerous Taxpayer and Caution Upon Contact Programs.

¹ A patch is a fix or update to software, hardware, or operating system. From a security perspective, a security patch corrects a vulnerability identified after the software, hardware, or operating system has been released.

- ***Access Controls Over e-Services Online Tools for Tax Professionals***

(FY 2012 – New Start – Audit Number: 201240033)

Audit Objective: Determine if controls over e-Services are sufficient to prevent unauthorized access to taxpayer information.

- ***Physical Security and Emergency Preparedness Risk Assessment Process***

(FY 2012 – New Start – Audit Number: 2012100007)

Audit Objective: Determine whether the risk assessments conducted by the IRS adequately address the current Interagency Security Committee standards for Federal facilities. Determine whether these risk assessments provide the IRS with accurate physical security measure data in order to mitigate the unique risks facing each facility and ensure IRS employees and facilities are properly protected from possible threats that could affect tax administration.

- ***Continuity Plans***

(FY 2012 – New Start – Audit Number: 201210008)

Audit Objective: Determine whether the IRS's efforts to transition from business resumption plans to continuity plans will enable the IRS to protect its employees and facilities in the event of an emergency and minimize the effect the emergency has on tax administration. Determine whether the IRS has initiated annual quality assurance reviews of these plans and whether the lessons learned from the Austin incident were applied in the development of the new continuity plans.

- ***Disaster Recovery Testing***

(FY 2011 – Work in Process – Audit Number: 201120024)

Audit Objective: At the request of the IRS, evaluate the effectiveness of the IRS's disaster recovery testing.

- ***Effectiveness of the Computer Security Incident Response Center Program Office***

(FY 2011 – Work in Process – Audit Number: 201120012)

Audit Objective: Evaluate the effectiveness of the Computer Security Incident Response Center at preventing, detecting, and responding to computer security incidents targeting IRS computers and data.

- ***Enterprise Reduced Sign-On Effort***

(FY 2011 – Work in Process – Audit Number: 201120011)

Audit Objective: At the suggestion of the IRS, determine if the Enterprise Reduced Sign-On Program is providing logical access controls via Homeland Security Presidential Directive-12 Personal Identity Verification cards in an effective and secure manner.

Fiscal Year 2012 Planned Audits for CHALLENGE 2A:
Tax Compliance Initiatives

Despite an estimated voluntary compliance rate of 84 percent and IRS enforcement efforts, a significant amount of income remains unreported and unpaid. 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.

- ***Partial Payment Installment Agreements – Follow-Up***

(FY 2012 – New Start – Audit Number: 201230010)

Audit Objective: Determine whether the IRS is following all required procedures before granting Partial Payment Installment Agreements and whether the granted agreements are reviewed every 2 years as required.²

- ***Implementation of the Enterprise Collection Strategy***

(FY 2012 – New Start – Audit Number: 201230011)

Audit Objective: At the suggestion of the IRS Oversight Board, determine whether the IRS was effective in implementing the Enterprise Collection Strategy.

- ***Defunct Corporations – Follow-Up***

(FY 2012 – New Start – Audit Number: 201230012)

Audit Objective: Evaluate the effectiveness of collection actions taken by the Collection Field function on taxpayer accounts closed as defunct.³

- ***Field Insolvency***

(FY 2012 – New Start – Audit Number: 201230013)

Audit Objective: Determine whether the Field Insolvency function has effective controls in place to take appropriate and timely actions to protect the Government's interest and taxpayers' rights during bankruptcy proceedings.

- ***Online Payment Agreements***

(FY 2012 – New Start – Audit Number: 201230014)

Audit Objective: Determine whether the Online Payment Agreement system provides accurate and understandable information and adequate customer service and whether any post-submission errors are appropriately handled by the IRS.

² TIGTA, Ref. No. 2007-30-170, *Employees Are Not Always Ensuring That Taxpayers Pay the Maximum Amount Possible When Granting Partial Payment Installment Agreements* (Sept. 2007).

³ TIGTA, Ref. No. 2003-30-196, *More Effective Actions Can Be Taken When Collecting Accounts of Defunct Businesses* (Sept. 2003).

- ***Trust Fund Recovery Penalty and the Trust Funds Recovery Penalty Letter***
(FY 2012 – New Start – Audit Number: 201230015)

Audit Objective: Determine whether the Small Business/Self-Employed (SB/SE) Division Collection Field function is timely and effectively making Trust Fund Recovery Penalty determinations, including the effective use of the Trust Funds Recovery Penalty Letter (Letter 1153).

- ***Collection Statute Expiration Date Calculation and Processing***
(FY 2012 – New Start – Audit Number: 201230016)

Audit Objective: Evaluate the IRS's overall effectiveness in handling issues involving the Collection Statute Expiration Date area.

- ***Initial Contact by Revenue Officers***
(FY 2012 – New Start – Audit Number: 201230017)

Audit Objective: Determine whether effective actions are being taken by SB/SE Division Collection Field function when conducting initial taxpayer contact and ongoing compliance and whether follow-up actions are timely.

- ***Refund Hold Program in Compliance Services Collection Operation***
(FY 2012 – New Start – Audit Number: 201230018)

Audit Objective: Determine the effectiveness of the Refund Hold Program under the direction of Compliance Services Collection Operation as a tool to promote delinquent return compliance.

- ***Collection Workload Selection Criteria***
(FY 2012 – New Start – Audit Number: 201230019)

Audit Objective: Determine how the IRS monitors and makes adjustments to its collection inventory selection process, including assigning the most productive cases.

- ***Large Dollar Contributions***
(FY 2012 – New Start – Audit Number: 201230020)

Audit Objective: Determine the effectiveness of the IRS's efforts to identify and examine improper large dollar contribution deductions.

- ***Profit or Loss From Business (Schedule C) Returns With Refundable Credits***
(FY 2012 – New Start – Audit Number: 201230021)

Audit Objective: Determine the effectiveness of IRS efforts to identify and address return preparers who are improperly claiming the maximum refundable credits.

- ***Global High Wealth Industry Unit***

(FY 2012 – New Start – Audit Number: 201230023)

Audit Objective: Determine the effectiveness of the Global High Wealth Industry Unit's efforts to improve compliance among high wealth individuals.

- ***Fuel Tax Credits***

(FY 2012 – New Start – Audit Number: 201230024)

Audit Objective: At the request of the IRS, determine how effectively the IRS Examination function identifies and pursues taxpayers who claim erroneous fuel tax credits.

- ***Frozen Credits***

(FY 2012 – New Start – Audit Number: 201230025)

Audit Objective: Determine what actions the IRS has taken to resolve both individual and business taxpayer accounts with frozen credits.

- ***Impact Automated Underreporter Notices Have on Compliance***

(FY 2012 – New Start – Audit Number: 201230026)

Audit Objective: At the suggestion of the IRS Oversight Board, evaluate the impact Automated Underreporter notices have on taxpayer behavior regarding their current and subsequent years' returns.

- ***Small Business Health Care Tax Credit***

(FY 2012 – New Start – Audit Number: 201230327)

Audit Objective: Determine whether the IRS has considered the potential impact of this tax credit on other tax issues and on certain compliance programs, such as the classification of an individual as an employee versus independent contractor.

- ***The Effectiveness and Use of Automated Underreporter Program Results to Reduce Identity Theft***

(FY 2012 – New Start – Audit Number: 201230028)

Audit Objective: Determine whether the IRS's current Automated Underreporter processes and procedures are adequate to prevent further use of an identity theft victim's Social Security Number to reduce taxpayer burden and improper payments and to reaffirm taxpayer confidence in the tax system.

- ***Accuracy of Examination Document Requests***

(FY 2012 – New Start – Audit Number: 201230029)

Audit Objective: Evaluate the effectiveness of the IRS's controls over requests for information to address questioned tax items during program evaluations.

- ***Controls Over Confidential Informants***

(FY 2012 – New Start – Audit Number: 201230030)

Audit Objective: Determine if CI has effective internal controls to ensure oversight of the use of and payments to confidential informants.

- ***Parallel Investigation Procedures (Policy Statement P-4-26)***

(FY 2012 – New Start – Audit Number: 201230031)

Audit Objective: At the request of the IRS, determine whether Policy Statement P-4-26⁴ is effectively used to coordinate criminal and civil actions to stop abusive promoters and tax return preparers.

- ***Controls Over Collection and Storage of Criminal Investigation Investigative Evidence***

(FY 2012 – New Start – Audit Number: 201230032)

Audit Objective: Determine if CI has effective internal controls to ensure oversight of the collection, storage, and destruction of investigative evidence.

- ***Enforcement Actions Taken Against Revoked Tax Exempt Organizations***

(FY 2012 – New Start – Audit Number: 201230033)

Audit Objective: Determine the adequacy of the SB/SE Division's efforts to ensure revoked exempt organizations are complying with small business tax law.

- ***Small Business/Self-Employed Division Specialty Program's Pilot to Assess Employers for Reporting Their Share of Taxes on Unreported Tip Income***

(FY 2012 – New Start – Audit Number: 201230034)

Audit Objective: Evaluate the effectiveness of the SB/SE Division Specialty Program's National Tip Reporting Compliance Program Pilot. This includes evaluating plans for a national rollout and a follow-up to evaluate the effectiveness of all corrective actions taken in response to our 2007 audit report.⁵

- ***Efforts to Collect Delinquent Taxes Owed by State and Local Government Entities***

(FY 2012 – New Start – Audit Number: 201230035)

Audit Objective: Determine the effectiveness of the IRS's process to collect delinquent taxes and secure delinquent tax returns from State and local governments. In addition,

⁴ Policy Statement 4-26 (P-4-26), Criminal and Civil Aspects in Enforcement, provides guidance on taking civil enforcement action when the taxpayer is under criminal investigation.

⁵ TIGTA, Ref. No. 2007-30-062, *Social Security and Medicare Taxes Are Not Being Properly Assessed on Some Tips and Certain Types of Wage Income* (March 2007).

determine whether the corrective actions taken by the IRS effectively addressed the weaknesses identified in our 2007 audit report.⁶

- ***Return Preparer Strategy Implementation – Follow-Up***

(FY 2012 – New Start – Audit Number: 201240001)

Audit Objective: At the suggestion of the IRS Oversight Board, evaluate the IRS's implementation and regulation of the competency test mandate for Individual Return Preparers.⁷

- ***Controls Over Balance Due Accounts in the Field Assistance Office***

(FY 2012 – New Start – Audit Number: 201240006)

Audit Objective: Determine whether controls over balance due accounts in the Field Assistance Office are sufficient to ensure all actions are appropriate.

- ***Large Business and International Document Matching***

(FY 2012 – New Start – Audit Number: 201240023)

Audit Objective: Determine whether the IRS has adequate controls in place to ensure amounts reported as withheld on Foreign Person's U.S. Source Income Subject to Withholding (Forms 1042-S) were actually reported on Annual Withholding Tax Return for U.S. Source Income of Foreign Persons (Form 1042) and were remitted to the IRS.

- ***Issuance of Employer Identification Numbers***

(FY 2012 – New Start – Audit Number: 201240026)

Audit Objective: Assess the effectiveness of the IRS's process to issue Employer Identification Numbers.

- ***Debt Cancellation***

(FY 2012 – New Start – Audit Number: 201240027)

Audit Objective: Determine whether the IRS is properly administering tax laws associated with the cancellation of debt, including providing adequate guidance, ensuring the reliability of third-party data, and enforcing the law where applicable.

- ***Hobby Losses***

(FY 2012 – New Start – Audit Number: 201240028)

Audit Objective: Determine whether the IRS has controls in place to ensure compliance with the requirement to show a profit in two out of five years for sole proprietor businesses.

⁶ TIGTA, Ref. No. 2007-10-166, *Efforts to Collect Delinquent Employment Taxes Owed by Government Entities Could Be Improved* (Aug. 2007).

⁷ TIGTA, Ref. No. 2010-40-127, *It Will Take Years to Implement the Return Preparer Program and to Realize Its Impact* (Sept. 2010).

- ***Professional Employment Organizations***

(FY 2012 – New Start – Audit Number: 201240032)

Audit Objective: Determine whether the IRS has implemented adequate controls to protect the Government’s interest as well as the interests of clients of Professional Employment Organizations (PEO) when the PEOs are not compliant, or when the business relationship between the PEO and client is terminated.

- ***Exempt Organizations Function Coordination With the National Research Project***

(FY 2012 – New Start – Audit Number: 201210003)

Audit Objective: Determine whether the Exempt Organizations function is adequately following the methodology for conducting the National Research Project – Employment Tax Study.

- ***Indian Tribal Governments Office’s Abuse Detection and Prevention Efforts***

(FY 2012 – New Start – Audit Number: 201210018)

Audit Objective: Determine whether the Abuse Detection and Prevention Team is meeting its objective to stem the growth of fraudulent and abusive activities in the Indian Tribal Governments sector.

- ***The Effective Use of Levies***

(FY 2011 – Work in Process – Audit Number: 201130019)

Audit Objective: Determine whether levies are effectively issued by SB/SE Division Revenue Officers.

- ***Source of Tax Payments Received on Balance Due Accounts***

(FY 2011 – Work in Process – Audit Number: 201130015)

Audit Objective: At the suggestion of the IRS Oversight Board, determine whether the IRS is consistent and accurate in applying Designated Payment Codes for payments received on balance due accounts.

- ***Business Master File Case Creation Nonfiler Identification Process***

(FY 2010 – Work in Process – Audit Number: 201030019)

Audit Objective: Determine the effectiveness of the Business Master File Case Creation Nonfiler Identification Process in targeting nonfilers who may be delinquent in filing their required tax returns by improving workload selection and casework quality.

- ***Electronic Federal Payment Posting System***

(FY 2011 – Work in Process – Audit Number: 201130013)

Audit Objective: Determine whether the IRS is effectively managing the Electronic Federal Payment Posting System.

- ***Collection Fraud Referrals to Criminal Investigation***

(FY 2011 – Work in Process – Audit Number: 201130020)

Audit Objective: Determine the effectiveness of the Collection fraud referral program and whether the Collection Field function is adequately considering, identifying, and developing fraud referral cases to CI.

- ***Emphasis on Collecting Substitute for Return/6020(b) Assessments***

(FY 2011 – Work in Process – Audit Number: 201130017)

Audit Objective: Determine the impact of Substitute for Return §6020(b)⁸ assessments on payment compliance.

- ***Compliance Assurance Process in the Large Business and International Division***

(FY 2011 – Work in Process – Audit Number: 201130045)

Audit Objective: At the suggestion of the IRS Oversight Board, determine the extent to which the planning, implementation, and evaluation for the Compliance Assurance Process followed published guidance and whether it is administered in accordance with IRS policies and procedures.

- ***Accuracy of Feedback From the National Quality Review System***

(FY 2011 – Work in Process – Audit Number: 201130027)

Audit Objective: Determine the accuracy of results from the National Quality Review System and how management uses the feedback to enhance the quality of correspondence audits.

- ***Partnership Audits in Small Business/Self-Employed Division***

(FY 2010 – Work in Process – Audit Number: 201030027)

Audit Objective: Determine whether SB/SE Division examiners are conducting audits of partnership tax returns in accordance with IRS procedures and guidelines.

- ***Filing Checks During Correspondence Audits in the Small Business/Self-Employed Division***

(FY 2011 – Work in Process – Audit Number: 201130046)

Audit Objective: Determine the effectiveness of filing checks made during the correspondence audit process in the SB/SE Division.

⁸ Pursuant to I.R.C. § 6020(b), a Substitute for Return assessment is prepared by the IRS when it is determined that a taxpayer is liable for filing a tax return, but failed to do so after the taxpayer was sent notification from the IRS.

- ***S-Corporation Audits***

(FY 2010 – Work in Process – Audit Number: 201030041)

Audit Objective: Determine whether S-Corporation audits are being selected and audited in accordance with IRS policy and procedures.

- ***Fraud Consideration in Field Audits***

(FY 2011 – Work in Process – Audit Number: 201130021)

Audit Objective: Determine whether Revenue Agents are considering fraud during audits in accordance with IRS procedures and guidelines.

- ***Fraud Consideration in Office Audits***

(FY 2011 – Work in Process – Audit Number: 201130022)

Audit Objective: Determine whether Tax Compliance Officers are considering fraud during audits in accordance with IRS procedures and guidelines.

- ***Centralized Case Processing in the Memphis Campus***

(FY 2011 – Work in Process – Audit Number: 201130048)

Audit Objective: Determine whether the Memphis Centralized Case Processing controls are ensuring that SB/SE Division audits are timely and accurately processed and the statutory period for assessing taxes is protected.

- ***Tax Return Preparer Visitation Program***

(FY 2011 – Work in Process – Audit Number: 201130005)

Audit Objective: Evaluate the effectiveness of the IRS's effort to conduct visitations to tax return preparers to improve the accuracy and quality of filed tax returns.

- ***Controls Over Pension Income***

(FY 2010 – Work in Process – Audit Number: 201030036)

Audit Objective: Determine what procedures the IRS has in place to ensure that taxpayers and payers are correctly computing the taxable portions of pensions and annuities.

- ***Criminal Investigation Undercover Operations***

(FY 2010 – Work in Process – Audit Number: 201030037)

Audit Objective: Evaluate the appropriateness of financial activities related to selected CI undercover operations.

- ***Enforcement Actions Against Federal Agencies That Owe Tax***

(FY 2011 – Work in Process – Audit Number: 201130035)

Audit Objective: Determine the effectiveness of the IRS's process to collect delinquent employment taxes and secure delinquent employment tax returns from Federal Government entities.

- ***Whistleblower Office***

(FY 2011 – Work in Process – Audit Number: 201130033)

Audit Objective: At the suggestion of Congress, determine whether the IRS has taken effective corrective actions to address previously identified weaknesses in processing claims from whistleblowers. Specifically, determine whether the Whistleblower Office's new procedures are contrary to Congress' intent and will deter whistleblowers from filing claims.

- ***Processing of Restitution Payments and Condition of Probation***

(FY 2010 – Work in Process – Audit Number: 201030031)

Audit Objective: Determine if defendants convicted of tax-related crimes are held responsible for the payment of the taxes associated with the offenses they committed.

- ***Oversight of the Criminal Fraud Referral Process***

(FY 2011 – Work in Process – Audit Number: 201130040)

Audit Objective: Evaluate the IRS's fraud referral program to ensure fraud is properly identified and addressed.

- ***Employment Tax Function Compliance Activities***

(FY 2011 – Work in Process – Audit Number: 201130037)

Audit Objective: Determine whether the IRS takes appropriate and timely actions to foster compliance from employers who misclassify workers as independent contractors.

- ***Office of Professional Responsibility Enforcement of Penalties for Paid Tax Return Preparers***

(FY 2011 – Work in Process – Audit Number: 201130038)

Audit Objective: Determine whether controls are in place to ensure the IRS effectively enforces and applies penalties to paid preparers as required by I.R.C. §§ 6694 and 6695.

- ***Criminal Investigation's Firearm Certification Process***

(FY 2011 – Work in Process – Audit Number: 201130049)

Audit Objective: Determine whether CI has effective internal controls to ensure Special Agents are adhering to procedures regarding the certification requirement to use firearms. This includes evaluating the annual cost and the potential impact on Criminal Investigation's programs if Special Agents fail to certify.

- ***Foreign Corporations Filing Compliance – Follow-Up***

(FY 2011 – Work in Process – Audit Number: 201130043)

Audit Objective: Determine whether the IRS's automated penalty process has achieved the goal to encourage filing compliance for entities with Information Return of U.S. Persons

With Respect to Certain Foreign Corporations (Forms 5471) and Information Return of a Foreign Owned Corporation (Forms 5472) reporting requirements.⁹

- ***Effectiveness of Controls Over Processing Power of Attorney (Form 2848) and Declaration of Representative and Tax Information Authorization (Form 8821)***

(FY 2011 – Work in Process – Audit Number: 201130051)

Audit Objective: Determine if the Centralized Authorization File Unit has established effective internal controls and procedures to timely process Forms 2848 and 8821.

- ***Tax Exempt Bonds Office’s Enforcement Results (FYs 2005–2010)***

(FY 2011 – Work in Process – Audit Number: 201110028)

Audit Objective: Review relevant statistical data for the Tax Exempt Bonds office’s enforcement activities from October 2004 through September 2010 and analyze the data for trends.

- ***Exempt Organizations: Examination Classification Referral Process***

(FY 2011 – Work in Process – Audit Number: 201110023)

Audit Objective: At the request of the IRS, determine whether the Exempt Organizations function is accurately accounting for referrals of alleged violations of Federal tax law, acknowledging receipt to submitters, and tracking and monitoring the time frames for working referrals.

- ***Automatic Revocation of Tax-Exempt Status for Not Filing an Annual Return or Notice for Three Consecutive Years***

(FY 2011 – Work in Process – Audit Number: 201110014)

Audit Objective: At the request of the IRS, assess the Exempt Organizations function’s readiness for, and implementation of, the Pension Protection Act of 2006¹⁰ related to the automatic revocation of an organization’s tax-exempt status for not filing an annual return or notice for three consecutive years.

- ***Oversight of Non-Bank or Insurance Company Entities Permitted to Act as Trustees or Custodians Over Certain Employee Retirement Plans***

(FY 2011 – Work in Process – Audit Number: 201110015)

Audit Objective: Determine whether the IRS is ensuring non-bank trustees meet tax regulation requirements and whether there are any opportunities for cost savings within this program.

⁹ TIGTA, Ref. No. 2006-30-075, *Automating the Penalty-Setting Process for Information Returns Related to Foreign Operations and Transactions Shows Promise, but More Work Is Needed* (May 2006).

¹⁰ Pub. L. No. 109-280, 120 Stat. 780.

- ***Return Preparer Strategy Implementation***

(FY 2011 – Work in Process – Audit Number: 201140003)

Audit Objective: At the request of the IRS Oversight Board, monitor and evaluate the IRS's implementation of the Return Preparer Strategy.

Fiscal Year 2012 Planned Audits for CHALLENGE 2B:
Modernization

The Modernization Program is a complex effort to modernize IRS technology and related business processes. It involves integrating thousands of hardware and software components while replacing outdated technology and maintaining the current tax system. The Modernization Program has continued to help improve IRS operations and is refocusing its efforts to improve business practices with new IT solutions. However, project development activities have not always effectively implemented planned processes or delivered all planned system capabilities to achieve Program expectations.

- ***2012 Annual Assessment of the IRS Information Technology Program***

(FY 2012 – New Start – Audit Number: 201220010)

Audit Objective: Assess the progress of the IRS's Information Technology Program (including Modernization, Security, and Operations) for FY 2012.

- ***Return Review Program***

(FY 2012 – New Start – Audit Number: 201220011)

Audit Objective: Determine whether the IRS and its contractors are using sound development practices in upgrading the Electronic Fraud Detection System and integrating this functionality into the Return Review Program.

- ***Integrated Financial System Updates***

(FY 2012 – New Start – Audit Number: 201220013)

Audit Objective: Determine whether the IRS has sufficiently planned for the upgrade or replacement of the Integrated Financial System.

- ***Modernized e-File***

(FY 2012 – New Start – Audit Number: 201220014)

Audit Objective: Determine whether the IRS and contractors efficiently and effectively implemented code changes to the Modernized e-File system.

- ***Portal Strategy***

(FY 2012 – New Start – Audit Number: 201220015)

Audit Objective: Determine whether the portal development effort is complete, including upgrades to IRS.gov. Also determine whether the project is following sound systems development practices and whether it will provide the infrastructure needed for sufficient access to IRS systems.

- ***Knowledge Incident/Problem Services Asset Management System Implementation***

(FY 2012 – New Start – Audit Number: 201220016)

Audit Objective: Determine the effectiveness of the Knowledge Incident/Problem Services Asset Management system to address the accuracy and completeness of the asset inventory and its enhancements to customer service.

- ***Modernization and Information Technology Services' Implementation of Voice Over Internet Protocol***

(FY 2012 – New Start – Audit Number: 201220019)

Audit Objective: Review the effectiveness and efficiency of Modernization and Information Technology Services' implementation of Voice-Over Internet Protocol.

- ***Implementation of Modernized e-File Release 7.0 for Individual Tax Returns***

(FY 2012 – New Start – Audit Number: 201240012)

Audit Objective: Evaluate the continuing implementation of Modernized e-File to determine if individual tax returns will be accurately and timely processed.

- ***Customer Account Data Engine-2 Transition State 1 Testing Strategy and Plan***

(FY 2011 – Work in Process – Audit Number: 201120005)

Audit Objective: Determine the adequacy of development and implementation of the program testing strategy and plan. This will include application capability testing, security testing, integration/user acceptance testing, and performance testing.

- ***Modernized e-File Release 7.0 System Development Activities***

(FY 2011 – Work in Process – Audit Number: 201120025)

Audit Objective: Review current Modernized e-File Release 7.0 to ensure the accurate and timely implementation of the remaining schedules and forms proposed for the 2012 Filing Season.

- ***Server Consolidation and Virtualization Efforts***
(FY 2011 – Work in Process – Audit Number: 201120014)
Audit Objective: Evaluate the effectiveness and efficiency of the IRS's efforts to consolidate and virtualize its data center environment.
- ***Customer Account Data Engine 2 Performance and Capacity Testing***
(FY 2011 – Work in Process – Audit Number: 201120026)
Audit Objective: Determine whether the IRS is effectively testing the performance and capacity of the Customer Account Data Engine 2 system.
- ***Implementation of Customer Account Data Engine 2***
(FY 2011 – Work in Process – Audit Number: 201140048)
Audit Objective: Evaluate the implementation of the Customer Account Data Engine 2 system to determine whether individual tax returns will be accurately processed.

Fiscal Year 2012 Planned Audits for CHALLENGE 4: Implementing Major 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 is a continuing challenge because the IRS must identify the tax law changes; revise the various tax forms, instructions, and publications; and reprogram the computer systems used for processing returns.

- ***Premium Tax Credit***
(FY 2012 – New Start – Audit Number: 201220312)
Audit Objective: Review the IRS's development efforts to ensure the Premium Tax Credit application meets the requirements of the Affordable Care Act.
- ***Implementation of Annual Fees Assessed on Branded Prescription Pharmaceutical Manufacturers and Importers (Section 9008)***
(FY 2012 – New Start – Audit Number: 201230336)
Audit Objective: Determine the effectiveness of the IRS's plan to identify taxpayers who are not compliant with Section 9008 of the Affordable Care Act and its associated enforcement efforts.
- ***2012 Interim Filing Season***
(FY 2012 – New Start – Audit Number: 201240009)
Audit Objective: Provide selected information relating to the 2012 Filing Season.

- ***2012 Filing Season***

(FY 2012 – New Start – Audit Number: 201240010)

Audit Objective: Evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2012 Filing Season.

- ***Error Resolution System***

(FY 2012 – New Start – Audit Number: 201240014)

Audit Objective: Evaluate the effectiveness and efficiency of the IRS's process to correct individual tax return errors.

- ***Affordable Care Act Information Return Requirements***

(FY 2012 – New Start – Audit Number: 201240322)

Audit Objective: Determine whether the IRS is effectively implementing the Affordable Care Act reporting requirements.

- ***Taxpayer Advocate Service Planning Efforts for Implementation of the Affordable Care Act***

(FY 2012 – New Start – Audit Number: 201210311)

Audit Objective: Determine how the Taxpayer Advocate Service is planning for the implementation of the Affordable Care Act.

- ***Financial Recordation of Affordable Care Act Health Care Information on Accounting Systems***

(FY 2012 – New Start – Audit Number: 201210315)

Audit Objective: Determine whether the IRS has established a process to track financial management information related to the Affordable Care Act.

- ***Processing of Amended Returns Claiming Refunds***

(FY 2010 – Work in Process – Audit Number: 201040027)

Audit Objective: Determine whether proper controls are in place to ensure that amendments to tax returns resulting in refunds to taxpayer accounts were appropriate, contained the proper documentation, and were completed timely.

- ***Adoption Credit Claims***

(FY 2011 – Work in Process – Audit Number: 201140033)

Audit Objective: Assess the IRS's efforts to ensure the accuracy of adoption credit claims.

- ***Reporting Noncash Charitable Contributions – Follow-Up***
(FY 2011 – Work in Process – Audit Number: 201140035)
Audit Objective: Assess the IRS’s actions to ensure taxpayer compliance with noncash charitable contribution reporting requirements.¹¹
- ***Reporting Dispositions of Principal Residence for Homebuyer Credit Recipients***
(FY 2011 – Work in Process – Audit Number: 201140146)
Audit Objective: Assess the IRS’s efforts to validate reported principal residence dispositions and associated First-Time Homebuyer Credit repayment amounts.
- ***Progress in Implementing the Tax-Exempt Hospital Provisions of the Affordable Care Act***
(FY 2011 – Work in Process – Audit Number: 201110317)
Audit Objective: Assess the IRS’s progress in implementing the tax-exempt hospital provisions of the Affordable Care Act.
- ***Appeals Planning Efforts for Implementation of the Affordable Care Act***
(FY 2011 – Work in Process – Audit Number: 201110026)
Audit Objective: Determine how the Appeals Division is planning for the implementation of the Affordable Care Act.

Fiscal Year 2012 Planned Audits for CHALLENGE 5:
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.

- ***Compliance With Improper Payment Elimination and Recovery Act of 2010***
(FY 2012 – New Start – Audit Number: 201240011)
Audit Objective: Determine if the IRS’s efforts to evaluate and report on the risk of improper payments on individual income tax returns is in compliance with the Improper Payment Elimination and Recovery Act of 2010.¹²

¹¹ TIGTA, Ref. No. 2007-30-049, *The Internal Revenue Service Needs to Improve Procedures to Identify Noncompliance With the Reporting Requirements for Noncash Charitable Contributions* (Mar. 2007).

¹² Pub. L No. 111-204, 124 Stat. 2224.

- ***Prisoner Fraud – Follow-Up***

(FY 2012 – New Start – Audit Number: 201240013)

Audit Objective: Evaluate the effectiveness of the IRS’s corrective actions to identify and reduce prisoner fraud.¹³

- ***Alimony Payments and Deductions***

(FY 2012 – New Start – Audit Number: 201240016)

Audit Objective: Determine if individuals are accurately reporting alimony payments and deductions.

- ***Qualified Tuition Program Distributions and Claims for Education Credits***

(FY 2012 – New Start – Audit Number: 201240018)

Audit Objective: Determine the effectiveness of the IRS’s processes to identify erroneous claims for Education Credits and Tuition and Fees Deductions when individuals receive Qualified Tuition Program distributions.

- ***Wage and Withholding Verification for Individual Tax Returns***

(FY 2012 – New Start – Audit Number: 201240021)

Audit Objective: Evaluate the effectiveness of the IRS’s wage and withholding verification process to confirm fraudulent refunds.

- ***Refund Claims Based on Incorrect Withholding Amounts***

(FY 2012 – New Start – Audit Number: 201240024)

Audit Objective: At the suggestion of the IRS, determine whether the IRS has implemented controls to identify and reject specific refund scheme returns or stop the associated refunds before they are processed.

- ***Telephone Excise Tax Refunds – Follow-Up***

(FY 2012 – New Start – Audit Number: 201240030)

Audit Objective: Determine if corrective actions from previous audits have been implemented and are effective.¹⁴

- ***General Business Credits***

(FY 2012 – New Start – Audit Number: 201240031)

Audit Objective: Determine if the IRS’s controls are adequate to identify questionable claims for General Business Credits claimed on individual income tax returns.

¹³ TIGTA, Ref. No. 2011-40-009, *Significant Problems Still Exist With Internal Revenue Service Efforts to Identify Prisoner Tax Refund Fraud* (Dec. 2010).

¹⁴ TIGTA, Ref No. 2007-30-178, *Although Strong Efforts Were Made, a Significant Amount of the Telephone Excise Tax Overcollected From Individual Taxpayers May Never Be Refunded* (Sept. 2007).

- ***Incurred Cost Review of Procurements Funded by the Recovery Act of 2009***
(FY 2012 – New Start – Audit Number: 201210104)

Audit Objective: Determine whether the IRS has properly documented receipt and acceptance on selected Recovery Act procurements and that related goods and services are received in accordance with the terms and conditions of the contracts, within the cost and schedule requirements, and in compliance with the applicable Recovery Act regulations and implementing guidance.

- ***Utilization of the Suspension and Debarment Administrative Tool***
(FY 2012 – New Start – Audit Number: 201210005)

Audit Objective: Determine whether the IRS has suspension and debarment policies and procedures in place and whether it is appropriately applying this administrative tool to protect the Federal Government's interest.

- ***Identification of Potentially Fraudulent Travel Card Activity***
(FY 2012 – New Start – Audit Number: 201210006)

Audit Objective: Evaluate the IRS's travel card transactions to identify potentially fraudulent and abusive activity related to the IRS travel card program.

- ***Use of Sole Source and Competitive Bidding in Awarding Procurements***
(FY 2012 – New Start – Audit Number: 201210009)

Audit Objective: Determine whether the IRS Office of Procurement complied with Federal regulations and other supplemental guidelines in the award and usage of sole source contracts. Determine whether sole source was used as a method of selecting a preferred vendor and whether any fraud indicators exist that would indicate the prevalence of potential bid rigging.

- ***Information Returns Processing Documents***
(FY 2011 – Work in Process – Audit Number: 201140020)

Audit Objective: Determine whether controls are adequate to identify fraudulent information documents used to support tax returns claiming erroneous refunds.

- ***Recovery of Erroneous Refundable Credits***
(FY 2011 – Work in Process – Audit Number: 201140045)

Audit Objective: Determine the success the IRS has overall in recovering erroneous refundable credits that have been disallowed post-refund. Determine what the IRS could do to determine the validity of the credits during processing prior to refunding.

- ***Efforts to Quantify Identity Theft and Fraudulent Tax Returns***

(FY 2011 – Work in Process – Audit Number: 201140044)

Audit Objective: At the request of Congress, evaluate the effectiveness of the IRS's efforts to identify fraudulent tax returns and prevent the payment of fraudulent refunds resulting from identify theft.

- ***Individual Taxpayer Identification Number Compliance Strategy***

(FY 2011 – Work in Process – Audit Number: 201140036)

Audit Objective: Assess the effectiveness of the Individual Taxpayer Identification Number Program Office Compliance Strategy.

- ***Costs Related to the Austin Plane Incident***

(FY 2011 – Work in Process – Audit Number: 201110022)

Audit Objective: Identify all the expenses incurred by the IRS as a result of the 2010 plane incident at the Austin Echelon I building.

- ***Efforts to Maximize Purchase Card and Fleet Card Rebates***

(FY 2011 – Work in Process – Audit Number: 201110003)

Audit Objective: Determine whether the IRS has established sufficient controls in the Purchase Card and Fleet Card programs to ensure rebates are maximized and properly allocated and that payments are made in compliance with the Prompt Payment Act.¹⁵ Also determine whether appropriate corrective actions have been taken in response to recommendations made in our prior audit.¹⁶

- ***Physical Security and Emergency Preparedness Risk Assessment Contract***

(FY 2011 – Work in Process – Audit Number: 201110025)

Audit Objective: Determine whether the IRS administered the Physical Security and Emergency Preparedness Risk Assessment contract (TIRNO-10-C-0004) in compliance with applicable Federal, Department of the Treasury, and IRS acquisition regulations and guidance.¹⁷ In addition, determine whether the IRS received the contract deliverables in accordance with the terms and conditions of the contract.

¹⁵Pub. L. No. 97-177, 96 Stat. 85 (1982) (codified as amended at 31 U.S.C. § 3901 et seq.).

¹⁶TIGTA, Ref No.2010-10-124 *Although Citibank Travel Rebates Have Significantly Increased, They Were Not Properly Allocated, Resulting in the Misappropriation of Funds* (Sept. 2010).

¹⁷The IRS defines contract administration as a phase that includes managing contract requirements and deliverables, issuing contract modifications, contract termination, and conducting the contractor performance evaluation. Our audit will be focused on the elements of contract administration that occur after the contract is awarded.

- ***Accuracy of Costs Charged for Lockbox Fingerprints***

(FY 2011 – Work in Process – Audit Number: 201110012)

Audit Objective: At the suggestion of the IRS, determine whether the IRS is being accurately billed for the cost of fingerprinting contractors who work on the IRS lockbox operations.

Fiscal Year 2012 Planned Audits for CHALLENGE 6:
Providing Quality Taxpayer Service Operations

The IRS recognizes that the delivery of effective taxpayer service has a significant impact on voluntary 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. The IRS continues to focus on the importance of improving service by emphasizing it as a main goal in its strategic plan, including seeking innovative ways to simplify or eliminate processes that unnecessarily burden taxpayers or government resources.

- ***Quality of Services at Volunteer Program Sites During the 2012 Filing Season – Follow-Up***

(FY 2012 – New Start – Audit Number: 201240002)

Audit Objective: Determine whether taxpayers visiting Volunteer Program sites receive quality service, including accurate tax returns.¹⁸

- ***Screening and Monitoring of Acceptance Agents – Follow-Up***

(FY 2012 – New Start – Audit Number: 201240003)

Audit Objective: Determine whether the IRS's screening and monitoring of Acceptance Agents is effective.¹⁹

- ***Accuracy of IRS.gov – Follow-Up***

(FY 2012 – New Start – Audit Number: 201240004)

Audit Objective: Determine whether the IRS has an effective process to ensure the information provided to taxpayers on IRS.gov is current, easily accessible, and accurate.²⁰

¹⁸ TIGTA, Ref. No. 2011-40-094, *Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program* (Sept. 2011); Ref. No. 2010-40-109, *Improvements to the Volunteer Program Are Producing Positive Results, but Further Improvements Are Needed to the Quality Assurance Process* (Sept. 2010); and Ref. No. 2009-40-128, *Ensuring the Quality Assurance Processes Are Consistently Followed Remains a Significant Challenge for the Volunteer Program* (Sept. 2009).

¹⁹ TIGTA, Ref. No. 2009-40-087, *Inadequate Management Information Has Adversely Affected the Acceptance Agent Program* (June 2009).

- ***Field Assistance Office Management Information Systems – Follow-Up***

(FY 2012 – New Start – Audit Number: 201240005)

Audit Objective: Determine whether the Field Assistance Office Management Information System is providing sufficient data to effectively oversee the Taxpayer Assistance Center Program.²¹

- ***Administration of the Customer Satisfaction Survey***

(FY 2012 – New Start – Audit Number: 201240008)

Audit Objective: Determine whether the IRS's process for measuring customer satisfaction is cost effective and whether the data collected is reliable and sufficient to measure customer satisfaction with the level of services taxpayers receive.

- ***Processing Employers' Quarterly Federal Tax Returns***

(FY 2012 – New Start – Audit Number: 201240029)

Audit Objective: Determine whether Employers' Quarterly Federal Tax Returns (Forms 941) are properly and timely processed and accurately posted to taxpayers' accounts.

- ***Taxpayer Advocate Service Case Processing of Taxpayer Requests for Assistance***

(FY 2012 – New Start – Audit Number: 201210014)

Audit Objective: Evaluate the Taxpayer Advocate Service's administration and handling of systemic burden cases in the Case Advocacy Program.

- ***Offers in Compromise Volume and Processing Time***

(FY 2011 – Work in Process – Audit Number: 201130014)

Audit Objective: Determine the effectiveness of the Offer in Compromise Program to timely process requests, consistently apply offer in compromise guidelines, accurately measure program results, and effectively promote the program.

- ***Intelligent Contact Management System***

(FY 2011 – Work in Process – Audit Number: 201130052)

Audit Objective: At the request of the IRS, review the effectiveness of the implementation of the Intelligent Contact Management System for the Correspondence Exam program in maintaining or increasing Level of Service and improving Customer Satisfaction.

²⁰ TIGTA, Ref. No. 2005-40-026, *Processes Used to Ensure the Accuracy of Information for Individual Taxpayers on IRS.gov Need Improvement* (Feb. 2005).

²¹ TIGTA, Ref. No. 2009-40-072, *Field Assistance Office Management Information Systems Have Improved, but Enhancements Could Improve Taxpayer Service* (May 2009).

- ***Abatements of the Failure to Pay and Failure to File Penalties***

(FY 2011 – Work in Process – Audit Number: 201140026)

Audit Objective: Evaluate the controls to ensure that IRS employees consistently and objectively apply criteria for waiving or abating the failure to pay and failure to file penalties.

- ***Assessments of the Estimated Tax Penalty***

(FY 2011 – Work in Process – Audit Number: 201140019)

Audit Objective: Identify and quantify those taxpayers inequitably assessed the estimated tax penalty.

- ***Direct Deposit of Refund to More Than One Account***

(FY 2011 – Work in Process – Audit Number: 201140021)

Audit Objective: Determine if the IRS has taken appropriate actions to prevent fraudulent use of Direct Deposit of Refund to More Than One Account (Form 8888) for tax refunds.

- ***Effectiveness of the Volunteer Income Tax Assistance Grant Program***

(FY 2011 – Work in Process – Audit Number: 201140009)

Audit Objective: At the suggestion of Congress, determine whether the Volunteer Income Tax Assistance Grant Program is achieving its purpose of extending services to underserved populations in hard to reach areas, both urban and nonurban.

- ***Expanding Taxpayer Assistance Using Self-Assistance and Virtual Presence***

(FY 2011 – Work in Process – Audit Number: 201140047)

Audit Objective: Determine the effectiveness of the IRS's efforts to expand taxpayer assistance through self-assistance and virtual presence.

- ***Exempt Organizations Social Security Number Disclosure***

(FY 2011 – Work in Process – Audit Number: 201110021)

Audit Objective: Assess the availability of taxpayers' Social Security Numbers on tax-exempt organization returns and reports, what actions can be taken to reduce the possibility of disclosure of taxpayers' Social Security Numbers, and what actions can be taken if disclosure is detected.

Fiscal Year 2012 Planned Audits for CHALLENGE 7:

Human Capital

The IRS's challenge of having the right people in the right place at the right time is made more difficult by many complex internal and external factors. The work performed by IRS employees continually requires greater expertise as tax laws become more complex, manual systems used to

support tax administration become computer-based, and attempts by taxpayers and tax practitioners to evade compliance with the tax laws become more sophisticated.

- ***Modernization and Information Technology Services' Human Capital Strategy***

(FY 2012 – New Start – Audit Number: 201220017)

Audit Objective: Evaluate the effectiveness of the Modernization and Information Technology Services human capital strategy, e.g., evaluate the overall governance over the human capital strategy, including the alignment of the human capital strategy with the modernization and infrastructure programs and the anticipated staffing needs; identify gaps in staffing numbers and training.

- ***Human Capital Periodic Assessment***

(FY 2012 – New Start – Audit Number: 201210002)

Audit Objective: Assess the IRS's actions in addressing its human capital challenge.

- ***Onboarding Program***

(FY 2011 – Work in Process – Audit Number: 201110029)

Audit Objective: At the suggestion of the IRS, determine whether the IRS's onboarding program is appropriately integrating new employees for positions in mission critical occupations into the IRS workforce to become productive employees as quickly as possible.

- ***Hiring Timelines (Phase II)***

(FY 2011 – Work in Process – Audit Number: 201110034)

Audit Objective: At the suggestion of the IRS, assess actions taken by the IRS business units to monitor and improve the timeliness of hiring new employees.

- ***Tuition Assistance Program***

(FY 2011 – Work in Process – Audit Number: 201110024)

Audit Objective: Determine whether the IRS's Human Capital Office is evaluating whether Tuition Assistance Program goals are being met and selected guidelines are being followed.

Fiscal Year 2012 Planned Audits for CHALLENGE 8:
Globalization

The scope, complexity, and magnitude of the international financial system present significant enforcement challenges for the IRS. As technology continues to advance and cross-border transactions rise, the IRS is increasingly challenged by economic globalization. Technological advances have provided opportunities for offshore investments that were once only possible for large corporations and wealthy individuals.

- ***Mutual Collection Assistance Request Program***
(FY 2012 – New Start – Audit Number: 201230037)
Audit Objective: Determine the effectiveness of the IRS’s implementation of the Mutual Collection Assistance Request Program.
- ***International Collection Activities***
(FY 2012 – New Start – Audit Number: 201230038)
Audit Objective: Determine the effectiveness of the IRS’s collection efforts on delinquent taxpayers residing in foreign countries.
- ***Advance Pricing Agreements***
(FY 2012 – New Start – Audit Number: 201230039)
Audit Objective: Determine the effectiveness of the IRS’s Advance Pricing Agreement Program.
- ***Foreign Investment in United States Real Property***
(FY 2012 – New Start – Audit Number: 201230022)
Audit Objective: Determine the effectiveness of the IRS’s efforts in ensuring taxpayer compliance related to the disposition of foreign investments in United States real property.
- ***Appeals International Program***
(FY 2012 – New Start – Audit Number: 201210016)
Audit Objective: Evaluate the Office of Appeals’ efforts to establish an International Appeals Program.
- ***Foreign Currency Payments***
(FY 2011 – Work in Process – Audit Number: 201130047)
Audit Objective: Determine if the IRS effectively and efficiently processes taxpayer payments collected in foreign currencies.
- ***Foreign Earned Income Exclusion***
(FY 2011 – Work in Process – Audit Number: 201130050)
Audit Objective: Determine the impact that the foreign earned income exclusion has on tax administration.

Fiscal Year 2012 Planned Audits for CHALLENGE 9:
Taxpayer Protection and Rights

The IRS must ensure that tax compliance activities are balanced against the rights of taxpayers to receive fair and equitable treatment. The IRS continues to dedicate significant resources and attention to implementing the taxpayer rights provisions of RRA 98.

- ***FY 2012 Mandatory Review of Liens***

(FY 2012 – New Start – Audit Number: 201230001)

Audit Objective: Determine if 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 2012 Mandatory Review of Seizures***

(FY 2012 – New Start – Audit Number: 201230002)

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

- ***FY 2012 Mandatory Review of Levies***

(FY 2012 – New Start – Audit Number: 201230003)

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

- ***FY 2012 Mandatory Review of Assessment Statute Extension Dates***

(FY 2012 – New Start – Audit Number: 201230004)

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.

- ***FY 2012 Mandatory Review of Disclosure of Collection Activities on Joint Returns***

(FY 2012 – New Start – Audit Number: 201230005)

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 2012 Mandatory Review of the Compliance with the Freedom of Information Act***

(FY 2012 – New Start – Audit Number: 201230006)

Audit Objective: Determine whether the IRS improperly withheld information requested by taxpayers in writing, based on the Freedom of Information Act²² (FOIA) exemption (b)(3), in conjunction with I.R.C. § 6103, and/or FOIA exemption (b)(7) or by replying that responsive records did not exist.

- ***FY 2012 Mandatory Review of Restrictions on Directly Contacting Taxpayers***

(FY 2012 – New Start – Audit Number: 201230007)

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

- ***FY 2012 Mandatory Review of Illegal Tax Protesters and Similar Designations***

(FY 2012 – New Start – Audit Number: 201230008)

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 2012 Mandatory Review of IRS Compliance With Restrictions on the Use of Enforcement Statistics***

(FY 2012 – New Start – Audit Number: 201230009)

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

- ***FY 2011 Statutory Review of Fair Tax Collection Practices²³ Act Violations***

(FY 2012 – New Start – Audit Number: 201210001)

Audit Objective: Obtain information on any IRS administrative or civil actions resulting from violations of Fair Tax Collection Practices.

- ***FY 2012 Mandatory Review of Appeals Collection Due Process***

(FY 2012 – New Start – Audit Number: 201210010)

Audit Objective: Determine whether the Office of Appeals complied with 26 U.S.C. §§ 6320(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.

²² 5 U.S.C. § 552.

²³ I.R.C. §6304.

- ***Credit for Excess Social Security and Railroad Retirement Tax Withheld***
(FY 2012 – New Start – Audit Number: 201240017)

Audit Objective: Determine the effectiveness of the IRS’s processes to ensure taxpayers are accurately claiming excess Social Security and Railroad Retirement Tax Withholding deductions.

- ***Controls Over Paper Tax Returns and Check Payments***
(FY 2012 – New Start – Audit Number: 201240019)

Audit Objective: Determine the effectiveness of Receipt and Control function’s processes to ensure paper tax returns and payments are accurately processed.

- ***Cash Payments Received in Submission Processing Centers***
(FY 2012 – New Start – Audit Number: 201240020)

Audit Objective: Assess the effectiveness of Submission Processing Center’s controls and accounting for cash payments.

- ***Release, Withdrawal, and Refiling of Federal Tax Liens***
(FY 2011 – Work in Process – Audit Number: 201130018)

Audit Objective: At the request of the IRS Oversight Board, determine whether the controls and procedures for the release, withdrawal, and refiling of a notice of federal tax lien are effectively protecting the Government’s interest and taxpayers’ rights.

- ***Effectiveness of Assistance Provided to Victims of Identity Theft***
(FY 2011 – Work in Process – Audit Number: 201140042)

Audit Objective: Determine whether the IRS is taking sufficient actions to detect and prevent fraudulent tax returns from being filed by individuals using another individual’s identity.

- ***Disaster Relief Indicators***
(FY 2011 – Work in Process – Audit Number: 201140034)

Audit Objective: Determine whether the IRS is properly identifying tax returns and taking appropriate actions on individuals claiming disaster relief on their tax returns.

Fiscal Year 2012 Planned Audits for CHALLENGE 10:
Achieving Program Efficiencies and Cost Savings

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. The IRS lacks a comprehensive, integrated system that provides accurate, relevant, and timely financial and operating data for use in evaluating performance measures, productivity, and the associated costs of IRS programs. In

addition, the IRS cannot produce timely, accurate, and useful information needed for day-to-day decisions, hindering its ability to address financial management and operational issues associated with fulfilling its responsibilities.

- ***Modernization and Information Technology Services’ Management of Software Licensing***

(FY 2012 – New Start – Audit Number: 201220018)

Audit Objective: Determine if the IRS effectively manages software licenses to maximize use of consumed licenses and minimize license costs.

- ***Data Mining and Analytics***

(FY 2012 – New Start – Audit Number: 201220220)

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

- ***Data Center Consolidation***

(FY 2012 – New Start – Audit Number: 201220021)

Audit Objective: Determine the effectiveness of the IRS’s: (1) Federal Data Center Consolidation activities; (2) coordination with the Department of the Treasury regarding possible consolidation of other bureau data centers inside the IRS; and (3) actions taken to improve data center energy efficiency.

- ***Use of Electronic Payments by Individual Taxpayers***

(FY 2012 – New Start – Audit Number: 201240015)

Audit Objective: Assess the IRS’s efforts to increase individual taxpayer use of electronic payments.

- ***FY 2011 Federal Financial Management Improvement Act Remediation Plan***

(FY 2012 – New Start – Audit Number: 201210012)

Audit Objective: Report to Congress, as required by the Federal Financial Management Improvement Act of 1996 (FFMIA),²⁴ any instances of and reasons for missed intermediate target dates established in the IRS’s FY 2011 FFMIA remediation plan.

- ***Controls Over Field Office Mail Services***

(FY 2012 – New Start – Audit Number: 201210013)

Audit Objective: Assess the IRS’s efforts to monitor and reduce costs associated with the mailings and express shipping sent from IRS field offices.

²⁴ Pub. L. No. 104-208, 110 Stat. 3009.

- ***Controls Over Telephone Costs***

(FY 2012 – New Start – Audit Number: 201210017)

Audit Objective: Assess the IRS's efforts to monitor and reduce costs associated with telephone communications.

- ***End User Equipment and Services Reorganization***

(FY 2011 – Work in Process – Audit Number: 201120018)

Audit Objective: At the suggestion of the IRS, review the effectiveness and efficiency of the new business processes and the implementation of personnel placement and mitigations associated with the End User Equipment and Services reorganization.

- ***Modernization and Information Technology Services' Information Technology Maintenance Contracts***

(FY 2011 – Work in Process – Audit Number: 201020027)

Audit Objective: Determine whether Modernization and Information Technology Services' information technology maintenance contracts are cost effective.

- ***Performance Measures for Collection Program***

(FY 2011 – Work in Process – Audit Number: 201130016)

Audit Objective: At the suggestion of the IRS Oversight Board, evaluate the effectiveness of the IRS's Collection performance measures.

- ***Interest Paid on Accounts Management Cases***

(FY 2011 – Work in Process – Audit Number: 201140022)

Audit Objective: Determine if Accounts Management effectively processes priority cases to minimize interest payments and reduce taxpayer burden.

- ***Reducing Publishing and Mail Costs for Individuals and Businesses – Follow-Up***

(FY 2011 – Work in Process – Audit Number: 201140041)

Audit Objective: Assess the IRS's implementation of the strategy for the elimination or reduction of mailing of tax products to individuals and businesses beginning with Tax Year 2010.²⁵

²⁵ Prior TIGTA Report, Ref. No. 2011-40-025, *Publishing and Mail Costs Need to Be More Effectively Managed to Reduce Future Costs* (Feb. 2011).

- ***Accuracy of Stakeholder Partnerships, Education, and Communication's Total Relationship Management***

(FY 2011 – Work in Process – Audit Number: 201140013)

Audit Objective: Determine the accuracy of the Stakeholder Partnerships, Education, and Communication's Total Relationship Management Information System and if it is meeting the IRS's expectations.

- ***Efforts to Meet the President's FY 2012 Federal Real Estate Cost Savings Goal***

(FY 2011 – Work in Process – Audit Number: 201110009)

Audit Objective: Assess the IRS's progress in achieving cost savings to meet the President's FY 2012 Federal real estate cost savings goals.

- ***Administration of the Reimbursable Program***

(FY 2011 – Work in Process – Audit Number: 201110030)

Audit Objective: Evaluate the IRS's administration of its reimbursable program to ensure the IRS is being timely and appropriately reimbursed for services provided.

- ***FY 2011 Attestation of the Annual Accounting of Drug Control Funds***

(FY 2011 – Work in Process – Audit Number: 201110031)

Audit Objective: Perform an attestation review of the IRS's reporting of FY 2011 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.

- ***Taxpayer Advocate Service Toll-Free Telephone Lines***

(FY 2011 – Work in Process – Audit Number: 201110027)

Audit Objective: Evaluate the IRS's use of two advocate toll-free telephone lines, including service provided to taxpayers and costs associated with the lines, to determine whether an opportunity exists to reduce duplication and achieve cost savings.

- ***Costs of Wireless Access Technology***

(FY 2011 – Work in Process – Audit Number: 201110032)

Audit Objective: Determine whether the IRS is managing its wireless cards and Blackberry® smartphones in a cost effective manner.

List of Planned Mandatory Audits for Fiscal Year 2012

Each year, TIGTA performs audits on the mandatory coverage imposed by RRA 98 and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial audits. Portions of the Recovery Act will also require TIGTA to perform reviews. These mandatory audits are listed here.

- ***FY 2012 Mandatory Review of Liens***
(FY 2012 – New Start – Audit Number: 201230001)
Audit Objective: Determine if 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 2012 Mandatory Review of Seizures***
(FY 2012 – New Start – Audit Number: 201230002)
Audit Objective: Determine whether seizures conducted by the IRS complied with legal provisions set forth in I.R.C. §§ 6330 - 6344 and with the IRS' own internal procedures.
- ***FY 2012 Mandatory Review of Levies***
(FY 2012 – New Start – Audit Number: 201230003)
Audit Objective: Determine whether the IRS has complied with I.R.C. § 6330, Notice and Opportunity for Hearing Before Levy.
- ***FY 2012 Mandatory Review of Assessment Statute Extension Dates***
(FY 2012 – New Start – Audit Number: 201230004)
Audit Objective: Determine whether the IRS is complying with 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.
- ***FY 2012 Mandatory Review of Disclosure of Collection Activities on Joint Returns***
(FY 2012 – New Start – Audit Number: 201230005)
Audit Objective: Determine if the IRS is complying with the provisions of I.R.C. § 6103(e)(8) as related to the disclosure of collection activities to joint filers.

- ***FY 2012 Mandatory Review of the Compliance with the Freedom of Information Act***

(FY 2012 – New Start – Audit Number: 201230006)

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

- ***FY 2012 Mandatory Review of Restrictions on Directly Contacting Taxpayers***

(FY 2012 – New Start – Audit Number: 201230007)

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

- ***FY 2012 Mandatory Review of Illegal Tax Protesters and Similar Designations***

(FY 2012 – New Start – Audit Number: 201230008)

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 2012 Mandatory Review of IRS Compliance With Restrictions on the Use of Enforcement Statistics***

(FY 2012 – New Start – Audit Number: 201230009)

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

- ***FY 2011 Statutory Review of Fair Tax Collection Practices Act Violations***

(FY 2012 – New Start – Audit Number: 201210001)

Audit Objective: Obtain information on any IRS administrative or civil actions resulting from violations of Fair Tax Collection Practices.

- ***FY 2011 Federal Financial Management Improvement Act Remediation Plan***

(FY 2012 – New Start – Audit Number: 201210012)

Audit Objective: Report to Congress, as required by the FFMIA, any instances of and reasons for missed intermediate target dates established in the IRS's FY 2011 FFMIA remediation plan.

- ***FY 2012 Mandatory Review of Appeals Collection Due Process***

(FY 2012 – New Start – Audit Number: 201210010)

Audit Objective: Determine whether the Office of Appeals complied with I.R. §§ 6320(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.

- ***2012 Federal Information Security Management Act (Unclassified Systems)***

(FY 2012 – New Start – Audit Number: 201220001)

Audit Objective: Determine the progress made by the IRS in meeting the requirements of the 2012 FISMA mandatory review of the IRS's unclassified information technology systems security program.

- ***2012 Annual Assessment of the IRS Information Technology Program***

(FY 2012 – New Start – Audit Number: 201220010)

Audit Objective: Assess the progress of the IRS's Information Technology Program (including Modernization, Security, and Operations) for Fiscal Year 2012.

- ***Privacy Assessment***

(FY 2012 – New Start – Audit Number: 201220009)

Audit Objective: Determine whether the IRS has an effective Privacy program to meet the Office of Management and Budget's requirements to properly safeguard the use and protection of taxpayer information.

- ***Incurred Cost Review of Procurements Funded by the Recovery Act of 2009***

(FY 2012 – New Start – Audit Number: 201210104)

Audit Objective: Determine whether the IRS has properly documented receipt and acceptance on selected Recovery Act procurements and that related goods and services are received in accordance with the terms and conditions of the contracts, within the cost and schedule requirements, and in compliance with the applicable Recovery Act regulations and implementing guidance.

- ***FY 2011 Attestation of the Annual Accounting of Drug Control Funds***

(FY FY 2011 – Work in Process – Audit Number: 201110031)

Audit Objective: Perform an attestation review of the IRS's reporting of FY 2011 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 Accounting Summary Report.

- ***Reporting Dispositions of Principal Residence for Homebuyer Credit Recipients***

(FY 2011 – Work in Process – Audit Number: 201140146)

Audit Objective: Assess the IRS's efforts to validate reported principal residence dispositions and associated Homebuyer Credit repayment amounts.

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