



Fiscal Year 2013

Annual Audit Plan

Treasury

Inspector General
for Tax

Administration

Table of Contents

<u>Message From the Deputy Inspector General for Audit</u>	1
<u>The Mission and the Organization</u>	3
<u>Audit Program for Fiscal Year 2013</u>	4
<u>Office of Audit’s Program Areas</u>	5
<u>Appendix I – Organization Chart – Office of Audit</u>	7
<u>Appendix II – Major Management and Performance Challenges Facing the Internal Revenue Service</u>	8
<u>Appendix III – The Internal Revenue Service’s Strategic Goals and Foundations</u>	9
<u>Appendix IV – Office of Audit’s Fiscal Year 2013 Staff Day Allocation</u>	10
<u>Section A – Major Challenges Facing Internal Revenue Service Management</u>	10
<u>Section B – Internal Revenue Service Strategic Plan Goals and Foundations</u>	11
<u>Section C – Audit Focus Areas</u>	12
<u>Section D – Mandatory, Risk-Based, and Requested Audits</u>	13
<u>Appendix V – List of Planned Audits for Fiscal Year 2013 by Major Management and Performance Challenges</u>	14
<u>Challenge 1 – Security for Taxpayer Data and Employees</u>	14
<u>Challenge 2 – Tax Compliance Initiatives</u>	17
<u>Challenge 3 – Modernization</u>	28
<u>Challenge 4 – Implementing the Affordable Care Act and Other Tax Law Changes</u>	30
<u>Challenge 5 – Fraudulent Claims and Improper Payments</u>	33
<u>Challenge 6 – Providing Quality Taxpayer Service Operations</u>	36
<u>Challenge 7 – Human Capital</u>	38
<u>Challenge 8 – Globalization</u>	39
<u>Challenge 9 – Taxpayer Protection and Rights</u>	41
<u>Challenge 10 – Achieving Program Efficiencies and Cost Savings</u>	45
<u>Appendix VI - List of Planned Mandatory Audits for Fiscal Year 2013</u>	49

Fiscal Year 2013 Annual Audit Plan

Message From the Deputy Inspector General for Audit

Fiscal Year (FY) 2013 will bring great challenges to the Internal Revenue Service (IRS), some of which are unprecedented. These challenges include expiring tax law provisions, a six-month Continuing Budget Resolution, and a possible sequestration of Government funds in January 2013 that would require automatic cuts throughout the Federal Government. Although the IRS has demonstrated its ability to adapt and adjust to tax law changes in the past, nonetheless these changes do have a major impact on how the IRS conducts its activities, determines resource requirements, and progresses towards meeting its strategic goals, particularly when change arrives late in the year and close to the beginning of the filing season.

For FY 2013, the Office of Audit will be focusing on several key emphasis areas in addition to its coverage of the major management challenges facing the IRS. These emphasis areas require continuing coverage because of their significance and impact on tax administration.

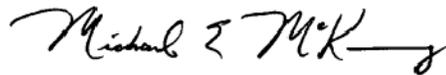
- The Patient Protection and Affordable Care Act¹ (Affordable Care Act) contains an extensive array of tax law changes that will pose a continuing challenge for the IRS. The IRS estimates that at least 42 provisions will either add to or amend the tax code and at least eight of those will require the IRS to build new processes that do not exist in the current tax administration system. In FY 2013, the IRS will be preparing for several key provisions that go into effect beginning with Tax Year 2014.
- Identity theft is escalating and poses a significant challenge for the IRS in both stopping fraudulent payments and providing taxpayer service. In Calendar Year 2011, the IRS identified over 1.1 million incidents of identity theft that affected the Nation's tax system. However, the IRS has not always been able to prevent the issuance of fraudulent tax refunds or provide timely assistance to victims of identity theft. In FY 2012, the IRS implemented several new initiatives to address this growing issue.
- Every year, more than half of all taxpayers pay someone else (return preparers) to prepare their Federal income tax returns. In December 2009, the IRS announced reforms to provide new oversight of tax return preparers, including requirements for registration, competency testing, continuing professional education, ethical standards, and enforcement. The IRS is continuing to implement these reforms in FY 2013.
- Stopping offshore tax cheating and bringing taxpayers with international holdings back into the tax system is a top priority of the IRS. However, the scope, complexity, and magnitude of the international financial system present significant enforcement challenges for the IRS. In addition, the IRS is confronted with a lack of information

¹ 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.

reporting on many cross-border transactions. The IRS has several ongoing initiatives that seek to address the challenges posed by a globalized tax administration system.

- Improper payments are any payments that should not have been made or were made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. The billions of dollars of erroneous and improper payments issued by the IRS generally involve improperly paid refunds, tax return filing fraud, or improper payments to vendors or contractors. The Improper Payments Elimination and Recovery Act of 2010² requires Federal agencies to reduce improper payments.

We plan to devote approximately 21 percent of FY 2013 audit resources to projects mandated by law or at the specific request of Congress, the IRS, the IRS Oversight Board, and other stakeholders. Our audit coverage is determined by assessing the risks associated with the potential audit universe and identifying the highest priority audits to address each of the top 10 IRS major management challenges. The factors considered during the risk assessment process include stakeholders' concerns; significant changes; potential fraud, waste, and abuse; internal controls; taxpayer impact; and size of the program. Our FY 2013 Annual Audit Plan is designed to address the programs most critical to an effective and efficient tax administration system.



Michael E. McKenney
Acting Deputy Inspector General for Audit

² Pub. L. No. 111-204, 124 Stat. 2224.

The Mission and the Organization

The Treasury Inspector General for Tax Administration (TIGTA) was established in January 1999, in accordance with the IRS Restructuring and Reform Act of 1998 (RRA 98),³ with the powers and authorities given to other Inspectors General under the Inspector General Act.⁴ TIGTA provides independent oversight of Department of the Treasury matters involving the 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's program consists of reviews mandated by statute or regulation as well as reviews identified through the Office of Audit's planning and evaluation process. The Office of Audit strategically evaluates IRS programs, activities, and functions so that resources are expended in the areas of highest vulnerability to the Nation's tax system. It provides recommendations to improve IRS systems and operations, while ensuring the fair and equitable treatment of taxpayers.

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

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

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

³ 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.).

⁴ Inspector General Act of 1978, 5 U.S.C. app. 3 (2010).

Audit Program for Fiscal Year 2013

The Office of Audit FY 2013 Annual Audit Plan communicates TIGTA’s audit priorities to the IRS, Congress, and other interested parties. Many of the activities described in the Annual Audit Plan address the fundamental goals related to the IRS’s mission to administer its programs effectively and efficiently. The FY 2013 Annual Audit Plan includes 204 new audits or in-process audits.

Each year, TIGTA identifies and addresses the major management and performance challenges and key cross-cutting issues confronting the IRS. This Annual Audit Plan is organized by its listing of the major challenges facing the IRS for FY 2013 ([Appendix II](#)). The Plan includes mandatory coverage imposed by RRA 98 and other statutory authorities and standards involving computer security, taxpayer rights and privacy, 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 2013 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 regular contact with applicable stakeholders such as IRS executives, the IRS Oversight Board, the Department of the Treasury, the U.S. Government Accountability Office officials, and 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 2013.

Management Services and Exempt Organizations

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

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

Security and Information Technology Services

The Security and Information Technology Services unit assesses the IRS's information technology programs by implementing audit strategies that evaluate: (1) cybersecurity, including reviews of the Federal Information Security Management Act of 2002 (FISMA),⁵ audit trails, privacy, security monitoring and reporting, and incident management; (2) systems modernization and applications development, including reviews of the Modernization Program, computer applications supporting the Affordable Care Act, and risk mitigation controls for high-priority projects and applications; and (3) information technology operations, including reviews of computing center operations, asset management, and information technology 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, including Criminal Investigation and tax preparers involved in inappropriate or criminal activity.

⁵ Pub. L. No. 107-347, Title III, 116 Stat. 2899, 2946-2961 (codified as amended in 44 U.S.C. §§ 3541–3549).

Returns Processing and Account Services

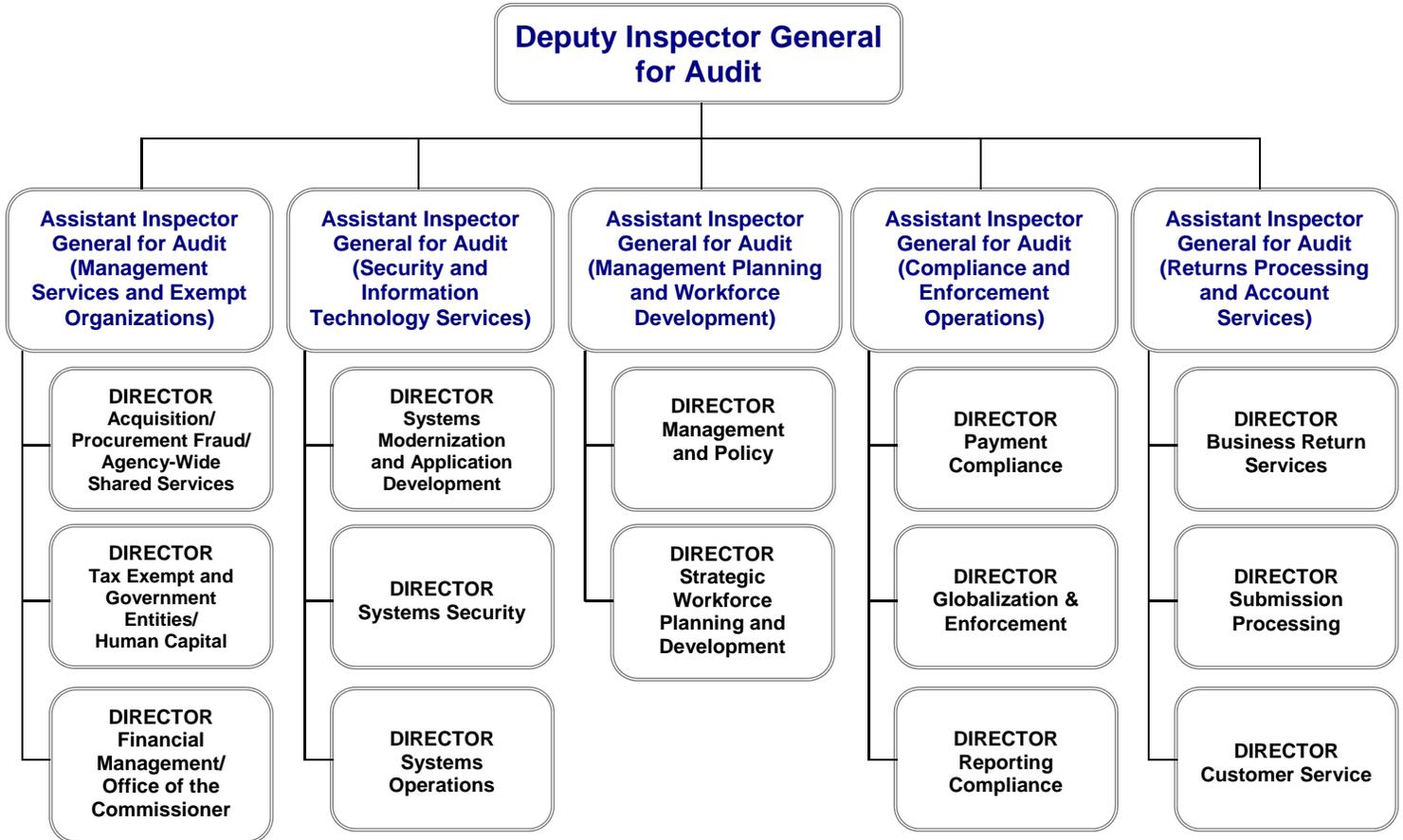
The Returns Processing and Account Services unit reviews activities related to the preparation and processing of tax returns and the issuing of refunds to taxpayers. This includes customer service activities, outreach efforts, tax law implementation, taxpayer assistance, notices, submission processing,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

Management Planning and Workforce Development

The Management Planning and Workforce Development unit provides both mission-critical support and assistance to the entire Office of Audit organization. Key audit management responsibilities include guidance and direction for strategic and annual planning; quality assurance and oversight; recruiting, training, and professional developmental activities; performance budgeting; 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 2013:

- ❖ Security for Taxpayer Data and Employees
- ❖ Tax Compliance Initiatives
- ❖ Modernization
- ❖ Implementing the Affordable Care Act and Other 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 2013 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 2

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 third parties in the tax system adhere to professional standards and follow the law.

Strategic Foundations

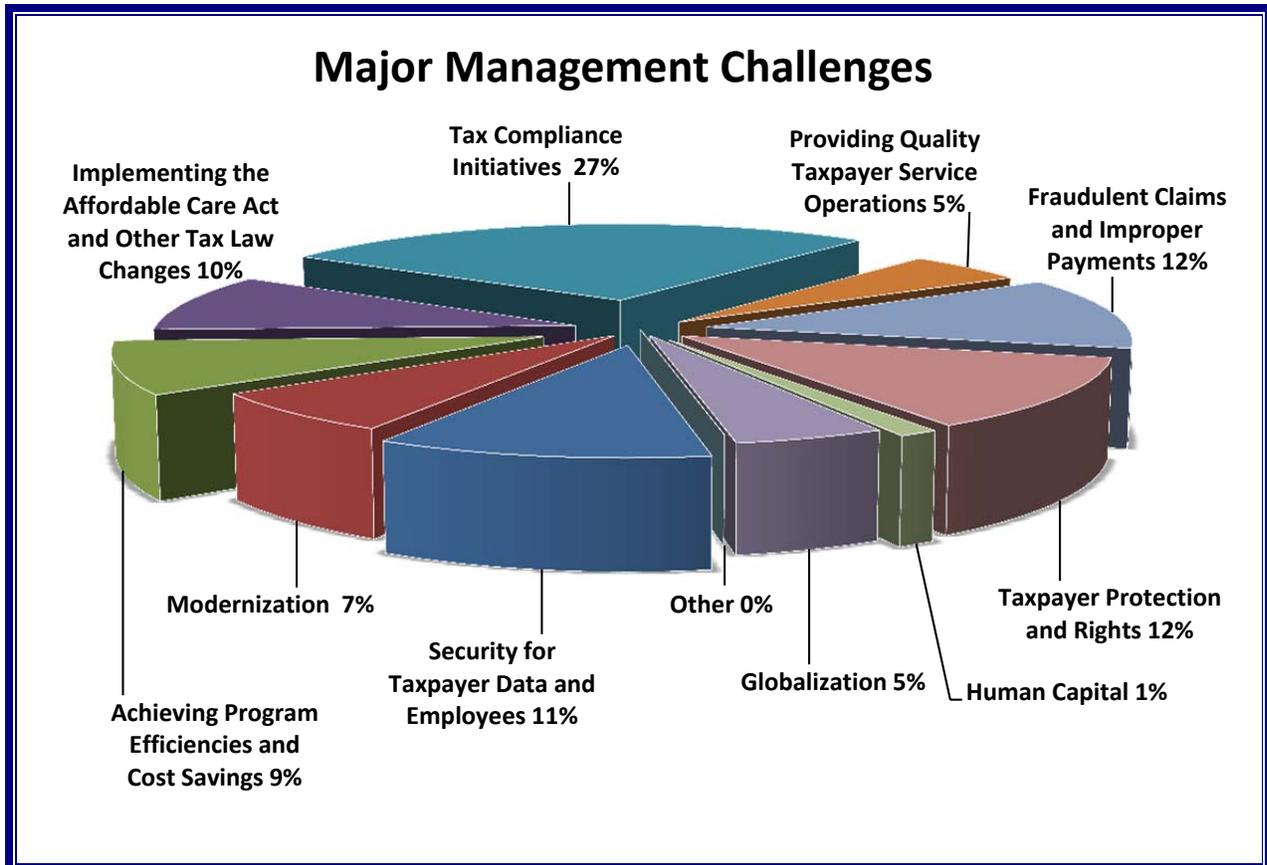
Invest for High Performance

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 2013
Staff Day Allocation
By Major Challenges Facing Internal Revenue Service Management



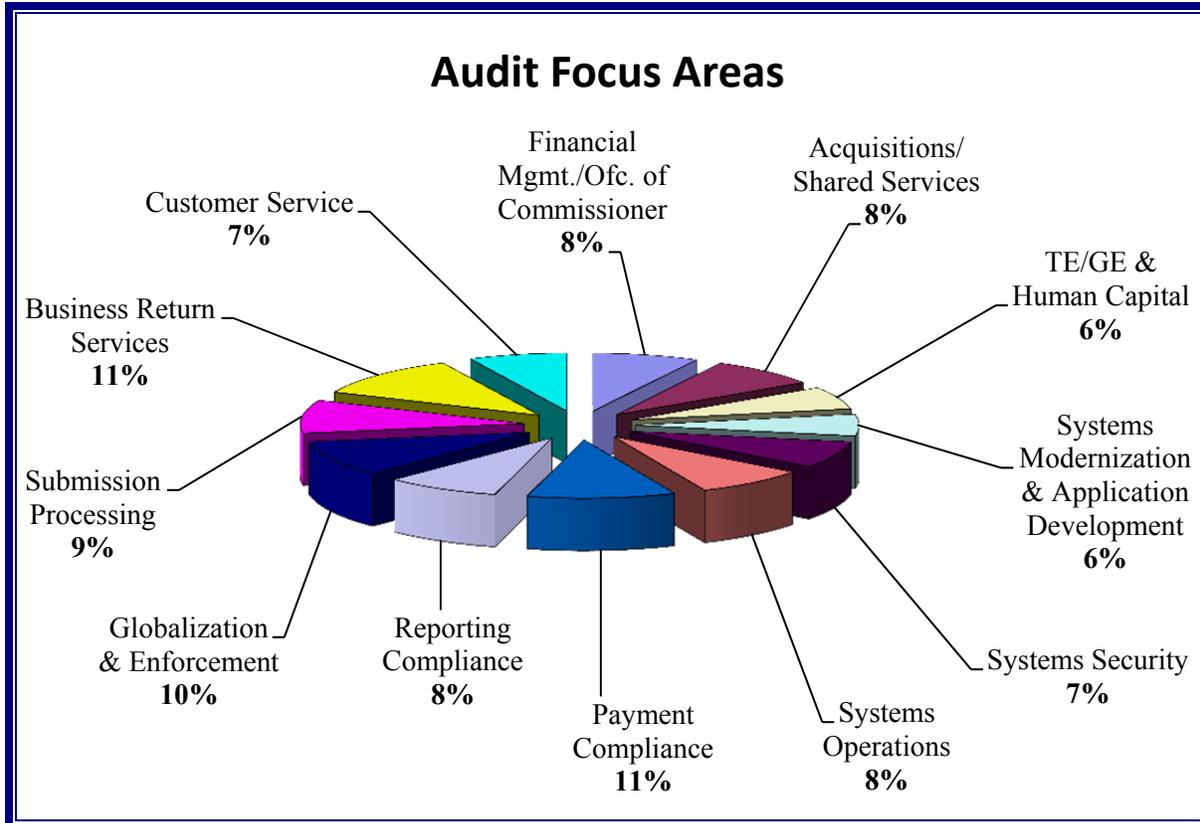
Note: Some audits relate to more than one major challenge area. In addition, FY 2013 staff days are included for audits that were started in FY 2012 with planned completion dates in FY 2013. Totals do not equal 100 percent due to rounding.

Office of Audit’s Fiscal Year 2013
Staff Day Allocation
By Internal Revenue Service Strategic Plan Goals and Foundations



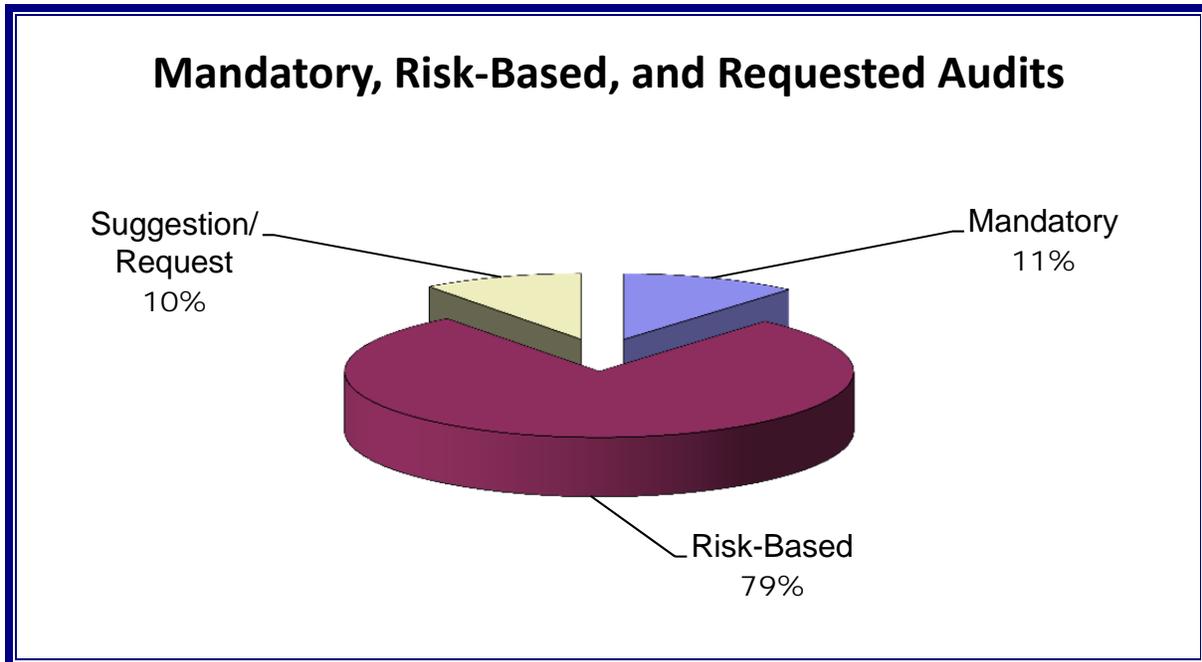
Note: Some audits relate to more than one strategy area. In addition, FY 2013 staff days are included for audits that were started in FY 2012 with planned completion dates in FY 2013. Totals do not equal 100 percent due to rounding.

Office of Audit's Fiscal Year 2013
Staff Day Allocation
By Audit Focus Areas



Note: FY 2013 staff days are included for audits that were started in FY 2012 with planned completion dates in FY 2013. Totals do not equal 100 percent due to rounding. TE/GE = Tax Exempt and Government Entities.

Office of Audit's Fiscal Year 2013
Staff Day Allocation
By Mandatory, Risk-Based, and Requested Audits



Note: FY 2013 staff days are included for audits that were started in FY 2012 with planned completion dates in FY 2013.

List of Planned Audits for Fiscal Year 2013 by Major Management and Performance Challenges

Fiscal Year 2013 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 630 facilities throughout the country. These are challenging operating conditions for the IRS that underscore the need for continued vigilance in the area of physical and personnel security. Effective information systems security becomes essential to ensure that data are protected against inadvertent or deliberate misuse, improper disclosure, or destruction and that computer operations supporting tax administration are secured against disruption or compromise. The IRS faces the daunting task of securing its computer systems against the growing threat of cyberattack. We have 20 new or in-process audits for this major management and performance challenge.

❖ ***Removal of Sensitive Taxpayer Information From Disposed Copiers***

(FY 2013 – New Start – Audit Number: 201310005)

Audit Objective: Determine whether IRS policies and procedures are effective to ensure sensitive taxpayer information is appropriately removed or destroyed from disposed copiers.

❖ ***Tax Exempt and Government Entities Division’s Procedures for Separating/Departing Employee Clearances***

(FY 2013 – New Start – Audit Number: 201310011)

Audit Objective: Determine whether Tax Exempt and Government Entities (TE/GE) Division management has implemented policies and procedures to ensure separating and departing employee clearance procedures and subsequent monitoring are effective to protect Government resources and taxpayer information.

❖ ***FY 2013 Federal Information Security Management Act (Unclassified Systems)***

(FY 2013 – New Start – Audit Number: 201320001)

Audit Objective: Determine the progress made by the IRS in meeting the requirements of the 2013 Federal Information Security Management Act¹ mandatory review of the IRS's unclassified information technology system security program.

❖ ***Customer Account Data Engine 2 Security***

(FY 2013 – New Start – Audit Number: 201320002)

Audit Objective: Evaluate the security controls on the Customer Account Data Engine 2 (CADE 2) application to ensure that the system protects the confidentiality, integrity, and availability of taxpayer data.

❖ ***Continuous Monitoring of Security***

(FY 2013 – New Start – Audit Number: 201320003)

Audit Objective: Determine whether the IRS's continuous monitoring of security controls has been effectively implemented and meets standards.

❖ ***Security Over Virtual Environment***

(FY 2013 – New Start – Audit Number: 201320004)

Audit Objective: Assess the IRS's virtual infrastructure security benchmarks for compliance to standards.

❖ ***Implementation of the Trusted Internet Connection Project***

(FY 2013 – New Start – Audit Number: 201320005)

Audit Objective: Evaluate the IRS's three connections as part of the Trusted Internet Connection (TIC) Project to ensure the connections comply with Department of Homeland Security requirements.

❖ ***Security of Enterprise Portal and Internet Strategy***

(FY 2013 – New Start – Audit Number: 201320006)

Audit Objective: At the request of the IRS Oversight Board, assess the progress being made in the efforts to enable taxpayers and their authorized representatives to review and service their IRS tax accounts over the Internet.

❖ ***Contractor Security Over Taxpayer Data***

(FY 2013 – New Start – Audit Number: 201320007)

Audit Objective: Determine if controls over contractor facilities are adequate to ensure security over taxpayer data.

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

❖ ***Security of Bring Your Own Device Initiative***

(FY 2013 – New Start – Audit Number: 201320008)

Audit Objective: Assess the progress and security of efforts to allow employees to bring their own mobile devices to work and connect to the network.

❖ ***Implementation of Internet Protocol Version 6***

(FY 2013 – New Start – Audit Number: 201320009)

Audit Objective: Determine whether the IRS has made adequate preparations and progress to comply with the Office of Management and Budget's requirements to convert to Internet Protocol Version 6 for network traffic.

❖ ***Data Loss Prevention and Protection***

(FY 2013 – New Start – Audit Number: 201320010)

Audit Objective: Evaluate IRS efforts to prevent unauthorized leakage of sensitive data and efforts to protect (encrypt) sensitive data in motion, at rest, and in use.

❖ ***Disposal of Federal Electronic Assets***

(FY 2013 – New Start – Audit Number: 201320022)

Audit Objective: Validate the accuracy of the Disposal Asset Inventory and determine the effectiveness of the IRS's actions taken to fulfill or plans to fulfill the requirements set forth by General Services Administration Bulletin Federal Management Regulation B-34.² Requirements were established for Federal agencies for the recycling, reuse, and disposal of Federal electronic assets.

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

(FY 2012 – Work in Process – Audit Number: 201210007)

Audit Objective: Determine whether physical security risk assessments are conducted as required at all IRS facilities.

❖ ***Continuity Plans***

(FY 2012 – Work in Process – Audit Number: 201210008)

Audit Objective: Assess whether the IRS's continuity plan program will enable the IRS to resume the processing of critical functions in a timely manner.

❖ ***Background Clearance Process for Contractor Employees***

(FY 2012 – Work in Process – Audit Number: 201210029)

Audit Objective: Assess the IRS controls to ensure background investigations are adequately performed and completed prior to contractor employees having access to IRS facilities, systems, and data.

² U.S. General Services Administration, GSA Bulletin FMR [Federal Management Regulation] B-34, *Disposal of Federal Electronic Assets* (Feb. 29, 2012).

❖ ***e-Authentication***

(FY 2012 – Work in Process – 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.

❖ ***Review of the Treasury Enhanced Security Initiative***

(FY 2012 – Work in Process – 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 Impact Assessment Process***

(FY 2012 – Work in Process – 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.

❖ ***Effectiveness of the Potentially Dangerous Taxpayer and Caution Upon Contact Programs***

(FY 2012 – Work in Process – Audit Number: 201240007)

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

**Fiscal Year 2013 Planned Audits for CHALLENGE 2:
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. We have 66 new or in-process audits for this major management and performance challenge.

❖ ***Use of National Research Project Data to Improve Individual Taxpayer Compliance***

(FY 2013 – New Start – Audit Number: 201310006)

Audit Objective: Assess how the Research, Analysis, and Statistics Division uses National Research Program data to improve individual taxpayer compliance.

❖ ***Office of Appeals Penalty Abatement Program***

(FY 2013 – New Start – Audit Number: 201310007)

Audit Objective: Assess the efficiency and effectiveness of the Office of Appeals' process to abate penalty assessments.

❖ ***Exempt Organizations Function's Penalty Unit***

(FY 2013 – New Start – Audit Number: 201310012)

Audit Objective: Assess the effectiveness and efficiency of the Exempt Organizations (EO) function's Penalty Unit.

❖ ***Abatements of Tax and Penalty Assessments on Retirement Plans***

(FY 2013 – New Start – Audit Number: 201310013)

Audit Objective: Determine whether processes for abating penalties and other assessments made to qualified retirement plans are efficient and effective.

❖ ***Accuracy of Reporting Savings Incentives Match Plan for Employees Retirement Plan Contributions***

(FY 2013 – New Start – Audit Number: 201310014)

Audit Objective: Determine whether existing processes provide reasonable assurance that employers are claiming contributions to the Savings Incentives Match Plan for Employees that are consistent with amounts reported on third-party payer documents submitted by trustees/financial institutions.

❖ ***Oversight of 501(c)(4)–(6) Organizations That Are Politically Active***

(FY 2013 – New Start – Audit Number: 201310016)

Audit Objective: Assess how the EO Function monitors Internal Revenue Code § 501(c)(4), (c)(5), and (c)(6) organizations to ensure political advocacy activities do not constitute their primary activity.

❖ ***National Research Program – Employment Tax Study***

(FY 2013 – New Start – Audit Number: 201310023)

Audit Objective: Determine whether the National Research Program – Employment Tax Study is being properly implemented and providing reliable results for making strategic planning decisions and measuring the tax gap.

❖ ***Impact of Budget Cuts on the Collection Program and Employees***

(FY 2013 – New Start – Audit Number: 201330010)

Audit Objective: Determine the impact that the IRS's budget cuts, hiring freeze, buyouts, and early outs had on the collection program and employees.

❖ ***Impact of the Fresh Start Initiative on Future Tax Compliance***

(FY 2013 – New Start – Audit Number: 201330011)

Audit Objective: Determine the effectiveness of the Fresh Start Initiative in promoting future tax compliance.

❖ ***Impact of Redesigned Collection Notices on Taxpayer Response and Compliance Rates***

(FY 2013 – New Start – Audit Number: 201330012)

Audit Objective: Determine how effectively the IRS implemented the notice redesign efforts and its impact on taxpayer compliance.

❖ ***Collection Actions Involving Delinquent Federal Employees***

(FY 2013 – New Start – Audit Number: 201330013)

Audit Objective: Determine the success of the Federal Payment Levy Program (FPLP) in regards to Federal employees and retirees who are delinquent in paying taxes, and determine the effectiveness of filters within the FPLP on low-income taxpayers.

❖ ***Collection Cases Closed As Currently Not Collectible – Unable to Contact***

(FY 2013 – New Start – Audit Number: 201330014)

Audit Objective: Determine whether the controls and procedures for closing large dollar collection cases are effective in preventing premature Unable to Contact closures.

❖ ***Impact of the Increase in Potential Business Nonfiler Inventory***

(FY 2013 – New Start – Audit Number: 201330015)

Audit Objective: Determine the effectiveness of the Business Master File Case Creation Nonfiler Identification Process application in maintaining a current inventory of potential business nonfilers that is ready for assignment.

❖ ***Efficiency and Effectiveness of the Seizure and Sale Program***

(FY 2013 – New Start – Audit Number: 201330016)

Audit Objective: Determine the efficiency and effectiveness of the IRS's seizure and sale program.

❖ ***Expansion of Automated Collection System Electronic Decision Support Tools***

(FY 2013 – New Start – Audit Number: 201330017)

Audit Objective: Determine whether the Automated Collection System (ACS) employee electronic decision support tools were implemented effectively and the impact that the new tools had on ACS case closures.

❖ ***Defunct Corporations Closed As Currently Not Collectible***

(FY 2013 – New Start – Audit Number: 201330018)

Audit Objective: Determine the effectiveness of collection actions taken by the Collection Field function on taxpayer accounts closed as Currently Not Collectible - defunct.

❖ ***Foreign Account Tax Compliance Act – Information Reporting***

(FY 2013 – New Start – Audit Number: 201330026)

Audit Objective: Assess the progress the IRS is making to take advantage of the reporting requirements under the Foreign Account Tax Compliance Act³ to increase tax compliance.

❖ ***Criminal Investigation’s Investigative Imprest Funds***

(FY 2013 – New Start – Audit Number: 201330029)

Audit Objective: Determine the effectiveness of controls over Criminal Investigation’s Investigative Imprest Funds.

❖ ***Audit Reconsiderations***

(FY 2013 – New Start – Audit Number: 201330031)

Audit Objective: At the suggestion of the IRS Oversight Board, evaluate how well the IRS is addressing the compliance risk posed by audit reconsiderations and if opportunities exist to make the process less burdensome and more responsive for taxpayers.

❖ ***Small Business/Self-Employed Division’s Compliance Initiative Projects***

(FY 2013 – New Start – Audit Number: 201330033)

Audit Objective: Evaluate how well the Small Business/Self-Employed Division is 1) addressing the concerns raised in past studies of the Compliance Initiative Project (CIP) process; 2) integrating its CIP process into key business decisionmaking processes; 3) using CIP results for improving performance on strategic initiatives; and 4) aligning the CIP process with best practices for conducting process-improvement projects.

❖ ***Estate and Gift Tax Program***

(FY 2013 – New Start – Audit Number: 201330034)

Audit Objective: At the suggestion of the IRS, evaluate how well the IRS identifies potential areas of noncompliance on estate and gift tax returns.

³ Pub. L. No. 111-147, Subtitle A, 124 Stat 71, *96-116 (2010)(codified in scattered sections of 26 U.S.C.).

❖ ***Preparer Penalties During Audits***

(FY 2013 – New Start – Audit Number: 201330036)

Audit Objective: Determine if preparer penalties are considered in accordance with IRS procedures and guidelines during audits.

❖ ***Health Insurance Deduction for Self-Employed Individuals***

(FY 2013 – New Start – Audit Number: 201330037)

Audit Objective: Evaluate how well the IRS is addressing any compliance risks posed by self-employed individuals who are taking medical insurance deductions.

❖ ***Workload Management in the Correspondence Program***

(FY 2013 – New Start – Audit Number: 201330039)

Audit Objective: Determine if opportunities exist to enhance how the Correspondence Audit Program workload is managed so the process is more responsive and less burdensome for taxpayers.

❖ ***Stock Basis Information Reporting***

(FY 2013 – New Start – Audit Number: 201330040)

Audit Objective: At the suggestion of the IRS Oversight Board, evaluate the progress the IRS is making to take advantage of the new third-party information reporting requirements on the cost basis of securities.

❖ ***Claims for Refunds on Amended Returns***

(FY 2013 – New Start – Audit Number: 201330041)

Audit Objective: Evaluate how well the IRS is addressing compliance risks when claims for refunds on amended returns are selected for audit.

❖ ***Centralized Case Processing in the Ogden Campus***

(FY 2013 – New Start – Audit Number: 201330042)

Audit Objective: Determine whether the Ogden Centralized Case Processing controls are ensuring that Large Business and International Division audits are timely and accurately processed and the statutory period for assessing taxes is protected.

❖ ***Executor Commissions***

(FY 2013 – New Start – Audit Number: 201330043)

Audit Objective: Evaluate the progress the IRS is making to ensure executors are reporting and paying taxes on the commissions they earn.

❖ ***Interest Abatements***

(FY 2013 – New Start – Audit Number: 201330044)

Audit Objective: At the suggestion of the IRS, determine the effectiveness of the IRS's process for interest abatement under Internal Revenue Code (I.R.C.) § 6404(e)(1).

❖ ***Whistleblower Claims***

(FY 2013 – New Start – Audit Number: 201330045)

Audit Objective: Evaluate opportunities, if any, to enhance the effectiveness of the IRS's Whistleblower Program.

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

(FY 2013 – New Start – Audit Number: 201340002)

Audit Objective: At the suggestion of the IRS Oversight Board, monitor and evaluate the IRS's implementation of the Return Preparer Strategy. This is one of a series of audits. It is part of a long-term strategy expected to extend through Fiscal Year 2014.⁴

❖ ***Professional Employer Organizations***

(FY 2013 – New Start – Audit Number: 201340024)

Audit Objective: Determine whether controls are adequate to protect the Government's interest when Professional Employer Organizations are not compliant or when the relationship between the Professional Employer Organization and the client is terminated.

❖ ***Implementation of the Work Opportunity Credit for Veterans***

(FY 2013 – New Start – Audit Number: 201340026)

Audit Objective: Determine whether controls are sufficient to ensure employer claims for the Work Opportunity Credit for veterans are accurate.

❖ ***Indian Tribal Governments Office's Abuse Detection and Prevention Efforts***

(FY 2012 – Work in Process – Audit Number: 201210018)

Audit Objective: Determine whether the Indian Tribal Governments office is taking actions and measuring its accomplishments to stem the growth of fraud and abuse in the tribal sector.

❖ ***Consistency in Identifying and Reviewing Applications for Tax-Exempt Status Involving Political Advocacy Issues***

(FY 2012 – Work in Process – Audit Number: 201210022)

Audit Objective: Assess the consistency of the EO function's identification and review of applications for tax-exempt status involving potential political advocacy issues.

⁴ TIGTA, Ref. No. 2010-40-127, *It Will Take Years to Implement the Return Preparer Program and to Realize Its Impact* (Sept. 2010).

❖ ***Accuracy of Reporting Simplified Employee Pensions Retirement Plan Contributions***

(FY 2012 – Work in Process – Audit Number: 201210031)

Audit Objective: Determine whether existing processes provide reasonable assurance that employers are claiming Simplified Employee Pension contributions that are consistent with amounts reported on third party payer documents submitted by trustees/financial institutions.

❖ ***Accuracy of Tax Credit Bond Reporting***

(FY 2012 – Work in Process – Audit Number: 201210032)

Audit Objective: Determine how the IRS is using bond issuer reporting documents and other information to ensure that tax-credit claims are accurate.

❖ ***Process for Identifying Noncompliant Bonds***

(FY 2012 – Work in Process – Audit Number: 201210034)

Audit Objective: At the request of the IRS, determine whether the Tax Exempt Bonds office can adequately assess the risk of noncompliance using internal and external bond information.

❖ ***Use of Return on Investment for Managing Enforcement Resources***

(FY 2012 – Work in Process – Audit Number: 201210035)

Audit Objective: Review the IRS's use of Return on Investment data in managing its enforcement resources and evaluate the IRS's progress in developing a methodology to measure actual revenue collected from specific new enforcement initiatives included in its annual budget requests.

❖ ***Fraud Consideration in Office Audits***

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

Audit Objective: Determine whether fraud is recognized and pursued in accordance with IRS procedures and guidelines during office audits of individual tax returns.

❖ ***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.

❖ ***Employment Tax Function Compliance Activities***

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

Audit Objective: Evaluate whether the Determination of Worker Status Program is effectively processing worker determination requests and whether the rulings are being followed.

❖ ***Application and Enforcement of Paid Tax Return Preparer Penalties***

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

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

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

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

Audit Objective: Evaluate Criminal Investigation's role in the IRS National Fraud Program's efforts to increase the number of viable fraud referrals. Determine whether fraud referrals are timely assessed within Criminal Investigation and whether sufficient feedback on rejected fraud referrals is being provided to the Operating Divisions.

❖ ***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 being administered in accordance with IRS policies and procedures.

❖ ***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 Small Business/Self-Employed Division.

❖ ***Effectiveness of Controls Over Form 2848, Processing the Power of Attorney and Declaration of Representative, and Form 8821, Tax Information Authorization***

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

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

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

(FY 2012 – Work in Process – Audit Number: 201230010)

Audit Objective: Assess the controls and effectiveness of the Partial Payment Installment Agreement Program.⁵

❖ ***Implementation of the Enterprise Collection Strategy***

(FY 2012 – Work in Process – Audit Number: 201230011)

Audit Objective: At the suggestion of the IRS Oversight Board, determine the effectiveness in establishing and implementing the Enterprise Collection Strategy organization to achieve its goals to improve organizational performance by reorganizing Collection operations to eliminate redundancies and inconsistencies.

❖ ***Field Insolvency***

(FY 2012 – Work in Process – Audit Number: 201230013)

Audit Objective: Determine if the Field Insolvency operation has effective controls and procedures 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 – Work in Process – Audit Number: 201230014)

Audit Objective: Determine the effectiveness of the Online Payment Agreement program to achieve its goals to reduce taxpayer burden and IRS costs.

❖ ***Trust Fund Recovery Penalty Case Actions***

(FY 2012 – Work in Process – Audit Number: 201230015)

Audit Objective: Determine if the Small Business/Self-Employed Division Collection Field function is timely and effectively making Trust Fund Recovery Penalty determinations.

❖ ***Collection Statute Expiration Date Calculation and Processing***

(FY 2012 – Work in Process – Audit Number: 201230016)

Audit Objective: Determine whether Collection Statute Expiration Date recalculations are properly and accurately completed to effectively protect taxpayers' rights and the Government's interest.

⁵ 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).

❖ ***Initial Contact by Revenue Officers***

(FY 2012 – Work in Process – Audit Number: 201230017)

Audit Objective: Determine whether revenue officers in the Collection Field function are following all required case-processing procedures.

❖ ***Refund Hold Program in Compliance Services Collection Operations***

(FY 2012 – Work in Process – Audit Number: 201230018)

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

❖ ***Collection Workload Selection Criteria***

(FY 2012 – Work in Process – 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.

❖ ***Return Preparer Program Coordinator Activities***

(FY 2012 – Work in Process – Audit Number: 201230021)

Audit Objective: Determine if opportunities exist to enhance the Small Business/Self-Employed Division's return preparer program coordinator activities.

❖ ***Fuel Tax Credits***

(FY 2012 – Work in Process – 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 – Work in Process – Audit Number: 201230025)

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

❖ ***Parallel Investigation Procedures***

(FY 2012 – Work in Process – Audit Number: 201230031)

Audit Objective: At the request of the IRS, determine whether Policy Statement P-4-26 is being effectively used to coordinate criminal and civil actions to stop abusive promoters and tax return preparers.

❖ ***Impact of Automated Underreporter Notices on Compliance***

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

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

❖ ***Evaluation of the Return Preparer Program – Follow-Up***

(FY 2012 – Work in Process – Audit Number: 201240001)

Audit Objective: As part of a long-term strategy, evaluate the implementation of the Preparer Program requirements, including suitability checks, competency test results, and the IRS's plans to enforce the Preparer Program regulations.⁶

❖ ***Effectiveness of the Verification of Alimony Paid and Alimony Received***

(FY 2012 – Work in Process – Audit Number: 201240016)

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

❖ ***Large Business and International Document Matching***

(FY 2012 – Work in Process – Audit Number: 201240023)

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

❖ ***Issuance of Employer Identification Numbers***

(FY 2012 – Work in Process – Audit Number: 201240026)

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

❖ ***Taxpayer Protection Unit***

(FY 2012 – Work in Process – Audit Number: 201240038)

Audit Objective: Determine whether the Taxpayer Protection Unit will help the IRS effectively assist taxpayers and resolve identity-theft cases.

⁶ TIGTA, Ref. No. 2010-40-127, *It Will Take Years to Implement the Return Preparer Program and to Realize Its Impact* (Sept. 2010).

Fiscal Year 2013 Planned Audits for CHALLENGE 3: Modernization

The Modernization Program is a complex effort to modernize IRS technology and related business processes. It involves integrating thousands of components of computer hardware and software while replacing outdated technology and maintaining the current system of tax administration. The IRS's modernization efforts continue to focus on core tax administration systems designed to provide more sophisticated tools to taxpayers and IRS employees and will provide the foundation for implementing a real-time tax system, reducing improper payments and fraudulent refunds, and providing the technology infrastructure and architecture that will enable taxpayers and other stakeholders the capability to securely access tax account information. We have 13 new or in-process audits for this major management and performance challenge.

❖ ***New Portal Development***

(FY 2013 – New Start – Audit Number: 201320013)

Audit Objective: At the suggestion of the IRS Oversight Board, determine whether the IRS Information Technology (IT) organization is adequately managing system and project risks with the development and implementation of the new portal, including upgrades to IRS.gov and all IRS systems and applications requirements for the new portal.

❖ ***Information Reporting and Document Matching***

(FY 2013 – New Start – Audit Number: 201320014)

Audit Objective: At the suggestion of the IRS, assess risk management practices and the systems development approach for information reporting and document matching.

❖ ***FY 2013 Annual Assessment of the IRS Information Technology Program***

(FY 2013 – New Start – Audit Number: 201320019)

Audit Objective: Assess the progress of the IRS's Information Technology Program (including modernization, security, and operations) for FY 2013.

❖ ***Development of the Customer Account Data Engine 2 Transition State 2***

(FY 2013 – New Start – Audit Number: 201320020)

Audit Objective: At the request of the IRS Oversight Board, determine if the IRS has developed adequate plans to achieve the requirements and goals of CADE 2 Transition State 2.

❖ ***Customer Account Data Engine 2 Database Downstream Interfaces***

(FY 2013 – New Start – Audit Number: 201320021)

Audit Objective: At the request of the IRS Oversight Board, determine if the IRS has implemented adequate data validation to the downstream interfaces for the CADE 2 database to ensure the data provided are accurate and complete.

❖ ***Response to Digital Government Strategy/External Web Service Applications***

(FY 2013 – New Start – Audit Number: 201320023)

Audit Objective: Assess the adequacy of the IRS's actions to respond to the Digital Government Strategy.

❖ ***Modernized e-File – Release 8***

(FY 2013 – New Start – Audit Number: 201320026)

Audit Objective: Determine whether Modernized e-File infrastructure changes sufficiently improve performance and reliability of the system.

❖ ***Capital Planning and Investment Control***

(FY 2013 – New Start – Audit Number: 201320027)

Audit Objective: Determine if the IRS is adequately performing information technology capital planning and investment control.

❖ ***Modernized e-File***

(FY 2013 – New Start – Audit Number: 201340011)

Audit Objective: Determine whether the IRS's Modernized e-File system is receiving, processing, and posting tax return information timely, accurately, and effectively.

❖ ***Efforts to Increase the Electronic Filing of Business Tax Returns***

(FY 2013 – New Start – Audit Number: 201340023)

Audit Objective: Assess the effectiveness of the IRS's efforts to increase the number of business tax returns e-filed.

❖ ***Return Review Program***

(FY 2012 – Work in Process – Audit Number: 201220011)

Audit Objective: Determine if the Information Technology organization's Return Review Program (RRP) Applications Development Project Team is adequately managing RRP systems development risks to achieve stated business and information technology requirements.

❖ ***Integrated Financial System Updates***

(FY 2012 – Work in Process – Audit Number: 201220013)

Audit Objective: Determine whether the IRS had adequately planned for Integrated Financial System updates to support long-term goals and to mitigate risks in accordance with Department of the Treasury, Internal Revenue Manual, and other systems development guidelines applicable to the Integrated Financial System.

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

(FY 2012 – Work in Process – 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.

**Fiscal Year 2013 Planned Audits for CHALLENGE 4:
Implementing the Affordable Care Act
and Other Tax Law Changes**

Each filing season tests the ability of the IRS to implement major tax law changes made by Congress. Correctly implementing tax law changes remains a significant challenge because the IRS must often act quickly to assess the changes and determine the necessary actions to ensure all legislated requirements are addressed. In addition, the IRS must often create new or revise existing tax forms, instructions, and publications; revise internal operating procedures; and reprogram computer systems to accurately and timely process tax returns claiming the new tax law changes. We have 17 new or in-process audits for this major management and performance challenge.

❖ ***Exempt Organizations Function’s Progress in Conducting the Community Benefit Reviews of Tax-Exempt Hospital Organizations***

(FY 2013 – New Start – Audit Number: 201310315)

Audit Objective: Determine the effectiveness of the EO function’s efforts to comply with the community benefit review requirements of the Patient Protection and Affordable Care Act (Affordable Care Act).⁷

❖ ***Foreign Account Tax Compliance Act – Systems Development***

(FY 2013 – New Start – Audit Number: 201320015)

Audit Objective: At the suggestion of the IRS, evaluate the development, testing, and implementation of information technology systems and applications required for the Foreign Account Tax Compliance Act.

⁷ 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.

❖ ***Affordable Care Act Impact on Information Technology Environment***

(FY 2013 – New Start – Audit Number: 201320316)

Audit Objective: At the suggestion of the IRS, determine whether management, operational, and technical controls for Affordable Care Act applications are sufficient to mitigate risks that could impact existing IRS legacy systems and ensure that information technology requirements for IRS systems are met.

❖ ***Affordable Care Act Release 5***

(FY 2013 – New Start – Audit Number: 201320312)

Audit Objective: At the suggestion of the IRS, determine whether the IRS is adequately mitigating system development risks for the Premium Tax Credit Project under the Affordable Care Act Program.

❖ ***Implementation of the Expanded Exclusion for Student Loan Repayment Programs***

(FY 2013 – New Start – Audit Number: 201330319)

Audit Objective: Evaluate the overall effectiveness of the IRS's strategy to implement the expanded loan repayment/forgiveness from income.

❖ ***Annual Fees Assessed on Branded Prescription Pharmaceutical Manufacturers and Importers***

(FY 2013 – New Start – Audit Number: 201330328)

Audit Objective: Determine the effectiveness of the IRS's efforts to identify taxpayers who are not compliant with § 9008 of the Affordable Care Act and its associated enforcement efforts.

❖ ***Hospital Insurance and Medicare Taxes on High-Income Taxpayers***

(FY 2013 – New Start – Audit Number: 201330335)

Audit Objective: Determine the effectiveness of the IRS's plan to identify taxpayers who are not compliant with Provisions 9015 and 1402(a) of the Affordable Care Act and its associated enforcement efforts.

❖ ***Interim 2013 Filing Season***

(FY 2013 – New Start – Audit Number: 201340009)

Audit Objective: Provide selected information relating to the IRS's 2013 Filing Season.

❖ ***2013 Filing Season***

(FY 2013 – New Start – Audit Number: 201340010)

Audit Objective: Evaluate whether the IRS timely and accurately processed individual tax returns, filed on paper and electronically, during the 2013 Filing Season.

- ❖ ***Implementation of the Merchant Card Information Reporting Requirements***
(FY 2013 – New Start – Audit Number: 201340021)
Audit Objective: Evaluate the effectiveness of the implementation of the merchant card information reporting requirements.
- ❖ ***Preparations for the Implementation of the Health Insurance Premium Tax Credit***
(FY 2013 – New Start – Audit Number: 201340317)
Audit Objective: Determine whether the IRS is effectively planning for the implementation of the Affordable Care Act Provision 1401, Health Insurance Premium Tax Credit.
- ❖ ***Effectiveness of Planning for Provisions 1311, 1411, 1412, and 1414 of the Affordable Care Act***
(FY 2013 – New Start – Audit Number: 201340318)
Audit Objective: Determine whether the IRS is effectively planning for the implementation of Provisions 1311, 1411, 1412, and 1414 of the Affordable Care Act.
- ❖ ***Effectiveness of Accounting for the Affordable Care Act Health Insurance Reform Implementation Funding***
(FY 2012 – Work in Process – Audit Number: 201210315)
Audit Objective: Determine whether the IRS has an adequate process to accurately account for and report expenses charged to the Health Insurance Reform Implementation Fund.
- ❖ ***Efforts to Administer the Small Business Health Care Tax Credit for Tax-Exempt Organizations***
(FY 2012 – Work in Process – Audit Number: 201210323)
Audit Objective: Assess whether the IRS has controls in place to ensure that tax-exempt organizations are accurately claiming the Small Business Health Care Tax Credit.
- ❖ ***Affordable Care Act – Income and Family Size Verification***
(FY 2012 – Work in Process – Audit Number: 201220312)
Audit Objective: Determine if the IRS is adequately managing systems-development risks for the Income and Family Size Verification Project under the Affordable Care Act Program.
- ❖ ***Recovery Act – Qualifying Advanced Energy Project Credit***
(FY 2012 – Work in Process – Audit Number: 201240139)
Audit Objective: At the request of Congress, determine whether the IRS correctly administered the criteria for evaluating and determining which projects are eligible for the Qualifying Advanced Energy Project Credit.

❖ ***Implementation of Information Return Requirements Imposed by the Affordable Care Act***

(FY 2012 – Work in Process – Audit Number: 201240322)

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

**Fiscal Year 2013 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. We have 23 new or in-process audits planned for this major management and performance challenge.

❖ ***Evaluation of Employee Payment Controls***

(FY 2013 – New Start – Audit Number: 201310021)

Audit Objective: Evaluate the effectiveness of controls over payroll processing to ensure that IRS employees are accurately paid.

❖ ***Sole-Source Contract Awards***

(FY 2013 – New Start – Audit Number: 201310022)

Audit Objective: Determine whether sole-source contract awards are made in conformance with regulations relating to restricting competition.

❖ ***Return Review Program – Transition State 2***

(FY 2013 – New Start – Audit Number: 201320011)

Audit Objective: Determine the extent to which development of the Return Review Program for Transition State 2 will meet program goals.

❖ ***Earned Income Tax Credit Filters – Follow-Up***

(FY 2013 – New Start – Audit Number: 201340012)

Audit Objective: Assess the IRS's efforts to identify new alternatives to effectively expand its treatment of Earned Income Tax Credit errors while protecting taxpayer rights and minimizing taxpayer burden.⁸

⁸ TIGTA, Ref. No. 2009-40-024, *The Earned Income Tax Credit Program Has Made Advances; However, Alternatives to Traditional Compliance Methods Are Needed to Stop Billions of Dollars in Erroneous Payments* (Dec. 2008).

❖ ***Undelivered and Returned Refund Checks***

(FY 2013 – New Start – Audit Number: 201340013)

Audit Objective: Determine whether the IRS has identified the causes of returned refund checks and has controls in place to reduce the number of returned and undelivered refunds.

❖ ***Information Document Matching***

(FY 2013 – New Start – Audit Number: 201340015)

Audit Objective: Determine whether the information-reporting documents that the IRS receives from third parties can be matched directly to taxpayers' tax returns.

❖ ***Prisoner Fraud – Follow-Up***

(FY 2013 – New Start – Audit Number: 201340016)

Audit Objective: Evaluate the effectiveness of the IRS's corrective actions to identify and reduce prisoner fraud.⁹

❖ ***Efforts to Identify Questionable Individual Taxpayer Identification Number Applications – Follow-Up***

(FY 2013 – New Start – Audit Number: 201340019)

Audit Objective: Assess the IRS's progress in identifying questionable Individual Taxpayer Identification Number (ITIN) applications.¹⁰

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

(FY 2013 – New Start – Audit Number: 201340022)

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

❖ ***Identification of Potentially Fraudulent Travel Card Transactions***

(FY 2012 – Work in Process – Audit Number: 201210006)

Audit Objective: Assess the IRS process to identify potentially fraudulent or abusive use of IRS travel cards.

❖ ***Identification of Questionable and Abusive Purchase Card Transactions***

(FY 2012 – Work in Process – Audit Number: 201210020)

Audit Objective: Assess the effectiveness of IRS processes to identify questionable and abusive purchase card transactions.

⁹ TIGTA, Ref. No. 2011-40-009, *Significant Problems Still Exist With Internal Revenue Service Efforts to Identify Prisoner Tax Refund Fraud* (Dec. 2010).

¹⁰ TIGTA, Ref. No. 2012-42-081, *Substantial Changes Are Needed to the Individual Tax Identification Number Program to Detect Fraudulent Applications* (July 2012).

❖ ***Controls to Ensure Service-Disabled Veteran-Owned Small Business Contractors Meet Program Eligibility Requirements***

(FY 2012 – Work in Process – Audit Number: 201210026)

Audit Objective: Identify the contracts the IRS awarded to service-disabled veteran-owned small business firms and determine whether IRS controls ensure that contractors met program eligibility requirements.

❖ ***Evaluation of Vendor Payment Controls***

(FY 2012 – Work in Process – Audit Number: 201210028)

Audit Objective: Determine if the policies and procedures over the control and maintenance of the Vendor Master File are adequate to protect the IRS against the creation or activation of unauthorized vendors and ensure that payments are made only to authorized and approved vendors.

❖ ***Evaluation of the IRS's Assessment of the Risk of Improper Payments in IRS Programs***

(FY 2012 – Work in Process – Audit Number: 201240011.02)

Audit Objective: Assess the IRS's compliance with the Improper Payments Elimination and Recovery Act of 2010.¹¹

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

(FY 2012 – Work in Process – Audit Number: 201240021)

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

❖ ***General Business Credits***

(FY 2012 – Work in Process – Audit Number: 201240031)

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

❖ ***Accuracy of the Prisoner File***

(FY 2012 – Work in Process – Audit Number: 201240036)

Audit Objective: Assess the reliability of the IRS Prisoner File.

❖ ***Assessment of Penalties for Erroneous Claims for Refundable Credits***

(FY 2012 – Work in Process – Audit Number: 201240040)

Audit Objective: Determine if the IRS is effectively assessing the erroneous claim for refund or credits penalty.

¹¹ Pub. L No. 111-204, 124 Stat. 2224.

❖ ***Validation of Dependent Exemptions on Tax Returns Submitted on Paper***

(FY 2012 – Work in Process – Audit Number: 201240042)

Audit Objective: Determine whether the validation of dependent exemptions on tax returns submitted on paper is sufficient to reduce the risk of improper payments and loss of tax revenue.

❖ ***Processing Forms 1040X, Amended U.S. Individual Income Tax Return***

(FY 2012 – Work in Process – Audit Number: 201240043)

Audit Objective: Determine whether proper controls are in place to ensure that amended returns resulting in refunds were appropriate, contained the proper documentation, and were worked timely.

❖ ***Effectiveness of Efforts to Detect and Prevent Identity Theft – Follow-Up***

(FY 2012 – Work in Process – Audit Number: 201240044)

Audit Objective: Determine the effectiveness of the IRS's ongoing efforts to detect and prevent identity theft.¹²

❖ ***FY 2013 Mandatory Review of Compliance With Improper Payments Elimination and Recovery Act of 2010***

(FY 2012 – Work in Process – Audit Number: 201240045)

Audit Objective: Determine whether the IRS's efforts to evaluate and report on the risk of improper payments on individual income tax returns are in compliance with the Improper Payments Elimination and Recovery Act of 2010.

❖ ***Efforts to Implement Executive Order 13520 – Reducing Improper Payments***

(FY 2012 – Work in Process – Audit Number: 201240046)

Audit Objective: Assess the IRS's efforts to implement Executive Order 13520, *Reducing Improper Payments*.

**Fiscal Year 2013 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 tax compliance. Answering taxpayers' questions to assist them to correctly prepare their returns reduces the need to send notices and correspondence when taxpayers make errors. Effective taxpayer service also reduces unintentional noncompliance and reduces the need for future collection activity. 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

¹² TIGTA, Ref. No. 2012-40-050, *Most Taxpayers Whose Identities Have Been Stolen to Commit Refund Fraud Do Not Receive Quality Customer Service* (May 2012).

or eliminate processes that unnecessarily burden taxpayers or Government resources. We have nine new or in-process audits for this major management and performance challenge.

❖ ***Taxpayer Advocate Service Systemic Burden Cases***

(FY 2013 – New Start – Audit Number: 201310004)

Audit Objective: Determine whether the Taxpayer Advocate Service has an effective system to process taxpayer requests for relief resulting from a systemic burden.

❖ ***Filing Season Final Integration Test***

(FY 2013 – New Start – Audit Number: 201320018)

Audit Objective: Evaluate the IRS's Final Integration Testing processes and effectiveness.

❖ ***Quality of Services at Volunteer Program Sites During the 2013 Filing Season – Follow-Up***

(FY 2013 – New Start – Audit Number: 201340001)

Audit Objective: Determine whether taxpayers visiting Volunteer Program sites receive quality service including accurate tax returns.¹³

❖ ***Effectiveness of the Correspondence Imaging System***

(FY 2013 – New Start – Audit Number: 201340003)

Audit Objective: Determine whether the Correspondence Imaging System is effectively and efficiently processing and managing taxpayer correspondence.

❖ ***Administration of the Customer Satisfaction Survey***

(FY 2013 – New Start – Audit Number: 201340004)

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

❖ ***Efficiency and Effectiveness of Taxpayer Assistance Centers***

(FY 2013 – New Start – Audit Number: 201340005)

Audit Objective: Determine the efficiency and effectiveness of the Taxpayer Assistance Center Program.

¹³ TIGTA, Ref. No. 2012-40-088, *Ensuring the Quality Review Process Is Consistently Followed Remains a Problem for the Volunteer Program* (July 2012); Ref. No. 2011-40-094, *Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program* (Aug. 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).

❖ ***Correspondex Letters***

(FY 2013 – New Start – Audit Number: 201340006)

Audit Objective: Determine whether the letters generated by the Correspondex System are clear, use plain language, and are sufficient to help taxpayers take appropriate actions to resolve their tax issues.

❖ ***Assignment of Private Letter Ruling Requests to Chief Counsel Attorneys***

(FY 2012 – Work in Process – Audit Number: 201210024)

Audit Objective: Assess Chief Counsel’s process to limit the number of letter rulings handled by its attorneys from the same taxpayer/tax practitioner.

❖ ***Credits for Excess Social Security and Railroad Retirement Taxes Withheld***

(FY 2012 – Work in Process – Audit Number: 201240017)

Audit Objective: Assess whether taxpayers are accurately taking advantage of excess Social Security and railroad retirement tax withholding deductions.

**Fiscal Year 2013 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 and attempts by taxpayers and tax practitioners to evade compliance with the tax laws have grown and become more sophisticated. We have four new or in-process audits for this major management and performance challenge.

❖ ***Outside Employment Request Process***

(FY 2013 – New Start – Audit Number: 201310009)

Audit Objective: Determine whether the IRS has an effective process to ensure outside employment requests are documented and reviewed to ensure that business activities do not conflict with employees’ official duties.

❖ ***Implementation of the Telework Enhancement Act of 2010***

(FY 2013 – New Start – Audit Number: 201310010)

Audit Objective: Determine whether the IRS has successfully implemented telework as a workforce flexibility option consistent with the Telework Enhancement Act of 2010.¹⁴

¹⁴ Pub. L. No. 111-292, 124 Stat. 3165 (Dec. 9, 2010), codified at Chapter 65 of Title 5, U.S.C.

❖ ***Hiring Timelines (Phase II) Business Units***

(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.

❖ ***Human Capital Periodic Assessment***

(FY 2012 – Work in Process – Audit Number: 201210002)

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

**Fiscal Year 2013 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 the number of cross-border transactions rises, 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. We have 14 new or in-process audits for this major management and performance challenge.

❖ ***International Campus Compliance Unit***

(FY 2013 – New Start – Audit Number: 201330020)

Audit Objective: Determine the effectiveness of the International Campus Compliance Unit in improving individual international tax compliance.

❖ ***Impact and Cost of the Fiscal Year 2009 Offshore Voluntary Disclosure Initiative***

(FY 2013 – New Start – Audit Number: 201330021)

Audit Objective: At the suggestion of the IRS Oversight Board, determine the effectiveness of the FY 2009 Offshore Voluntary Disclosure Initiative's impact on the Tax Gap and the related costs of the Initiative.

❖ ***International Tax Notices***

(FY 2013 – New Start – Audit Number: 201330022)

Audit Objective: Determine the effectiveness of sending IRS tax notices to taxpayers living outside the United States.

❖ ***Totalization Agreements***

(FY 2013 – New Start – Audit Number: 201330023)

Audit Objective: Determine the effectiveness of the IRS's efforts to identify taxpayers affected by totalization agreements and evaluate their actions to ensure that taxpayers are properly paying employment taxes in accordance with these agreements.

❖ ***Expatriation Taxes***

(FY 2013 – New Start – Audit Number: 201330024)

Audit Objective: Determine the effectiveness of IRS procedures in ensuring that expatriates meet their United States tax obligations.

❖ ***Substitute for Return Assessments for Nonresident Aliens***

(FY 2013 – New Start – Audit Number: 201330025)

Audit Objective: Determine the effectiveness of the Substitute for Return Program's treatment of nonresident aliens.

❖ ***Advance Pricing Mutual Agreement Program***

(FY 2013 – New Start – Audit Number: 201330027)

Audit Objective: At the suggestion of the IRS Oversight Board, determine the effectiveness of Advance Pricing Agreements.

❖ ***Tax Responsibilities of Foreign Students and Scholars in the United States***

(FY 2013 – New Start – Audit Number: 201330030)

Audit Objective: Evaluate the IRS's efforts in ensuring foreign students and scholars are in compliance with their tax obligations.

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

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

Audit Objective: Determine whether the IRS has improved its penalty-setting process to promote filing compliance for entities with Form 5471, *Information Return of U.S. Persons With Respect to Certain Foreign Corporations*, reporting requirements.¹⁵

❖ ***Processing of Tax Payments Made in Foreign Currencies***

(FY 2011 – Work in Process – Audit Number: 201130047)

Audit Objective: Determine whether the IRS is effectively and efficiently processing taxpayer payments made in foreign currencies.

¹⁵ 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).

❖ ***Impact of Internal Revenue Code § 911 on International Tax Administration***

(FY 2011 – Work in Process – Audit Number: 201130050)

Audit Objective: Determine the impact that the Foreign Earned Income Exclusion and Foreign Housing Exclusion/Deduction have on international tax administration.

❖ ***Foreign Investment in United States Real Property***

(FY 2012 – Work in Process – 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 U.S. real property.

❖ ***Mutual Collection Assistance Request Program***

(FY 2012 – Work in Process – 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 – Work in Process – Audit Number: 201230038)

Audit Objective: Determine the effectiveness of the IRS's collection efforts on delinquent taxpayers residing in foreign countries.

Fiscal Year 2013 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 the IRS Restructuring and Reform Act of 1998 (RRA 98).¹⁶ We have 20 new or in-process audits for this major management and performance challenge.

❖ ***Mandatory Review of FY 2012 Collection Due Process***

(FY 2013 – New Start – Audit Number: 201310001)

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

¹⁶ 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.).

❖ ***Statutory Review of FY 2012 Fair Tax Collection Practices Violations***

(FY 2013 – New Start – Audit Number: 201310018)

Audit Objective: Obtain information on any IRS administrative or civil actions resulting from violations of the Fair Tax Collection Practices Act.¹⁷

❖ ***FY 2013 Mandatory Review of Liens***

(FY 2013 – New Start – Audit Number: 201330001)

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 2013 Mandatory Review of Seizures***

(FY 2013 – New Start – Audit Number: 201330002)

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’s own internal procedures.

❖ ***FY 2013 Mandatory Review of Levies***

(FY 2013 – New Start – Audit Number: 201330003)

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

❖ ***FY 2013 Mandatory Review of Disclosure of Collection Activities on Joint Returns***

(FY 2013 – New Start – Audit Number: 201330004)

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

❖ ***FY 2013 Mandatory Review of IRS Compliance With Restrictions on the Use of Enforcement Statistics***

(FY 2013 – New Start – Audit Number: 201330005)

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

❖ ***FY 2013 Mandatory Review of the Compliance With the Freedom of Information Act***

(FY 2013 – New Start – Audit Number: 201330006)

Audit Objective: Determine whether the IRS improperly withheld information requested by taxpayers in writing, based on the Freedom of Information Act (FOIA)¹⁸ exemption (b)(3), in

¹⁷ I.R.C. § 6304

conjunction with I.R.C. § 6103, and/or FOIA exemption (b)(7) or by replying that responsive records were not available.

❖ ***FY 2013 Mandatory Review of Illegal Tax Protesters and Similar Designations***

(FY 2013 – New Start – Audit Number: 201330007)

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 2013 Mandatory Review of Restrictions on Directly Contacting Taxpayers***

(FY 2013 – New Start – Audit Number: 201330008)

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 2013 Mandatory Review of Assessment Statute Extension Dates***

(FY 2013 – New Start – Audit Number: 201330009)

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.

❖ ***Taxpayer Advocate Service Integrated System***

(FY 2013 – New Start – Audit Number: 201320017)

Audit Objective: Evaluate the IRS's development and implementation approach for the Taxpayer Advocate Service Integrated System to determine whether system requirements and information technology risk management are sufficient to support goals for enhancing case advocacy; improving submission, acceptance, and assignment of work; and supporting system advocacy efforts.

❖ ***Information Shared in the Automated Underreporter Program***

(FY 2013 – New Start – Audit Number: 201330032)

Audit Objective: Evaluate the progress the IRS is making to protect taxpayer rights and provide accurate information when disclosing Automated Underreporter case information to external tax agencies.

¹⁸ 5 U.S.C. § 552.

❖ ***Audits Conducted Under the Tax Equity and Fiscal Responsibility Act***

(FY 2013 – New Start – Audit Number: 201330038)

Audit Objective: Evaluate the progress the IRS is making to ensure that audits initiated under the Tax Equity and Fiscal Responsibility Act¹⁹ are conducted in accordance with statutory and administrative procedures.

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

(FY 2013 – New Start – Audit Number: 201340007)

Audit Objective: Assess the IRS’s progress to eliminate taxpayer Social Security Numbers from outgoing correspondence and implementing 2-D Bar Coding.²⁰

❖ ***Reporting Complaints Against Tax Return Preparers – Follow-Up***

(FY 2013 – New Start – Audit Number: 201340008)

Audit Objective: Determine whether the process for taxpayers to report complaints against tax return preparers to the IRS is effective.²¹

❖ ***Controls Over Paper Returns and Check Payments***

(FY 2013 – New Start – Audit Number: 201340014)

Audit Objective: Assess the effectiveness of IRS processes to ensure that paper tax returns and payments are accurately processed.

❖ ***Implementation of the Voluntary Classification Settlement Program***

(FY 2013 – New Start – Audit Number: 201340025)

Audit Objective: Determine whether the IRS is adequately protecting the rights of individuals whose employers disclosed they were misclassified as part of the Voluntary Classification Settlement Program.

❖ ***Effectiveness of Actions Taken on Taxpayers’ Reports of Fraud***

(FY 2012 – Work in Process – Audit Number: 201240037)

Audit Objective: Determine the effectiveness of actions the IRS takes on taxpayers’ reports of fraud.

¹⁹ Pub. L. No. 97-248, 96 Stat. 324 (codified in scattered sections of 26 U.S.C.).

²⁰ TIGTA, Ref. No. 2010-40-098, *Target Dates Have Not Been Established To Eliminate or Reduce Taxpayer Social Security Numbers from Outgoing Correspondence* (Aug. 2010).

²¹ TIGTA, Ref. No. 2009-40-032, *The Process Taxpayers Must Use to Report Complaints Against Tax Return Preparers Is Ineffective and Causes Unnecessary Taxpayer Burden* (Feb. 2009).

- ❖ ***Effectiveness of Assistance Provided to Victims of Identity Theft – Follow-Up***
(FY 2012 – Work in Process – Audit Number: 201240041)

Audit Objective: Determine whether the IRS is effectively providing assistance to victims of identity theft.²²

Fiscal Year 2013 Planned Audits for CHALLENGE 10: Achieving Program Efficiencies and Cost Savings

Given the current economic environment and the increased focus by the Administration, Congress, and the American people on Federal Government accountability and efficient use of resources, the American people must be able to trust that their Government is taking action to stop wasteful practices and ensure that every tax dollar is spent wisely. While the IRS has made progress in using its data to improve program effectiveness and reduce costs, this area continues to be a major challenge. We have 18 new or in-process audits for this major management and performance challenge.

- ❖ ***Telecommunications Inventory Controls***
(FY 2013 – New Start – Audit Number: 201310002)

Audit Objective: Assess the efficiency and effectiveness of IRS accounting for wireless air cards, cellular phones, and BlackBerry devices.

- ❖ ***Financial Management Controls Over Records Storage Costs***
(FY 2013 – New Start – Audit Number: 201310003)

Audit Objective: Determine whether the IRS is managing its records storage costs in a cost-effective manner.

- ❖ ***Financial Controls Over Field Office Mail Operations***
(FY 2013 – New Start – Audit Number: 201310008)

Audit Objective: Determine whether the IRS is managing its field office mail service and express shipping needs in a cost-effective manner.

- ❖ ***Publicizing of IRS Procurement Opportunities***
(FY 2013 – New Start – Audit Number: 201310019)

Audit Objective: Determine whether the IRS is in compliance with Federal Acquisition Regulation requirements for publicizing contracting opportunities.

²² TIGTA, Ref. No. 2012-40-050, *Most Taxpayers Whose Identities Have Been Stolen to Commit Refund Fraud Do Not Receive Quality Customer Service (May 2012)*.

❖ ***FY 2012 Federal Financial Management Improvement Act Compliance***

(FY 2013 – New Start – Audit Number: 201310020)

Audit Objective: Perform sufficient audit work to report to Congress, as required by the Federal Financial Management Improvement Act of 1996 (FFMIA),²³ instances and reasons for missed intermediate target dates in the IRS’s FY 2012 FFMIA remediation plan.

❖ ***Information Technology Management of Server Software Licenses***

(FY 2013 – New Start – Audit Number: 201320024)

Audit Objective: Determine if the IRS’s IT organization effectively manages its server environment software licenses.

❖ ***Information Technology Management of Mainframe Software Licenses***

(FY 2013 – New Start – Audit Number: 201320025)

Audit Objective: Determine if the IRS’s IT organization effectively manages its mainframe environment software licenses.

❖ ***Processing of Employment Tax Returns***

(FY 2013 – New Start – Audit Number: 201340020)

Audit Objective: Evaluate the accuracy, efficiency, and effectiveness of employment tax return processing.

❖ ***Costs of Wireless Access Technology***

(FY 2012 – Work in Process – Audit Number: 201110032)

Audit Objective: Determine whether the IRS is managing its wireless air cards and BlackBerry devices in a cost-effective manner.

❖ ***Performance Measures for the Collection Program***

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

Audit Objective: Determine whether the IRS has established adequate performance measures for its collection programs and has implemented an adequate management information system or systems to compile those measures reliably and timely.

❖ ***Procedures on Conferences, Travel, and Awards***

(FY 2012 – Work in Process – Audit Number: 201210025)

Audit Objective: Evaluate the IRS’s compliance with procedures for expenditures on conferences, travel, and employee awards.

²³ Pub. L. No. 104-208, 110 Stat. 3009.

❖ ***Compliance With Regulatory Requirements for Cost Reimbursement Contracts***

(FY 2012 – Work in Process – Audit Number: 201210027)

Audit Objective: Determine whether the IRS is in compliance with the Duncan Hunter National Defense Reauthorization Act for Fiscal Year 2009²⁴ and the related revisions to the Federal Acquisition Regulation in appropriately justifying and planning for the use of cost-reimbursement contracts.

❖ ***FY 2012 Attestation of the Annual Accounting of Drug Control Funds***

(FY 2012 – Work in Process – Audit Number: 201210030)

Audit Objective: Perform an attestation review of the IRS's reporting of Fiscal Year 2012 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.

❖ ***Assessment of Real Estate Consolidation***

(FY 2012 – Work in Process – Audit Number: 201210033)

Audit Objective: Assess the efficiency and effectiveness of the IRS's real-estate consolidation efforts.

❖ ***Modernization and Information Technology Services' Management of Software Licensing***

(FY 2012 – Work in Process – Audit Number: 201220018)

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

❖ ***Data Center Consolidation***

(FY 2012 – Work in Process – 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.

❖ ***Data Mining and Analytics***

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

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

²⁴ Pub. L. No. 110-417, 122 Stat. 3009

❖ ***Information Technology Maintenance Contracts***

(FY 2012 – Work in Process – Audit Number: 201220224)

Audit Objective: Determine whether the IRS has adequate controls over its hardware maintenance contracts and actively mitigates contract fraud risk.

List of Planned Mandatory Audits for Fiscal Year 2013

Each year, TIGTA performs audits on the mandatory coverage imposed by IRS Restructuring and Reform Act of 1998 (RRA 98)¹ and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial audits. We have 21 new or in-process mandatory audits in this Plan.

❖ ***Mandatory Review of FY 2012 Collection Due Process***

(FY 2013 – New Start – Audit Number: 201310001)

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

❖ ***Statutory Review of FY 2012 Fair Tax Collection Practices Violations***

(FY 2013 – New Start – Audit Number: 201310018)

Audit Objective: Obtain information on any IRS administrative or civil actions resulting from violations of the Fair Tax Collection Practices Act.²

❖ ***FY 2012 Federal Financial Management Improvement Act Compliance***

(FY 2013 – New Start – Audit Number: 201310020)

Audit Objective: Perform sufficient audit work to report to Congress, as required by the Federal Financial Management Improvement Act of 1996 (FFMIA),³ instances and reasons for missed intermediate target dates in the IRS's FY 2012 FFMIA remediation plan.

❖ ***FY 2013 Federal Information Security Management Act (Unclassified Systems)***

(FY 2013 – New Start – Audit Number: 201320001)

Audit Objective: Determine the progress made by the IRS in meeting the requirements of the 2013 Federal Information Security Management Act⁴ mandatory review of the IRS's unclassified information technology system security program.

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

² I.R.C. § 6304

³ Pub. L. No. 104-208, 110 Stat. 3009.

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

❖ ***FY 2013 Annual Assessment of the IRS Information Technology Program***

(FY 2013 – New Start – Audit Number: 201320019)

Audit Objective: Assess the progress of the IRS’s Information Technology Program (including modernization, security and operations) for FY 2013.

❖ ***FY 2013 Mandatory Review of Liens***

(FY 2013 – New Start – Audit Number: 201330001)

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 2013 Mandatory Review of Seizures***

(FY 2013 – New Start – Audit Number: 201330002)

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’s own internal procedures.

❖ ***FY 2013 Mandatory Review of Levies***

(FY 2013 – New Start – Audit Number: 201330003)

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

❖ ***FY 2013 Mandatory Review of Disclosure of Collection Activities on Joint Returns***

(FY 2013 – New Start – Audit Number: 201330004)

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

❖ ***FY 2013 Mandatory Review of IRS Compliance With Restrictions on the Use of Enforcement Statistics***

(FY 2013 – New Start – Audit Number: 201330005)

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

❖ ***FY 2013 Mandatory Review of the Compliance With the Freedom of Information Act***

(FY 2013 – New Start – Audit Number: 201330006)

Audit Objective: Determine whether the IRS improperly withheld information requested by taxpayers in writing, based on the Freedom of Information Act (FOIA)⁵ exemption (b)(3), in

⁵ 5 U.S.C. § 552.

conjunction with I.R.C. § 6103, and/or FOIA exemption (b)(7) or by replying that responsive records were not available.

❖ ***FY 2013 Mandatory Review of Illegal Tax Protesters and Similar Designations***

(FY 2013 – New Start – Audit Number: 201330007)

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 2013 Mandatory Review of Restrictions on Directly Contacting Taxpayers***

(FY 2013 – New Start – Audit Number: 201330008)

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 2013 Mandatory Review of Assessment Statute Extension Dates***

(FY 2013 – New Start – Audit Number: 201330009)

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.

❖ ***Compliance With Regulatory Requirements for Cost Reimbursement Contracts***

(FY 2012 – Work in Process – Audit Number: 201210027)

Audit Objective: Determine whether the IRS is in compliance with the Duncan Hunter National Defense Reauthorization Act for Fiscal Year 2009⁶ and the related revisions to the Federal Acquisition Regulation in appropriately justifying and planning for the use of cost-reimbursement contracts.

❖ ***FY 2012 Attestation of the Annual Accounting of Drug Control Funds***

(FY 2012 – Work in Process – Audit Number: 201210030)

Audit Objective: Perform an attestation review of the IRS's reporting of Fiscal Year 2012 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.

⁶ Pub. L. No. 110-417, 122 Stat. 3009

❖ ***Privacy Impact Assessment Process***

(FY 2012 – Work in Process – 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.

❖ ***Evaluation of the IRS’s Assessment of the Risk of Improper Payments in IRS Programs***

(FY 2012 – Work in Process – Audit Number: 201240011.02)

Audit Objective: Assess the IRS’s compliance with the Improper Payments Elimination and Recovery Act of 2010.⁷

❖ ***FY 2013 Mandatory Review of Compliance With Improper Payments Elimination and Recovery Act of 2010***

(FY 2012 – Work in Process – Audit Number: 201240045)

Audit Objective: Determine whether the IRS’s efforts to evaluate and report on the risk of improper payments on individual income tax returns are in compliance with the Improper Payments Elimination and Recovery Act of 2010.

❖ ***Efforts to Implement Executive Order 13520 -- Reducing Improper Payments***

(FY 2012 – Work in Process – Audit Number: 201240046)

Audit Objective: Assess the IRS’s efforts to implement Executive Order 13520, *Reducing Improper Payments*.

❖ ***Recovery Act – Qualifying Advanced Energy Project Credit***

(FY 2012 – Work in Process – Audit Number: 201240139)

Audit Objective: At the request of Congress, determine whether the IRS correctly administered the criteria for evaluating and determining which projects are eligible for the Qualifying Advanced Energy Project Credit.

⁷ Pub. L No. 111-204, 124 Stat. 2224.

DEPARTMENT OF THE TREASURY

Office of the Inspector General for Tax Administration

1401 H Street, NW, Suite 469
Washington, D.C. 20005



For more information, please visit our website at:
www.treas.gov/tigta