



Fiscal Year 2016

Annual Audit Plan

Treasury

Inspector General

for Tax

Administration

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Fiscal Year 2016 Annual Audit Plan

Message From the Deputy Inspector General for Audit

The Internal Revenue Service (IRS) faces many ongoing challenges in administering the Federal tax system. These challenges include addressing growing attempts to commit tax fraud, such as the data breach of its Get Transcript application, identity theft, and the widespread phone impersonation scam. The IRS has increased responsibilities as it implements and administers tax provisions in recently enacted laws. Furthermore, budget reductions have impacted the IRS's enforcement efforts and level of customer service.

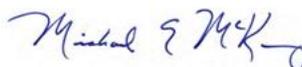
The proliferation of data breaches reported in recent years and the types of information available on the Internet has compromised the effectiveness of controls used to authenticate individuals when they access their account information. Providing taxpayers more avenues to obtain answers to their tax questions or assess their own tax records online provides more opportunities for exploitation by hackers and other fraudsters. The risk of unauthorized access to tax accounts will continue to grow as the IRS focuses its efforts on delivering taxpayers self-assisted interactive online tools.

The IRS has made progress in detecting and resolving identity theft cases and providing assistance to victims. Nonetheless, identity theft related tax fraud is still a substantial problem. Identity theft patterns are constantly evolving, and the IRS needs to continuously adapt its detection and prevention processes. In furtherance of its efforts to combat identity theft refund fraud, the IRS is engaged in a collaborative effort with representatives of tax preparation and software firms, payroll and tax financial product processors and State tax administrators to identify new steps to improve validation of taxpayer and tax return information during the filing process and increase information sharing to identify fraud schemes and patterns.

The Affordable Care Act provides incentives and tax breaks to individuals and small businesses to offset health care expenses. It also imposes penalties, administered through the tax code, for individuals and businesses that do not obtain health care coverage for themselves or their employees. We have evaluated the IRS's implementation and administration of the tax provisions in the Affordable Care Act (ACA) and will continue our efforts in this area. This will include evaluating the ongoing development of information technology applications used to administer the ACA tax provisions. We will also evaluate the effectiveness of the IRS's verification of employers' and individuals' compliance with minimum essential coverage requirements and the assessment of the shared responsibility payment as well as the IRS's continued efforts to improve the verification of Premium Tax Credit claims. Moreover, we are assessing the effectiveness of IRS and Healthcare Exchange processes to address instances in which Advance Premium Tax Credit payments have been made to individuals who did not reconcile their payments by filing a tax return with the required forms. Finally, we will evaluate the IRS's efforts to collect excess Advance Premium Tax Credit payments and Shared Responsibility Payments from individuals who received credits they were not entitled to or did not maintain minimum essential coverage.

TIGTA will also focus on a number of other tax compliance challenges, such as international tax compliance. We have planned a number of international tax compliance audits in order to assess how the IRS is addressing the increasing complexity of international business transactions, including an assessment of the IRS's compliance efforts under the Foreign Account Tax Compliance Act (FATCA). In part, the FATCA mandates reporting obligations for certain U.S. taxpayers with foreign accounts and also provides for the sharing of information between the U.S. and foreign financial institutions to ensure compliance with those obligations. In Fiscal Year (FY) 2015, we evaluated the IRS's efforts to ensure compliance by individual taxpayers who filed tax returns claiming the Foreign Tax Credit. In FY 2016, we will undertake a similar analysis on the IRS's efforts to ensure compliance by corporations who file tax returns claiming the Foreign Tax Credit. We will also audit the IRS's effectiveness in detecting noncompliance on the part of foreign individuals who earn passive income from real estate holdings located in the United States.

We are committed to delivering our mission of ensuring an effective and efficient tax administration system and preventing, detecting, and deterring waste, fraud and abuse. We plan to devote approximately 32 percent of FY 2016 audit resources to projects mandated by law or at the specific request of Congress, the IRS, and other stakeholders. Our audit coverage is determined by assessing the risks associated with the potential audit universe and identifying the highest priority audits to address each of the top 10 IRS major management challenges. The factors considered during the risk assessment process include stakeholders' concerns; significant changes; potential waste, fraud, and abuse; internal controls; taxpayer impact; and size of the program. Our FY 2016 Annual Audit Plan is designed to address the programs most critical to an effective and efficient tax administration system.



Michael E. McKenney
Deputy Inspector General for Audit

The Mission and the Organization

TIGTA was established in January 1999, in accordance with the IRS Restructuring and Reform Act of 1998 (RRA 98),¹ with the powers and authorities given to other Inspectors General under the Inspector General Act.² TIGTA provides independent oversight of Department of the Treasury matters involving IRS activities, the IRS Oversight Board, the National Taxpayer Advocate, and the IRS Office of Chief Counsel.

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

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

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

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

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

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

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

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 Inspector General Act of 1978, 5 U.S.C. app. 3 (amended 2008).

Audit Program for Fiscal Year 2016

The Office of Audit FY 2016 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 2016 Annual Audit Plan includes 159 new audits or in-process audits.

Each year, TIGTA identifies and addresses the major management and performance challenges and key cross-cutting issues confronting the IRS. This Annual Audit Plan is organized by its list of the major challenges facing the IRS for FY 2016 ([Appendix II](#)). The Plan includes mandatory coverage imposed by the RRA 98 and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial audits.

TIGTA’s audit work is concentrated on high-risk areas and the IRS’s progress in achieving its strategic goals. To identify FY 2016 high-risk areas for audit coverage, TIGTA uses a risk-assessment strategy within its core business areas. The Assistant Inspectors General for Audit advise the Deputy Inspector General for Audit on the major risks facing the IRS in their respective program areas and annually propose a national audit plan based on perceived risks, stakeholder concerns, and follow-up reviews of previously audited areas with significant control weaknesses. In addition, to keep apprised of operating conditions and emerging issues, the Office of Audit maintains liaison and working contact with applicable stakeholders such as IRS executives, the IRS Oversight Board, the Department of the Treasury, Government Accountability Office officials, and Congress. The Office of Audit’s staff day allocation for the next fiscal year is highlighted in [Appendix III](#).

Office of Audit's Program Areas

The following narratives briefly describe the alignment of TIGTA's business units and the areas within the IRS that these units will review during FY 2016.

Management Services and Exempt Organizations

The Management Services and Exempt Organizations unit reviews several IRS programs and offices, 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 2002³ and its amendment called the Federal Information Security Modernization Act of 2014,⁴ audit trails, privacy, security monitoring and reporting, and incident management; (2) systems development, including reviews of the Key Modernization Investments, computer applications supporting the Affordable Care Act, and other high-priority projects and applications; and (3) information technology operations, including reviews of Computing Center operations, asset and data management controls, disaster recovery capabilities, and information technology procurement practices.

Compliance and Enforcement Operations

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

³ Pub. L. No. 107-347, Title III, 116 Stat. 2899, 2946-2961 (2002) (codified as amended in 44 U.S.C. §§ 3541-3549).

⁴ Pub. L. No. 113-283. This bill amends chapter 35 of title 44 of the U.S. Code to provide for reform to Federal information security.

Returns Processing and Account Services

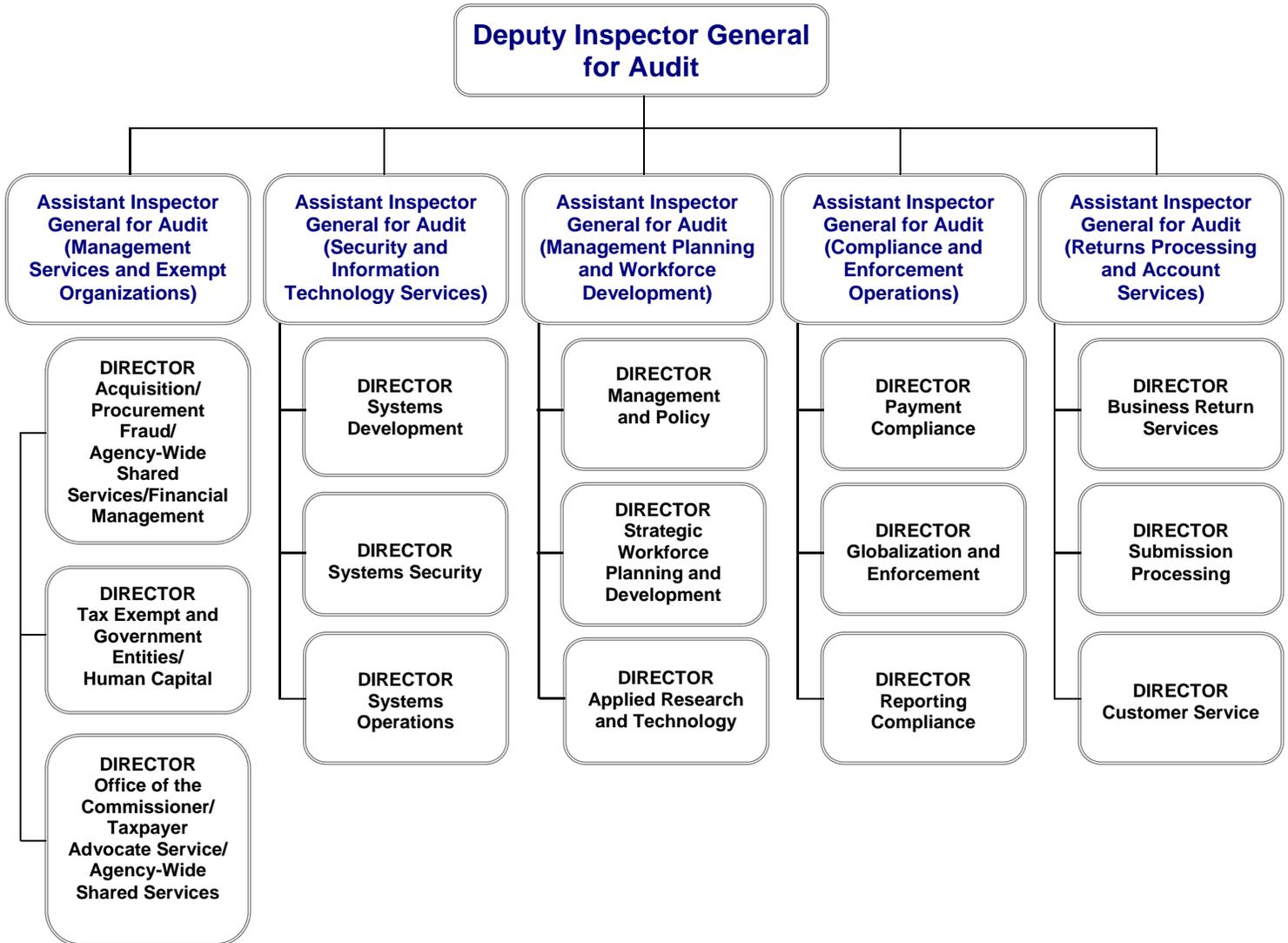
The Returns Processing and Accounts Services unit reviews activities related to the preparation and processing of tax returns and the issuing of refunds to taxpayers. This includes customer service activities, outreach efforts, tax law implementation, taxpayer assistance, notices, submission processing,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

Management Planning and Workforce Development

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

Organization Chart

Treasury Inspector General for Tax Administration
Office of Audit



Major Management and Performance Challenges Facing the Internal Revenue Service

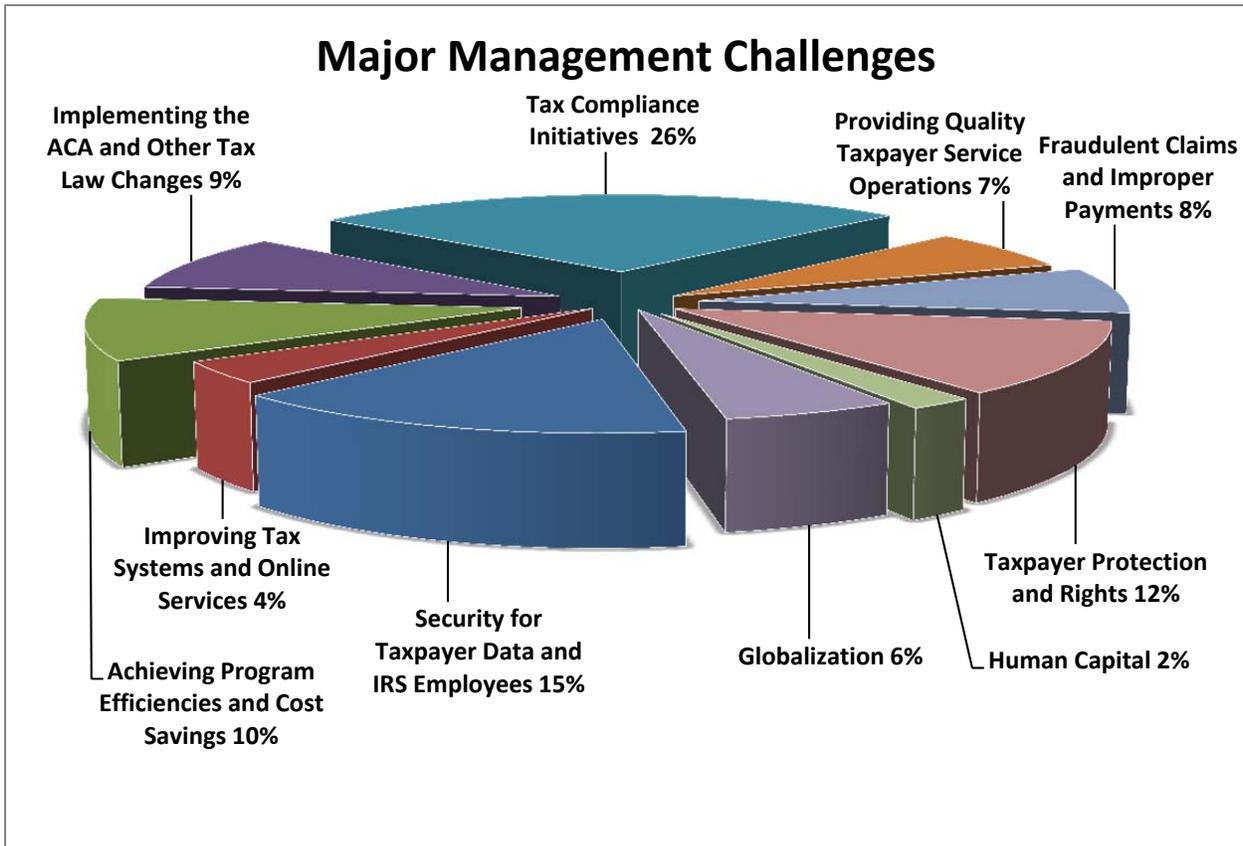
TIGTA has identified the following risk areas as the major management and performance challenges facing the IRS in FY 2016:

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

TIGTA's FY 2016 annual summary of these issues, including comments on progress the IRS has made toward resolving the challenges or the vulnerabilities that it continues to face in achieving results, may be viewed on the Internet at the following address:

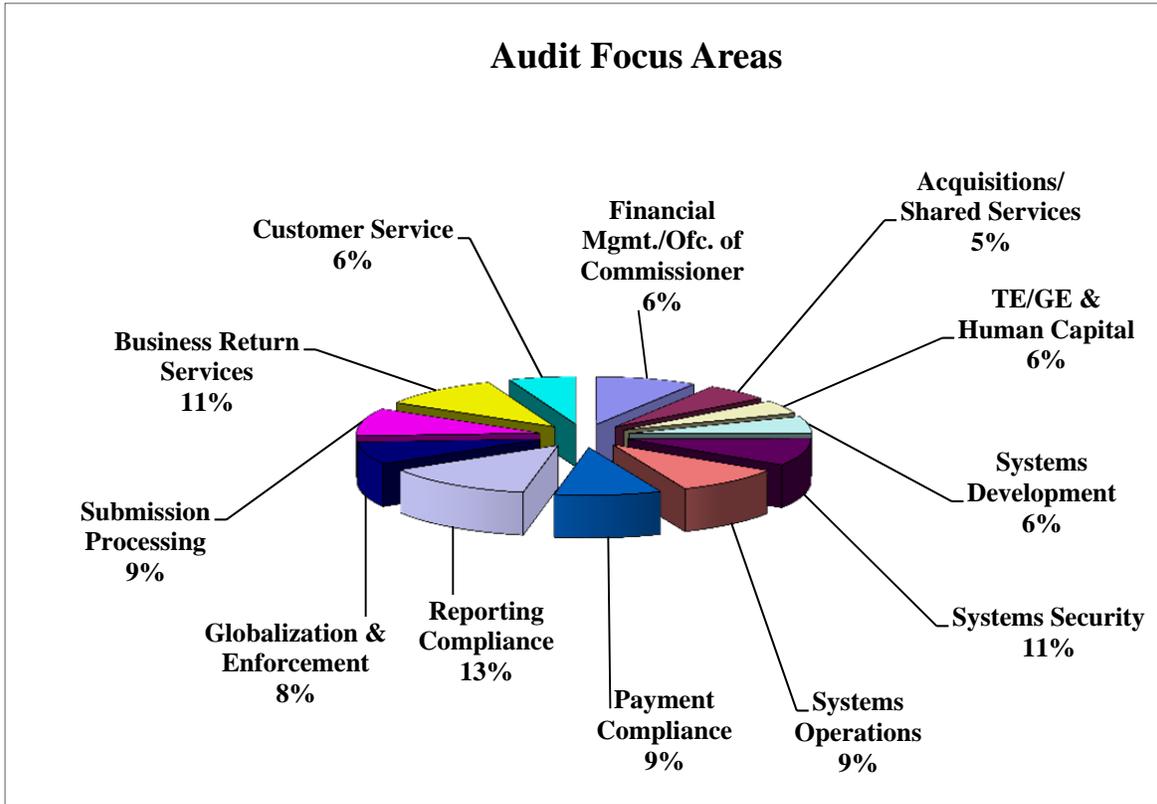
http://www.treas.gov/tigta/oa_management.shtml

Office of Audit's Fiscal Year 2016
Staff Day Allocation
By Major Challenges Facing Internal Revenue Service Management



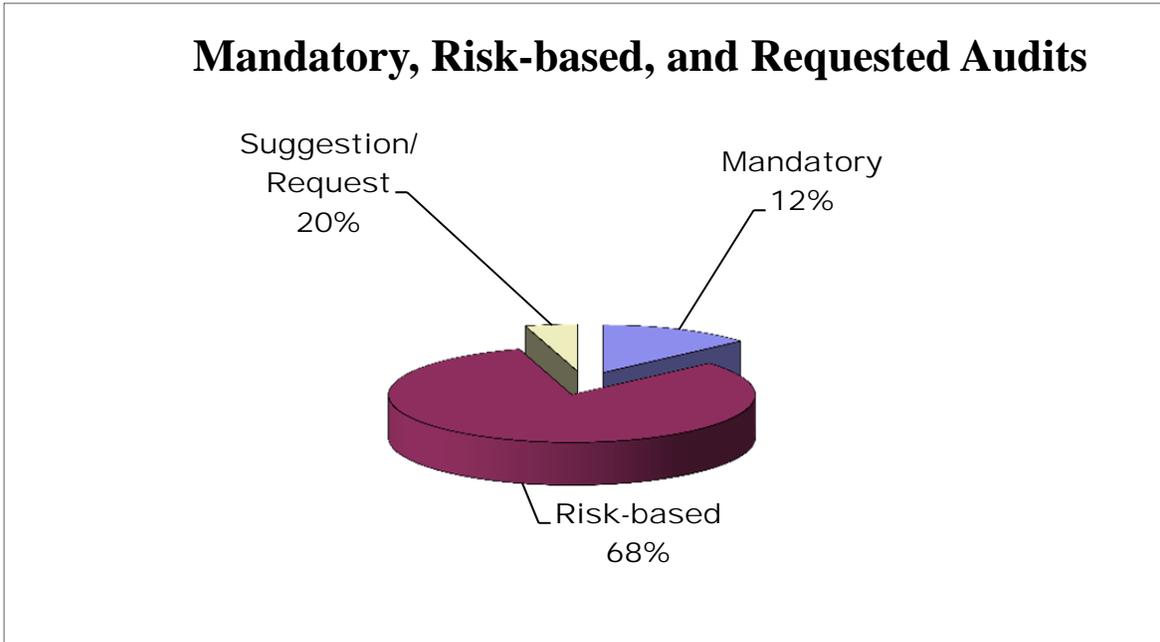
Note: Some audits relate to more than one major challenge area. In addition, FY 2016 staff days are included for audits that were started in FY 2015 with planned completion dates in FY 2016. ACA = Affordable Care Act.

Office of Audit’s Fiscal Year 2016
Staff Day Allocation
By Audit Focus Areas



Note: FY 2016 staff days are included for audits that were started in FY 2015 with planned completion dates in FY 2016. TE/GE = Tax Exempt and Government Entities. The total of the percentages does not equal 100 percent due to rounding.

Office of Audit's Fiscal Year 2016
Staff Day Allocation
By Mandatory, Risk-Based, and Requested Audits



Note: FY 2016 staff days are included for audits that were started in FY 2015 with planned completion dates in FY 2016.

List of Planned Audits for Fiscal Year 2016 by Major Management and Performance Challenges

Fiscal Year 2016 Planned Audits for CHALLENGE 1: Security for Taxpayer Data and IRS Employees

The IRS relies extensively on its computer systems to support both its financial and mission-related operations. These computer systems collect and process extensive amounts of taxpayer data, which includes Personally Identifiable Information. Based on the increased number and sophistication of threats to taxpayer information and the need for the IRS to better protect taxpayer data and improve its enterprise security program, securing IRS systems and protecting the confidentiality of taxpayer information continues to be a top concern facing the IRS. Physical violence, harassment, and intimidation of IRS employees pose significant challenges to the implementation of a fair and effective system of tax administration. These are challenging operating conditions for the IRS that underscore the need for continued vigilance in the area of physical and personnel security. We have 22 new or in-process audits for this major management and performance challenge.

Personnel Security: Review of Internal Revenue Service Background Investigations Completed by United States Investigations Services for Current Internal Revenue Service Employees and Applicants (FY 2016 - New Start - Audit Number: 201610009)

Audit Objective: Determine the effectiveness of background investigations completed by United States Investigations Services and how they have been used on current IRS employees/applicants.

Fiscal Year 2016 Review of the Federal Information Security Modernization Act on Internal Revenue Service Unclassified Systems (FY 2016 – New Start - Audit Number: 201620001)

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

¹ Pub. L. No. 113-283. This bill amends chapter 35 of title 44 of the United States Code to provide for reform to Federal Information security.

Annual Assessment of the Internal Revenue Service’s Information Technology

(FY 2016 – New Audit - Audit Number: 201620002)

Audit Objective: Assess the overall progress of the IRS’s information technology efforts.

Computer Security Incident Response Center

(FY 2016 – New Audit - Audit Number: 201620003)

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

Network Perimeter Security

(FY 2016 – New Audit - Audit Number: 201620004)

Audit Objective: Evaluate the effectiveness of the network perimeter security controls to protect the IRS against external threats and cyberattacks.

Activity Logs on the Mainframe zSeries/Operating System

(FY 2016 – New Audit - Audit Number: 201620005)

Audit Objective: Determine whether activity logging on the Mainframe zSeries/Operating System is properly capturing data and being timely reviewed to ensure that policy violations, including failures and successes, are identified and resolved.

Secure File Transfers

(FY 2016 – New Audit - Audit Number: 201620006)

Audit Objective: Determine whether the IRS is properly protecting the data it transmits to external entities through secure file transfer technology.

Patching and Vulnerability Management for the Registered User Portal

(FY 2016 – New Audit - Audit Number: 201620007)

Audit Objective: Determine whether the IRS’s Registered User Portal within the Integrated Enterprise Portal has deployed effective and timely patch and vulnerability management.

Database Security

(FY 2016 – New Audit - Audit Number: 201620008)

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

Virtual Access to UNIX Servers

(FY 2016 – New Audit - Audit Number: 201620009)

Audit Objective: Determine whether controls over virtual access servers are effective in administering privileged access to UNIX servers.

Space Access Privileges Within the Computing Centers

(FY 2016 – New Audit - Audit Number: 201620010)

Audit Objective: Determine whether access privileges throughout the Computing Centers, including restricted areas, are properly requested, approved, implemented, and monitored.

Internal Revenue Service Operational Data Security for Jumbo Programs

(FY 2016 – New Audit - Audit Number: 201620012)

Audit Objective: Evaluate operational data security management in support of requirements for IRS Jumbo Programs.

Security Review of the Integrated Production Model System

(FY 2016 – New Audit - Audit Number: 201620022)

Audit Objective: Determine whether the Integrated Production Model system meets the National Institute of Standards and Technology and Internal Revenue Manual security requirements. Also, review security and configuration scan results to ensure that the databases and servers are appropriately configured and secured.

Implementation of Recommended Facility Security Countermeasures

(FY 2015 – Work in Progress - Audit Number: 201510016)

Audit Objective: Determine whether the IRS's process for implementing countermeasures recommended in facility security risk assessments ensures that identified security vulnerabilities are addressed.

Employee Exit Procedures – Access to Government Facilities

(FY 2015 – Work in Progress - Audit Number: 201510018)

Audit Objective: Determine whether IRS management implemented policies and procedures designed to provide reasonable assurance that physical access to Government facilities is secure when employees separate from the IRS.

Workplace Safety and Workman's Compensation Claims

(FY 2015 – Work in Progress - Audit Number: 201510022)

Audit Objective: Determine whether the IRS has an effective process to respond to and prevent workplace injuries and improve workplace safety.

Mainframe Security

(FY 2015 – Work in Progress - Audit Number: 201520005)

Audit Objective: Determine whether the IRS has implemented adequate security controls to address access, authentication, secure configuration, and logging on the Mainframe zSeries/Operating System with the enterprise's computing environment.

eAuthentication Release 2

(FY 2015 – Work in Process - Audit Number: 201520006)

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

Access and Password Controls Over Elevated Privileged Accounts

(FY 2015 – Work in Process - Audit Number: 201420008)

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

SharePoint® Operation and Security Controls

(FY 2015 – Work in Process - Audit Number: 201520013)

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

Disaster Recovery Plans and Testing Practices for Internal Revenue Service Enterprise Computing Centers

(FY 2015 – Work in Process - Audit Number: 201520014)

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

Enterprise Email System

(FY 2015 – Work in Process - Audit Number: 201520028)

Audit Objective: Determine whether the IRS followed Federal Acquisition Regulations and IRS procurement procedures during the procurement of a new enterprise e-mail system.

Fiscal Year 2016 Planned Audits for CHALLENGE 2:
Implementing the Affordable Care Act and
Other Tax Law Changes

The Affordable Care Act represents the largest set of tax law changes in more than 20 years and presents a continuing challenge for the IRS as provisions take effect. The Affordable Care Act provisions provide incentives and tax breaks to individuals and small businesses to offset health care expenses. The provisions also impose penalties, administered through the tax code, for individuals and businesses that do not obtain health care coverage for themselves or their

employees. In addition to implementing the Affordable Care Act, the IRS faces the challenge each year of implementing tax law changes from new, renewed, or expiring tax law provisions. Correctly implementing tax law changes remains a significant challenge because the legislative actions generating these changes typically occur late in the year, shortly before the filing season begins. As a result, the IRS must revise various forms, instructions, and publications, and reprogram its computer systems to ensure that tax returns are accurately processed. We have 14 new or in-process audits for this major management and performance challenge.

Review of the Affordable Care Act Release 7.1 Case Management Release 1.0
(FY 2016 – New Start - Audit Number: 201620318)

Audit Objective: Determine whether the IRS has properly designed, developed, and tested Affordable Care Act Release 7.1 Case Management Release 1.0.

Affordable Care Act: Accuracy of the Internal Revenue Service’s Verification of Individuals’ Compliance With the Minimum Essential Coverage Requirement and Assessment of the Shared Responsibility Payment

(FY 2016 – New Start - Audit Number: 201640302)

Audit Objective: Evaluate the effectiveness of the IRS’s verification of individuals’ compliance with minimum essential coverage requirements including the verification of requests for exemption and the assessment of the shared responsibility payment.

2016 Interim Filing Season

(FY 2016 – New Start - Audit Number: 201640003)

Audit Objective: Provide select information relating to the IRS 2016 Filing Season.

2016 Filing Season

(FY 2016 – New Start - Audit Number: 201640004)

Audit Objective: Evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2016 Filing Season.

Affordable Care Act: Verification of Premium Tax Credit Claims

(FY 2016 – New Start - Audit Number: 201640309)

Audit Objective: Evaluate the effectiveness of the IRS’s continued efforts to improve the verification of Premium Tax Credit claims.

Affordable Care Act: Accuracy of the Internal Revenue Service’s Verification of Employers’ Compliance With the Minimum Essential Coverage Requirement and Assessment of the Shared Responsibility Payment

(FY 2016 – New Start - Audit Number: 201640326)

Audit Objective: Evaluate the effectiveness of the IRS’s verification of employers’ compliance with minimum essential coverage requirements and the assessment of the shared responsibility payment.

Financial Accounting for Advance Premium Tax Credits – Phase 2

(FY 2015 – Work in Process - Audit Number: 201510312)

Audit Objective: Review the processes that the IRS and Centers for Medicare and Medicaid Services have for the accounting for premium tax credits – Phase 2.

Foreign Account Tax Compliance Act System for Withholding, Compliance, Refund Fraud Detection, and Storage

(FY 2015 – Work in Process - Audit Number: 201520022)

Audit Objective: Determine whether the IRS has properly designed, developed, and sufficiently tested the Foreign Account Tax Compliance Act² system for withholding, compliance, refund fraud detection, and storage.

Review of the Affordable Care Act Release 6.1 Compliance Validation Release 1.0

(FY 2015 – Work in Process - Audit Number: 201520318)

Audit Objective: Determine whether the IRS has properly designed, developed, and tested Compliance Validation Release 1.0.

Collection of Affordable Care Act Advance Premium Tax Credit Repayment and Shared Responsibility Payments

(FY 2015 – Work in Process - Audit Number: 201530333)

Audit Objective: Determine whether the IRS has adequate controls and procedures in place to properly collect delinquent Shared Responsibility Payments and delinquent Advance Premium Tax Credit repayments.

Affordable Care Act Small Business Tax Credit

(FY 2015 – Work in Process - Audit Number: 201530336)

Audit Objective: Determine whether the Small Business/Self-Employed (SB/SE) Division Examination function is effectively determining whether small businesses that are claiming the Small Business Health Care Tax Credit benefit are, in fact, eligible to receive it.

Affordable Care Act: Verification of Premium Tax Credit Claims

(FY 2015 – Work in Process - Audit Number: 201540317)

Audit Objective: Evaluate the effectiveness of the IRS's verification of Premium Tax Credit claims during the 2015 Filing Season.

² Pub. L. No. 111-147, Subtitle A, 124 Stat 71, *96-116 (2010) (codified in scattered sections of 26 U.S.C.).

Affordable Care Act: Evaluation of Internal Revenue Service and Healthcare Exchange Processes to Address Premium Tax Credit Nonfilers

(FY 2015 – Work in Process - Audit Number: 201540332)

Audit Objective: Assess the effectiveness of IRS and Healthcare Exchange processes and procedures to ensure that Advance Premium Tax Credit payments made to individuals who failed to reconcile their payments are valid.

Affordable Care Act: Preparations for the Employer Mandate

(FY 2015 – Work in Process - Audit Number: 201540333)

Audit Objective: Assess the status of the IRS’s preparations for ensuring compliance with the Large Employer Mandate and the related reporting requirements.

Fiscal Year 2016 Planned Audits for CHALLENGE 3:
Tax Compliance Initiatives

Between FYs 2010 and 2015, the IRS’s budget has been reduced by approximately \$1.2 billion. This budgetary pressure has led to a reduction of IRS resources in the enforcement area, and TIGTA expects that the increasing budgetary constraints will continue to impact IRS efforts to enforce tax compliance. The decline in Collection function personnel has resulted in fewer taxpayer calls being answered, longer call wait times for taxpayers, and a decline in dollars collected. 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 43 new or in-process audits for this major management and performance challenge.

Internal Revenue Service’s Efforts to Implement an Enterprise-wide Case Management Solution

(FY 2016 – New Start - Audit Number: 201620017)

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

Internal Revenue Service’s Return Review Program

(FY 2016 – New Start - Audit Number: 201620019)

Audit Objective: Determine the IRS’s effectiveness in implementing the Return Review Program Transition State 1.

Trends in Compliance Activities Through Fiscal Year 2015

(FY 2016 – New Start - Audit Number: 201630010)

Audit Objective: Provide various statistical information and data trends related to Collection and Examination function activities.

Evaluation of the Small Business/Self-Employed Division Research Program

(FY 2016 – New Start - Audit Number: 201630011)

Audit Objective: Determine whether the work conducted by the SB/SE Division Research Program supports SB/SE Division tax compliance priorities and whether resources are used efficiently.

Evaluation of the Automated Substitute for Return Program and Impact of Substitute for Return Assessments Using Form 1099-B Information

(FY 2016 – New Start - Audit Number: 201630012)

Audit Objective: Evaluate the effect of the Automated Substitute for Return Program on enforcement yield and nonfiler compliance, and determine whether the Program effectively processed its workload. Also, determine the impact of using Form 1099-B, *Proceeds From Broker and Barter Exchange Transactions*, information for Substitute for Return Assessments.

Review of the Estate and Gift Tax Program

(FY 2016 – New Start - Audit Number: 201630013)

Audit Objective: Determine whether the Estate and Gift Tax Program’s mission to increase compliance with estate and gift tax laws through enforcement, education, and service to taxpayers is being administered within the tax laws and with integrity and fairness to each taxpayer.

Thrift Savings Plan Levies

(FY 2016 – New Start - Audit Number: 201630015)

Audit Objective: Evaluate IRS policies, procedures, and internal controls over Thrift Savings Plan levies.

Review of Foreclosure Liens in Lieu of Seizure

(FY 2016 – New Start - Audit Number: 201630016)

Audit Objective: Determine whether the IRS is appropriately using the foreclosure lien process as an alternative to seizing property.

Merchant Card Third-Party Information Reporting

(FY 2016 – New Start - Audit Number: 201630017)

Audit Objective: Determine whether the IRS Merchant Card third-party reporting information is being used in an effective manner and is being utilized for the assignment of productive examinations.

Internal Revenue Code Section 6676 Penalty for Erroneous Refund or Credit Claim

(FY 2016 – New Start - Audit Number: 201630018)

Audit Objective: Determine whether SB/SE Division and Large Business and International (LB&I) Division examiners are appropriately considering the Internal Revenue Code (I.R.C.) Section (§) 6676 penalty on erroneous refund or credit claims.

Corporate Charitable Contributions

(FY 2016 – New Start - Audit Number: 201630019)

Audit Objective: Determine whether the IRS is adequately monitoring corporate charitable deductions to ensure that they have not been overstated by corporate donors.

Use of Schedule UTP, Uncertain Tax Position Statement

(FY 2016 – New Start - Audit Number: 201630020)

Audit Objective: Determine whether taxpayers are complying with the requirements to file Schedule UTP, *Uncertain Tax Position Statement*, and how the IRS is using the information provided by taxpayers.

Installment Agreement Solicitation

(FY 2016 – New Start - Audit Number: 201630021)

Audit Objective: Determine whether SB/SE Division Examination employees are soliciting and processing installment agreements as required by the Internal Revenue Manual.

Civil Fraud Consideration on Discontinued Criminal Investigations

(FY 2016 – New Start - Audit Number: 201630023)

Audit Objective: Determine whether civil fraud penalties are appropriately considered when Criminal Investigation discontinues investigations or declines fraud referrals.

Use of Discriminant Index Function and Non-Discriminant Index Function Selection Methods to Identify Cases for Examination

(FY 2016 – New Start - Audit Number: 201630024)

Audit Objective: Assess the impact on tax compliance of the IRS's use of Discriminant Index Function and non-Discriminant Index Function selection methods to identify productive cases for examination.

Accuracy of Actions Taken to Resolve Frivolous Returns

(FY 2016 – New Start - Audit Number: 201640005)

Audit Objective: Evaluate the accuracy of actions taken to resolve tax returns claiming frivolous tax arguments.

Review of Return Preparer Outreach Strategy

(FY 2016 – New Start - Audit Number: 201640010)

Audit Objective: Assess IRS processes to ensure return preparer compliance with due diligence requirements for refundable credits such as the Earned Income Tax Credit and the American Opportunity Tax Credit.

Accuracy of Employment Tax Refunds

(FY 2016 – New Start - Audit Number: 201640018)

Audit Objective: Determine whether IRS controls to ensure the accuracy of employment tax returns are effective.

Professional Employer Organizations Certification Process

(FY 2016 – New Start - Audit Number: 201640019)

Audit Objective: Assess IRS actions to establish processes for certifying Professional Employer Organizations authorized for filing and payment of employment taxes and providing dual address change notices to all employers with employment tax filing requirements.

Superseded and Amended Tax Return Processing For Form 1120, U.S. Corporation Income Tax Returns

(FY 2016 – New Start - Audit Number: 201640020)

Audit Objective: Determine whether the IRS is properly processing U.S. Corporation Income Tax Returns.

Large Business and International Division Document Matching – Follow-Up

(FY 2016 – New Start - Audit Number: 201640021)

Audit Objective: Assess the IRS's actions to improve reporting and payment compliance by withholding agents for foreign persons subject to withholding.³

Processing of Employer Identification Number Applications

(FY 2016 – New Start - Audit Number: 201640025)

Audit Objective: Evaluate the effectiveness of the IRS's controls for processing Employer Identification Number applications to ensure that the IRS can identify entity ownership and potential tax noncompliance.

Selected Criteria for Identifying Tax-Exempt Applications for Further Review

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

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

³ TIGTA, Ref. No. 2013-40-130, *A Process Has Not Been Established to Ensure That Billions of Dollars in Taxes Withheld From Foreign Persons Are Remitted* (Sep. 2013).

The Effectiveness of Internal Revenue Service Controls Over Tax Checks on Prospective Contractors

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

Audit Objective: Determine whether the IRS is completing required tax checks on prospective contractors in order to determine contractor responsibility, and referring contractors with tax liabilities to IRS Collection Policy, to ensure that contractors with serious delinquencies do not receive taxpayer funds through contracts with the IRS.

Internal Revenue Service Actions to Identify and Address Retirement Plan Funding Deficiencies

(FY 2015 – Work in Process - Audit Number: 201510020)

Audit Objective: Determine whether the Employee Plans function Examination program is consistently assessing funding issues as part of examinations of defined benefit pension plans.

Conversions From a Non-Roth Individual Retirement Arrangement to a Roth Individual Retirement Arrangement

(FY 2015 – Work in Process - Audit Number: 201510021)

Audit Objective: Assess the IRS's process for addressing taxpayers who potentially underreport taxes due when converting a traditional Individual Retirement Arrangement (IRA) to a Roth IRA and whether the IRS is identifying a complete population of potentially underreported Roth conversions based on information available to the IRS.

Examination of Claims for Refunds

(FY 2013 – Work in Process - Audit Number: 201330047)

Audit Objective: Assess how well the IRS is addressing the risks posed by claims for refunds.

Whistleblower Office

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

Audit Objective: Determine whether opportunities exist to enhance the outcomes from the Whistleblower Program.

Effectiveness of Collecting Trust Fund Recovery Penalty Assessments

(FY 2015 – Work in Process - Audit Number: 201530011)

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

Disposition of Offers in Compromise – Follow-up

(FY 2015 – Work in Process - Audit Number: 201530016)

Audit Objective: Determine whether dispositions of offers in compromise were appropriate and whether corrective actions from a prior TIGTA report were effective.⁴

Use of Compliance Results in Large Business and International Division Performance Management

(FY 2015 – Work in Process - Audit Number: 201530020)

Audit Objective: Determine whether the LB&I Division effectively uses compliance results to identify compliance risk and allocates resources strategically to improve examination results.

Addressing Income From Use of Alternative Payment Methods

(FY 2015 – Work in Process - Audit Number: 201530022)

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

Schedule C Hobby Losses

(FY 2015 – Work in Process - Audit Number: 201530029)

Audit Objective: Determine whether the IRS is taking sufficient action to minimize improper Schedule C losses claimed by taxpayers and the resulting loss of revenue to the Government.

Processing of Queue and Shelved Cases

(FY 2015 – Work in Process - Audit Number: 201530032)

Audit Objective: Determine whether the IRS takes effective actions on cases in the Queue and in shelved status.

Exam Collectability

(FY 2015 – Work in Process - Audit Number: 201530034)

Audit Objective: Determine whether the SB/SE Division Examination function is properly and accurately performing collectability determinations before and during field and office examinations.

Properly Safeguarding Personally Identifiable Information Contained in E-Mail Correspondence

(FY 2015 – Work in Process - Audit Number: 201530035)

Audit Objective: Determine whether the SB/SE Division employees are properly safeguarding personally identifiable information contained in e-mail correspondence.

⁴ TIGTA, Ref. No. 2012-30-033, *Increasing Requests for Offers in Compromise Have Created Inventory Backlogs and Delayed Responses to Taxpayers* (Mar. 2012).

Expired Extension of Time to File

(FY 2015 – Work in Process - Audit Number: 201530037)

Audit Objective: Determine whether tax periods with expired extensions of time to file are properly identified and placed in compliance inventories for securing overdue returns.

Unreported and Underreported Self-Employment Income by Residents of Puerto Rico

(FY 2015 – Work in Process - Audit Number: 201530038)

Audit Objective: Determine how effectively the LB&I Division identifies and pursues residents of Puerto Rico who have self-employment income but fail to report or underreport their self-employment income and pay self-employment taxes to the Government.

Federal Unemployment Tax Certification Program

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

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

Domestic Production Activities Deduction

(FY 2015 – Work in Process - Audit Number: 201540008)

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

Efforts to Detect and Prevent the Avoidance of Tax by Claiming Frivolous Tax Arguments

(FY 2015 – Work in Process - Audit Number: 201540022)

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

Backup Withholding for Payments of Income

(FY 2015 – Work in Process - Audit Number: 201540029)

Audit Objective: Assess the effectiveness of the IRS's actions to ensure compliance with backup withholding provisions.

Effectiveness of the Internal Revenue Service's Combined Annual Wage Reporting Program

(FY 2015 – Work in Process - Audit Number: 201540030)

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

Fiscal Year 2016 Planned Audits for CHALLENGE 4: Fraudulent Claims and Improper Payments

For the IRS, improper and erroneous credits and payments generally involve improperly paid refunds, tax return filing fraud, or overpayments to vendors or contractors. This challenge also includes refundable credits that the IRS administers and contracts or other payments made by the IRS. Identity theft is another problem with a significant impact on tax administration. While the IRS has made progress in the detection and prevention of identity theft returns, the IRS's ability to stop this problem is still limited. We have 17 new or in-process audits planned for this major management and performance challenge.

Government Charge Card Abuse Prevention Act of 2012 Semiannual Mandatory Review Covering the Period October 2015 Through March 2016

(FY 2016 – New Start - Audit Number: 201610003)

Audit Objective: Assess the IRS's implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012⁵ requirements for the period October 2015 through March 2016.

Compliance With the Improper Payment Reporting Requirements in Fiscal Year 2015

(FY 2016 – New Start - Audit Number: 201640001)

Audit Objective: Determine whether the IRS complied with annual improper payment reporting requirements for FY 2015.

Efforts to Authenticate Individual Taxpayers

(FY 2016 – New Start - Audit Number: 201640006)

Audit Objective: Assess the effectiveness of the IRS's efforts to improve the processes used to authenticate individual taxpayers who file a tax return and seek IRS services.

Prisoner Fraud – Follow-Up

(FY 2016 – New Start - Audit Number: 201640007)

Audit Objective: Evaluate the effectiveness of IRS corrective actions to identify and reduce prisoner fraud.⁶

⁵ Pub. L. No. 112-194 (Oct. 2012).

⁶ TIGTA, Ref. No. 2014-40-091, *Prisoner Tax Refund Fraud: Delays Continue in Completing Agreements to Share Information With Prisons, and Reports to Congress Are Not Timely or Complete* (Sept. 2014).

Controls Over Electronic Filing Identification Numbers – Follow-Up

(FY 2016 – New Start - Audit Number: 201640011)

Audit Objective: Evaluate controls to prevent unauthorized use of Electronic Filing Identification Numbers.⁷

Effectiveness of Identifying and Preventing Fraudulent Tax Returns by the Return Review Program – Follow-Up

(FY 2016 – New Start - Audit Number: 201640022)

Audit Objective: Evaluate the effectiveness of the IRS’s Return Review Program in identifying potentially fraudulent tax returns during tax return processing.⁸

Individual Tax Identification Number Deactivation Process

(FY 2016 – New Start - Audit Number: 201640023)

Audit Objective: Determine whether the IRS is effectively implementing the Individual Taxpayer Identification Number Deactivation process.

Unidentified Remittance File

(FY 2016 – New Start - Audit Number: 201640024)

Audit Objective: Determine whether the IRS is properly managing the Unidentified Remittance File (receiving remittances, researching the cases, transferring out).

Internal Revenue Service’s Resolution of Defense Contract Audit Agency Findings of Disallowed Costs

(FY 2015 – Work in Process - Audit Number: 201510015)

Audit Objective: Determine whether the IRS has an effective process in place to utilize the results of Defense Contract Audit Agency reports to recover disallowed costs.

Government Charge Card Abuse Prevention Act of 2012 Semiannual Mandatory Review Covering the Period April 2015 Through September 2015

(FY 2015 – Work in Process - Audit Number: 201510026)

Audit Objective: Assess the IRS’s implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012 requirements for the period April 2015 through September 2015.

⁷ TIGTA, Ref. No. 2011-40-031, *Review of the Use of the Electronic Filing Identification Number* (Mar. 2011).

⁸ TIGTA, Audit No. 2201440030, *Effectiveness of the Return Review Program’s Identity Theft Detection Filters*.

Use of Social Security Administration Data to Address Erroneous Refundable Tax Credits

(FY 2014 – Work in Process - Audit Number: 201440028)

Audit Objective: Determine whether the IRS is using information from the Social Security Administration to effectively address erroneous Earned Income Tax Credit and Additional Child Tax Credit payments associated with self-employment income.

Effectiveness of the Return Review Program’s Identity Theft Detection Filters

(FY 2014 – Work in Process - Audit Number: 201440030)

Audit Objective: Assess the effectiveness of the IRS’s Return Review Program in detecting tax returns involving identity theft.

Detection and Prevention of Identity Theft on Individual Tax Accounts – Follow-Up

(FY 2015 – Work in Process - Audit Number: 201540001)

Audit Objective: Assess the effectiveness of the IRS’s continued efforts to detect and prevent identity theft, measure undetected identity theft, and coordinate identity theft information with other Government agencies.⁹

Historic Rehabilitation Credit

(FY 2015 - Work in Process - Audit Number: 201540005)

Audit Objective: Assess the effectiveness of the IRS’s controls to ensure that business taxpayer claims for the Rehabilitation Credit are valid.

Tax Offsets

(FY 2015 – Work in Process - Audit Number: 201540007)

Audit Objective: Assess the effectiveness of IRS processing to detect debt and offset refunds to accounts with debt owed.

Evaluation of the Automated Questionable Credit Program

(FY 2015 – Work in Process - Audit Number 201540021)

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

Erroneous Release of Taxpayers’ Estimated Tax Payments to Identity Thieves

(FY 2015 – Work in Process - Audit Number: 201540028)

Audit Objective: Assess IRS corrective actions to stop refunds of taxpayers’ estimated tax payments to identity thieves.

⁹ TIGTA, Ref. No. 2015-40-026, *Efforts Are Resulting in the Improved Identification of Fraudulent Tax Returns Involving Identity Theft* (Apr. 2015).

Fiscal Year 2016 Planned Audits for CHALLENGE 5: 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. Achieving program efficiencies and cost savings is imperative, as the IRS must continue to carry out its mission with a significantly reduced budget. The IRS must continue to identify and implement innovative cost-saving strategies to enforce the law with integrity and fairness and provide America's taxpayers with top quality service by helping them understand and meet their tax responsibilities. We have 17 new or in-process audits for this major management and performance challenge.

Annual Mandatory Review of the Internal Revenue Service's Federal Financial Management Improvement Act Fiscal Year 2015 Remediation Plan

(FY 2016 – New Start - Audit Number: 201610002)

Audit Objective: Determine IRS compliance with Federal Financial Management Improvement Act¹⁰ requirements.

Accountability, Tracking, and Revenue Projections for Chief Counsel User Fees

(FY 2016 – New Start - Audit Number: 201610006)

Audit Objective: Determine whether Chief Counsel appropriately budgets for, calculates, tracks, and reports user fees received for services provided to individual taxpayers and taxpayer entities.

Internal Revenue Service's Efforts to Reduce Real Estate Costs

(FY 2016 – New Start - Audit Number: 201610008)

Audit Objective: Assess the IRS's efforts to reduce its real estate needs and associated costs and effectively leverage workstation sharing as part of its space reduction efforts.

Review of the Internal Revenue Service's Implementation of the Digital Accountability and Transparency Act of 2014

(FY 2016 – New Start - Audit Number: 201610012)

Audit Objective: Evaluate the IRS's implementation of the Digital Accountability and Transparency Act of 2014.¹¹

¹⁰ Pub. L. No. 104-208, 110 Stat. 3009.

¹¹ Pub. L. No. 113 -101- DATA Act of 2014.

Enterprise Operations Program Management Delivery Through Implementation of the Information Technology Infrastructure Library Framework

(FY 2016 – New Start - Audit Number: 201620011)

Audit Objective: Consider the status of IRS’s Information Technology Infrastructure Library processes and practices in support of Enterprise Operations efforts to provide efficient, cost effective, and highly reliable computing services for all IRS business entities and taxpayers.

Operational Controls for Event, Incident, and Problem Reporting for the Internal Revenue Service’s Tax Administration Systems

(FY 2016 – New Start - Audit Number: 201620013)

Audit Objective: Assess the effectiveness of Enterprise Operations processes and practices for resolving event, incident, and reported problems for the IRS’s tax administration systems.

Managing Internal Revenue Service Information Technology Aging Computing Hardware Infrastructure

(FY 2016 – New Start - Audit Number: 201620014)

Audit Objective: Determine and measure the impact of inefficiencies of aging computing infrastructure on IRS information technology systems operations.

Reducing Undeliverable Mail – Follow-Up

(FY 2016 – New Start - Audit Number: 201640012)

Audit Objective: Assess the IRS’s efforts to reduce undeliverable mail.¹²

Follow-Up Review of Internal Revenue Service Conference Report Recommendations

(FY 2015 – Work in Process - Audit Number: 201510002)

Audit Objective: Determine whether the IRS has responded to recommendations made in a prior TIGTA report.¹³

Internal Revenue Service’s Implementation of an Enterprise Risk Management Program

(FY 2015 – Work in Process - Audit Number: 201510009)

Audit Objective: Determine whether the IRS has taken effective steps to plan for and implement a corporate Enterprise Risk Management Program.

¹² TIGTA Ref. No. 2010-40-055, *Current Practices Are Preventing a Reduction in the Volume of Undeliverable Mail* (May 2010).

¹³ TIGTA, Ref. No. 2013-10-037, *Review of the August 2010 Small Business/Self-Employed Division’s Conference in Anaheim, California* (May 2013).

Attestation Review of the Internal Revenue Service’s Fiscal Year 2015 Annual Accounting of Drug Control Funds

(FY 2015 – Work in Process - Audit Number: 201510019)

Audit Objective: Perform an attestation review of the IRS’s reporting of FY 2015 Office of National Drug Control Policy Expenditures and Related Performance for the purpose of expressing a conclusion about the reliability of each assertion made in the Detailed Accounting Submission and Performance Summary Report.

Employee Exit Procedures – Government Equipment

(FY 2015 – Work in Process - Audit Number: 201510024)

Audit Objective: Assess the process for providing reasonable assurance that Government equipment is returned when employees separate from the IRS.

Internal Revenue Service Employee Exit Procedures – Contractors

(FY 2015 – Work in Process - Audit Number: 201510025)

Audit Objective: Assess the process for providing reasonable assurance that access to Government facilities is secured and Government equipment is returned when contractors no longer work for the IRS.

Information Technology Procurement Process

(FY 2015 – Work in Process - Audit Number: 201520017)

Audit Objective: Determine whether IRS management strategies include sufficient controls to mitigate key high risk post-award contract activities.

Tier II Environment Backup and Restoration Process Review

(FY 2015 – Work in Process - Audit Number: 201520027)

Audit Objective: Evaluate the IRS’s Tier II backup and restoration process.

Control Weaknesses in the Excess Collection File

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

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

Systemic Direct Debit Installment Agreement Defaults

(FY 2015 – Work in Process - Audit Number: 201530014)

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

Fiscal Year 2016 Planned Audits for CHALLENGE 6: Improving Tax Systems and Online Services

Successful modernization of IRS systems and the development and implementation of new information technology applications are critical to meet the IRS's evolving business needs and to enhance services provided to taxpayers. The IRS has acknowledged that the current technology environment has raised taxpayers' expectations for online customer service interactions and it needs to meet these expectations. This is particularly important because as the IRS has absorbed budget cuts, it has directed more taxpayers to technology-based self-assistance options such as its IRS2Go app; YouTube channels; interactive self-help tools on IRS.gov; and Twitter, Tumblr, and Facebook accounts. We have six new or in-process audits for this major management and performance challenge.

Internal Revenue Service's Effort to Develop and Implement Enterprise-wide Electronic Records Management Capabilities

(FY 2016 – New Start - Audit Number: 201620015)

Audit Objective: Consider the progress of the IRS's efforts to implement and maintain electronic records management capabilities for all IRS business units.

Customer Account Data Engine 2 Transition State 2 Implementation

(FY 2016 – New Start - Audit Number: 201620016)

Audit Objective: Determine whether the IRS is effectively implementing planned actions to efficiently meet the expectations of Customer Account Data engine 2 Transition State 2.

Internal Revenue Service's Web Application Development

(FY 2016 – New Start - Audit Number: 201620020)

Audit Objective: Review the development and implementation of the Web Applications Release 1 project.

Internal Revenue Service's Cloud Strategy

(FY 2016 – New Start - Audit Number: 201620021)

Audit Objective: Review the IRS's implementation and use of Cloud/Commodity services (*i.e.*, cloud strategies).

Integrated Production Model

(FY 2016 – New Start - Audit Number: 201520019)

Audit Objective: Determine whether the data within the Integrated Production Model is accurate, complete, and reliable.

Review of the Filing Season 2016 Readiness

(FY 2015 – Work in Process - Audit Number: 201520029)

Audit Objective: Review the implementation of new data elements based on the Identity Theft Summit.

Fiscal Year 2016 Planned Audits for CHALLENGE 7:
Providing Quality Taxpayer Service Operations

Providing taxpayers with quality customer service is a key component in the IRS's mission. Ensuring that taxpayers understand and meet their tax responsibilities is crucial for the IRS in its effort to encourage voluntary compliance with the tax laws. Resolving taxpayer questions before tax returns are filed helps avoid unintentional errors and also reduces taxpayer burden that results from the issuance of post-filing notices and correspondence. Further, successfully addressing and resolving taxpayer inquiries through a quality customer service process allows the IRS to direct its limited resources more efficiently. We have 13 new or in-process audits for this major management and performance challenge.

Taxpayer Advocate Service Processing of Earned Income Tax Credit Cases

(FY 2016 – New Start - Audit Number: 201610005)

Audit Objective: Determine whether the Taxpayer Advocate Service is properly processing cases involving the Earned Income Tax Credit.

Follow-Up Review of Treasury Inspector General for Tax Administration Audit Recommendations for the Taxpayer Advocate Service

(FY 2016 – New Start - Audit Number: 201610007)

Audit Objective: Determine whether prior TIGTA audit recommendations for the Taxpayer Advocate Service have been appropriately addressed and documented.

Processing Tax Returns on the Non Master File

(FY 2016 – New Start - Audit Number: 201640008)

Audit Objective: Evaluate the accuracy of tax accounts on the IRS's Non Master File.

Customized Letters Sent to Taxpayers

(FY 2016 – New Start - Audit Number: 201640013)

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

Oversight of the Volunteer Income Tax Assistance Grant Program – Follow-Up

(FY 2016 – New Start - Audit Number: 201640014)

Audit Objective: Evaluate oversight of the Volunteer Income Tax Assistance Grant Programs to determine if program objectives are met and awarded funds are used as directed.¹⁴

Identity Theft Victim Assistance Directorate

(FY 2016 – New Start - Audit Number: 201640015)

Audit Objective: Determine whether centralization of identity theft functions improved assistance to victims.

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

(FY 2016 – New Start - Audit Number: 201640016)

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

Identity Protection Personal Identification Numbers – Follow-Up

(FY 2016 – New Start - Audit Number: 201640017)

Audit Objective: Assess corrective actions to address weaknesses in the Identity Protection Personal Identification Numbers Program.¹⁵

Contact Analytics to Improve Customer Service

(FY 2015 – Work in Process - Audit Number: 201540011)

Audit Objective: Determine whether Contact Analytics is used to improve taxpayer service.

Quality Statistical Sample Review Program

(FY 2015 – Work in Process - Audit Number: 201540012)

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

Requests for Relief Under the Injured Spouse Program – Follow-Up

(FY 2015 – Work in Process - Audit Number: 201540014)

Audit Objective: Determine whether taxpayers' requests for relief under the Injured Spouse Program are processed accurately and timely.¹⁶

¹⁴ TIGTA, Ref. No. 2013-40-110, *Inconsistent Adherence to Quality Requirements Continues to Affect the Accuracy of Some Tax Returns Prepared at Volunteer Sites* (Sep. 2013).

¹⁵ TIGTA, Ref. No. 2014-40-086, *Identity Protection Personal Identification Numbers Are Not Provided to All Eligible Taxpayers* (Sep. 2014).

¹⁶ TIGTA, Ref. No. 2005-40-001, *Injured Spouse Guidance Is Not Consistent* (Oct. 2004).

Timeliness of Internal Revenue Service Correspondence Processing – Follow-Up

(FY 2015 – Work in Process - Audit Number: 201540025)

Audit Objective: Evaluate processes to timely process taxpayer correspondence.¹⁷

Assistance Provided to Victims of the Get Transcript Breach

(FY 2015 – Work in Process - Audit Number: 201540027)

Audit Objective: Evaluate the IRS’s process to identify and provide assistance to the victims of the Get Transcript breach.

Fiscal Year 2016 Planned Audits for CHALLENGE 8:
Globalization

The scope, complexity, and magnitude of the international financial system present significant enforcement challenges for the IRS. As the IRS noted in its most recent strategic plan, the evolution and proliferation of virtual commerce has expanded the exchange of goods, services, and currencies – real and virtual – across jurisdictions, further complicating tax administration. In addition, businesses with United States tax obligations are increasingly adopting more complex incorporation structures, shifting away from C corporations and moving towards flow-through entities, such as partnerships and S corporations. We have seven new or in-process audits for this major management and performance challenge.

Internal Revenue Service’s Compliance Activities for the Foreign Account Tax Compliance Act

(FY 2016 – New Start - Audit Number: 201630025)

Audit Objective: Evaluate the IRS’s efforts to ensure that taxpayers, foreign financial institutions, and withholding agents comply with the Foreign Account Tax Compliance Act.¹⁸

Report of Foreign Bank and Financial Accounts Filing Compliance, Enforcement, and Penalties

(FY 2016 – New Start - Audit Number: 201630026)

Audit Objective: Evaluate the IRS’s compliance efforts related to the Report of Foreign Bank and Financial Accounts.

¹⁷ TIGTA, Ref. No. 2013-40-105, *Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases* (Sep. 2013).
Enacted as part of Pub. L. No. 111-147, Hiring Incentives to Restore Employment Act of 2010.

Foreign Tax Credit (Corporations)

(FY 2016 – New Start - Audit Number: 201630027)

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

Offshore Voluntary Disclosure Program

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

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

Exchange of Information With Foreign Countries

(FY 2015 – Work in Process - Audit Number: 201530021)

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

Transfer Pricing Across International Borders

(FY 2015 – Work in Process - Audit Number: 201530025)

Audit Objective: Identify and assess any barriers to the IRS efficiently evaluating transfer pricing issues.

Reporting of Rental Income on United States Residential Property Owned by Nonresident Alien Individuals

(FY 2015 – Work in Process - Audit Number: 201530026)

Audit Objective: Evaluate the IRS’s efforts in identifying and addressing nonresident alien individuals who should be paying tax on rental income of United States residential real property.

Fiscal Year 2016 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 complying with taxpayer rights provisions of the RRA 98.¹⁹ We have 16 new or in-process audits for this major management and performance challenge.

¹⁹ 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.).

Fiscal Year 2016 Mandatory Review of Collection Due Process

(FY 2016 – New Start - Audit Number: 201610001)

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.

Fiscal Year 2016 Mandatory Review of Fair Tax Collection Practices Act Violations for Fiscal Year 2015

(FY 2016 – New Start - Audit Number: 201610004)

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

Fiscal Year 2016 Mandatory Review of Liens

(FY 2016 – New Start - Audit Number: 201630001)

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

Fiscal Year 2016 Mandatory Review of Seizures

(FY 2016 – New Start - Audit Number: 201630002)

Audit Objective: Determine whether seizures conducted by the IRS complied with legal provisions set forth in I.R.C. §§ 6330 through 6344 (1994 & Supp. IV 1998) and with the IRS's own internal procedures.

Fiscal Year 2016 Mandatory Review of Levies

(FY 2016 – New Start - Audit Number: 201630003)

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

Fiscal Year 2016 Mandatory Review of Disclosure of Collection Activity With Respect to Joint Returns

(FY 2016 – New Start - Audit Number: 201630004)

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

Fiscal Year 2016 Mandatory Review of Illegal Tax Protestors and Similar Designations

(FY 2016 – New Start - Audit Number: 201630005)

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.

Fiscal Year 2016 Mandatory Review of Assessment Statute Extension Dates

(FY 2016 – New Start - Audit Number: 201630006)

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

Fiscal Year 2016 Mandatory Review of Internal Revenue Service Compliance With Restrictions on the Use of Enforcement Statistics

(FY 2016 – New Start - Audit Number: 201630007)

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

Fiscal Year 2016 Mandatory Review of the Compliance With the Freedom of Information Act

(FY 2016 – New Start - Audit Number: 201630008)

Audit Objective: Determine whether the IRS improperly withheld information requested by taxpayers in writing, based on the Freedom of Information Act²⁰ exemption (b)(7), and/or I.R.C. § 6103, or by replying that responsive records were not available.

Fiscal Year 2016 Mandatory Review of Restrictions on Directly Contacting Taxpayers

(FY 2016 – New Start - Audit Number: 201630009)

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

Review of Criminal Investigation's Identity Theft Strategy

(FY 2016 – New Start - Audit Number: 201630022)

Audit Objective: Evaluate Criminal Investigation's efforts in investigating and prosecuting identity theft related tax fraud.

Multilingual Services for Taxpayers in Collection and Examination

(FY 2016 – New Start - Audit Number: 201630028)

Audit Objective: Evaluate IRS compliance efforts in assisting delinquent taxpayers with limited English skills with filing and paying their income taxes.

²⁰ 5 U.S.C. § 552.

Internal Revenue Service’s Use of Civil Forfeiture Authority in Structuring Cases

(FY 2015 – Work in Process - Audit Number: 201530030)

Audit Objective: Evaluate the IRS’s use of its civil forfeiture authority against taxpayers suspected of structuring deposits to avoid the Bank Secrecy Act²¹ reporting threshold.

Levy of Social Security Administration Payments

(FY 2015 – Work in Process - Audit Number: 201530031)

Audit Objective: Determine whether the IRS has a consistent policy on levying Social Security payments to low income recipients and whether such levies are appropriate under the facts and circumstances of the cases.

Assistance to Taxpayers Affected by Employment-Related Identity Theft

(FY 2015 – Work in Process - Audit Number: 201540015)

Audit Objective: Evaluate Automated Underreporter processes to identify and assist potential victims of identity theft.

Fiscal Year 2016 Planned Audits for CHALLENGE 10:
Human Capital

People are the Federal Government’s most critical asset because they play such a vital role in achieving agencies’ missions and delivering services to stakeholders. Between FYs 2010 and 2014, the IRS lost approximately 13,000 full-time employees and expects to lose an additional 3,000 employees through attrition in FY 2015. Additionally, by the end of FY 2016, 61 percent of all IRS executives and nearly 41 percent of the IRS’s non-executive managers are projected to be eligible for retirement. We have four in-process audits for this major management and performance challenge.

Non-Tax Employee Debt Collection

(FY 2016 – New Start - Audit Number: 201610010)

Audit Objective: Assess the IRS’s management of the collection of nontax employee debt.

Worker’s Compensation Claims

(FY 2016 – New Start - Audit Number: 201610011)

Audit Objective: Assess the IRS’s process for initiating and monitoring worker’s compensation claims.

²¹ Pub. L. No. 91-508, 84 Stat. 1114 to 1124 (1970) (codified as amended in scattered sections of 12 U.S.C., 18 U.S.C., and 31 U.S.C.).

Chief Counsel Employee Disciplinary Actions

(FY 2015 – Work in Process - Audit Number: 201510003)

Audit Objective: Determine whether Chief Counsel has an effective process for administering employee disciplinary actions.

Review of Internal Revenue Service Employee Eligibility to Telework

(FY 2015 – Work in Process - Audit Number: 201510023)

Audit Objective: Determine whether IRS's processes provide reasonable assurance that employees meet select qualification requirements for teleworking.

List of Planned Mandatory Audits for Fiscal Year 2016

Each year, TIGTA performs audits on the mandatory coverage imposed by the IRS Restructuring and Reform Act of 1998 (RRA 98) and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial audits. These mandatory audits are listed here. We have 19 new or in-process mandatory audits in this Plan.

Fiscal Year 2016 Mandatory Review of Collection Due Process

(FY 2016 – New Start - Audit Number: 201610001)

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

Annual Mandatory Review of the Internal Revenue Service’s Federal Financial Management Improvement Act Fiscal Year 2015 Remediation Plan

(FY 2016 – New Start - Audit Number: 201610002)

Audit Objective: Determine IRS compliance with Federal Financial Management Improvement Act requirements.

Government Charge Card Abuse Prevention Act of 2012 Semiannual Mandatory Review Covering the Period October 2015 Through March 2016

(FY 2016 – New Start - Audit Number: 201610003)

Audit Objective: Assess the IRS’s implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012 requirements for the period October 2015 through March 2016.

Fiscal Year 2016 Mandatory Review of Fair Tax Collection Practices Act Violations for Fiscal Year 2015

(FY 2016 – New Start - Audit Number: 201610004)

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

Review of the Internal Revenue Service’s Implementation of the Digital Accountability and Transparency Act of 2014

(FY 2016 – New Start - Audit Number: 201610012)

Audit Objective: Evaluate the IRS’s implementation of the Digital Accountability and Transparency Act of 2014.

Fiscal Year 2016 Review of the Federal Information Security Modernization Act on Internal Revenue Service Unclassified Systems

(FY 2016 – New Start - Audit Number: 201620001)

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

Annual Assessment of the Internal Revenue Service's Information Technology

(FY 2016 – New Start - Audit Number: 201620002)

Audit Objective: Assess the overall progress of the IRS's information technology efforts.

Fiscal Year 2016 Mandatory Review of Liens

(FY 2016 – New Start - Audit Number: 201630001)

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

Fiscal Year 2016 Mandatory Review of Seizures

(FY 2016 – New Start - Audit Number: 201630002)

Audit Objective: Determine whether seizures conducted by the IRS complied with legal provisions set forth in I.R.C. §§ 6330 through 6344 (1994 & Supp. IV 1998) and with the IRS's own internal procedures.

Fiscal Year 2016 Mandatory Review of Levies

(FY 2016 – New Start - Audit Number: 201630003)

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

Fiscal Year 2016 Mandatory Review of Disclosure of Collection Activity With Respect to Joint Returns

(FY 2016 – New Start - Audit Number: 201630004)

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

Fiscal Year 2016 Mandatory Review of Illegal Tax Protestors and Similar Designations

(FY 2016 – New Start - Audit Number: 201630005)

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.

Fiscal Year 2016 Mandatory Review of Assessment Statute Extension Dates

(FY 2016 – New Start - Audit Number: 201630006)

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

Fiscal Year 2016 Mandatory Review of Internal Revenue Service Compliance With Restrictions on the Use of Enforcement Statistics

(FY 2016 – New Start - Audit Number: 201630007)

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

Fiscal Year 2016 Mandatory Review of the Compliance With the Freedom of Information Act

(FY 2016 – New Start - Audit Number: 201630008)

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

Fiscal Year 2016 Mandatory Review of Restrictions on Directly Contacting Taxpayers

(FY 2016 – New Start - Audit Number: 201630009)

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

Compliance With the Improper Payment Reporting Requirements in Fiscal Year 2015

(FY 2016 – New Start - Audit Number: 201640001)

Audit Objective: Determine whether the IRS complied with annual improper payment reporting requirements for FY 2015.

Attestation Review of the Internal Revenue Service's Fiscal Year 2015 Annual Accounting of Drug Control Funds

(FY 2015 – Work in Process - Audit Number: 201510019)

Audit Objective: Perform an attestation review of the IRS's reporting of FY 2015 Office of National Drug Control Policy Expenditures and Related Performance for the purpose of expressing a conclusion about the reliability of each assertion made in the Detailed Accounting Submission and Performance Summary Report.

Government Charge Card Abuse Prevention Act of 2012 Semiannual Mandatory Review Covering the Period April 2015 Through September 2015

(FY 2015 – Work in Process - Audit Number: 201510026)

Audit Objective: Assess the IRS's implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012 requirements for the period April 2015 through September 2015.

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