

2019 Annual Audit Plan

Treasury Inspector General for
Tax Administration

1401 H Street, NW
Washington, DC 20005
www.treasury.gov/tigta



Table of Contents

Message from the Deputy Inspector General for Tax Administration	1
List of Planned Audits for Fiscal Year 2019 by Major Management Challenges.....	2
Challenge 1 – Security Over Taxpayer Data and Protection of IRS Resources	2
Challenge 2 – Implementing the Tax Cuts and Jobs Act and Other Tax Law Changes	5
Challenge 3 – Identity Theft and Impersonation Fraud	6
Challenge 4 – Providing Quality Taxpayer Service	7
Challenge 5 – Upgrading Tax Systems and Expanding Online Services	8
Challenge 6 – Improving Tax Reporting and Payment Compliance	9
Challenge 7 – Reducing Fraudulent Claims and Improper Payments	15
Challenge 8 – Impact of Global Economy on Tax Administration	17
Challenge 9 – Protecting Taxpayer Rights	18
Challenge 10 – Achieving Program Efficiencies and Cost Savings	20
Organization Chart – Office of Audit	24

Message from the Deputy Inspector General for Audit

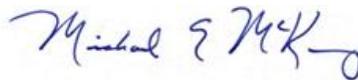
The Office of Audit Fiscal Year (FY) 2019 Annual Audit Plan communicates the Treasury Inspector General for Tax Administration's (TIGTA) audit priorities to the Internal Revenue Service (IRS), Congress, and other interested parties. Many of the activities described in the Annual Audit Plan address the fundamental goals related to the IRS's mission to administer its programs effectively and efficiently. The FY 2019 Annual Audit Plan includes 151 new and in-process audits.

Each year, TIGTA identifies and addresses the major management and performance challenges confronting the IRS. This Annual Audit Plan is organized by the major management challenges facing the IRS for FY 2019.

- **Security Over Taxpayer Data and Protection of IRS Resources**
- **Improving Tax Reporting and Payment Compliance**
- **Implementing the Tax Cuts and Jobs Act and Other Tax Law Changes**
- **Reducing Fraudulent Claims and Improper Payments**
- **Identity Theft and Impersonation Fraud**
- **Impact of Global Economy on Tax Administration**
- **Providing Quality Taxpayer Service**
- **Protecting Taxpayer Rights**
- **Upgrading Tax Systems and Expanding Online Services**
- **Achieving Program Efficiencies and Cost Savings**

The Annual Audit Plan includes mandatory coverage imposed by the IRS Restructuring and Reform Act of 1998 (RRA 98)¹ and other statutory authorities involving computer security and taxpayer rights and privacy issues. TIGTA's audit work is concentrated on high-risk areas. To identify FY 2019 high-risk areas for audit coverage, TIGTA used a risk-assessment strategy within its core business areas and identified the highest priority audits to address each of the major management challenges.

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.



Michael E. McKenney
Deputy Inspector General for Audit

¹ Pub. L. No. 105-206, 112 Stat. 685.

Fiscal Year 2019 Annual Audit Plan

CHALLENGE 1: Security Over Taxpayer Data and Protection of IRS Resources

Taxpayers have the right to expect that information they provide to IRS will not be disclosed unless authorized by them or the law. The risk of unauthorized access to tax accounts and unauthorized disclosure of taxpayer data will increase as the IRS expands the availability of its online services and self-help tools. In addition to protecting taxpayer data against outside attacks, the IRS must ensure that contractors or other third parties adequately protect taxpayer data to prevent its unauthorized disclosure. The IRS must also ensure that its systems and data are protected against internal threats. These threats may appear in the form of malicious insiders or disgruntled employees who seek to misuse their access to taxpayer data or sensitive IRS business practices for personal gain.

Statutorily Required Audits

Audit Title and Objective

Fiscal Year 2019 Federal Information Security Modernization Act (audit number: 201920001)

Determine the IRS's progress in implementing the Federal Information Security Modernization Act of 2014² for its unclassified information technology system security program.

Annual Assessment of the Internal Revenue Service's Information Technology

(audit number: 201920007)

Assess the adequacy and security of the IRS's information technology program.

Compliance With Privacy Laws and Regulations (audit number: 201720002)

Determine whether the IRS is complying with privacy laws and regulations.

Risk-Based Audits

Audit Title and Objective

Employee Exit Procedures – Access to Government Facilities – Follow-up

(audit number: 201910014)

Determine whether the IRS has implemented corrective actions to remove access to IRS facilities and computers when employees separate.

Internal Revenue Service's Significant Backlog of Moderate-Risk Background Investigations (audit number: 201810014)

Assess the potential risks associated with overdue moderate-risk reinvestigations at the IRS.

²Pub. 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.

Fiscal Year 2019 Annual Audit Plan

Outside Employment Request Process – Follow-up (audit number: 201810025)

Determine whether the IRS has implemented corrective actions to provide reasonable assurance that outside employment activities are approved, tracked, and reviewed for potential conflicts of interest.

Processes for Rehiring Employees With Prior Performance or Conduct Issues – Follow-up (audit number: 201810026)

Assess whether controls provide reasonable assurance that former employees are rehired only after prior performance and conduct issues have been considered.

Database Security (audit number: 201920002)

Assess the security of the IRS's database configurations and determine whether vulnerabilities are being tracked, resolved, and reported timely.

Implementation of Information Security Continuous Monitoring (audit number: 201920003)

Determine the progress of the Continuous Diagnostics and Mitigation Project and whether the Project is effectively meeting its goals.

Progress on Identity Proofing of Taxpayers for Online Applications

(audit number: 201920004)

Evaluate the identity-proofing capabilities for secure electronic authentication to online applications.

Cybersecurity's Insider Threat Program (audit number: 201920005)

Assess the IRS Cybersecurity organization's progress on implementing an Insider Threat Program to proactively identify possible credible threats within the agency and minimize damage to systems and loss of data.

Unauthorized Access Audit Trails – Follow-up (audit number: 201920006)

Evaluate the progress on the efforts to implement unauthorized access audit trail requirements on IRS systems.

Unified Access and Network Segmentation (audit number: 201920011)

Evaluate the progress and effectiveness of the unified access and network segmentation efforts to enforce the need-to-know accessibility to networks, systems, and data.

Fiscal Year 2019 Annual Audit Plan

Active Directory Controls (audit number: 201920013)

Evaluate selected Active Directory implementations to determine whether controls are effective to protect the network and data.

Firewall Environment Administration (audit number: 201920014)

Determine whether the firewall environment is being effectively administered to ensure that the IRS's internal networks are protected against external threats.

Management and Security of Websites and Applications (audit number: 201920015)

Determine how well the IRS is managing and securing its external websites and web applications.

Software Version Control Management (audit number: 201720007)

Evaluate the strategy and processes to manage and control software versions on systems and applications, and ensure that the software versions are up to date.

Effectiveness of Controls to Prevent Data Loss and Exfiltration (audit number: 201820003)

Evaluate whether the IRS has properly implemented controls to prevent data loss, including data exfiltration of sensitive information.

E-Authentication Risk Assessment Process (audit number: 201820005)

Evaluate the effectiveness of electronic authentication controls over public access to online systems.

Security of Bring Your Own Device Program (audit number: 201820009)

Evaluate the management and security of the Bring Your Own Device Program to ensure that data are protected while maintaining program cost efficiencies.

Controls to Safeguard Taxpayer Data at Volunteer Income Tax Assistance Sites

(audit number: 201840010)

Assess IRS controls to safeguard taxpayer information at Volunteer Income Tax Assistance sites.

Program Participation Suitability Checks (audit number: 201840041)

Assess the effectiveness of the IRS's process to ensure suitability of applicants seeking participation in IRS programs.

Fiscal Year 2019 Annual Audit Plan

CHALLENGE 2: Implementing the Tax Cuts and Jobs Act and Other Tax Law Changes

The Tax Cuts and Jobs Act of 2017³ contains 119 provisions that are administered by the IRS and made significant changes to income tax rates, income tax deductions and credits, and Federal income tax withholding. These provisions are effective for Tax Year 2018 and required the IRS to revise income tax withholding tables for wages paid after January 1, 2018. In addition to the Tax Cuts and Jobs Act, the IRS must administer other tax law provisions, such as those in the Protecting Americans from Tax Hikes Act of 2015.⁴

Risk-Based Audits

Audit Title and Objective

Notification Requirements for Certain Section 501(c)(4) Tax-Exempt Organizations

(audit number: 201910011)

Assess the Exempt Organizations function's efforts to implement the Protecting Americans from Tax Hikes Act of 2015 provisions imposing a new Form 8976, *Notice of Intent to Operate Under Section 501(c)(4)*, filing requirement for certain Section (§) 501(c)(4) organizations.

Tax Cuts and Jobs Act - Office of Chief Counsel Tax Cuts and Jobs Act Published Guidance Plan

(audit number: 201810022)

Evaluate whether the IRS's Office of Chief Counsel has taken steps to timely issue published guidance relating to tax law changes because of the Tax Cuts and Jobs Act of 2017.

Tax Cuts and Jobs Act - Chief Counsel Notice 2018-54 Issuance

(audit number: 201810024)

Evaluate the process used to prioritize and issue IRS Notice 2018-54, *Guidance on Certain Payments Made in Exchange for State and Local Tax Credits*.

Tax Cuts and Jobs Act - Excise Tax on Excess Compensation of Tax-Exempt Organization Employees

(audit number: 201810427)

Determine whether the IRS is effectively implementing the Tax Cuts and Jobs Act of 2017's excise tax on excess compensation of tax-exempt organization employees.

Tax Cuts and Jobs Act - Assessment of Progress to Make System Modifications for Filing Season 2020

(audit number: 201920412)

Assess the Information Technology organization's progress to make system modifications required to implement the Tax Cuts and Jobs Act of 2017 for Filing Season 2020.

³ Pub. L. No. 115-97. Officially known as "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for Fiscal Year 2018."

⁴ Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, 129 Stat. 2242 (2015).

Fiscal Year 2019 Annual Audit Plan

Tax Cuts and Jobs Act - Filing Season 2019 Systems Development

(audit number: 201820428)

Review the systems development process to implement Filing Season 2019 changes.

Tax Cuts and Jobs Act - 2019 Filing Season Individual Tax Return Processing

[audit number: 201940401 (Interim Report) and 201940402 (Final Report)]

Evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2019 Filing Season.

Affordable Care Act: Selection and Resolution of Noncompliant Employers Subject to the Employer Shared Responsibility Provision

(audit number: 201940319)

Evaluate the IRS's selection and resolution processes to ensure Applicable Large Employer compliance with the Employer Shared Responsibility Provision.

Assessment of the Implementation of the Tax Cuts and Jobs Act

(audit number: 201840434)

Assess the accuracy and completeness of the IRS's actions to implement tax provisions contained in the Tax Cuts and Jobs Act of 2017.

Deduction for Qualified Business Income

(audit number: 201840435)

Assess the IRS's actions to implement § 11011 of the Tax Cuts and Jobs Act of 2017.

CHALLENGE 3: Identity Theft and Impersonation Fraud

Identity-theft tax fraud occurs when an individual uses another person's or business' name and Taxpayer Identification Number to file a fraudulent tax return for the purpose of obtaining a tax refund. This type of fraudulent activity is constantly evolving and continues to have a significant impact on tax administration. As such, the IRS must continually adapt its detection and prevention processes to reject fraudulent electronically filed tax returns and prevent fraudulent paper tax returns from posting.

Risk-Based Audits

Audit Title and Objective

Criminal Investigation's Identity Theft Strategy

(audit number: 201730026)

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

Detection and Prevention of Individual Identity Theft

(audit number: 201940003)

Assess the IRS's continued efforts to detect and prevent individual identity theft.

Fiscal Year 2019 Annual Audit Plan

Efforts to Detect and Prevent Fraud on Schedule C, Profit or Loss From Business

(audit number: 201940004)

Assess the IRS's efforts to detect and prevent tax refund fraud related to Schedule C, *Profit or Loss From Business*.

Process to Identify and Notify Victims of Employment Identity Theft – Follow-up

(audit number: 201940008)

Assess the IRS's efforts to identify and notify all victims of employment identity theft.

Detection and Prevention of Business Identity Theft (audit number: 201940020)

Assess the IRS's continued efforts to detect and prevent business identity theft.

Assistance to Victims of External Data Breaches (audit number: 201740036)

Assess the IRS's efforts to assist victims of external data breaches.

CHALLENGE 4: Providing Quality Taxpayer Service

Providing taxpayers with quality customer service is a key component in the IRS's mission. Resolving questions before tax returns are filed helps taxpayers avoid unintentional errors and noncompliance, and also reduces the burden on both taxpayers and the IRS that results from the issuance of notices and correspondence. Successfully addressing and resolving taxpayer inquiries through a quality customer service process allows the IRS to direct its limited resources more efficiently.

Risk-Based Audits **Audit Title and Objective**

Locating Taxpayer Files (audit number: 201910013)

Determine whether certain paper IRS files are stored in a manner that is retrievable and kept for the required retention period.

Taxpayer Advocate Service's Centralized Case Intake Function (audit number: 201710026)

Assess the Taxpayer Advocate Service's Centralized Case Intake Program's efforts to improve customer service.

Accuracy of Error Resolution System Processing (audit number: 201940007)

Evaluate the effectiveness of the IRS's use of the Error Resolution System to address potentially erroneous individual tax returns.

Fiscal Year 2019 Annual Audit Plan

Resolution of Unpostable Conditions (audit number: 201940011)

Determine the accuracy of the IRS's resolution of unpostable conditions.

Quality of Telephone Assistance for Compliance Lines (audit number: 201940012)

Determine whether the IRS provides accurate, professional assistance to taxpayers who call the IRS's compliance telephone lines.

Quality of Face-to-Face Assistance (audit number: 201940013)

Evaluate the quality of assistance at Taxpayer Assistance Centers and other locations where face-to-face service is provided.

Telephone Performance Measures - Follow-up (audit number: 201840025)

Evaluate the IRS's telephone performance measures to determine whether they provide a sufficient assessment of service provided to taxpayers.

Strategy to Assist Taxpayers Who Seek Face-to-Face Assistance (audit number: 201840028)

Evaluate efforts to provide tax account assistance to taxpayers seeking face-to-face assistance.

Processing of Veteran's Tax Returns (audit number: 201840042)

Determine the accuracy of the IRS's processing of tax returns filed by veterans.

CHALLENGE 5: Upgrading Tax Systems and Expanding Online Services

Successful modernization of systems and the development and implementation of new information technology applications are critical to meeting the IRS's evolving business needs and enhancing services provided to taxpayers. The IRS's reliance on legacy (*i.e.*, older) systems, aged hardware and software, and its use of outdated programming languages pose significant risks to the IRS's ability to deliver its mission. Modernizing the IRS's computer systems has been a persistent challenge for many years and will likely remain a challenge for the foreseeable future.

Risk-Based Audits

Audit Title and Objective

Cloud Strategy Implementation (audit number: 201920008)

Assess the implementation of the IRS's cloud strategy to ensure compliance with Federal guidance.

Fiscal Year 2019 Annual Audit Plan

Mitigating the Risks of Legacy Systems Management (audit number: 201920009)

Assess the effect of legacy systems on the IRS's ability to deliver a modernized tax administration.

Customer Account Data Engine 2 Project (audit number: 201820021)

Determine the IRS's project total expenditures to date, progress developing the Customer Account Data Engine 2 project, and retirement strategy for the Individual Master File.

CHALLENGE 6: Improving Tax Reporting and Payment Compliance

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. This is critical, because the IRS notes that a 1 percent drop in the voluntary compliance rate is estimated to cost the Government tax revenue of \$30 billion each year. To enhance its enforcement actions, the IRS implemented the Private Debt Collection program. The continued operation and implementation of this program will remain a top concern for the IRS.

Statutorily Required Audits

Audit Title and Objective

Biannual Reporting of Private Debt Collection Contractor Performance

(audit number: 201830011)

Determine whether private debt collection contractor performance complies with the vendors' statements of work and meets the expectations and goals established by the IRS.

Risk-Based Audits

Audit Title and Objective

Tax Compliance Checks (audit number: 201910008)

Determine whether IRS tax compliance checks conducted in support of various background investigations (*e.g.*, Federal employees, contractor personnel) or other statutory requirements (*e.g.*, vendor, passport tax checks) are based on current laws, rules, and regulations and result in the identification of all delinquent Federal tax liabilities and nonfiling incidents open under the collection statute.

Direct Pay Bond Refund Claims Process (audit number: 201910015)

Determine whether revised processes for processing direct pay bond refund claims are effective and efficient.

Contractor Personnel With Federal Tax Delinquencies (audit number: 201610018)

Determine whether the IRS effectively prevents tax delinquent contractor personnel from working on IRS contracts.

Fiscal Year 2019 Annual Audit Plan

Employee Plans Examination Quality (audit number: 201710021)

Assess how the Tax Exempt and Government Entities Division selects Employee Plans function examination cases for quality review, documents results, and provides feedback to employees performing examinations.

Excess Contributions to 401(k) Retirement Plans (audit number: 201710027)

Determine whether IRS processes sufficiently identify and address excess contributions to 401(k) plans.

Employee Tax Compliance Adjudication Process (audit number: 201810009)

Evaluate the process for determining whether cases of employee tax noncompliance rise to the level of willful noncompliance, and determine what actions the IRS takes to address employees with repeated tax noncompliance issues.

Internal Revenue Code Section 6700 Tax Promoter Penalty Documentation

(audit number: 201810023)

Determine whether IRS management has controls in place that provide reasonable assurance that examiners consider Internal Revenue Code (I.R.C.) § 6700 Abusive Tax Shelter Promoter penalties when performing tax-exempt bond examinations.

Relief From Penalties for Early Distributions From Individual Retirement Plans

(audit number: 201810029)

Determine whether IRS processes provide reasonable assurance that individuals comply with existing laws for reporting and paying any taxes due when receiving early distributions from their individual retirement plan.

Private Debt Collection - Post Implementation (audit number: 201930005)

Assess Private Debt Collection in the Post-Implementation Phase.

Trends in Compliance Activities Through Fiscal Year 2018 (audit number: 201930009)

Provide various statistical information regarding Collection and Examination function activities.

Reasonable Compensation in Examinations of Single-Owner S Corporations

(audit number: 201930010)

Determine whether the IRS has implemented policies, procedures, and practices to ensure that reasonable compensation is considered in exam selection and in the conduct of examinations of shareholders of S Corporations.

Fiscal Year 2019 Annual Audit Plan

Qualified Plug-In Electric Drive Motor Vehicle Credit (audit number: 201930011)

Determine whether the IRS is adequately considering returns with the Qualified Plug-In Electric Drive Motor Vehicle Credit for examination.

Earned Income Tax Credit Examinations (audit number: 201930012)

Determine whether the IRS's procedures for selecting and examining returns with Earned Income Tax Credit claims are effective for determining the highest tax compliance risks.

Correspondence Examinations (audit number: 201930013)

Determine the IRS's effectiveness in the selection and examination of Correspondence Audits.

Processing of Restitution Payments and Conditions of Probation – Follow-up

(audit number: 201930018)

Determine whether the IRS effectively manages the collection of restitution payments owed by defendants prosecuted by the Government.

Tax Compliance of Taxpayers Using Global Online Payment Businesses

(audit number: 201930019)

Review the effectiveness of IRS's effort to effectively identify business revenue collected via online payment applications.

Criminal Investigation International Investigations (audit number: 201930020)

Determine how effectively Criminal Investigation is utilizing resources within the IRS to initiate, develop, and pursue international investigations.

Criminal Investigation's Internal Fraud Referral Process for Case Consideration

(audit number: 201930022)

Evaluate Criminal Investigation's efforts at evaluating and assessing fraud referrals received from all IRS operating divisions.

Recipients of Form 1099-K Without a Schedule C or E (audit number: 201930023)

Assess Small Business/Self-Employed Division Examination processes and controls that identify and address noncompliance related to Form 1099-K, *Payment Card and Third Party Network Transactions*, recipients who fail to file Schedule C or Schedule E, *Supplemental Income and Loss*.

Fiscal Year 2019 Annual Audit Plan

Schedule K-1 Matching Program (audit number: 201730020)

Determine whether the processing of cases involving Schedule K-1⁵, income in the IRS's Underreporter Matching Program is effectively identifying noncompliant taxpayers and minimizing unnecessary notices to taxpayers.

Effectiveness of Selecting Individual Income Tax Returns for Examination

(audit number: 201730031)

Assess the effectiveness of the Discriminant Index Function and Non-Discriminant Index Function selection methods to identify individual income tax returns for examination.

Use of Civil Tax Penalties by the Large Business and International Division

(audit number: 201730035)

Determine whether civil tax penalties in the Large Business and International Division are properly considered and assessed.

Mergers, Acquisitions, and Dissolutions (audit number: 201830015)

Evaluate the effectiveness of information returns and other required forms on reporting compliance for mergers, acquisitions, and dissolutions. Also, evaluate how effectively the IRS is addressing the compliance risk posed by taxable mergers, acquisitions, and dissolutions.

Schedule C Audit Selection (audit number: 201830016)

Determine whether the IRS is effectively selecting returns of nonfarm sole proprietors with potential noncompliance.

Partnership Withholding Compliance With Foreign Partners (audit number: 201830019)

Determine the effectiveness of the IRS's efforts in ensuring withholding compliance of partnerships with foreign partners.

Large Business and International Corporate (Form 1120) Return Case Selection Issues

(audit number: 201830021)

Review the selection process, use of resources, and examination productivity for corporate returns.

Compliance Issues for Certain Cash Based Industries (audit number: 201830022)

Evaluate the IRS's examination and education approach to certain cash-based industries, including legal marijuana operations (*e.g.*, medical marijuana production and use).

⁵ Information returns used to report the distribution of income, credits, and deductions to beneficiaries, partners, and shareholders from flow-through entities (*e.g.*, estates/trusts, partnerships, S Corporations).

Fiscal Year 2019 Annual Audit Plan

Implementation of Passport Revocation Program (audit number: 201830030)

Evaluate the actions taken, progress, and coordination with the Department of State in developing and implementing policies, procedures, criteria, and safeguards applicable to changes in I.R.C. § 7345, revocation or denial of passport in cases of certain unpaid taxes.

National Research Program Examinations (audit number: 201830031)

Determine how the IRS utilizes data from the National Research Program examinations to further tax compliance.

Syndicated Conservation Easements (audit number: 201830032)

Determine whether the IRS is effectively identifying, reviewing, and examining taxpayers with Syndicated Conservation Easement transactions.

Automated 6020(b) Program (audit number: 201830033)

Determine whether the IRS is using the Automated 6020(b) Program to improve the filing compliance and payment compliance for businesses with employment tax obligations.

Virtual Currency Exchange Audits (audit number: 201830034)

Evaluate the IRS Bank Secrecy Act Program's efforts to audit virtual currency exchanges.

Use of Currency Transaction Report Data for Compliance Purposes

(audit number: 201830035)

Determine filing noncompliance of taxpayers who have received Currency Transaction Reports, and evaluate the accuracy of these data in the IRS's information systems.

High-Income/High-Wealth Nonfiler Strategy (audit number: 201830036)

Determine whether the IRS is effectively addressing high-income/high-wealth nonfilers and whether the new policy being developed incorporates such a strategy.

Payment Noncompliance of High-Wealth Taxpayers (audit number: 201830037)

Evaluate the IRS's compliance efforts for high-wealth taxpayers with high-dollar balance dues.

Effectiveness of the Internal Revenue Service's Efforts to Comply With Internal Revenue Code Section 6405 (audit number: 201830038)

Assess the effectiveness of the IRS's efforts to examine refund claims in excess of \$2 million (\$5 million for corporations) and report to the Joint Committee on Taxation on such claims.

Fiscal Year 2019 Annual Audit Plan

Tax Return Preparers Who Owe Significant Penalties and Taxes (audit number: 201830039)

Evaluate IRS actions for delinquent tax preparers who have the highest amounts of penalties and taxes assessed and determine their ability to pay the corresponding balances due.

Combined Annual Wage Reporting Discrepancy Case Selection - Follow-up

(audit number: 201940014)

Evaluate the IRS's discrepancy case selection processes to ensure that the most productive cases are worked.

Enforcement of Backup Withholding Requirements - Follow-up (audit number: 201940015)

Assess the IRS's efforts to enforce payer noncompliance with backup withholding requirements.

S Corporation Elections (audit number: 201940016)

Assess processes to ensure correct tax return filings and payments based on corporation elections.

Section 1446 Partnership Withholding Tax (audit number: 201940017)

Assess efforts to ensure compliance with partnership withholding requirements.

Assignment of and Consolidation of Accounts With Multiple Employer Identification Numbers (audit number: 201940018)

Assess the IRS's processes to ensure the proper use of Employer Identification Numbers.

Withholding Reported on Form 945 (audit number: 201740022)

Determine whether the IRS has controls in place to ensure that withholding reported on information returns is accurately reflected on Forms 945, *Annual Return of Withheld Federal Income Tax*.

Prioritizing Computer Programming Requests to Support Effective Tax Administration

(audit number: 201740040)

Evaluate effectiveness of the IRS's efforts to prioritize computer programming requests to support effective tax administration.

Efforts to Detect and Prevent Erroneous Excess Social Security Tax Credit Claims – Follow-up (audit number: 201840008)

Evaluate the IRS's efforts to detect and prevent erroneous Excess Social Security Tax Credit claims.

Fiscal Year 2019 Annual Audit Plan

Administration of the Excise Tax Registration Program (audit number: 201840011)

Evaluate the IRS's administration of the Excise Tax Registration Program and accounting of excise tax trust funds.

Processing Information Referrals Received From Individuals and Businesses

(audit number: 201840012)

Evaluate the accuracy of the IRS's processing of tax fraud referrals.

Authentication and Verification of Information Return Transmitters

(audit number: 201840020)

Evaluate the IRS's authentication and verification of information returns and their transmitters.

Large Business and International Document Matching – Follow-up

(audit number: 201840022)

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

Verification of Form 8288 Information on International Tax Returns

(audit number: 201840038)

Assess processes to identify erroneous Form 1040NR, *U.S. Nonresident Alien Income Tax Return*, and Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*, withholding credit claims.

CHALLENGE 7: Reducing Fraudulent Claims and Improper Payments

The Office of Management and Budget describes an improper payment as any payment that should not have been made, was made in an incorrect amount, or was made to an ineligible recipient. Improper payment legislation⁶ required Federal agencies, including the IRS, to estimate the amount of their improper payments and report to Congress annually on the causes of and the steps taken to reduce such improper payments.

⁶ Improper Payment Information Act of 2002 (Pub. L. No. 107-300, 116 Stat. 2350), Improper Payment Elimination and Recovery Act of 2010 (Pub. L. No. 111-204, 124 Stat. 2224), and Improper Payments Elimination and Recovery Improvement Act of 2012 (Pub. L. No. 112-248, 126 Stat. 2390).

Fiscal Year 2019 Annual Audit Plan

Statutorily Required Audits

Audit Title and Objective

Government Charge Card Abuse Prevention Act of 2012 Semiannual Mandatory Review

[audit number: 201910004 (April 1, 2018, through September 30, 2018) and 201910005 (October 1, 2018, through March 31, 2019)]

Assess the IRS's implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012⁷ requirements for the period April through September 2018.

Administration of the Individual Taxpayer Identification Number Program

(audit number: 201940005)

Assess the IRS's continued efforts to ensure that only individuals with a tax need are assigned an Individual Taxpayer Identification Number.

Compliance With Improper Payment Reporting Requirements – Fiscal Year 2018

(audit number: 201940006)

Determine whether the IRS complied with annual improper payment reporting requirements for FY 2018.

Risk-Based Audits

Audit Title and Objective

Verification of Low Income Housing Tax Credit Claims (audit number: 201940009)

Assess the IRS's procedures to verify Low Income Housing Tax Credit claims.

Evaluation of Business Tax Offsets (audit number: 201940021)

Assess the IRS's processes to identify and offset refunds associated with business accounts with debt owed.

Processes to Ensure the Accuracy of Research Credit Claims Against Payroll Taxes

(audit number: 201840018)

Determine whether the IRS can ensure that taxpayers who claim the research credit against their payroll taxes are eligible to claim the credit and claim the correct amount.

Use of Systemic Processing to Address Noncompliance With Alimony Reporting Requirements (audit number: 201840019)

Evaluate the IRS's use of systemic processes to identify and address alimony deduction claims when taxpayers do not comply with reporting requirements.

⁷ Pub. L. No. 112-194 (Oct. 2012).

Fiscal Year 2019 Annual Audit Plan

Accuracy of Carryforward Credits (audit number: 201840023)

Determine whether controls exist to ensure that taxpayers are properly claiming prior year carryforward credits.

Detection and Prevention of Erroneous or Fraudulent Amended Tax Returns – Follow-up (audit number: 201840026)

Evaluate the effectiveness of the IRS's efforts to detect and prevent erroneous or fraudulent claims on amended tax returns.

Assessment of the Use of Penalties and Bans to Improve Refundable Credit Compliance (audit number: 201840037)

Evaluate the IRS's use of available tools to deter taxpayers from repeatedly claiming erroneous or fraudulent refundable tax credits.

CHALLENGE 8: Impact of Global Economy on Tax Administration

Complexity and change in the international tax environment require that the IRS collaborate with tax administrations of foreign countries to enforce compliance. The IRS must continue to focus significant efforts on global tax cooperation and tax administration practices that can prevent and resolve disputes among countries to increase certainty for taxpayers.

Risk-Based Audits

Audit Title and Objective

Expatriation Tax (audit number: 201930016)

Determine the effectiveness of the IRS's efforts in ensuring compliance with the expatriation tax provisions under the law.

Using John Doe Summons Data to Ensure Cryptocurrency Tax Compliance

(audit number: 201930017)

Determine whether the IRS has an effective program to identify unreported virtual currency income using John Doe Summons information and other means of analysis (Form 1099-K, Schedules D, *Capital Gains and Losses, etc.*).

Development of the Large Business and International Division's Future State Compliance Campaigns Strategy (audit number: 201830014)

Assess the Large Business and International Division's methodology for identification and selection of campaigns for its Future State Compliance Campaigns strategy. In addition, compare compliance results for campaigns with examination results to results of other Large Business and International Division audit areas.

Fiscal Year 2019 Annual Audit Plan

Large Business and International Division's Form 1120-F Nonfiler Campaign

(audit number: 201830020)

Determine the scope of Form 1120-F filing noncompliance and whether Large Business and International Division's Form 1120-F Nonfiler issue warranted a campaign. Determine how successful the campaign has been in increasing voluntary compliance with filing requirements by foreign companies with either a U.S. trade or business or a permanent establishment in the United States.

Implementation of the International Provisions of the Tax Cuts and Jobs Act

(audit number: 201830028)

Assess the IRS's plan to implement key international provisions of the Tax Cuts and Jobs Act of 2017.

Repatriation Tax on the Untaxed Earnings of Foreign Corporations

(audit number: 201830429)

Assess how effectively the IRS is implementing the Tax Cuts and Jobs Act of 2017 repatriation tax on the untaxed foreign accumulated earnings and profits.

CHALLENGE 9: Protecting Taxpayer Rights

The IRS must balance tax compliance activities against the rights of taxpayers to receive fair and equitable treatment. The IRS dedicates significant resources and attention to complying with the taxpayer rights provisions of the IRS Restructuring and Reform Act of 1998.⁸ It provides taxpayers with the Taxpayer Bill of Rights⁹ in many notices and in-person interviews to inform taxpayers about their rights with respect to examinations, appeals, collections, and refunds.

Statutorily Required Audits

Audit Title and Objective

Fiscal Year 2019 Mandatory Review of Collection Due Process (audit number: 201910001)

Determine whether the Office of Appeals complied with 26 United States Code (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 2019 Mandatory Review of the Compliance With the Freedom of Information Act (audit number: 201910010)

Determine whether the IRS improperly withheld information requested by taxpayers in writing, based on 5 U.S.C. § 552(b)(7) or I.R.C. § 6103.

⁸ Pub. L. No. 105-206, 112 Stat. 685.

⁹ IRS Publication 1, *Your Rights as a Taxpayer* (Rev. 9-2017).

Fiscal Year 2019 Annual Audit Plan

Fiscal Year 2019 Mandatory Review of Seizures (audit number: 201930001)

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 2019 Mandatory Review of Levies (audit number: 201930002)

Determine whether the IRS complied with the IRS RRA 98 requirements to notify taxpayers and/or their authorized representatives of the right to a Collection Due Process hearing prior to issuing levies and to suspend levy action during the time frames required pursuant to I.R.C. § 6330.

Fiscal Year 2019 Mandatory Review of Disclosure of Collection Activity With Respect to Joint Returns (audit number: 201930003)

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 2019 Mandatory Review of Fair Tax Collection Practices Act Violations for Fiscal Year 2018 (audit number: 201930004)

Obtain information on any reported violations of Fair Tax Collection Practices (I.R.C. § 6304) by IRS employees and on any reported or potential violations of the Fair Debt Collection Practice Act (15 U.S.C. §§ 1601 note, 1692-1692p (2010)) by private collection agency employees, including any related administrative or civil actions resulting from those violations, for collection cases closed during FY 2018.

Fiscal Year 2019 Mandatory Review of Illegal Tax Protestors and Similar Designations (audit number: 201930006)

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 Protestors or any similar designations.

Fiscal Year 2019 Mandatory Review of Liens (audit number: 201930007)

Determine whether liens issued by the IRS comply with legal guidelines set forth in the I.R.C and Treasury Regulations.

Fiscal Year 2019 Mandatory Review of Assessment Statute Extension Dates

(audit number: 201930008)

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 2019 Annual Audit Plan

Fiscal Year 2019 Mandatory Review of the Internal Revenue Service's Compliance With Restrictions on the Use of Enforcement Statistics (audit number: 201930014)

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

Fiscal Year 2019 Mandatory Review of Restrictions on Directly Contacting Taxpayers (audit number: 201930015)

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

Risk-Based Audits

Audit Title and Objective

Actions Taken by Criminal Investigation to Pursue Money Laundering Cases (audit number: 201930021)

Evaluate the focus of Criminal Investigation on money laundering cases (including the source and nature of cases, and their nexus, if any, to tax administration), as well as assess the pursuit of such cases after Criminal Investigation's public statements that fewer of such cases would be pursued.

Small Business/Self-Employed Division Employment Tax Program for the Self-Employed (audit number: 201730014)

Evaluate the effectiveness of the Small Business/Self-Employed Division Employment Tax Program as it relates to the self-employed.

CHALLENGE 10: Achieving Program Efficiencies and Cost Savings

Continuing to identify and achieve greater program efficiencies and cost savings is imperative for the IRS as it strives to successfully accomplish its mission with declining resources. Implementing cost saving strategies is particularly critical as the IRS is tasked with additional legislative responsibilities, often with limited budgetary funding.

Statutorily Required Audits

Audit Title and Objective

Annual Mandatory Review of the Internal Revenue Service's Federal Financial Management Improvement Act Fiscal Year 2018 Remediation Plan (audit number: 201910002)

Determine IRS compliance with Federal Financial Management Improvement Act of 1996¹⁰ requirements.

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

Fiscal Year 2019 Annual Audit Plan

Internal Revenue Service’s Implementation of the Digital Accountability and Transparency Act of 2014 – Phase III (audit number: 201810005)

Assess (1) the completeness, timeliness, quality, and accuracy of FY 2019 first quarter financial and award data submitted by the IRS for publication on USASpending.gov and (2) IRS’s implementation and use of the Governmentwide financial data standards established by the Office of Management and Budget and the Department of the Treasury.

Attestation Review of the Internal Revenue Service’s Fiscal Year 2019 Annual Accounting of Drug Control Funds (audit number: 201810030)

Perform an attestation review of the IRS’s reporting of 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.

Risk-Based Audits

Audit Title and Objective

Taxpayer Advocate Service Offset Bypass Refunds (audit number: 201910003)

Determine whether the Taxpayer Advocate Service is appropriately responding to taxpayers with past liabilities who request refunds.

Government Funded Resources Allocated to National Treasury Employees Union Activities (audit number: 201910007)

Determine whether the IRS has implemented sufficient controls to ensure the accuracy and completeness of IRS employee reporting of time devoted to Union activities.

Undercover Travel Expenditures (audit number: 201910009)

Determine whether Criminal Investigation’s Special Investigative Techniques use of imprest funds for confidential travel expenses complies with Federal financial and travel policies.

Employee Suggestion Program (audit number: 201910012)

Determine whether IRS management is effectively leveraging suggestions submitted through the Employee Suggestion Program to realize change/improvement.

Video Studio and Service-wide Video Editorial Board Review (audit number: 201810011)

Evaluate the costs and impact of the IRS's video production studios, and determine whether new policies for reviewing content and requesting prior approval are being followed.

Fiscal Year 2019 Annual Audit Plan

Drug-Free Workplace (audit number: 201810016)

Assess the effectiveness of IRS actions to notify and randomly drug test employees in sensitive positions.

International Travel Program (audit number: 201810019)

Assess the effectiveness of controls over employee international travel claims for the period of October 1, 2015, through September 30, 2017.

Information Technology Maintenance Contract Management (audit number: 201920010)

Assess how effectively the IRS manages its information technology maintenance contracts.

Software Tool Implementation (audit number: 201720032)

Determine the effectiveness and efficiency of the IRS's implementation of the software tools acquired by the Information Technology organization to address its software development and software asset management needs.

Migration From Oracle Solaris to IBM Linux (audit number: 201720033)

Review the IRS's migration from Oracle Solaris to IBM's Linux operating system and the procurement of hardware and technical support to facilitate the migration.

Information Technology Procurements (audit number: 201820011)

Assess the various procurement methods that the IRS uses to obtain information technology hardware and software to determine whether it followed established policies/procedures, and that the procurements were the most cost effective for the Government.

E-Mail Records Management Deployment (audit number: 201820014)

Determine whether the IRS is adequately managing its temporary and permanent e-mail records in accordance with the *Managing Government Records Directive*.¹¹

Operational Controls for Event, Incident, and Problem Reporting for the Tax Administration Systems (audit number: 201820015)

Assess the effectiveness and efficiency of the processes and practices for resolving information technology incidents and reported problems for the IRS's tax administration systems.

¹¹ National Archives and Records Administration Memorandum M-12-18, *Managing Government Records* (Aug. 2012) - By December 31, 2016, Federal agencies must manage all e-mail records in an electronic format. E-mail records must be retained in an appropriate electronic system that supports records management and litigation requirements, including the capability to identify, retrieve, and retain the records for as long as they are needed.

Fiscal Year 2019 Annual Audit Plan

Information Technology Risk Management Processes (audit number: 201820029)

Assess the effectiveness of the Information Technology organization's risk management processes.

Selection of Information Referrals for Compliance Treatment (audit number: 201940010)

Evaluate procedures to select information referrals for compliance treatment.

Reducing Undeliverable Mail - Follow-up (audit number: 201840015)

Assess the IRS's efforts to reduce undeliverable mail.

Fiscal Year 2019 Annual Audit Plan

*Treasury Inspector General for Tax Administration
Office of Audit*

