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TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

The Tax Exempt and Government Entities Division Is Making Progress to Detect and Deter Fraud Within Its Customer Base, but the Impact Cannot Be Determined at This Time

September 2005

Reference Number: 2005-10-161

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 30, 2005

MEMORANDUM FOR COMMISSIONER, TAX EXEMPT AND GOVERNMENT ENTITIES DIVISION

Pamela J. Gardiner

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Tax Exempt and Government Entities Division Is Making Progress to Detect and Deter Fraud Within Its Customer Base, but the Impact Cannot Be Determined at This Time (Audit # 200510012)

This report presents the results of our review of the Tax Exempt and Government Entities (TE/GE) Division's fraud program. The overall objective of this review was to assess the impact of TE/GE Division management's efforts to detect and deter fraudulent activity within their customer base by following up on recommendations made in our Fiscal Year (FY) 2003 Treasury Inspector General for Tax Administration audit report[1] and by reviewing actions planned or initiated by TE/GE Division management since FY 2003.

Synopsis

Since our FY 2003 audit report, the Internal Revenue Service (IRS) has learned that tax-exempt and government entities have been increasingly involved as accommodation parties[2] to abusive shelters. The IRS Commissioner has expressed his commitment to increasing an enforcement presence to combat abuse within the TE/GE Division customer base and has included this emphasis in the IRS' Strategic Plan for 2005-2009, issued in June 2004. The

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[1] *The Tax Exempt and Government Entities Division Should Pursue Additional Methods to Identify Potential Fraudulent Activities* (Reference Number 2003-10-217, dated September 2003).

[2] The term "accommodation party" is used to describe the tax-exempt entity's involvement in a transaction that does not necessarily affect the entity's primary function but is designed to provide tax benefits to a third party that is a taxable entity.

Strategic Plan establishes 4 key objectives aimed at enhancing enforcement of the tax law over the next 5 years, including 1 that focuses directly on the tax-exempt and government entities sector: *To deter abuse within tax-exempt and governmental entities and misuse of such entities by third parties for tax avoidance or other unintended purposes.*

We determined each TE/GE Division functional office has individually taken steps to improve its fraud programs. For example, all offices have started coordinating with other IRS divisions, to varying degrees, to develop fraud cases on individuals or organizations that misuse tax-exempt entities. In addition, in March 2005, TE/GE Division representatives from four of the Division's five offices (the Employee Plans (EP) and Exempt Organizations (EO) functions and the Indian Tribal Governments (ITG) and Tax Exempt Bonds offices) and Office of Chief Counsel met with representatives from the Criminal Investigation function, the Small Business/Self-Employed Division, and the IRS Special Counsel to establish a Fraud Oversight Work Group in an effort to improve coordination of potential fraudulent activity within their respective areas.

Because of these improvements to its fraud program, the TE/GE Division made several potential fraud referrals[3] and was developing or assisting other IRS Divisions to develop additional potential criminal fraud cases at the time of our audit. TE/GE Division referrals can include a single promoter, but there can be many entities associated with the fraudulent transaction. For example, (b)(3):26 U.S.C. 6103 Although the number of criminal referrals has been limited, overall compliance has benefited because of the increase in civil actions such as denials or revocations of tax-exempt status, Internal Revenue Code (I.R.C.) Section (§) 6700[4] penalty assessments, and referrals to other IRS operating divisions. However, most of the improvements and actions taken for the fraud program were recent or still in the process of being implemented. As a result, we could not determine the overall impact these improvements have had on the TE/GE Division's efforts to detect and deter fraud.

Recommendations

We recommended the Commissioner, TE/GE Division, ensure all functional offices strengthen their fraud programs by performing an assessment to determine those areas most vulnerable to fraud and abuse within their respective customer bases; provide fraud awareness training (including technical examples) to employees; alert TE/GE Division customers of the potential fraud scenarios that have been identified; and enhance existing inventory systems to track and

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[3] Because of the limitations imposed by I.R.C. § 6103 (2004), we did not include the details of specific case information developed by the TE/GE Division for referral to other business units or to the Criminal Investigation function for development for criminal prosecution.

[4] I.R.C. § 6700 (2004) was originally intended to allow the IRS to impose penalties against promoters of abusive tax shelters, but, in 1989, Congress stated the agency could apply the penalties to municipal bond transaction participants that are responsible for ensuring compliance with tax law or tax regulations.

monitor potential fraud cases and fraud referrals and the results of the examinations, investigations, and referrals.

Response

The Commissioner, TE/GE Division, agreed with our recommendation and is implementing corrective actions. Specifically, the Directors of the EP and EO functions and the ITG and Federal, State and Local Governments offices will conduct assessments to determine those areas (including fraud indicators for those areas) most vulnerable to fraud and abuse. In addition, TE/GE Division management will continue to provide fraud training, including technical training, to those employees within TE/GE Division Determinations or Examinations office staffs that require such training but have not yet received it. TE/GE Division executives and senior-level employees will continue to use speeches, newsletters, interviews, postings to web sites, and other customer education and outreach functions and devices to warn TE/GE Division customers of fraudulent practices that emerge within the TE/GE Division communities and that have come to TE/GE Division management's attention. The TE/GE Division is planning to use two new inventory systems and will employ them, to the degree possible, to track fraud cases while they remain in TE/GE Division's control. Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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The Tax Exempt and Government Entities Division Is Making Progress to Detect and Deter Fraud Within Its Customer Base, but the Impact Cannot Be Determined at This Time

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The Tax Exempt and Government Entities Division Is Making Progress to Detect and Deter Fraud Within Its Customer Base, but the Impact Cannot Be Determined at This Time

Background

Although the majority of taxpayers and Internal Revenue Service (IRS) customers comply with the Internal Revenue Code (I.R.C.), a few willfully attempt to evade their tax obligations by committing acts of fraud. Tax fraud is the intentional wrongdoing on the part of a taxpayer, with the specific purpose of evading taxes. Tax Exempt and Government Entities (TE/GE) Division customers are generally exempt from paying income tax, so tax fraud is generally not committed by the tax-exempt entity. However, individuals can and have used TE/GE Division customers as a vehicle to facilitate tax fraud.

> ***Tax fraud is the intentional wrongdoing on the part of a taxpayer, with a specific purpose of evading taxes.***

Customers of the TE/GE Division represent a significant aspect of tax administration, with approximately 3 million entities controlling about $8 trillion in assets and paying over $300 billion in employment tax and income tax withholding. The fact that these entities are exempt from Federal income tax is sometimes seen by others as an opportunity to use the exempt entity for personal gain. TE/GE Division training material provides the following example of an individual using a tax-exempt entity for personal gain:

> *An individual was the sole shareholder of a small insurance sales company. The individual donated the stock of a small insurance company to an I.R.C. Section (§) 501(c)(3)[1] tax-exempt organization, which was an I.R.C. § 509(a)(3) supporting organization, and took a large deduction for the donation on the individual's Individual Income Tax Return. The donor was the president of the I.R.C. § 501(c)(3) organization that received the stock. The stock was later determined to be worthless since the company was just a shell. After the individual donated the stock and took the deduction for the contribution, another company was created to conduct the insurance sales business. The company whose stock was donated went out of business.*

In September 2003, we issued an audit report on the TE/GE Division's fraud program.[2] In Fiscal Year (FY) 2003, the TE/GE Division was taking action to improve its fraud program. In developing its fraud program, the TE/GE Division decided not to develop a division-wide program to address fraud within its customer base. Instead, each of its functional offices (Exempt Organizations (EO), Employee Plans (EP), and Government Entities functions) independently developed its own processes to identify and address fraud and to communicate

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[1] I.R.C. § 501(c)(3) (2004).

[2] *The Tax Exempt and Government Entities Division Should Pursue Additional Methods to Identify Potential Fraudulent Activities* (Reference Number 2003-10-217, dated September 2003).

fraud awareness to employees, customers, and other IRS offices. The functional offices were given the latitude to develop their own programs because of the belief that processes developed independently would better serve the extremely varied customer base and regulatory authority. We recommended the need for TE/GE Division management to:

- Formalize plans for providing fraud training for fraud coordinators and scheduling training for the compliance staff.
- Identify areas most vulnerable to potential criminal fraud activity within each of the TE/GE Division functions.
- Evaluate externally and internally identified allegations or issues of potential fraud, including abusive tax schemes, to determine the appropriate action to take, including fraud referral to the IRS Criminal Investigation (CI) function.
- Coordinate with the CI function to determine which potential fraud issues should be prioritized for referral to the CI function.

Since that review, the IRS has learned that tax-exempt and government entities have been increasingly involved as accommodation parties[3] to abusive shelters. In June 2004, the IRS Commissioner testified before the United States Senate Committee on Finance that the vast majority of tax-exempt entities carry out their valuable role in full compliance with the letter and spirit of the law, but the IRS was concerned some entities were using their tax-exempt status to achieve ends that Congress clearly did not intend when it conferred the privilege of tax exemption.

The IRS Commissioner has expressed his commitment to increasing an enforcement presence to combat abuse within the TE/GE Division customer base and has included this emphasis in the IRS' Strategic Plan for 2005-2009, issued in June 2004. The Strategic Plan establishes 4 key objectives aimed at enhancing enforcement of the tax law over the next 5 years, including 1 that focuses directly on the tax-exempt and government entities sector: *To deter abuse within tax-exempt and governmental entities and misuse of such entities by third parties for tax avoidance or other unintended purposes.*

The TE/GE Division currently has both a fraud program and an Abusive Tax Avoidance Transactions (ATAT) program; however, these programs cover cases at the point where indications of fraud or ATAT are identified. When referrals are received or indications of abuse are initially identified, it is not always known if the case should be worked as a fraud case or as an ATAT case. These cases are generally reviewed by the Examinations office within each TE/GE Division functional office. If fraud indicators are identified, the cases will be worked in

[3] The term "accommodation party" is used to describe the tax-exempt entity's involvement in a transaction that does not necessarily affect the entity's primary function but is designed to provide tax benefits to a third party that is a taxable entity.

the fraud program. If ATAT indicators are present, the cases will be worked in the ATAT program. It is also conceivable that a case could have characteristics of both fraud and tax abuse and would then be worked jointly by both programs.

Because TE/GE Division customers are tax-exempt entities, TE/GE Division management normally refers potential fraud cases to other IRS operating divisions or other Federal Government agencies having jurisdiction over the individuals and corporations involved in the potential fraud. The IRS CI function investigates allegations of fraud for the IRS and develops cases for criminal prosecution.

This review was performed at the TE/GE Division EO and EP functions and the Federal, State, and Local Governments (FSLG), Indian Tribal Governments (ITG), and Tax Exempt Bonds (TEB) Headquarters offices in Washington, D.C.; the EP function Examinations office in Baltimore, Maryland; the EO function Examinations and Classification offices in Dallas, Texas; the ITG Operations, Planning, and Research office in Buffalo, New York; and the TEB Examination office in Denver, Colorado, during the period February through July 2005. The audit was performed in accordance with *Government Audit Standards*. Detailed information on the audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

The Tax Exempt and Government Entities Division Is Making Progress to Detect and Deter Fraud Within Its Customer Base, but the Impact Cannot Be Determined at This Time

Results of Review

The Tax Exempt and Government Entities Division Has Made Several Criminal Fraud Referrals but Cannot Determine the Impact of Its Efforts on Detecting and Deterring Fraud

Since our prior report in FY 2003, each TE/GE Division functional office has individually taken steps to continue to improve its fraud programs. For example, all offices have started coordinating with other IRS divisions, to varying degrees, to develop fraud cases on individuals or organizations that misuse tax-exempt entities. In addition, in March 2005, TE/GE Division representatives from four of the Division's five offices (the EP and EO functions and the ITG and TEB offices) and Office of Chief Counsel met with representatives from the CI function, the Small Business/Self-Employed (SB/SE) Division, and the IRS Special Counsel to establish a Fraud Oversight Work Group in an effort to improve coordination of potential fraudulent activity within their respective areas. This increased coordination between TE/GE Division offices and other IRS divisions provides IRS management the opportunity to develop issues relating to both the tax-exempt entity and the individual or organization perpetrating the potential fraud.

Because of these improvements to its fraud program, the TE/GE Division made several potential fraud referrals[4] and was developing or assisting other IRS Divisions to develop additional potential criminal fraud cases at the time of our audit. TE/GE Division referrals can include a single promoter, but there can be many entities associated with the fraudulent transaction. For example, (b)(3):26 U.S.C. 6103 Although the number of criminal referrals has been limited, overall compliance has benefited because of the increase in civil actions such as denials or revocations of tax-exempt status, I.R.C. § 6700[5] penalty assessments, and referrals to other IRS operating divisions. However, most of the improvements and actions taken for the fraud program were recent or still in the process of being implemented. As a result, we could not determine the overall impact these improvements have had on the TE/GE Division's efforts to detect and deter fraud. We also observed that, while TE/GE management has provided assistance to other IRS operating divisions and Federal Government agencies in developing criminal fraud cases, they could not provide us with the

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[4] Because of the limitations imposed by I.R.C. § 6103 (2004), we did not include the details of specific case information developed by the TE/GE Division for referral to other business units or to the CI function for development for criminal prosecution.

[5] I.R.C. § 6700 (2004) was originally intended to allow the IRS to impose penalties against promoters of abusive tax shelters, but, in 1989 Congress stated the agency could apply the penalties to municipal bond transaction participants that are responsible for ensuring compliance with tax law or tax regulations.

overall amount of assistance, status, and/or outcome of the cases. TE/GE Division management needs a method of tracking its potential fraud referrals, including its collateral assistance, to other operating divisions and Federal Government agencies, to be aware of the issues and the status of the referrals as they are being developed for prosecution. Information such as this might enable TE/GE Division management to more quickly identify additional cases that are similar to ones being developed for prosecution.

The following sections present TE/GE Division management's efforts to address recommendations from our FY 2003 audit report and to strengthen their fraud program, and additional initiatives either started or implemented since FY 2003 that are designed to enhance their ability to detect and deter fraud.

The EO function criminal fraud program

Since the prior audit, EO function management has made progress in establishing a criminal fraud program within their function and is planning additional actions to improve their ability to detect and deter fraud within their customer base. Their initial efforts have resulted in several potential fraud cases that the EO function is working jointly with other IRS divisions. The following are the actions taken or planned for the EO function's fraud program:

Assigning responsibility for the fraud program – Several years ago, EO function Examinations office management designated an agent assigned to the EO function Mandatory Review office as the EO function Fraud Coordinator. In the fall of 2004, EO function Examinations office management designated a senior revenue agent as the second EO function Fraud Coordinator. A formal job description has not been developed; however, the EO function Fraud Coordinator serves in several different capacities, including an "advisor" or liaison to assist EO function agents with questions or concerns regarding potential fraudulent activity. The EO function Fraud Coordinator also serves as a sounding board, coach, and liaison to the SB/SE Division fraud technical advisors (FTA) when it is determined there is a potential fraud issue. The EO function Fraud Coordinator also played a key role in developing interim procedures for making fraud referrals that were shared with EO function employees in March 2005 (see the following section for additional information about fraud training).

Communicating and providing training to EO function employees on their responsibility to detect and deter fraud – EO function management developed and delivered a training program for its front-line employees and managers to develop skills essential to identify potential fraud and abuse, detect emerging trends, and refer suspected wrongdoers for criminal prosecution. A pilot course was held in September 2004 and nearly all of the EO function's applicable employees received the training in March and June 2005. At the time of our review, EO function management was planning to train the rest of the EO function staff. The training course was

conducted with the assistance of instructors from the CI function. Specifically, the training material presented the following:

- For Examinations office agents, the course material included examination techniques to help agents recognize potential fraud during the examination of exempt organizations. The course material also included indicators of fraud that may be identified during reviews of Return of Organization Exempt From Income Tax (Form 990) and Exempt Organization Business Income Tax Return (Form 990-T).
- For Determinations office agents, the course material provided examples of fraud indicators so the agents could react quickly, since screeners of applications are the first line of defense against fraud. The course material also included information for identifying and reassigning "specialty" cases (e.g., credit counseling, down payment assistance, disaster relief) that have a high potential for fraud to the appropriate EO function specialists who have been trained to work those issues.

Communicating with EO function customers about fraud issues – EO function management shared its FY 2005 Work Plan with all IRS employees via the TE/GE Division Intranet web sites, Town Hall meetings, TE/GE Division newsletters, and other communication sources. The Work Plan was also distributed to Congress, State officials, tax practitioners, and other industry stakeholders through various communication vehicles, including media briefings, mailings, and postings to the general public. The Work Plan addresses EO function management's critical enforcement initiatives (e.g., combating ATATs, antiterrorism efforts, excessive compensation, credit counseling) and planned actions for FY 2005 and the establishment of the Financial Investigations Unit (FIU) to address fraud and tax avoidance cases. EO function management also recently developed a section on its Intranet site for all of its critical initiatives. Each critical initiative has its own page that summarizes the issue, why it is considered critical, key technical contacts, and other useful information.

Other information about schemes involving potentially fraudulent activity within the exempt organization sector was made public through press releases and notices. Also, the IRS Commissioner, the TE/GE Division Commissioner, and EO function executives have made presentations to a variety of audiences to address the proliferation of abuse within the tax-exempt sector and the EO function's intent to combat such abuse.

Jointly developing potential fraud cases – EO function management has worked with other IRS offices to improve the IRS' ability to detect and deter fraudulent activity within the EO function customer base. EO function management held meetings with SB/SE Division Lead Development Center (LDC) management and Large and Mid-Size Business (LMSB) Division Office of Tax Shelter Analysis management to share information about fraud and abuse. An EO function revenue agent was detailed to the LDC to educate LDC staff about EO function issues and to review files with potential EO function customer involvement. Since the detail, EO function management noted an increase in referrals from the SB/SE Division LDC. In

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June 2004, the EO function Fraud Coordinator made a presentation at the FTA training seminar sponsored by the SB/SE Division. The presentation included discussions about the EO function's Fraud Referral Procedures, indicators of fraud within the EO function customer base, and known abusive schemes within the EO function customer base.

An EO function revenue agent recently secured the necessary security clearance and became actively involved with the CI function's LDC. The revenue agent conducted a class on the Form 990 for the CI function analysts assigned to the LDC. The revenue agent also participated in meetings with other offices, such as the EO function Research and Analysis office, to assist in identifying potential problem applications that have been submitted for a determination letter.

EO function management has worked with State charity officials for several years to improve its partnership to combat abuse within tax-exempt organizations. While the IRS cannot disclose tax return information (e.g., fraud investigations, examinations, and revocations of tax-exempt status) to State charity officials, at least 38 States require exempt organizations to file all or part of the Form 990 with the State so the States can ensure compliance with State laws. In a letter to the National Association of State Charity Officials, dated June 14, 2004, EO function management reiterated their desire to find additional ways to increase cooperation and improve information sharing with the States.

EO function management coordinates their efforts to identify exempt organizations participating in terrorism with the Treasury Executive Office for Terrorist Financing and Financial Crimes, State charity officials, and the CI function. In October 2004, EO and CI function management made a presentation at the Annual National Association of Attorney General/National Association of State Charity Officials Seminar to discuss antiterrorism. The training was developed to help State charity officials recognize what kind of information they should look for and how to decide what to do with that information.

In addition to the above, EO function management established the FIU in April 2005 to improve their ability to deter or detect fraudulent transactions by charitable organizations. EO function management has selected the FIU management staff and the Unit is conducting analyses, but the Unit was not fully operational at the time of our review. When fully staffed with approximately 20 employees, including fraud specialists, forensic accountants, and agents with expertise in identifying fraud and tracking foreign grant activities, EO function management anticipates the FIU will further strengthen working relationships with the CI function and help channel fraud referrals more effectively and efficiently.

The EO function management does not have a system in place to monitor their fraud program. At the time of our audit, EO function management advised us they were developing or had developed nine potential fraud cases for referral to other offices. They worked with the SB/SE Division on six of the cases and worked with or referred five of the nine to the CI function.

Monitoring and tracking potential fraud cases and fraud referrals – The EO function is currently unable to systemically track the number of potential fraud cases and referrals made. In

addition, EO function management advised us they have not received feedback on some of the cases they referred to other IRS operating divisions, and some of the cases are not yet being tracked because they are still being prepared for referral to the CI function.

The EP function criminal fraud program

EP function management continues to develop a criminal fraud program within their operation and is planning additional actions to improve their ability to detect and deter fraud within their customer base. Their initial efforts have resulted in referral of several potential fraud cases that the EP function is working jointly with other IRS divisions. The following are the actions taken or planned for the EP function's fraud program:

Assigning responsibility for the fraud program – The EP function Determinations and Examinations offices work together to identify and refer cases with indications of fraud to the appropriate office for further development. The EP function Determinations office reviews applications for exempt status[6] (Form 5300 series).[7] When indications of inappropriate activity are identified, the application is forwarded to the EP function Examinations office for review and development of the fraud issue. EP function management designated the manager of the Special Review section as the Fraud manager. The Fraud manager is responsible for developing the EP function Examinations office fraud program, which also includes coordinating with other IRS divisions and TE/GE Division functional offices about potential fraudulent issues relative to the employee plans sector. In addition, a Fraud Coordinator has been designated to handle potential fraud referrals to other IRS operating divisions, including the SB/SE Division and the CI function.

Communicating and providing training to EP function employees on their responsibility to detect and deter fraud – EP function Determinations and Examinations office management have developed and distributed fraud referral procedures to employees. The EP function Examinations office has discussed fraud issues affecting employee plans on a monthly basis. In addition, EP function Examinations office management has developed fraud training for employees.

- EP function Examinations office management, with the assistance of the TE/GE Division Office of Chief Counsel, the SB/SE Division FTAs, and the CI function, developed training to help employees identify and address fraud and abuse that occurs, or could occur, in employee plans.

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[6] EP function specialists analyze the applications to determine if the employee plans are established in a manner that meets current laws and are substantially compliant with the I.R.C. and any applicable Revenue Procedures.
[7] The Forms 5300 series returns include Application for Determination for Defined Benefit Plan (Form 5300) and Application for Determination Upon Termination (Form 5310).

The 2-hour training material provides employees with a basic understanding of the difference between civil and criminal fraud, general potential fraudulent indicators relative to employee plans, and EP function Examinations office fraud procedures. In addition, the training material provides EP function Examinations office agents with investigative techniques for recognizing and developing potential fraud issues when examining employee plan cases. The material also includes examples of potential fraudulent activity when reviewing specific expenditures and investments and other books and records. The training is included in the EP function Examinations office's Continuing Professional Education scheduled for the summer of 2005.

- In July 2004, the EP function Examinations office's Fraud Coordinator attended the 5-day SB/SE Division fraud training. Additionally, the Fraud Coordinator conducted fraud awareness presentations to two EP function Examinations office field groups. These fraud awareness presentations consisted of an overview of basic criminal fraud indicators and the EP function Examinations office fraud referral procedures.
- The July 2004 edition of the EP function Examinations Programs Review Quality Newsletter included an article on how to uncover fraud during the initial interview while examining an EP function return. This Newsletter is available to employees via the Intranet.
- EP function Determinations office developed training material based on indicators of inappropriate activity previously identified from applications for exempt status. This information was presented in a training class on February 23, 2005. The material identifies how the employees should refer cases if similar indicators are identified. Subsequent to the class, 20 referrals have been made to the EP function Examinations office for further review.

Communicating with EP function customers about fraud issues – In January 2005, the Commissioner, TE/GE Division, communicated the EP function's new emphasis in addressing compliance issues, including fraud, abusive schemes, and standards of professional conduct to some members of the EP function customer base. The Commissioner also requested that EP function customers partner with the EP function by referring potential inappropriate activity. In March 2005, EP function Examinations office and EP function Customer Education and Outreach office management also began meeting to develop a communication strategy to assist in carrying out this new emphasis. The Director, EP, and the Director, EP Examinations, delivered a message similar to that of the Commissioner, TE/GE Division, on multiple occasions during FY 2005 at conferences, at small gatherings, and during interviews with external publications.

Jointly developing potential fraud cases – In the past, the EP function Determinations office has identified and referred several potential fraudulent cases to EP function Examinations management for further development. The EP function Examinations office has worked with the IRS SB/SE Division, the CI function, and the Servicewide ATAT Committee to improve the IRS' ability to detect and deter fraudulent activity within the EP function customer base. In

addition, an EP function Examinations office representative is participating in the TE/GE Division and CI function Fraud Oversight Work Group. At the time of our audit, EP function management advised us they were developing or had developed six potential fraud cases[8] for referral to other offices. (b)(3):26 U.S.C. 6103

Monitoring and tracking potential fraud cases and fraud referrals – The EP function Examinations office Fraud Coordinator is responsible for tracking the number of potential fraud cases and referrals made to other IRS operating divisions and functional offices and for submitting a monthly report about the status of potential fraud activity to the EP function Examinations office Fraud manager. In addition, EP function Examinations office management prepared a Request for Information Services to develop unique status codes on the IRS database for cases held in suspense for potential fraud development and acceptance by the CI function for criminal investigation. EP function management advised that, when implemented, the new status codes will enhance their ability to monitor and track fraud cases and fraud referrals.

We identified one additional area that needs strengthening within the EP function's fraud program.

- EP function management has not performed an assessment[9] to determine those areas (including fraud indicators for those areas) most vulnerable to fraud and abuse within the EP function customer base.

The FSLG office criminal fraud program

FSLG office management has established a limited criminal fraud program, including assigning a Fraud Coordinator and putting limited resources to fraud enforcement activities. In addition, they have made four fraud referrals to the SB/SE Division. The Director, FSLG, advised us that the FSLG office has jurisdiction only for employment tax issues, including the identification of errors or omissions during employment tax examinations involving governments. As such, they have not conducted any type of fraud assessment and were not aware of any situations where potential criminal fraud has occurred in areas under their jurisdiction. If indications of potential fraud are identified, the information is forwarded to the appropriate IRS operating division with

[8] This does not include potential fraud cases referred by the EP function Determinations office that were outside the time period of this audit. These earlier cases had not been resolved as of the time of this audit.

[9] EP function management is currently performing an assessment of 79 market segments to identify areas of high risk for examination in each particular market segment. However, fraud indicators were not included in the market segment analysis.

responsibility for further development. The following are the actions taken or planned for the FSLG office's fraud program.

Assigning responsibility for the fraud program – FSLG office area managers periodically perform research of media sources to determine if there is an impact on Federal taxation for the municipality when individuals are suspected, indicted, or prosecuted for committing fraudulent acts in their official capacities for governmental entities. If leads are identified that may result in a tax consequence for a municipality, they are forwarded to the FSLG office Operations, Planning, and Review staff to open an examination on the municipality.

Communicating and providing training to FSLG office employees on their responsibility to detect and deter fraud – FSLG office management has provided general fraud referral training to employees but has not provided technical fraud training due to their belief that fraud does not exist in their customer base.

- In March 2004, the Director, FSLG, established the FSLG office Knowledge Sharing Group to address emerging issues and to share skills and knowledge with other employees. The Group is currently analyzing a potential fraud issue.
- In January 2005, an FSLG office area manager attended a 4-day fraud seminar conducted by the SB/SE Division. FSLG office management included the manager's feedback about the training on its Intranet site. In July 2004, another FSLG office area manager attended the 5-day SB/SE Division fraud training.
- During the April 2005 Continuing Professional Education training, the FSLG office Fraud Coordinator discussed draft FSLG office fraud procedures (guidance that became formal in May 2005) and the specific fraud leads referred to the SB/SE Division. However, this training was general in nature and not designed to include FSLG office technical issues.
- In May 2005, FSLG office management developed interim guidance for employees to follow when they identify potential fraudulent activity.

Communicating with FSLG office customers about fraud issues – FSLG office management advised us their customers are victims of fraud rather than perpetrators. As such, the Director, FSLG, has not specifically informed customers of potential fraud scenarios. However, the Director, FSLG, advised us that several presentations were made to their customers where laws and procedures governing the FSLG community are discussed (these laws and procedures, if not adequately carried out, could constitute fraud).

Jointly developing potential fraud cases – FSLG office management has established a working relationship with the SB/SE Division as part of their limited fraud program. In June 2005, FSLG office management and SB/SE Division Fraud Policy and Field Operations management initiated a process for FSLG office employees to refer potential fraudulent activity to the SB/SE Division. In FY 2005, FSLG office management referred four leads to SB/SE Division staff for fraud

development. In addition, FSLG office management began participating in the TE/GE Division and CI function Fraud Oversight Work Group in June 2005.

Monitoring and tracking potential fraud cases and fraud referrals – FSLG office management does not track the status of potential fraud referrals because the referrals involve SB/SE Division, not FSLG office, customers. Instead, FSLG office management relies on SB/SE Division Fraud Policy and Field Operations function management to notify FSLG office management about potential fraudulent activity involving an individual working for or acting on behalf of an FSLG office customer (e.g., a municipality).

We identified two additional areas that need strengthening within the FSLG office's fraud program.

- FSLG office management has not performed an assessment to determine those areas (including fraud indicators for those areas) most vulnerable to fraud and abuse within the FSLG function customer base.
- The FSLG office needs to work more proactively with its customers and other IRS offices to detect potential fraud involving FSLG office customers.

The ITG office criminal fraud program

ITG office management has established a criminal fraud program within their operation and is planning additional actions to improve their ability to detect and deter fraud within their customer base. Their initial efforts have resulted in several potential fraud cases that the ITG office is working jointly with other IRS operating divisions and offices. The following are the actions taken or planned for the ITG office's fraud program.

Assigning responsibility for the fraud program – ITG office management designated a field specialist as the Fraud Coordinator. The Fraud Coordinator is responsible for assisting other ITG office managers and agents in the development of potential fraud issues within the ITG office customer base.

Communicating and providing training to ITG office employees on their responsibility to detect and deter fraud – ITG office management developed and provided training to help employees identify and address fraud and abuse that occurs, or could occur, in tribal governments.

- During June 2004 through May 2005, all employees received a 4-day training course, *Gaming Compliance Training for Indian Tribal Enterprises,* developed by the ITG office staff. This training provided instructions on detecting fraud, tax shelters, abusive schemes,

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United States Code (U.S.C.) Title 31 abuses,[10] and the illegal use of the status of Indian tribes to evade taxation within Indian Gaming and oversight for Indian Gaming operations. The training material also provided examples of the types of violations that can occur, identified the individuals who may commit the violations, included the indicators of potential fraudulent activity, and provided employees with interviewing techniques to uncover potential fraudulent activity and the ITG office's interim fraud referral procedures.

- By August 2005, ITG office management plans for all Abuse Detection and Prevention Team (ADAPT) specialists to attend the Federal Bureau of Investigation (FBI) training on Casino Crimes and an outside vendor's course on casino auditing. In the fall of 2005, the ITG office's Fraud Coordinator is scheduled to provide grand jury training to ADAPT specialists.
- In FY 2006, ITG office management plans to provide expert-witness training to ADAPT specialists and six employees from the TEB office. The training will be conducted by SB/SE Division employees.

Communicating with ITG office customers about fraud issues – ITG office management has a communication strategy to educate its customer base about fraud and abuse to improve its fraud program.

- A quarterly newsletter is provided to each tribal government and includes articles about fraud and abuse. (b)(3):26 U.S.C. 6103 In February and June 2004, ITG office management also made fraud presentations to two of the largest regional tribal governments in the country. The presentation included an overview of the ADAPT, a description of actual fraud schemes detected within tribal governments, and an invitation to partner with the ITG office to combat fraud and abuse.
- ITG office management has made criminal tax fraud awareness presentations during the FBI's Casino Crimes training sessions on four separate occasions. Additional presentations are scheduled during the summer of FY 2005 and during FY 2006. Consequently, the FBI referred to the ITG office (b)(3):26 U.S.C. 6103 the SB/SE Division is responsible for referring the cases to the CI function, if applicable.
- ITG office management worked with two tribal government officials and made a presentation about gaming crimes to the SB/SE Division anti-money laundering unit.

[10] U.S.C. Title 31 (2004) - Specifically, abuses of the Bank Secrecy Act, Pub. L. No. 91-508, 84 Stat. 1114 to 1124 (1970) (codified as amended in scattered sections of 12 U.S.C., 15 U.S.C., and 31 U.S.C.). Regulations for the Bank Secrecy Act, and other related statutes, are 31 C.F.R. § 103.11-103.77 (2002).

The Tax Exempt and Government Entities Division Is Making Progress to Detect and Deter Fraud Within Its Customer Base, but the Impact Cannot Be Determined at This Time

Jointly developing potential fraud cases – ITG office management has a strategy to establish partnerships with other agencies and IRS offices to improve its fraud program. ITG office management and staff participate in the FBI's National Indian Gaming Working Group and the National Indian Gaming Commission's (NIGC) Indian Working Groups in Arizona, California, Minnesota, New Mexico, and Oklahoma.

ITG office management visited the SB/SE Division LDC to share information about how the two functions can work together to address fraud and abuse within tribal governments. As a result, the ADAPT and the SB/SE Division LDC are working together on four different I.R.C. § 6700 investigations, and it is anticipated each investigation will result in referrals to the CI function.

(b)(3):26 U.S.C. 6103

(b)(3):26 U.S.C. 6103 In addition, ITG office management developed a working relationship with the CI function to improve its criminal fraud program. As a result, CI function management designated an analyst within their financial crimes unit to work with the ITG office on potential fraud issues. At the time of our audit, the potential fraud cases being worked jointly with other IRS offices and other Federal Government agencies included the following:

(b)(3):26 U.S.C. 6103

In addition, ITG office management established the ADAPT to work criminal tax fraud issues, abusive tax shelter activities, U.S.C. Title 31 abuses, and issues related to the use of tribal entities by third parties to avoid proper Federal tax reporting and oversight of transactions within tribal governments. The ADAPT also works joint investigations with other Federal Government agencies such as the FBI, the Inspector General for the Department of the Interior, the NIGC, and other IRS operating divisions and offices, including the CI function.

- The ADAPT has its own classifier[11] to develop an inventory of potential fraud cases and to assign these cases to ADAPT specialists. The ADAPT classifier is responsible for developing fraud cases from information items received from both internal and external sources. At the time of our review, the ADAPT classifier had assigned 25 potential fraud cases to the ADAPT specialists.

[11] A classifier is responsible for evaluating information items for workload selection, prioritizing inventory for assignment to field groups, and recording the results of compliance and enforcement actions taken by field specialists.

- Eight field specialists, including the ITG office's Fraud Coordinator, are assigned to the ADAPT. These specialists are working cases, including those that involve the improper distribution of per capita payments to tribal members, credit card abuse among tribal leaders, embezzlement of tribal revenue, improper conversion of tribal assets, Federal unemployment tax abuse schemes, and illegal claims of Federal recognition by local tribal governments for Federal taxation relief.
- The ADAPT specialists are also developing nine cases identified by ITG office field specialists for possible criminal fraud referrals.

Monitoring and tracking potential fraud cases and fraud referrals – ITG office management uses an Access® database and Excel® spreadsheet to track the number of potential fraud cases and referrals made.

We identified one additional area that needs strengthening within the ITG office's fraud program.

- ITG office management has not performed an assessment to determine areas (including fraud indicators for those areas) most vulnerable to fraud and abuse within the ITG office customer base.

The TEB office criminal fraud program

Because of the unique situation with tax-exempt bonds, TEB office management considers the potential for abuse on all examinations. As a result, the TEB office's fraud program includes both civil and criminal fraud. TEB office management advised us almost all of the TEB office examinations involve potentially abusive transactions, and some include the potential for fraud. Over the past 2 years, approximately 50 percent of TEB office agents' time has been devoted to abusive arbitrage investigations, and approximately 40 percent of the agents' time has been devoted to I.R.C. § 6700 penalty cases and fraud cases. Examinations for violations of I.R.C. § 6700 are related to promoter misconduct and generally result in civil penalties, but they can also result in potential criminal fraud. According to TEB office management, at the time of our audit, most of the 37 TEB office agents had 1 or more abusive cases in their inventory. The following are the actions taken or planned for the TEB office's fraud program.

Assigning responsibility for the fraud program – In 2001, a senior TEB office group manager was appointed as the TEB office Fraud Coordinator. The manager is also a participant on the TEB office I.R.C. § 6700 Committee and responsible for assisting other managers and agents in developing potential I.R.C. § 6700 examinations, getting approval to work I.R.C. § 6700 cases, and evaluating cases for referral to the FTA or the CI function. The manager is also responsible for coordinating with the CI function.

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Communicating and providing training to TEB office employees on their responsibility to detect and deter fraud – TEB office management developed a training course, *Procedures and Techniques for Working Abusive Transactions.* The training material was provided to all TEB office agents in August 2004. The course addressed I.R.C. § 6700 issues and included topics that covered burden of proof, computation of penalties, summonses, and other general information about fraud. The Director, TEB, advised us the TEB office identified arbitrage as the area of highest risk and enforcement focus. Training for TEB employees was provided in this area and resulted in a significant criminal fraud referral.

In May 1998, the IRS established a tax-exempt bond Focus Group, comprised of agents, managers, and counsel, which currently reports to the Director, TEB. The Focus Group meets with TEB office agents in an educational setting once per quarter and conducts inprocess case reviews to provide guidance to TEB office revenue agents and managers on specific cases. The Focus Group is knowledgeable about cases across the country and is in a position to help identify potentially abusive and/or fraudulent cases during field visits.

Communicating with TEB office customers about fraud issues – TEB office management has routinely made fraud and abuse presentations at seminars, conferences, and conventions for its customer base, including the National Association of Bond Lawyers, National Counsel of State Housing Authorities, American Bar Association, and other State and Federal associations. Many of the presentations made by TEB office management and actions taken by the IRS regarding abusive bonds have received media attention and have been published in various news articles. In addition, TEB office personnel were often interviewed in professional trade publications about abusive bond-related issues.

Jointly developing potential fraud cases – The TEB office used a variety of techniques to identify schemes, abusive transactions, and/or fraud. Internet research of public databases allows the TEB office to use very narrow search criteria to identify related cases, including cases promoted by a single bond attorney. Newspapers, trade journals, and other media sources were also reviewed regularly for potential fraud leads. The TEB office coordinated with the SB/SE Division, CI function, Securities and Exchange Commission, National Association of Securities Dealers, Municipal Securities Rulemaking Board, and various offices of State Auditors for leads on abusive and/or fraudulent transactions.

The TEB office has approximately 100 potentially abusive cases under investigation and approximately 38 current ongoing investigations involving I.R.C. § 6700, as well as investigations into abusive bond transactions in which I.R.C. § 6700 examinations have yet to start. In addition, the TEB office has referred eight attorneys to the Office of Professional Responsibility, which can disbar a practitioner from practice before the IRS. Although the majority of the TEB office's ongoing investigations involve abusive bond transactions, there were several fraud referrals made by the TEB office in the past 2 years.

The Tax Exempt and Government Entities Division Is Making Progress to Detect and Deter Fraud Within Its Customer Base, but the Impact Cannot Be Determined at This Time

At the time of our audit, TEB office management advised us they were developing or had developed seven potential fraud cases[12] for referral to other offices. They worked with the SB/SE Division, the Securities and Exchange Commission, and the CI function. (b)(3):26 U.S.C. 6103 (b)(3):26 U.S.C. 6103 In addition, the TEB office is assisting the CI function and LMSB Division involving potential criminal activity relating to tax-exempt bonds.

Monitoring and tracking potential fraud cases and fraud referrals – The TEB office Fraud Coordinator is responsible for monitoring and tracking the I.R.C. § 6700 penalty investigations, criminal fraud referrals, and collateral assignments of TEB office agents who assist the SB/SE Division FTAs, CI function, and other agencies. The TEB office Fraud Coordinator uses manual and electronic spreadsheets to monitor the civil and criminal activities within the TEB office.

Recommendation

Recommendation 1: The Commissioner, TE/GE Division, should further strengthen the TE/GE Division's various fraud programs by ensuring all functional areas have taken the following actions:

- Performing an assessment to determine those areas (including fraud indicators for those areas) most vulnerable to fraud and abuse within the TE/GE Division customer bases.
- Providing fraud awareness training, including technical examples, to both Determinations and Examinations office employees.
- Alerting TE/GE Division customers of the potential fraud scenarios that have been identified within the customer base.
- Enhancing existing inventory systems to track and monitor potential fraud cases and fraud referrals and the results of the examinations, investigations, and referrals.

> ***Management's Response:*** The Commissioner, TE/GE Division, agreed with our recommendation and is implementing corrective actions. Specifically, the Directors of the EP and EO functions and the ITG and FSLG offices will conduct assessments to determine those areas (including fraud indicators for those areas) most vulnerable to fraud and abuse. In addition, TE/GE Division management will continue to provide fraud training, including technical training, to those employees within TE/GE Division Determinations or Examinations office staffs that require such training but have not yet received it. TE/GE Division executives and senior-level employees will continue to use

[12] The 7 potential fraud cases included at least 26 bond examination cases and 13 I.R.C. § 6700 examinations. In addition, (b)(3):26 U.S.C. 6103 simplify the process.

speeches, newsletters, interviews, postings to web sites, and other customer education and outreach functions and devices to warn TE/GE Division customers of fraudulent practices that emerge within the TE/GE Division communities and that have come to TE/GE Division management's attention. The TE/GE Division is planning to use two new inventory systems and will employ them, to the degree possible, to track fraud cases while they remain in the TE/GE Division's control.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to assess the impact of Tax Exempt and Government Entities (TE/GE) Division management's efforts to detect and deter fraudulent activity within their customer base by following up on recommendations made in the Fiscal Year (FY) 2003 Treasury Inspector General for Tax Administration audit report[1] and by reviewing actions planned or initiated by TE/GE Division management since FY 2003. Specifically, we:

I. Interviewed TE/GE Division (Headquarters) management and reviewed appropriate documentation to determine the division-wide initiatives or processes started or completed, since FY 2003, to enhance the Division's fraud program.

II. Interviewed Exempt Organizations (EO) and Employee Plans (EP) function and Federal, State, and Local Governments (FSLG), Indian Tribal Governments (ITG), and Tax Exempt Bonds (TEB) office management and reviewed appropriate documentation to determine the status of actions planned since FY 2003 and whether the actions enhanced their ability to detect and deter fraudulent activity.

   A. Determined whether fraud educational material was developed and shared with the EO and EP function and the FSLG, ITG, and TEB office customer bases.

   B. Determined whether EO and EP function and FSLG, ITG, and TEB office management communicated to their employees the importance of fraud awareness, including the priority, and methods of deterrence and detection of fraud.

   C. Determined whether EO and EP function and FSLG, ITG, and TEB office management formalized plans for providing fraud training to fraud coordinators and scheduled training for compliance staff members.

   D. Determined whether EO and EP function and FSLG, ITG, and TEB office management established procedures to identify areas most vulnerable to potential criminal fraud activity.

   E. Determined whether EO and EP function and FSLG, ITG, and TEB office management established procedures to ensure information items with potential fraud allegations were worked by the Examinations field office with increased priority.

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[1] *The Tax Exempt and Government Entities Division Should Pursue Additional Methods to Identify Potential Fraudulent Activities* (Reference Number 2003-10-217, dated September 2003).

F. Determined whether the EO function has taken action to identify fraudulent charity organizations being used to fund terrorist activities.

G. Determined whether EO and EP function and FSLG, ITG, and TEB office management established any other processes or procedures not described in Steps II.A.-F., to enhance their ability to detect and deter fraudulent activity.

H. Determined whether EO and EP function and FSLG, ITG, and TEB office management identified and referred potential fraud cases for development for criminal prosecution.

1. Determined the volumes, type(s), and status of potential fraudulent tax schemes/cases that were:

   a. Referred to other IRS operating divisions or functional offices or to other Federal Government agencies.

   b. Accepted by the Criminal Investigation function for development for criminal prosecution.

2. Determined the volumes, type(s), and status of any other type of enforcement actions taken by the EO or EP functions and the FSLG, ITG, or TEB offices (e.g., fraud penalties, revocation of exempt status) since FY 2000, other than the two scenarios noted in Step II.H.1..

Appendix II

Major Contributors to This Report

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Appendix III

Report Distribution List

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Deputy Commissioner for Services and Enforcement SE
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Audit Liaison: Director, Communications and Liaison, Tax Exempt and Government Entities Division SE:T:CL

Appendix IV

Management's Response to the Draft Report

COMMISSIONER
TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Steven T. Miller, Commissioner STM/Sarah Hall Ingram
Tax Exempt and Government Entities

SUBJECT: Response to Draft Audit Report – The Tax Exempt and Government Entities Division is Making Progress to Detect and Deter Fraud Within Its Customer Base, but the Impact Cannot Be Determined at This Time (Audit # 200510012)

You have carefully identified and reviewed the multi-faceted program TE/GE has put in place, beginning even before your 2003 audit on this subject, to discover and root-out fraud in the employee plans, exempt organizations, and government entities communities.

We appreciate your review because it addresses and directly reinforces one of the Service's four key objectives of the 2005 – 2009 strategic plan: Deter abuse within tax-exempt and governmental entities and misuse of such entities by third parties for tax avoidance or other unintended purposes.

Our fraud program is in place. It has already produced important results, and as it gathers momentum it will produce more. Our ultimate goal is a vibrant, compliant tax-exempt sector that benefits the public and merits its trust and support -- a sector that does not know fraud. Your observations about the strengths of our program reinforce us in our choice of direction, and your suggestions for improvements will help us refine our path.

Our comments on your four-part recommendation follow:

RECOMMENDATION 1

The Commissioner, TE/GE Division, should further strengthen the TE/GE Division's various fraud programs by ensuring all functional areas have taken the following actions:

- [a] Performing an assessment to determine those areas (including fraud indicators for those areas) most vulnerable to fraud and abuse within the TE/GE customer base.
- [b] Providing fraud awareness training, including technical examples, to both Determinations and Examinations employee.
- [c] Alerting TE/GE Division customers of potential fraud scenarios that have been identified within the customer base.
- [d] Enhancing existing inventory systems to track and monitor potential fraud cases and fraud referrals and the results of the examinations, investigations and referrals.

CORRECTIVE ACTIONS

For clarity, we have designated the four parts of Recommendation 1 as a, b, c or d.

[a] Determine areas most vulnerable to fraud and abuse. The directors of EO, EP, ITG and FSLG will conduct assessments to determine areas within their customer base to determine those areas (including fraud indicators for those areas) most vulnerable to fraud and abuse.

[b] Provide fraud awareness training. The directors of TE/GE functional areas will continue to provide fraud training, including technical training, to those employees within TE/GE determinations or examinations staffs that require such training but have not yet received it. This training will be provided in specially-designed fraud training programs, as part of phase-training for new employees, or as part of CPE programs, as appropriate.

[c] Alert customers of fraudulent scenarios. Executives and senior-level employees throughout TE/GE currently use, and for some time have used, speeches, newsletters, interviews, posting to web sites, and other customer education and outreach functions and devices to warn TE/GE customers of fraudulent practices that emerge within the TE/GE communities and that have come to TE/GE's attention. This is an essential, existing, effective element within TE/GE's compliance program, and we will continue to employ it. This effort is already underway, and will continue indefinitely.

[d] Track and monitor fraud cases. We are moving in TE/GE to new inventory systems (TEDS and TREES) and will employ them, to the degree possible, to track fraud cases while they remain in TE/GE control. For example, to this end EP has already submitted a RIS to establish unique status codes for certain fraud cases. However, there is no business reason, nor an effective and practical way, to track cases once they have passed from TE/GE's control and are no longer our cases. We do, however, consult regularly with our counterparts in Appeals.

The Tax Exempt and Government Entities Division Is Making Progress to Detect and Deter Fraud Within Its Customer Base, but the Impact Cannot Be Determined at This Time

CI, FBI and similar organizations to whom our referrals go, in order to make better referrals and so that these organizations clearly understand our enforcement concerns in making the referrals. The Director, BSP, will evaluate the degree to which new TE/GE inventory systems can track fraud cases. This evaluation will be completed by November 15, 2005.

PROPOSED CORRECTIVE ACTIONS COMPLETION DATES

a. March 15, 2006.

b. September 15, 2006.

c. March 15, 2006. (This action is ongoing and continuous, and will not cease on March 15, 2006.)

d. March 15, 2006.

RESPONSIBLE OFFICIALS

a. Directors, EO, EP, FSLG. ITG,

b. Directors, EO, EP, FSLG, ITG, TEB.

c. TE/GE executives.

d. Director, BSP.

CORRECTIVE ACTIONS MONITORING PLAN

The Commissioner, TE/GE, will receive regular status updates on each corrective action from the appropriate director at regular operational reviews.

CONTACT INFORMATION

If you have any questions or comments, please contact R. M. Daly at 202.283.2500.