



*Telephone Authentication Practices Need
Improvements to Better Prevent
Unauthorized Disclosures*

March 31, 2010

Reference Number: 2010-40-045

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.

Redaction Legend:

1 = Tax Return/Return Information

3(d) = Identifying Information - Other Identifying Information of an Individual or Individuals



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 31, 2010

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: (for) Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Telephone Authentication Practices Need
Improvements to Better Prevent Unauthorized Disclosures
(Audit # 200940044)

This report presents the results of our review of the authentication of taxpayers who call toll-free telephone numbers to determine whether current procedures to authenticate these taxpayers reduce the risk of unauthorized disclosure of taxpayer Personally Identifiable Information. This audit is a followup to two prior Treasury Inspector General for Tax Administration audits¹ and was included in our Fiscal Year 2010 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

Impact on the Taxpayer

In February 2009, the Federal Trade Commission reported that for the ninth year in a row identity theft was the number one consumer complaint nationwide.² Identity theft occurs when someone uses Personally Identifiable Information, such as an individual's name, Social Security Number, credit card numbers, or other account information to commit fraud and other crimes. Taxpayers need to be assured that the Internal Revenue Service (IRS) is taking every precaution to protect their private information from inadvertent disclosure. This includes, but is not limited to, taxpayers calling the IRS' toll-free telephone numbers to request account information.

¹ *Toll-Free Account Assistance to Taxpayers Is Professional and Timely, and the Quality of Information Provided Has Improved* (Reference Number 2005-40-018, dated December 15, 2004) and *Toll-Free Account Assistance to Taxpayers Is Professional and Timely, but Improvement Is Needed in the Information Provided* (Reference Number 2004-40-057, dated February 27, 2004).

² *Consumer Sentinel Network Data Book for January - December 2008*, Federal Trade Commission, dated February 2009.



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Synopsis

The telephone continues to be one of the primary methods taxpayers use to communicate with the IRS. Millions of telephone calls were made to the IRS toll-free telephone line (1-800-829-1040) in Fiscal Year 2009 seeking help with tax account questions. IRS guidelines require assistors to fully authenticate callers before assisting them. Two prior Treasury Inspector General for Tax Administration audit reports identified that IRS assistors did not always comply with procedures for authenticating taxpayers' identities.

Assistors are not always authenticating taxpayers who call the IRS' toll-free telephone number for tax account information. From our statistical sample of 180 contact recordings,³ we determined that assistors did not properly follow procedures when authenticating 29 (16 percent) callers, increasing the risk of unauthorized disclosures.

Of 180 calls tested, assistors increased the risk of unauthorized disclosures for 29 calls.

- 9 assistors did not ask callers the 2 additional authentication probes (high-risk questions) when the situation required.
8 assistors did not ask callers all 5 required authentication questions.
7 assistors did not authenticate callers for various other reasons. For example, assistors did not appropriately end the call when the caller continued to incorrectly answer probing questions or the assistor was in doubt of the caller's identity.
*****1*****
*****1*****

Based on these results, the projected number of callers with increased risk of unauthorized disclosures is 44,067 for 1 week.

During our review of 48 (27 percent) of the 180 sampled calls, we were able to hear parts of assistors' conversations with other callers. For 10 calls (6 percent) the conversations were very clear and for 38 calls (21 percent) other assistors' interactions with callers were heard, but we could not clearly make out the conversations. This happened because assistors did not put callers

3 A contact recording captures the audio portion of the assistor/taxpayer interaction on the IRS' toll-free telephone lines and is synchronized with computer screen activity for replay and quality review. Some of the recordings also include a video of the computer screen activity. These contact recordings were from calls received from individual taxpayers who called the IRS' 1-800-829-1040 line during the week ending August 14, 2009.



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on hold when they were researching the taxpayers' accounts. Also, the physical layout of workstations at call centers allows other conversations to be overheard. For 26 calls (14 percent of all calls tested), assistors repeated the Social Security Number back to the caller on the telephone. This puts the IRS at risk of disclosing Personally Identifiable Information.

The IRS has a new IRS-wide Authentication Strategy and its vision is to promote data protection and enable ease of access to maintain public confidence and improve customer service. The goals are to enhance an IRS-wide authentication internal control framework to address risk, deter fraudulent access, and institutionalize a common set of principles for authenticating taxpayers when contacting the IRS.

Taxpayers must be authenticated each time they are transferred to a different assistor to ask an account question. During Fiscal Year 2009, 1,019,170 calls were transferred. The IRS has a future strategy called Authentication Retention to reduce the number of times a caller is authenticated. Authentication Retention will allow caller's authentication information to be readily available to each assistor who provides help to the caller. However, in Fiscal Year 2009, the IRS decided not to fund Authentication Retention, but will reconsider it in future budget requests. This initiative is expected to affect approximately 20 million callers, reduce taxpayer burden by more than \$1 million, reduce improper disclosure errors, and save approximately \$7 million in assistor time annually. The estimated cost for the project is \$7 million.

For Fiscal Year 2009, the average amount of time callers waited to speak with an assistor was approximately 10 minutes. Authenticating callers using an automated system while they wait to speak to an assistor could reduce taxpayer burden, reduce authentication errors, and increase the number of calls the IRS could answer. This is important because as the IRS answers more calls the Level of Service⁴ increases.

Using results from our statistical sample, if 50 percent of the callers were authenticated while waiting to speak to an assistor, the IRS could save 136,654 minutes of assistor time, or 2,278 hours per week. The projected 5-year (Fiscal Years 2010 through 2014) productivity gain from authenticating callers while they wait to speak with an assistor equates to 496 Full-Time Equivalents,⁵ or approximately \$30 million. During Fiscal Year 2009, the average time assistors spent on the telephone assisting callers was more than 11 minutes. The IRS could also increase productivity by answering 1,180,306 additional calls per year because assistors would spend approximately 1 minute less talking with callers.

⁴ The Level of Service is the IRS' primary measure of providing taxpayers with access to a live assistor.

⁵ A measure of labor hours in which 1 Full-Time Equivalent is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. For Fiscal Year 2009, 1 Full-Time Equivalent was equal to 2,088 staff hours. See Appendix IV for details.



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Recommendations

We recommended that the Commissioner, Wage and Investment Division, revise guidelines to require assistors to ask two additional high-risk probes when callers incorrectly answer the address or date of birth probes. During assistor training, it should be emphasized that assistors are not to prematurely authenticate callers when using the Account Management Services and should place callers on hold while conducting research. Assistors should be trained on the importance of controlling calls and guidelines should be developed that require assistors to ask callers to repeat Personally Identifiable Information if clarification is needed. Finally, the Commissioner should incorporate available technology to authenticate callers in the queue into the development of Authentication Retention.

Response

The IRS agreed with two and partially agreed with one of our four recommendations. It will emphasize during training the proper use of hold procedures. Guidance and training will be developed to instruct assistors to request callers repeat Personally Identifiable Information rather than having the assistor repeat the information back to callers. Assistors will be trained to repeat only partial information back to callers when the assistor determines it is necessary to repeat information. The IRS will also submit a technology request to incorporate available technology to authenticate callers prior to their reaching an assistor.

The IRS did not agree with our recommendation to revise guidelines to require assistors to ask two additional high-risk probes when callers incorrectly answer the address or date of birth probes. The IRS considers existing guidelines sufficient and revising the guidelines is unnecessary. It considers that the authentication strategic approach currently under development will further change the current authentication process. However, the IRS stated that while there is no plan at this time to require two additional high-risk probes when callers incorrectly answer the address or date of birth probes, training materials will continue to emphasize that inadequate caller identity authentication could result in an unauthorized disclosure.

The IRS also partially agreed with our recommendation to emphasize during training that assistors do not prematurely authenticate callers when using the Account Management Services. The IRS considers the possibility of inadvertent disclosure to be remote since its review of our sample calls did not reveal instances of unauthorized disclosure. In addition, the use of the Automated Technology Disclosure Tool is now mandatory. The IRS will update training materials to emphasize the risk of prematurely authenticating callers.

The IRS did not agree with our second outcome measure on the inefficient use of resources because it believes that the measure does not consider the cost to develop and operate the



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Authentication Retention system. Management's complete response to the draft report is included as Appendix VI.

Office of Audit Comment

We believe that requiring assistors to ask two additional high-risk probes when callers incorrectly answer the address or date of birth probes is warranted to reduce the risk of unauthorized disclosure of taxpayer information. Our review of a sample of calls showed that assistors are routinely asking additional high-risk questions. We believe modifying existing guidelines to require the additional questions would not be an unnecessary burden considering the consequences of unauthorized disclosure.

Regarding the inefficient use of resources outcome measure, we agree that there would be additional costs to develop and operate the Authentication Retention system. However, these costs have not been quantified and the IRS did not provide its own estimate in its response. Notwithstanding, we believe this outcome measure shows the degree to which the Authentication Retention system will improve the efficient use of existing staff resources based on the average volume of calls during the stated 3-year period.

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 Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services), at (202) 622-5916.



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Abbreviations

IRS

Internal Revenue Service

TIGTA

Treasury Inspector General for Tax Administration



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Background

In February 2009, the Federal Trade Commission reported that for the ninth year in a row identity theft was the number one consumer complaint nationwide.¹ Identity theft occurs when someone uses Personally Identifiable Information, such as an individual's name, Social Security Number, credit card numbers, or other account information, to commit fraud and other crimes. The Internal Revenue Service (IRS) Office of Privacy, Information Protection, and Data Security defines Personally Identifiable Information as any combination of information that can be used to uniquely identify, contact, or locate a person and could subsequently be used for identity theft.

Personally Identifiable Information includes an individual's:

- Name.
- Address.
- E-mail Address.
- Social Security Number.
- Telephone Number.
- Bank Account Number.
- Date and Place of Birth.
- Mother's Maiden Name.
- Biometric Data (i.e., height, weight, eye color, finger prints, etc.).

Telephone usage continues to be one of the primary methods taxpayers use to communicate with the IRS. Millions of taxpayers call the IRS toll-free telephone line (1-800-829-1040) every year seeking help with tax account questions. These calls require that telephone assistants authenticate taxpayers before assisting them, for example, when taxpayers call to inquire about the amount of their tax refunds or to discuss taxes owed on their accounts.

Internal Revenue Code Section 6103 states that tax returns and return information shall be confidential, except as authorized. The definition of tax return information includes a taxpayer's identity and the nature, source, or amount of his or her income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, and tax withheld.

Two prior Treasury Inspector General for Tax Administration (TIGTA) audit reports identified that IRS assistants did not always comply with procedures for authenticating taxpayers' identities.² IRS guidelines require assistants to fully authenticate the caller as authorized to receive the information before providing an answer to the taxpayer's question.

¹ *Consumer Sentinel Network Data Book for January - December 2008*, Federal Trade Commission, dated February 2009.

² *Toll-Free Account Assistance to Taxpayers Is Professional and Timely, and the Quality of Information Provided Has Improved* (Reference Number 2005-40-018, dated December 15, 2004) and *Toll-Free Account Assistance to Taxpayers Is Professional and Timely, but Improvement Is Needed in the Information Provided* (Reference Number 2004-40-057, dated February 27, 2004).



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In addition, TIGTA's Office of Investigations has worked with other law enforcement organizations to address criminal activity using pretexting. Pretexting is an element of social engineering, the act of manipulating people into performing actions or divulging confidential information. Pretexting is the act of creating and using an invented scenario to persuade someone to release information. It is typically done over the telephone and most often involves some prior research and the use of pieces of known Personally Identifiable Information, such as date of birth or Social Security Number. According to the Federal Trade Commission, pretexting can lead to identity theft.

A recent case involved private investigators who were indicted on charges that they used illegal methods, including identity theft, to illegally obtain Personally Identifiable Information from the IRS, Social Security Administration, and other agencies for ***3(d)***. From January 2004 to May 2007, employees from a private investigation company posed as the people they were investigating to trick the targets into releasing sensitive information (i.e., ***3(d)*** tax returns, and medical ***3(d)*** and selling this information to other private investigators, law firms, and others.

Private investigators used illegal methods, including identity theft, to illegally obtain Personally Identifiable Information from Federal agencies.

This review was performed at the Wage and Investment Division offices in Atlanta, Georgia, during the period July through December 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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Results of Review

Assistors Are Not Always Authenticating Taxpayers Who Call the Internal Revenue Service’s Toll-Free Telephone Number for Tax Account Information

From our statistical sample of 180 contact recordings,³ we determined that assistors did not properly follow procedures when authenticating 29 (16 percent) callers, increasing the risk of unauthorized disclosures. Based on these results, the projected number of callers with increased risk of unauthorized disclosures is 44,067 for 1 week.

Assistors did not always follow guidelines when authenticating callers

Of the 180 calls tested, assistors increased the risk of unauthorized disclosures for 29 calls.

Internal guidelines instruct assistors to ask the following questions (probes) to authenticate the caller before discussing any tax account information:

- 1. Taxpayer Identification Number.
2. Name.
3. Address.
4. Date of Birth.
5. Filing Status.

If the caller does not answer correctly, or answer all the questions, the assistor is required to ask two additional authentication questions, referred to as high-risk questions.

- 9 assistors did not ask callers the 2 additional authentication probes (high-risk questions) when the situation required.
8 assistors did not ask callers all 5 required authentication questions.
7 assistors did not authenticate callers for various other reasons. For example, assistors did not appropriately end the call when the caller continued to incorrectly answer probing questions or the assistor was in doubt of the caller’s identity.

***** 1 *****

3 A contact recording captures the audio portion of the assistor/taxpayer interaction on the IRS’ toll-free telephone lines and is synchronized with computer screen activity for replay and quality review. Some of the recordings also include a video of the computer screen activity. These contact recordings were from calls received from individual taxpayers who called the IRS’ 1-800-829-1040 line during the week ending August 14, 2009.



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- 2 assistors did not confirm whether the caller was physically present at the fax machine when tax account information was being faxed or did not inform the caller of the risk of disclosure when using a cell phone to discuss taxpayer information.

Internal guidelines state that five probes are required to authenticate the caller, and in some cases additional probes are required.⁴ If the taxpayer's identification number and name do not match IRS records,⁵ the assistor must not provide taxpayer information to the caller and should advise the caller to call back with accurate information. If the caller incorrectly responds to one of the other three probes, the assistor is instructed to ask two or more high-risk questions.

In an attempt to provide good customer service and provide callers with the account information requested, assistors at times asked multiple high-risk questions. Guidelines do not specify the maximum number of questions to ask before the caller is authenticated. Instead, assistors are instructed to use their discretion. However, there is a risk that this will lead to pretexting. For example:

- Callers answered multiple probes incorrectly so assistors kept asking questions until the callers were able to finally answer two additional questions correctly.
- Callers stated they did not know the answer to the question assistors asked, but suggested another question in hopes they would be able to answer it correctly. The assistor then asked the exact question suggested by the caller, the caller answered correctly, and the assistor provided the account information requested.
- Assistors asked callers to give their word that they were the person whose information was on the IRS system.

The above situations open up the potential for providing information to potential identity thieves or impostors who use "pretexting" to illicitly obtain access to taxpayer information. The private investigators, who were indicted in the identity theft case referred to in the Background section, used this technique to gain taxpayer information. The greater the number of questions assistors ask callers about their accounts, the more information the callers learn that can be used to deduce the taxpayers' tax account information. With this information identity thieves can continue to call the IRS to gain access to taxpayer information. For example, generally with four calls an identity thief can get enough information to deduce a taxpayer's filing status.

Assistors who provide information to an individual without fully authenticating him or her increase the risk that a taxpayer's Personally Identifiable Information will be disclosed to an unauthorized individual. Assistors are responsible for knowing with whom they are speaking

⁴ See Appendix V for the authentication instructions in detail.

⁵ The assistor accesses and verifies taxpayer data via the Integrated Data Retrieval System. The Integrated Data Retrieval System is the IRS computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.



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and the purpose of the call/contact. They must authenticate each caller as someone entitled to receive information about a tax return or tax account. Only after authenticating the taxpayer or third-party designee⁶ should the assistor disclose information about the account to the caller.

The IRS currently uses the Centralized Quality Review System to measure quality including Customer Accuracy. This process requires reviewers to listen to a statistical sample of contact recordings to evaluate the contact. The IRS does not consider it a direct impact to the taxpayer when the assistor does not ask all the required identification probe questions or does not correctly complete the taxpayer authentication probe. Therefore, the IRS does not include this as an error in the calculation of Customer Accuracy and when reporting Customer Accuracy externally to stakeholders. The IRS does include authentication errors in another quality measure reported internally.

Guidelines do not require that assistors always ask high-risk questions when a caller incorrectly answers the required probes

Guidelines state that if a caller’s responses to either address or date of birth do not match the IRS’ information, the assistor *may* ask high-risk questions to help authenticate the caller; however, the assistor is not required to ask additional questions. If the caller cannot provide the correct filing status used to file the return in question, the assistor *must* ask two or more additional questions to authenticate the caller as someone eligible to receive information about the account. Figure 1 shows assistors’ requirements relating to the five required probes.

Figure 1: Five Required Probes

Taxpayer Identification Number	Name	Current Address	Filing Status	Date of Birth
If the caller is unable to provide either, advise the caller to call back when he or she has re-checked the taxpayer name and Taxpayer Identification Number. Terminate the call.		If the caller fails to provide the correct address of record, but correctly responds to all of the other items, the assistor <i>may</i> request additional authentication.	If the caller cannot confirm filing status, continue with date of birth. The assistor <i>must</i> also request additional authentication.	If the caller fails the date of birth probe, but correctly responds to all other items, the assistor <i>may</i> request additional authentication.

Source: IRS internal guidelines.

⁶ A third-party designee acts as an authorized third-party contact for resolving certain issues related to the processing of a taxpayer’s tax return or account.



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We reported this issue in Fiscal Years 2004 and 2005.⁷ In these two reports we recommended that the IRS strengthen internal guidelines to ensure all required probes are asked and verified and that the assistors are required to go to the high-risk questions when information in the IRS systems does not match the caller's information.

The IRS responded that guidelines provided a proper balance between protecting confidentiality and providing service without unnecessary burden. Further, the IRS stated assistors are given discretion because the data in its internal systems would not always match the information being provided by the caller (i.e., address and date of birth) at the time of the call. The IRS receives date of birth information from the Social Security Administration. The IRS did not revise its internal guidelines and continues to allow the assistor discretion in asking additional high-risk authentication probes.

Nevertheless, assistors are routinely asking the additional high-risk questions. For 80 (44 percent) of the 180 calls, the assistors elected to ask callers high-risk questions. Social Security Administration authentication guidelines require assistors to ask high-risk authentication probes if the caller incorrectly answers the date of birth question.

The IRS has a new IRS-wide Authentication Strategy and its vision is to promote data protection and enable ease of access to maintain public confidence and improve customer service. The goals are to enhance an IRS-wide authentication internal control framework to address risk, deter fraudulent access, and institutionalize a common set of principles for authenticating taxpayers when contacting the IRS.

Assistors are not effectively using the Accounts Management Service⁸ to authenticate taxpayers and control the calls

For 8 (38 percent) of 21 calls tested that included a video recording, the assistor did not effectively use the Accounts Management Service to facilitate the authentication process. It is recommended that assistors use a job aid or tool in the Accounts Management Service to authenticate callers. This tool allows assistors to type in a Social Security Number to obtain IRS records on the caller. The Accounts Management Service also provides a list of the required probes and as the assistor asks each required question, they have been trained to check off each box to confirm that the caller's answers match IRS' records. Figure 2 provides a screen display of one of the screens used by assistors to authenticate callers.

⁷ *Toll-Free Account Assistance to Taxpayers Is Professional and Timely, and the Quality of Information Provided Has Improved* (Reference Number 2005-40-018, dated December 15, 2004) and *Toll-Free Account Assistance to Taxpayers Is Professional and Timely, but Improvement Is Needed in the Information Provided* (Reference Number 2004-40-057, dated February 27, 2004).

⁸ The Accounts Management Service is a computer-based system used to answer and resolve all taxpayer account-related questions.



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**Figure 2: Accounts Management Service Disclosure Screen
Used by Assistors to Authenticate Callers**

000-00-1234 EXAM JOHN EXAMPLE Help

Disclosure

** WARNING ** Unable to obtain some entity information. Some displays may be incomplete.

Identify the source of the contact Primary Taxpayer

Identify the Reason for Access Select Reason...

Verify filing status: 2007 Single

Request the complete name and address

Entity Details

Primary Name: John Example
Name Control: EXAM
Address: 100 Main St.
Any Town, USA 12345
Home Phone:
Business Phone:
Prior Name:

Alerts

Verify date of birth current primary: 12/02/1940

Is the inquiry:

In response to a notice?
 Regarding a refund?
 Requesting a transcript mailed to the address of record?
 Other? Or additional high risk disclosure required

Source: IRS training manual.

For these calls, assistors were observed checking off the disclosure data fields or the “Authorized” button on the Accounts Management Service Disclosure screen *before* asking the required probes.

In addition, assistors did not appropriately control the authentication phase in 32 (18 percent) of 180 calls. Guidelines clearly state that before assistors begin authenticating the caller, they are to first ask the purpose of the call to ensure they can provide assistance. Only after understanding the purpose of the call and after determining if authentication is required are they to begin the authentication process. This ensures they ask the probes without distractions. However, many assistors from the calls tested combined these two processes or allowed callers to interrupt during the authentication process. In addition, assistors engaged in small talk during the authentication process.

These practices could cause the assistor to lose control of the call and be distracted when authenticating the caller. This could also cause the assistor to lose track of how many of the required probes have been asked and cause the assistor to not properly authenticate the caller.



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Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Revise guidelines to require assistors to ask two additional high-risk probes when callers incorrectly answer the address or date of birth probes.

Management's Response: The IRS disagreed with this recommendation, stating that revising the guidelines is unnecessary. Current guidelines require the taxpayer to answer five authentication questions and provide assistors the latitude to ask additional questions if there is any doubt about the taxpayer's identity. The guidelines also state that the telephone assistor may request additional authentication if the address or date of birth question is answered incorrectly. In addition, the authentication strategic approach currently under development will further change the current authentication process.

The IRS stated that while there is no plan at this time to require two additional high-risk probes when callers incorrectly answer the address or date of birth probes, the IRS will ensure that training materials continue to emphasize that inadequate caller identity authentication could result in an unauthorized disclosure.

Office of Audit Comment: We believe requiring assistors to ask two additional high-risk probes when callers incorrectly answer the address or date of birth probes is warranted to reduce the risk of an unauthorized disclosure. Our review of sample calls showed that assistors are routinely asking additional high-risk questions. We believe modifying existing guidelines to require the additional questions would not be considered a burden considering the consequences of unauthorized disclosure on taxpayers.

Recommendation 2: Emphasize during training that assistors should not prematurely authenticate callers when using the Account Management Services. In addition, train assistors on the importance of controlling calls.

Management's Response: The IRS partially agreed with this recommendation. The IRS stated that during its review of TIGTA's sample of calls, there were no instances where unauthorized disclosure actually occurred due to the premature authentication of a caller. In addition, use of an Integrated Automated Technology Disclosure Tool is now mandatory. The tool includes all required authentication probes and provides the assistor the ability to leave history notes related to authentication. Therefore, the possibility of inadvertent disclosure is remote.

However, in keeping with the IRS' commitment to avoid even the remote possibility of disclosure of taxpayer information, training materials will be updated to emphasize the hazard of prematurely authenticating callers and bypassing the authentication tool. The IRS currently focuses on the importance of utilizing the required authentication questions and will continue to provide this training to telephone assistors.



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Taxpayers May Be Able to Overhear Personally Identifiable Information Being Discussed by Assistors on Other Calls

Taxpayers who call the IRS toll-free telephone lines are at risk of having their Personally Identifiable Information inadvertently overheard and disclosed during conversations with assistors. During our review of 48 (27 percent) of the 180 sampled calls, we were able to overhear other assistors discussing other callers' Personally Identifiable Information. For 10 calls (6 percent), we were able to clearly hear parts of conversations with other callers. For 38 calls (21 percent), other assistors' interactions with callers were overheard, but we could not clearly understand the conversations. This happened because assistors did not put callers on hold when they were researching the taxpayers' accounts. Also, the physical layout of employee workstations at call centers allows other conversations to be easily overheard.



For 26 (14 percent) of the 180 calls, assistors repeated the Social Security Number back to the caller on the telephone. This puts the IRS at risk for disclosing Personally Identifiable Information. We recognize that assistors often have valid reasons to confirm the information provided by callers. However, the practice of assistors repeating Personally Identifiable Information increases the risk of inadvertent unauthorized disclosures because background conversations can be heard by other callers. Internal guidelines do not specifically prohibit this behavior; however, a better practice would be for assistors to ask callers to restate information needed. Taxpayers need to be assured that the IRS is taking every precaution to protect their private information from inadvertent disclosure.

Recommendation

Recommendation 3: The Commissioner, Wage and Investment Division, should emphasize during training that assistors place callers on hold while conducting research. Guidelines should be developed that require assistors to ask callers to repeat Personally Identifiable Information if clarification is needed (e.g., Social Security Numbers). In addition, if there is a need for an assistor to repeat information back to the caller, the information should be limited to only partial information, for example, the numbers of the caller's street address.

Management's Response: The IRS agreed with this recommendation. It already provides extensive training on telephone communication skills, including training specifically on proper use of hold procedures and on conducting thorough authentication interviews. During training, it will continue to emphasize the use of placing calls on hold, when appropriate, as the level of research varies with each call (i.e., if minimal research is required, there is no need to place the caller on hold). Guidelines and training material will be modified to instruct assistors to ask the caller to repeat Personally



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Identifiable Information rather than having the assistor repeat the information back to the caller. The IRS will develop guidelines and training that instruct the assistor to repeat only partial information back to the caller when the assistor determines it is necessary to repeat information.

Adopting Industry Best Practices Could Improve the Customer Service Experience, Reduce Operating Costs, and Increase the Number of Calls Assistors Answered

The IRS is committed to providing top-quality service to taxpayers. The quality of service provided to taxpayers remains among the major management challenges the IRS is facing. One of the IRS' major strategies in the IRS' Fiscal Year 2009–2013 Strategic Plan is to seek innovative ways to simplify or eliminate processes that unnecessarily burden taxpayers or resources. The aim is to provide prompt and accurate responses to all requests for assistance. The IRS' goal is to make its toll-free telephone operation a "world-class customer service organization" that provides taxpayers with accessible and accurate tax assistance.

Authentication questions asked by IRS assistors are consistent with other Federal and State Government agencies

Callers to the IRS toll free account lines are required to answer at least five but as many as seven questions before the assistor can discuss account information. This requirement is consistent with those of Federal and State Government agencies contacted during this review. Auditors held discussions with representatives from the Social Security Administration, the Department of Veterans Affairs, and the States of California and Georgia to evaluate the agencies authentication requirements and identify best practices. Except for the Social Security Administration and the Department of Veterans Affairs, agencies require callers to provide their name, address, and Social Security Number, and require assistors to ask high-risk questions. Assistors at the Department of Veterans Affairs ask callers for the military service branch they served under instead of their address. Figure 3 shows the authentication questions asked by assistors for select Federal and State Government agencies.



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**Figure 3: Authentication Questions Asked by Assistors
for Select Federal and State Government Agencies**

Callers Are Asked to Authenticate the Following:	Internal Revenue Service	Social Security Administration	Department of Veterans Affairs	State of California	State of Georgia
Name	X	X	X	X	X
Address	X			X	X
Social Security Number	X	X	X	X	X
Date of Birth	X	X			
Filing Status	X				
Mother's Maiden Name		X			
Place of Birth		X			
Branch of Military Service			X		
High-Risk Questions	X	X	X	X	X

Source: TIGTA auditors' discussions with the selected government agencies.

Reducing the number of times callers are authenticated could improve the customer service experience

Taxpayers asking for account assistance must be authenticated each time they are transferred to a different assistor. Callers are routinely transferred because they have additional questions the assistor may not be trained to answer. During Fiscal Year 2009, 1,019,170 calls were transferred.

The IRS has a future strategy called Authentication Retention to reduce the number of times a caller is authenticated. It will enable automatic identification over the telephone for account-related callers by verification of specific shared secrets. Authentication Retention will increase taxpayer value through ease in authentication and lack of repetition, as a caller's authentication information and contact history is made readily available to each assistor who provides help to the caller. Reducing the number of times an assistor has to authenticate callers decreases the risk of unauthorized disclosures and taxpayer burden. While only a few callers complained about having to answer so many questions, having to answer the same questions multiple times may be considered excessive.



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Authenticating callers while they wait to speak to an assistor could further reduce taxpayer burden and authentication errors

For Fiscal Year 2009, the average amount of time callers waited to speak with an assistor was approximately 10 minutes. While waiting, callers generally hear music or informational announcements.

The Social Security Administration authenticates callers using an automated system made up of voice recognition and/or touch tone actions that captures the caller's responses. The caller is asked: 1) first and last name, 2) place of birth, 3) date of birth, 4) mother's maiden name, and 5) Social Security Number. The responses are automatically populated to the assistor's computer screen for verification. If verified, the assistor is able to immediately help the caller with his or her issue. If incorrect or if the caller does not answer all five questions, the assistor is instructed to ask additional probing questions to authenticate the caller.

Several of the technological components required for Authentication Retention could be used for authenticating callers in the queue. Managers at the Social Security Administration stated that the ability to authenticate callers while they wait in the queue allows assistors to immediately address issues, answer more calls, and reduce customer burden. Further, authenticating callers while they wait in the queue saves time and increases accuracy. The IRS estimates that assistors spend approximately 1 minute per call authenticating the caller.

Authenticating callers while they wait in the queue to talk to an assistor saves time and increases accuracy.

Authenticating callers in the queue also increases the number of calls the IRS can answer. This is especially important because as the IRS answers more calls, the Level of Service⁹ provided to taxpayers increases. Using results from our statistical sample, if 50 percent of the callers were authenticated while waiting to speak to an assistor, the IRS could save 136,654 minutes of assistor time, or 2,278 hours per week. The projected 5-year (Fiscal Years 2010 through 2014) productivity gain from authenticating callers while they wait to speak with an assistor would equal 496 Full-Time Equivalents,¹⁰ or approximately \$30 million. During Fiscal Year 2009, the average amount of time assistors spent on the telephone assisting callers was more than 11 minutes.¹¹ The IRS could also increase productivity by answering 1,180,306 additional calls

⁹ The Level of Service is the IRS' primary measure of providing taxpayer with access to a live assistor.

¹⁰ A measure of labor hours in which 1 Full-Time Equivalent is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. For Fiscal Year 2009, 1 Full-Time Equivalent was equal to 2,088 staff hours. See Appendix IV for details.

¹¹ Average amount of time assistor spent assisting caller calculated as follows: The Average Handle Time for Fiscal Year 2009 individual taxpayer account calls is 690 seconds, 690/60 seconds = 11.5 minutes.



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per year¹² because assistors would spend approximately 1 minute less talking with callers because the reason they called could be immediately addressed as soon as the call is answered.

Finally, using an automatic system to authenticate taxpayers would eliminate many of the concerns identified in this audit and reduce employee authentication errors. All five probes would be consistently asked. Assistors would have to ask only the high-risk questions, if any at all, and would be able to focus on the customer's request.

Recommendation

Recommendation 4: The Commissioner, Wage and Investment Division, should incorporate available technology to authenticate callers in the queue as part of the development of Authentication Retention.

Management's Response: The IRS agreed with this recommendation. It will submit a Unified Work Request by January 15, 2011, to incorporate available technology to authenticate callers prior to their reaching an assistor. The requested action will be subject to funding and resource prioritization.

Office of Audit Comment: The IRS did not agree with our outcome measure related to this recommendation because it believes that the measure does not consider the cost to develop and operate the Authentication Retention system. We agree that there would be additional costs to develop and operate the Authentication Retention system. However, these costs have not been quantified and the IRS did not provide its own estimate in its response. Notwithstanding, we believe this outcome measure shows the degree to which the Authentication Retention system will improve the efficient use of existing staff resources based on the average volume of calls during the stated 3-year period.

¹² The following data were used to calculate 1,180,306 additional calls per year: The average number of individual account calls for Fiscal Years 2007 through 2009 equals 24,786,428 multiplied by 50 percent of callers that would be authenticated while they wait to speak with an assistor (24,786,428 X .50 = 12,393,214). We divided the number of callers authenticated while they wait, 12,393,214, by the average number of minutes assistors spend assisting callers, 10.5 minutes (12,393,214/10.5 = 1,180,306). The 10.5 minutes were calculated by taking the 11.5 minutes the IRS stated its assistors spend with callers on account calls less the 1 minute spent authenticating callers.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to evaluate the controls over the authentication of taxpayers who call toll-free telephone numbers to determine whether current procedures to authenticate these taxpayers reduce the risk of unauthorized disclosure of taxpayer Personally Identifiable Information. To accomplish this we objective, we:

- I. Determined previous concerns and what actions were taken to correct them by researching prior taxpayer authentication issues and previously reported control breakdowns.
 - A. Contacted the TIGTA Office of Investigations to obtain information on any open or closed investigations related to unauthorized disclosure or identity theft related to taxpayer authentication from the toll-free telephone lines.
 - B. Obtained and reviewed prior audit reports on telephone authentication.
- II. Determined whether IRS policies and controls for processing taxpayer requests for tax account information are sufficient.
 - A. Evaluated the internal control environment and identified risks related to responding to taxpayers' telephone contact regarding tax account information by researching internal guidelines and training materials and interviewing appropriate IRS personnel.
 - B. Contacted IRS functional offices to evaluate internal initiatives to improve existing authentication methods, including internal evaluation or adoption of new authentication methods and technologies.
 - C. Reviewed the quality review process and quality reports to identify disclosure accuracy trends and evaluated how this information is used to increase authentication accuracy rates and reduce the risk of unauthorized disclosure.
- III. Determined whether employees adhered to authentication guidelines.
 - A. Selected a statistical sample of 180 contact recordings¹ from the 273,308 contact

¹ A contact recording captures the audio portion of the assistor/taxpayer interaction on the IRS' toll-free telephone lines and is synchronized with computer screen activity for replay and quality review. Some of the recordings also include a video of the computer screen activity. These contact recordings were from calls received from individual taxpayers who called the IRS' 1-800-829-1040 line during the week ending August 14, 2009.



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recordings list for Applications 20 and 21² for the week ending August 14, 2009. We used a 95 percent confidence level, 6 percent precision rate, and 20 percent error rate. The error rate was based on our survey results. We validated our sample by confirming assistors accessed taxpayers' accounts while providing assistance.

- B. From the statistical sample, determined whether employees asked the required probes to authenticate the caller.
- IV. Contacted Federal and State Government agencies to identify toll-free authentication controls and best practices.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the IRS' policies, procedures, and practices over the authentication of taxpayers who call toll-free telephone numbers. We evaluated these controls by assessing the internal control environment, interviewing management, and reviewing a sample of contact recordings.

² The toll-free telephone assistance lines are subdivided into categories called "applications," each of which is staffed with a group of assistors who have received specialized training to assist taxpayers with specific tax issues. Applications 20 and 21 are devoted to assistors answering taxpayer questions involving tax account conditions such as refunds, balance-due billing activity, and changes to the amount of tax owed.



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Appendix II

Major Contributors to This Report

Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services)
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Jerome Antoine, Auditor



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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Chief Financial Officer OS:CFO
Deputy Commissioner, Wage and Investment Division SE:W
Director, Customer Account Services, Wage and Investment Division SE:W:CAS
Director, Strategy and Finance, Wage and Investment Division SE:W:S
Director, Accounts Management, Wage and Investment Division SE:W:CAS:AM
Director, Joint Operations Center, Wage and Investment Division SE:W:CAS:JOC
Chief, Performance Evaluation and Improvement, Wage and Investment Division
SE:W:S:PRA:PEI
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Chief, Program Evaluation and Improvement, Wage and Investment Division
SE:W:S:PRA:PEI



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Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Taxpayer Privacy and Security – Potential; 44,067 taxpayers with increased risk of unauthorized disclosures (see page 3). The outcome relates to the number of callers who were at risk of having Personally Identifiable Information or tax information disclosed without authorization during a 1-week period.

Methodology Used to Measure the Reported Benefit:

Our test results showed assistors did not properly authenticate 29 (16 percent) callers from our statistical sample of 180 contact recordings.¹ The sampling error is ± 6 percent with a 95 percent confidence level and a 20 percent error rate that the number of callers who were at risk of unauthorized disclosure ranged from 28,768 to 59,366 for the week of August 14, 2009.

We computed the number of callers who were at risk of unauthorized disclosure by multiplying the number of account contact recording segments for the week of August 14, 2009, in applications 20 and 21 by the error rate identified from our observation of contact recordings. The following factors were used to calculate potential savings:

- Total volume of account contact recording segments during the week of August 14, 2009 = 273,308.
- The percentage of calls observed where assistors did not properly authenticate the caller = 16 percent.

Projected number of callers at risk of unauthorized disclosure

$273,308 \times 16 \text{ percent} = 44,067.$ ²

¹ A contact recording captures the audio portion of the assistor/taxpayer interaction on the IRS' toll-free telephone lines and is synchronized with computer screen activity for replay and quality review. Some of the recordings also include a video of the computer screen activity. These contact recordings were from calls received from individual taxpayers who called the IRS' 1-800-829-1040 line during the week ending August 14, 2009.

² Due to rounding, the figures may not always equal the totals presented in the report.



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Type and Value of Outcome Measure:

Inefficient Use of Resources – Potential; \$30,310,560 (see page 9). The outcome includes the projected increased productivity equal to 496³ Full-Time Equivalents⁴ for Fiscal Years 2010 through 2014 by eliminating the estimated 1 minute of time assistors spend authenticating callers to IRS toll-free account telephone lines.

Methodology Used to Measure the Reported Benefit:

Our test results showed the IRS estimates that assistors spend approximately 1 minute per call authenticating callers to toll-free account telephone lines. Use of an automated process would reduce the labor required to authenticate callers. The following factors were used to calculate potential savings:

- Average volume of account calls received during a three Fiscal Year period, 2007 through 2009 = 24,786,428.
- The estimated time to authenticate callers = 1 minute.
- The estimated percentage of calls where the caller will correctly answer the authentication probes and not require the assistor to complete additional authentication steps = 50 percent.
- The estimated average salary for an assistor = \$61,110.

Total estimated time assistors will save per year by authenticating callers while they wait to speak with an assistor.

- 24,786,428 calls x 50 percent x 1 minute = 12,393,214 minutes.
- 12,393,214 / 60 minutes = 206,554 hours.

Total estimated annual savings assistors will save by authenticating callers while they wait to speak with an assistor.

- 206,554 / 2,088 hours per Full-Time Equivalent = 99 Full-Time Equivalents.

Projected inefficient use of resources in Full-Time Equivalents over 5 years

99 Full-Time Equivalents x 5 years = 496 Full-Time Equivalents.

Projected inefficient labor costs from Full-Time Equivalents over 5 years

496 Full-Time Equivalents x \$61,110 = \$30,310,560.

³ Due to rounding, the figures may not always equal the totals presented in the report.

⁴ A measure of labor hours in which 1 Full-Time Equivalent is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. For Fiscal Year 2009, 1 Full-Time Equivalent was equal to 2,088 staff hours.



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Appendix V

Authentication Requirements

The following details the authentication requirements for telephone assistants who answer calls about individual taxpayer accounts.

1. For purposes of identification and to prevent unauthorized disclosures of tax information, you must know with whom you are speaking, complete name and title, and the purpose of the call/contact.

CAUTION: Inadequate authentication of the identity of a caller could result in an “unauthorized disclosure” of return or return information. If an IRS employee makes a knowing or negligent unauthorized disclosure, the United States may be liable for damages in a civil cause of action. If an IRS employee makes a voluntary, intentional disclosure, the employee may be subject to criminal penalties including a fine, imprisonment, and loss of employment.

2. When you determine that the person with whom you are speaking is being coached with the answers to the disclosure probes, you must verify if the caller is the taxpayer or someone else. Once you have determined that the caller is not the taxpayer, you must complete the required disclosure probes with the taxpayer and then secure verbal consent from the taxpayer to discuss the matter with the third party. IRS employees are authorized to accept a taxpayer’s verbal consent to disclose return information to parties assisting the taxpayer in resolving a tax matter.

3. Required Individual Master File¹ authentication probes:

- a. Taxpayer Identification Number - If the taxpayer is inquiring about a jointly filed return, only one Taxpayer Identification Number is necessary, preferably the primary number. The secondary Taxpayer Identification Number may be required if the primary is unavailable or for use as an additional authentication check.

- b. Name - as it appears on the tax return (for the tax year(s) in question), including spouse’s name for a joint return.

NOTE: If the caller is unable to provide “a” and “b” above, advise the caller to call back when he or she has re-checked the taxpayer name and Taxpayer Identification Number. Terminate the call.

¹ The Individual Master File is the IRS database that maintains transactions or records of individual tax accounts.



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- c. Current address - If taxpayer fails to provide the correct address of record, but correctly responds to all of the other items, you may request additional taxpayer authentication pursuant to *Additional Taxpayer Authentication*.

NOTE: If you are unable to verify the address on the Integrated Data Retrieval System, request the address as it appears on the last tax return or as modified by IRS records.

- d. Filing status used on the return(s) in question (e.g., amended return, original return). If the taxpayer cannot confirm filing status or, if the taxpayer is inquiring about an account issue that does not need filing status confirmation, continue with paragraph (e) below. You must also follow the procedures outlined in *Additional Taxpayer Authentication*.

CAUTION: If the caller is inquiring about multiple tax years, you must be certain that the individual is a party to each tax year in question and is entitled to receive information on each tax year.

NOTE: When the caller is inquiring about an amended return that has not yet posted, the filing status on the related original return must be provided. If the amended return for which the individual is inquiring has posted, the caller must provide the filing status on the posted amended return.

- e. Date of birth of primary or secondary taxpayer - If the taxpayer fails the date of birth probe, but correctly responds to all other items above (name, Taxpayer Identification Number, address, and filing status), you may request additional taxpayer authentication pursuant to *Additional Taxpayer Authentication*.

NOTE: If there is a discrepancy with the date of birth on IRS records but you are confident (taxpayer has passed authentication requirements) that you are speaking with the taxpayer, advise the taxpayer to contact the Social Security Administration at 1-800-772-1213 to correct the error.

Additional Taxpayer Authentication

1. For other conditions in which additional authentication is warranted, using the list below, verify two or more additional items from the taxpayer's return or account:
 - Spouse's date of birth.
 - Child's/children's date(s) of birth.
 - Amount of income reported on last return or tax due on return.
 - Employers shown on taxpayer's Wage and Tax Statement (Form W-2).
 - Financial institutions from taxpayer's Information Returns [Interest Income (Form 1099-INT) or Dividends and Distributions (Form 1099-DIV)].



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- Number of exemptions claimed on last return or on return in question.
- Preparer, paid/unpaid, if any.
- Expected refund amount (within \$100) unless computed by the IRS.
- Any other verifiable items from the return/account.



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Appendix VI

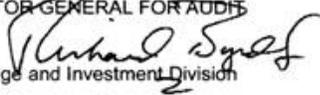
Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

MAR 30 2010

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Richard Byrd, Jr. 
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Telephone Authentication Practices Need
Improvements to Better Prevent Unauthorized Disclosures
(Audit # 200940044)

I have reviewed the subject draft report and appreciate your findings regarding telephone authentication practices. The IRS has demonstrated a longstanding commitment to the protection of taxpayer information, which is crucial to the success of the mission of the IRS. As public awareness of identity theft grows, the IRS is dedicated to continuing to guard taxpayers' private information from inadvertent disclosure.

In order to identify improvement opportunities, the IRS is working on a new strategic approach to address authentication requirements. This new approach will address several critical goals, including securing a transaction, minimizing customer burden, and leveraging efficient authentication solutions. It will also include implementation of an Electronic Risk Assessment for the Web channel, and identification of the best methods to apply these Web risk assessment principles and concepts to other channels, such as the telephone. These, and other, developments will guide modifications to current telephone systems and processes.

Your report indicates that telephone assistants are not always authenticating callers. This conclusion was derived from a statistical sample of contact recordings, selected by your auditors. The IRS reviewed the errors identified in the sample and, while we are in general agreement with your findings, we remain convinced that the reviews performed by the IRS Centralized Quality Review System (CQRS) staff are a more accurate representation of the actual telephone authentication accuracy.

The CQRS sampling demonstrates that, on this issue, the Accounts Management function has maintained a nationwide Accuracy Rate of over 95 percent. Following are the historical Authentication Accuracy Rates:



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Fiscal Year	Authentication Accuracy Rate
2010 (Through February 2010)	96.49%
2009	96.20%
2008	95.91%

The IRS ensures assistors receive proper training and guidance to accurately authenticate taxpayer information, including extensive training on communication skills, and conducting authentication interviews. In addition, the IRS developed electronic tools to assist Customer Service Representatives with standardized authentication protocol. As trends are identified during the quality review process, Servicewide Electronic Research Project alerts are issued to quickly provide updated guidance, and deploy corrective actions.

Further evidence of the IRS commitment to prevent unauthorized disclosures is found in the Critical Job Elements for telephone assistors. If a telephone assistor commits one or more instances of an authentication error, as identified through managerial reviews of Account calls, the telephone assistor cannot receive an "exceeds" rating in the Security and Disclosure critical job elements. These managerial reviews are in addition to product reviews of Account calls performed by CQRS and represent another aspect of our continued effort to ensure the necessary authentication.

Your report indicates that taxpayers who call the IRS may be at risk of having their Personally Identifiable Information (PII) inadvertently overheard and disclosed. This is because during the review of contact recordings, your auditors were able to overhear parts of conversations with other callers. However, it is important to note that during the IRS review of the calls in your sample, there were no instances where unauthorized disclosures actually occurred. In no instance did the reviewers hear the full Social Security Number or PII of another taxpayer. In addition, the CQRS staff began reviewing recorded calls in October 2006 and to date, has reviewed over 300,000 contact recordings of taxpayers calling about their accounts. During this time, they have not identified any occurrence of this type of inadvertent disclosure. Therefore, the IRS believes the possibility of this form of inadvertent disclosure is extremely remote. However, the IRS is committed to taking all possible actions to avoid even the remote possibility of disclosure of taxpayer information, so we agree with your recommendation to implement guidelines instructing assistors to repeat only partial Social Security Numbers.

Another area of concern is your statement that the IRS does not include authentication errors in the calculation of Customer Accuracy. A previous Treasury Inspector General



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for Tax Administration audit¹ identified this same issue and included a recommendation for change. As stated in our response to the previous audit, unauthorized disclosures detected during the CQRS review of calls are recorded as Customer Accuracy defects. We also record a Regulatory Accuracy defect if the cause of an unauthorized disclosure is due to incomplete or inadequate use of authentication procedures. The IRS disagreed with the prior recommendation, and continues to stress that Customer Accuracy (giving the correct answer with the correct resolution), Regulatory Accuracy (adhering to statutory/regulatory process requirements when making determinations on taxpayer accounts), and Procedural Accuracy (adhering to internal process requirements) measures are independent of each other. We report all three measures externally and do not maintain an overall "Customer Accuracy" measure. The current reporting of incomplete or inadequate use of unauthorized disclosure probes, which do not result in an identifiable unauthorized disclosure, as Regulatory Accuracy is consistent with IRS classification and reporting of other non-authentication related defects. Changing the current definition would constitute inaccurate reporting.

Finally, we agree with the first outcome measure in Appendix IV, but disagree with the second outcome measure. The methodology used for the estimated time savings associated with automated authentication is consistent with the estimated savings utilized in our Authentication Retention Project. However, the estimated labor savings of \$30,310,560 does not consider the cost to develop and operate Authentication Retention. These costs must offset a portion of the reported labor savings due to the large infrastructure and labor costs associated with development of such technology products.

Attached are our comments to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Peter J. Stipek, Director, Customer Account Services, Wage and Investment Division, at (404) 338-8910.

Attachment

¹ *Toll-Free Account Assistance to Taxpayers Is Professional and Timely, but Improvement Is Needed in the Information Provided* (Reference Number 2004-40-057, dated February 27, 2004).



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Attachment

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1

Revise guidelines to require assistors to ask two additional high-risk probes when callers incorrectly answer the address or date of birth probes.

CORRECTIVE ACTION

We disagree with this recommendation. Revising the guidelines is unnecessary. The current Internal Revenue Manual (IRM 21.1.3.2.3, Accounts Management and Compliance Services Operations - Operational Guidelines Overview) requires the taxpayer to answer five authentication questions and provides assistors the latitude to ask additional questions if there is any doubt about the taxpayer's identity. The IRM also states that the telephone assistor may request additional authentication if the address or date of birth question is answered incorrectly. In addition, the authentication strategic approach currently under development will further change the current authentication process.

While there is no plan at this time to require two additional high-risk probes when callers incorrectly answer the address or date of birth probes, the IRS will ensure that training materials continue to emphasize that inadequate caller identity authentication could result in an unauthorized disclosure.

IMPLEMENTATION DATE

N/A

RESPONSIBLE OFFICIAL

N/A

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 2

Emphasize during training that assistors should not prematurely authenticate callers when using the Account Management Services. Additionally, train assistors on the importance of controlling calls.

CORRECTIVE ACTION

We partially agree with this recommendation. During our review of your sample calls, there were no instances where unauthorized disclosure actually occurred due to the premature authentication of a caller. In addition, use of an Integrated Automated Technology (IAT) Disclosure Tool is now mandatory. The tool includes all required authentication probes and provides the assistor the ability to leave history notes related to authentication. Therefore, the possibility of inadvertent disclosure is remote.



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However, in keeping with the IRS commitment to avoid even the remote possibility of disclosure of taxpayer information, we will update training materials to emphasize the hazard of prematurely authenticating callers and bypassing the authentication tool. We currently focus on the importance of utilizing the required authentication questions. We will continue to provide this training to telephone assistants.

IMPLEMENTATION DATE

January 15, 2011

RESPONSIBLE OFFICIAL

Director, Accounts Management, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 3

The Commissioner, Wage and Investment Division, should emphasize during training that assistants place callers on hold while conducting research. Guidelines should be developed that require assistants to ask callers to repeat Personally Identifiable Information if clarification is needed (e.g., Social Security Numbers). Additionally, if there is a need for an assistant to repeat information back to the caller, the information should be limited to only partial information, for example, the numbers of the caller's street address.

CORRECTIVE ACTION

We agree with this recommendation. The IRS already provides extensive training on telephone communication skills, including training specifically on proper use of hold procedures and on conducting thorough authentication interviews. We will continue to emphasize, during training, the use of placing calls on hold, when appropriate, as the level of research varies with each call (i.e., if minimal research is required, there is no need to place the caller on hold). Guidelines and training material will be modified to instruct assistants to ask the caller to repeat Personally Identifiable Information (PII) rather than having the assistant repeat the information back to the caller. We will develop guidelines and training that instruct the assistant to repeat only partial information back to the caller when the assistant determines it is necessary to repeat information.



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IMPLEMENTATION DATE

January 15, 2011

RESPONSIBLE OFFICIAL

Director, Accounts Management, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 4

The Commissioner, Wage and Investment Division, should incorporate available technology to authenticate callers in the queue as part of the development of Authentication Retention.

CORRECTIVE ACTION

We agree with this recommendation. We will submit a Unified Work Request (UWR) by January 15, 2011, to incorporate available technology to authenticate callers prior to their reaching an assistor. Since the requested action will be subject to funding and resource prioritization by Modernization and Information Technology Services, submission of the UWR will complete the corrective action.

Implementation Date

January 15, 2011

RESPONSIBLE OFFICIAL

Director, Accounts Management, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.