



*Potentially Dangerous Taxpayer and
Caution Upon Contact Cases Are
Adequately Controlled, but Improvements
in Training and Outreach Are Needed*

January 18, 2013

Reference Number: 2013-40-014

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.

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HIGHLIGHTS

POTENTIALLY DANGEROUS TAXPAYER AND CAUTION UPON CONTACT CASES ARE ADEQUATELY CONTROLLED, BUT IMPROVEMENTS IN TRAINING AND OUTREACH ARE NEEDED

Highlights

Final Report issued on January 18, 2013

Highlights of Reference Number: 2013-40-014 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

The IRS has the task of protecting approximately 100,000 employees in more than 700 facilities located throughout the country. The safety of its employees has always been a top priority for the IRS, especially the safety of those employees who have direct contact with the public. The establishment of the Office of Employee Protection (OEP) and the Potentially Dangerous Taxpayer (PDT) and Caution Upon Contact (CAU) Programs was to improve the IRS's ability to identify taxpayers who represent a potential danger to IRS employees.

WHY TIGTA DID THE AUDIT

This audit was initiated because IRS employees can be exposed to many difficult, threatening, and even extremely dangerous situations. Prior attacks on IRS facilities demonstrate the dangers that IRS employees face in performing their jobs. The objectives of the audit were to determine whether the OEP is effectively administering the PDT and CAU Programs and whether it is proactive in identifying PDTs who might pose a threat to IRS employees.

WHAT TIGTA FOUND

Tests of the Employee Protection System records showed cases referred to the OEP were controlled and accurately entered into all IRS systems. Tests of 12 cases that underwent a five-year renewal review identified that established procedures were appropriately applied to each case.

However, some IRS employees who have direct contact with taxpayers do not have sufficient knowledge of the PDT and CAU Programs. Training courses and internal guidance for these employees were incomplete or inaccurate.

During interviews with employees, several incidents were described that had not been appropriately reported to the TIGTA Office of Investigations. The failure to report any threat or verbal abuse can put other IRS employees at risk if they later come into contact with the taxpayer face to face.

In addition, the OEP has not proactively ensured that the business units provide adequate training and guidance to these employees because of organizational misalignment and staffing issues. The OEP is not located within the office whose responsibilities include employee safety. The OEP should be realigned in the IRS's organizational structure to help better meet its mission and to elevate its visibility to help bolster employee awareness. It might also allow the OEP access to resources to engage in proactive agency-wide training and security involvement.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS establish processes to ensure that all front-line employees receive annual PDT and CAU criteria training and ensure that Internal Revenue Manual sections for front-line employees include current, complete, and accurate information on the PDT and CAU Programs. Finally, the IRS should determine where the OEP should be aligned in the organizational structure to enhance its mission of providing an agency-wide service.

The IRS agreed with the recommendations and plans to develop and distribute PDT and CAU training material. It plans to ask the operating divisions to review related Internal Revenue Manual sections that reference PDT and CAU procedures to ensure consistency with Internal Revenue Manual Section 25.4. It also plans to evaluate the organizational structure to determine the best alignment of the OEP.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 18, 2013

**MEMORANDUM FOR DEPUTY COMMISSIONER FOR SERVICES AND
ENFORCEMENT**

FROM: Michael E. McKenney
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Potentially Dangerous Taxpayer and Caution
Upon Contact Cases Are Adequately Controlled, but Improvements in
Training and Outreach Are Needed (Audit # 201240007)

This report presents the results of our review to determine whether the Office of Employee Protection is effectively administering the Potentially Dangerous Taxpayer and Caution Upon Contact Programs and whether it is proactive in identifying potentially dangerous taxpayers who might pose a threat to Internal Revenue Service employees. This audit was included in the Treasury Inspector General for Tax Administration's Fiscal Year 2012 Annual Audit Plan and addresses the major management challenge of Security of Taxpayer Data and Employees.

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. If you have any questions, please contact me or Augusta R. Cook, Acting Assistant Inspector General for Audit (Returns Processing and Account Services).



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Abbreviations

CAU	Caution Upon Contact
EPS	Employee Protection System
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
OEP	Office of Employee Protection
PARIS	Performance and Results Information System
PDT	Potentially Dangerous Taxpayer
TIGTA	Treasury Inspector General for Tax Administration



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Background

The Internal Revenue Service (IRS) has the task of protecting approximately 100,000 employees in more than 700 facilities located throughout the country. The safety of its employees has always been a top priority for the IRS, especially for those employees who have direct contact with the public. In dealing with the public, IRS employees can be exposed to many difficult, threatening, and even extremely dangerous situations. The February 2010 attack on an IRS facility in Austin, Texas, demonstrates the dangers that IRS employees face in performing their jobs.

The February 2010 attack on an IRS facility in Austin, Texas, was a reminder of the dangers that IRS employees face each day in performing their jobs.



Because the majority of the IRS workforce has daily and ongoing interactions with the public, it is imperative that the IRS has programs that focus on employee protection. In 1984, the IRS Commissioner assigned the IRS Inspection Service¹ the responsibility of developing a program to improve the IRS's ability to identify taxpayers who represented a potential danger to IRS employees. The Inspection Service developed the Potentially Dangerous Taxpayer (PDT) Program and was assigned full responsibility for administering it.

For more than a decade, the PDT Program was the only means available to advise employees of possible dangerous situations. Its emphasis was on imminent danger or bodily harm and did not provide for less severe circumstances. In Calendar Year² 1999, the IRS Commissioner chartered a national task force with the sole objective of exploring and recommending options to enhance the safety of IRS employees. The task force led to the establishment of the Office of Employee Protection (OEP), which is now responsible for administering the PDT Program along with developing and administering the new Caution Upon Contact (CAU) Program.

¹ The Treasury Inspector General for Tax Administration was created in Fiscal Year 1999, replacing the IRS's Inspection Service.

² The 12-consecutive-month period ending on December 31.



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Criteria for PDT and CAU designations

For a taxpayer to be considered potentially dangerous, the designation of PDT must be based on verifiable evidence, have a connection to tax administration, and meet the following criteria:

IRS guidelines provide the following definitions:

Assault: Direct physical contact with the intent to cause physical harm, including striking or attempting to strike with objects, such as rocks or bottles, or brandishing a weapon.

Threat: Verbal or written expression of intent to cause harm to an IRS employee or contractor or to an IRS employee's or contractor's immediate family member. It also includes preventing an IRS employee or contractor from leaving a taxpayer's business or residence, even if no physical contact actually occurs.

Intimidate: Action intended to cause an IRS employee or contractor to become timid or to force or deter an IRS employee or contractor from taking an action.

- Taxpayers who physically assault IRS employees or contractors or their immediate family.
- Taxpayers who attempt to intimidate or threaten IRS employees or contractors or members of their immediate family through specific threats of bodily harm, a show of weapons, the use of animals, or specific threatening behavior (such as acts of stalking).
- Persons who are active members of groups that advocate violence against IRS or other Federal employees, where advocating such violence could reasonably be understood to threaten the safety of IRS employees and impede the performance of IRS duties.
- Taxpayers who have committed the acts set forth in any of the preceding criteria, but whose acts have been directed against employees or contractors of other governmental agencies at Federal, State, county, or local levels.
- Taxpayers who are not classified as PDTs through application of the above criteria but who have demonstrated a clear propensity towards violence through acts of violent behavior within the five-year period immediately preceding the time of classification as potentially dangerous.

The CAU designation must be based on reliable evidence, have a connection to tax administration, and meet the following criteria:

- Threat of physical harm that is less severe or immediate than necessary to satisfy PDT criteria.
- Suicide threat by the taxpayer.
- Filing or threatening to file a frivolous lien or a frivolous criminal or civil action against an IRS employee or contractor or their immediate family.

Taxpayers who are designated as PDT or CAU will retain the designation for five years. At the end of the five-year period, their cases are reviewed against PDT or CAU renewal criteria. If



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taxpayers meet any of the criteria, the PDT or CAU designation will be retained for an additional five years, at which time the taxpayers will once again be reviewed against the five-year renewal criteria.

Figure 1 shows the number of PDT and CAU cases added to the Employee Protection System (EPS) during Calendar Years 2008 through 2012. The EPS is a database used to catalog information about PDT and CAU taxpayer cases. The information includes Personally Identifiable Information as well as information (description of the incident) describing why the taxpayer is considered dangerous. The database also includes information on the IRS employee who reported the incident and contains audit trail information, which can be used to identify database activity by user identification.

**Figure 1: PDT and CAU Cases Added
For Calendar Years 2008 Through 2012**

Calendar Year	PDT Case Closures	PDT Determinations	CAU Case Closures	CAU Determinations
2008	960	163	615	601
2009	989	136	706	695
2010	1,154	151	774	747
2011	1531	158	993	967
2012*	691	117	492	473

*Source: IRS Office of Employee Protection. *Data available through July 2012.*

As of July 2012, the IRS had 2,162 active PDT cases, 4,487 active CAU cases, and 662 pending PDT cases.

Treasury Inspector General for Tax Administration and OEP coordination

With the establishment of the Treasury Inspector General for Tax Administration (TIGTA), the administration and maintenance of the PDT database was transferred to the OEP in February 2000. However, the TIGTA was assigned the investigative responsibilities of the former Inspection Service, and all IRS employees are required to report incidents involving threats and assaults to the TIGTA Office of Investigations.

One of many responsibilities of the Office of Investigations is to protect the IRS and related entities against attempts to corrupt or threaten their employees. The Office of Investigations is responsible for investigating attempts by individuals to corrupt or unlawfully interfere with the administration of the Federal tax system through such activities as bribery, threats, assaults, or other unlawful actions that may impact IRS personnel and impede Federal tax administration. It investigates actions by individuals that may affect the safety of IRS employees.



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To ensure that IRS employees are aware of their responsibilities and the role the TIGTA plays in their work lives, the TIGTA provides briefings on assaults, threats, bribery, integrity, and other security-related topics to IRS employees. TIGTA special agents conducted 294 presentations in Fiscal Year³ 2009 and more than 369 in Fiscal Years 2010 and 2011.

This review was performed in the Small Business/Self-Employed and Wage and Investment Divisions at the OEP in Detroit, Michigan, and the Accounts Management, Field Assistance, Examination, and Collection function offices in Atlanta, Georgia; Overland Park, Kansas; Kansas City, Missouri; Lees Summit, Missouri; and Dallas, Texas, during the period May through September 2012. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

³ A 12-consecutive-month period ending on the last day of any month, except December. The Federal Government's fiscal year begins on October 1 and ends on September 30.



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Results of Review

Controls Are Sufficient to Administer the Potentially Dangerous Taxpayer and Caution Upon Contact Programs

The OEP has sufficient controls to ensure that cases referred to the PDT and CAU Programs are appropriately processed and controlled. A review of PDT and CAU cases identified that determinations were appropriate and the PDT and CAU designations were appropriately applied. Controls ensure that taxpayer accounts are timely updated with the appropriate indicators. Additionally, five-year reviews were timely and criteria were appropriately applied to all cases we reviewed.

EPS records were accurate and complete

Tests of the EPS records showed cases referred to the OEP were controlled and accurately entered into all IRS systems. Referrals to the OEP come from either the TIGTA Office of Investigations or through employee submission of Form 13090, *Caution Indicator Referral Report*.

- **PDT Referrals:** Employees are to first contact the TIGTA Office of Investigations when an incident occurs that meets PDT criteria. If there is sufficient evidence to initiate a case for an investigation, the TIGTA will forward the initial information to the OEP. The OEP will place a pending PDT on the taxpayer's account in the EPS upon receipt of the information. Once the investigation is complete, the OEP will make the determination as to whether the taxpayer should be designated as a PDT or CAU and, if necessary, update the Integrated Data Retrieval System (IDRS).⁴
- **CAU Referrals:** Employees are to submit Forms 13090 directly to the OEP. They may send the completed Form 13090 by fax, mail, or e-mail through secure messaging. The OEP reviews the information and determines whether the referral meets the CAU criteria. Once the determination has been made, the OEP staff will update the IDRS and the EPS. If the referral meets PDT criteria instead, the OEP will forward the case to the TIGTA to conduct an investigation.

⁴ IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.



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Tests of the EPS records showed case information for taxpayers in the PDT and CAU Programs was effectively maintained and updates were timely made to the IDRS and the Individual Master File (IMF).⁵

We performed tests of six statistically valid samples from selected EPS records with active and pending cases, IMF Entity Table records with PDT or CAU indicators, and TIGTA Performance and Results Information System (PARIS) records.⁶ Errors included records erroneously transmitted, incorrect addresses or Social Security Numbers, and misspellings. The error rates from the six samples were not statistically significant. None of the errors affected employee protection and, when advised, the OEP promptly corrected all errors.

Tests of 80 active PDT and CAU records judgmentally selected from the PARIS, IMF Entity Table records, and EPS records found that indicators were appropriately placed on or removed from IDRS accounts for all 80 records. Of the 80 records, four were appropriately changed from PDT to CAU indicators and three were removed from the IDRS as a result of OEP determinations.

PDT and CAU indicators were appropriately applied

A judgmental sample of 15 cases⁷ showed that the OEP appropriately applied the PDT and CAU criteria for each case.

- Five cases had been appropriately determined to be PDT cases.
- Eight cases had been appropriately determined to be CAU cases.
- Two cases had been appropriately determined not to meet the PDT or CAU criteria.

Five-year reviews were timely and criteria were appropriately applied

Tests of 12 cases⁸ that underwent a five-year review identified established procedures were appropriately applied to each case. For 10 of the 12 cases, there was current tax activity at the time of the review and the indicators were extended for another five years. Two cases did not meet the five-year renewal criteria, and the indicators were appropriately removed from the taxpayer's accounts.

⁵ The IRS database that maintains transactions or records of individual tax accounts.

⁶ The PARIS is a management information system that provides the TIGTA the ability to manage and account for the thousands of complaints received, investigations initiated, and leads developed from Local Investigative Initiatives and National Investigative Initiatives.

⁷ A judgmental sample was selected from paper files. Ten cases were judgmentally selected from the 6,649 active PDT and CAU cases, and five cases were judgmentally selected from the 662 pending PDT cases. A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.

⁸ Twelve cases were judgmentally selected from 12 Five-Year Renewal reports that listed a total of 26 cases.



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The OEP has developed the Advanced Five-Year Report that is provided to the TIGTA Office of Investigations to allow special agents to conduct a proactive follow-up investigation on taxpayers designated as PDTs three months prior to the expiration of the designation. The PDT five-year renewal criteria are:

- An additional PDT referral was made during the five-year period under review.
- An IRS employee or contractor was physically assaulted.
- An arrest was made by the TIGTA or another law enforcement agency for a threat to, or an assault on, an IRS employee or contractor during the five-year period under review.
- The taxpayer's account shows current IRS activity (e.g., audit or balance due) at the time of the review.

The CAU five-year renewal criteria are (1) an additional CAU or PDT referral was made during the five-year period under review or (2) there is current IRS activity on the taxpayer's account at the time of the review.

If any of the noted situations exist at the time of the review, the taxpayer's PDT or CAU designation will remain on the account for an additional five years. The five-year renewal criteria are applied each time a designation comes up for review, regardless of how long a taxpayer has been in either of the programs.

Training and Guidance on the Potentially Dangerous Taxpayer and Caution Upon Contact Programs Need Improvement

Our review identified that some IRS employees who have direct contact with taxpayers do not have sufficient knowledge of the PDT and CAU Programs. Threatening incidents by taxpayers are not always reported. TIGTA interviews with employees identified several incidents that were not reported to the TIGTA or the OEP because the employees:

- Were on the telephone with the taxpayer and did not believe the threat was imminent.
- Believed they had calmed the taxpayer.
- Were not intimidated by the threatening behavior.
- Empathized with the taxpayers and were able to attend to the taxpayer's tax needs.
- Did not recognize the threat.

The failure to report any threat or verbal abuse can put other IRS employees at risk if they later come into contact with the taxpayer face to face. The OEP is dependent on IRS employees' ability to recognize when a taxpayer is exhibiting dangerous behavior and to know how to



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properly identify and report such incidents. The IRS needs to ensure that PDT and CAU training and guidance is sufficient to protect IRS employees.

Training courses and internal guidance for these employees were incomplete or inaccurate. In addition, the OEP has not proactively ensured that the business units provide adequate training and guidance to these employees because of organizational alignment and staffing issues. Therefore, the IRS cannot be certain that all incidents of taxpayers who may pose a danger to IRS employees are reported. The Government Accountability Office's Standards for Internal Control in the Federal Government⁹ states:

Management should ensure that skill needs are continually assessed and that the organization is able to obtain a workforce that has the required skills that match those necessary to achieve organizational goals. Training should be aimed at developing and retaining employee skill levels to meet changing organizational needs. Qualified and continuous supervision should be provided to ensure that internal control objectives are achieved.

The IRS notes in its Strategic Plan 2009–2013 that one of its objectives is to “ensure the privacy and security of data and safety and security of employees.” Adequate continual training on the PDT and CAU Programs and criteria is needed to ensure that this objective is met.

Not all employees have sufficient knowledge of the PDT and CAU Programs

Interviews with 34 IRS employees¹⁰ who have direct contact with taxpayers through face-to-face meetings, telephone calls, or written correspondence found that most do not have sufficient knowledge of PDT and CAU criteria. In addition, the employees did not have a good understanding of the PDT and CAU reporting processes or the role of the OEP in providing employee safety.

Thirty (88 percent) of the 34 IRS employees interviewed had heard of the PDT designation and knew that a PDT taxpayer is an individual who either assaulted an IRS employee or potentially poses a danger to an IRS employee. However, employees did not have a sufficient understanding of all the criteria.

When asked whether they had heard of the CAU designation, only 10 (29 percent) of the 34 employees stated that they had. Only seven (21 percent) of the 34 employees could provide an adequate description of the difference between a taxpayer designated as a PDT or CAU.

Figure 2 provides the results of our interviews with 34 IRS employees.

⁹ General Accounting Office, GAO/AIMD-00-21.3.1, Standards for Internal Control in the Federal Government (Nov. 1999). In July 2004, the General Accounting Office became the Government Accountability Office.

¹⁰ The 34 employees were judgmentally selected.



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Figure 2: Results of TIGTA Interviews With IRS Employees

Responses	YES	NO
Is familiar with the PDT designation.	88%	12%
Is familiar with the CAU designation.	29%	71%
Has an understanding of the difference between PDT and CAU.	21%	79%
Has received specific PDT and CAU criteria and procedures training.	15%	85%
Mentioned the TIGTA specifically to report incident.	53%	47%
Has heard of the OEP and its mission.	18%	82%

Source: TIGTA interviews with IRS employees conducted from June through August 2012.

Two Reader Polls¹¹ conducted in April 2011 and February through March 2012 conducted by the OEP provided similar results. Figure 3 provides the results of the two Polls.

Figure 3: Results OEP Reader Polls

2011 Reader Poll 7,714 IRS Employees Participated*	2012 Reader Poll 9,017 IRS Employees Participated*
The correct answer is #1, selected by 13 percent of the respondents.	The correct answer is #2, selected by 46 percent of the respondents.
<p><i>Which of the following is not one of the Caution Upon Contact Program’s criteria?</i></p> <ol style="list-style-type: none"> Active member of a group advocating violence against IRS or other Federal employee – 978 (13 percent) responded. Filing or threatening to file legal action against an IRS employee – 3,289 (43 percent) responded. Suicide threat by a taxpayer – 1,740 (23 percent) responded. Threat of physical harm that does not satisfy PDT criteria – 1,707 (22 percent) responded. 	<p><i>Which of the following meets one of the Potentially Dangerous Taxpayer Program’s five criteria?</i></p> <ol style="list-style-type: none"> During a telephone call, a taxpayer says he applauds anyone who harms the IRS – 2,122 (24 percent) responded. A taxpayer threatened to shoot state taxing authorities – 4,161 (46 percent) responded. A taxpayer threatens to shoot herself if notices from the IRS don’t stop – 2,734 (30 percent) responded.

*Source: IRS OEP. * = Participants are considered a judgmental sample.*

¹¹ The IRS provides polls for its employees on its intranet website.



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Only five (15 percent) of the 34 employees interviewed responded that they had received specific training on the OEP and the PDT and CAU Programs. Training courses also do not include sufficient information on the PDT and CAU Programs, and some employees stated that they have not received any training.

Training courses do not include sufficient information about the PDT and CAU Programs

An analysis of seven student training guides and three presentations used to train IRS employees on the PDT and CAU Programs showed they were not all up to date and did not always provide IRS employees with the necessary information on the programs and the OEP. Of the 10 guides and presentations provided by the IRS:

- Nine (90 percent) did not include PDT criteria.
- Six (60 percent) had outdated material.
- Seven (70 percent) did not include the CAU Program or its criteria.
- Five (50 percent) had no material on the OEP.
- Two (20 percent) stated IRS Criminal Investigation should be contacted for armed escort. However, effective May 2, 2011, the TIGTA assumed the responsibilities related to all armed escorts.

PDT and CAU training should include the PDT and CAU criteria; the definitions of assault, threat, and intimidation and how they relate to the PDT and CAU criteria; and the role of the OEP and the TIGTA. The training should underscore the importance of the OEP and its role in protecting IRS employees, but also emphasize that the OEP is dependent on the employees' input and ability to recognize and report threats and assaults. Without proper training and knowledge, the employees might not report taxpayers who should be designated as PDT and CAU and put IRS employees at risk.

Internal guidance does not include sufficient PDT and CAU Program information

A review of a judgmental sample of 12 Internal Revenue Manual (IRM) sections used by front-line employees (employees who deal directly with taxpayers), showed eight (67 percent) did not provide a description of the PDT Program, 11 (92 percent) did not list the PDT criteria, nine (75 percent) did not provide a description of the CAU Program, and 12 (100 percent) did not list the CAU criteria. In addition:

- One section incorrectly abbreviated Caution Upon Contact as "EAU" instead of "CAU."
- Two sections had incorrect reporting information for suicide threats. The two sections advised employees to report suicide threats to the TIGTA, rather than to the OEP. The



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IRS has classified suicide threats as CAU; therefore, IRS employees are to report them directly to the OEP.

- Two sections incorrectly instruct employees to contact IRS Criminal Investigation for armed escort even though the TIGTA has assumed responsibility for armed escorts.

Because IRS training officials and employees stated that they would refer to the IRM to determine the appropriate action to take, it is imperative that the IRM sections provide accurate and sufficient PDT and CAU Program information. IRS functions and offices generally have IRM sections specific to their operations, but employees do have access to and use other portions of the IRM as necessary. Figure 4 shows the results of the assessment of the 12 IRM sections.

Figure 4: Results of the TIGTA’s Review of the IRM¹²

Assessment Criteria	Yes	No	Referred to Another IRM
The IRM illustrates the relationship between the PDT and CAU Programs with TIGTA assaults/threats and/or OEP procedures.	33%	67%	N/A
The IRM contained reporting procedures for assaults, threats, and intimidation.	58%	42%	N/A
The IRM defined assault, threat, and intimidation.	17%	83%	N/A
The IRM contained suicide reporting procedures.	17%	75%	8%
The IRM contained a description of the PDT Program.	33%	58%	8%
The IRM contains the PDT criteria.	8%	92%	N/A
The IRM contains a description of the CAU Program.	25%	67%	8%
The IRM contains the CAU criteria.	0%	100%	0%
The IRM mentions the OEP.	33%	67%	N/A

Source: TIGTA analysis of 12 IRM sections used by front-line employees.

IRM 25.4,¹³ Special Topics, *Employee Protection*, and IRM 5.1.3,¹⁴ Field Collecting Procedures, *Safety, Security, and Control*, provided the most accurate and complete information on the PDT

¹² Due to rounding, the numbers may not always equal 100 percent.

¹³ The target audience for IRM 25.4, Special Topics, *Employee Protection*, is all business operating and functional divisions with employees whose duties require them to have contact with taxpayers.

¹⁴ The target audience for IRM 5.1.3, Field Collecting Procedures, *Safety, Security, and Control*, is revenue officers in the Small Business/Self-Employed Division Collection function.



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and CAU Programs; assault and threat reporting; definitions of assault, threat, and intimidation; and information on the OEP and the TIGTA Office of Investigations and how they are related, as well as suicide threat response.

The OEP has developed outreach and training resources, but has not ensured that all IRS business units provide sufficient training and guidance

The PDT and CAU Programs are dependent on an IRS employee's ability to recognize behavior that would require a PDT or CAU designation and properly report such incidents. To help educate IRS employees of the OEP and the PDT and CAU Programs, the OEP has developed training and security awareness guides, documents, and newsletters. Some of the training media, internal guidance, and outreach include:

- OEP website.
- Document 12963 (1-2012) Catalog Number 57529Q, *A Guide to the Office of Employee Protection Programs*.
- OEP Quarterly Newsletters.
- Document 12855 (2-2012) Catalog Number 55374X, *Spotlight on Safety*.
- IRM 25.4, *Employee Protection*.

The OEP has also set up a Federal/State data exchange. As a result, State agencies with reciprocity agreements with the IRS provide the OEP with PDT-related data that occurred at the State revenue level. As of December 2011, 142 CAU and 15 PDT cases were identified from the State-lead initiative. In addition, the Chief, OEP, is also a member of the IRS Threat Information and Critical Response Initiative Working Group, which reviews ways to enhance the IRS's emergency response programs.

Finally, the OEP assists IRS executives in updating the IRM and preparing PDT and CAU Program presentations. However, the OEP has not established a process to periodically review training or guidance provided by the IRS's various offices and functions to ensure that it is complete and accurate. OEP officials stated that resource limitations and organizational placement have prevented them from doing this. The OEP has experienced difficulty in obtaining resources for administering the PDT and CAU Programs. The OEP is located within the Small Business/Self-Employed Division, whose priorities are focused more on taxpayer compliance activities. The OEP believes that an additional full-time equivalent¹⁵ would allow it to establish the process and controls needed to ensure that employee guidance and training is complete, accurate, and current.

¹⁵ A measure of labor hours in which one full-time equivalent is equal to eight hours multiplied by the number of compensable days in a particular fiscal year. For Fiscal Year 2012, one full-time equivalent is equal to 2,080 staff hours.



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An agency's organizational structure should clearly define key areas of authority and responsibility and establish appropriate lines of reporting.¹⁶ Currently, the OEP is placed within a specific business division, yet it has agency-wide responsibility. Realigning the OEP so that it is not within the Small Business/Self-Employed Division may help to better meet its agency-wide mission of administering programs that track potentially dangerous taxpayers and those taxpayers who should be approached with caution. In addition, realigning the OEP would elevate its visibility to help bolster employee awareness across multiple business divisions. It might also allow the OEP access to resources to engage in proactive agency-wide training and security involvement.

Recommendations

The Deputy Commissioner for Services and Enforcement should:

Recommendation 1: Establish processes to ensure that all direct contact employees receive annual PDT and CAU criteria training.

Management's Response: IRS management will develop and distribute PDT and CAU training material to all operating divisions for required sharing with their public contact employees through appropriate means, *e.g.*, unit meetings and training meetings.

Recommendation 2: Ensure that the IRM sections for all front-line employees include current, complete, and accurate information on the PDT and CAU Programs and establish processes to periodically ensure that the IRM sections conform to the OEP's guidelines and procedures.

Management's Response: IRS management will issue a memorandum to all operating divisions on the results of this audit and ask that they review their related IRMs that reference PDT and CAU procedures to ensure consistency with IRM 25.4. If the operating divisions identify inconsistencies, the IRS will ask that they furnish appropriate updated guidance. The IRS will also share the results of the specific TIGTA IRM reviews referenced in the draft report with the appropriate offices for action.

Recommendation 3: Determine where the OEP would be better aligned in the organizational structure to enhance its mission of providing an agency-wide service, provide the resources needed to promote more proactive employee protection activities, and position it to allow agency-wide visibility to enhance employee awareness.

Management's Response: IRS management will evaluate the organizational structure to determine the best alignment for the OEP office and prepare a business case with recommendations for final executive approval.

¹⁶ General Accounting Office, GAO/AIMD-00-21.3.1, *Standards for Internal Control in the Federal Government* (Nov. 1999).



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Appendix I

Detailed Objectives, Scope, and Methodology

Our overall objectives were to determine whether the OEP is effectively administering the PDT and CAU Programs and whether it is proactive in identifying PDTs that might pose a threat to IRS employees. To accomplish our objectives, we:

- I. Evaluated the IRS's guidelines and regulations for the OEP's PDT and CAU Programs and determined whether they provide adequate guidance to effectively administer those Programs.
 - A. Analyzed the guidelines and procedures for the OEP.
 - B. Determined whether the IRS has established guidelines and regulations for IRS employees who are in direct contact with taxpayers. In addition, we determined whether those guidelines and regulations are adequate and explicit enough to ensure that the identification and proper reporting of PDTs and CAUs to the appropriate offices.
 - C. Interviewed OEP officials and obtained documentation on the OEP concept of operation, guidelines and regulations, and performance goals and measures.
 - D. Interviewed TIGTA Office of Investigations special agents to determine how PDT information is obtained from IRS employees and whether any discrepancies in reporting procedures have been identified.
 - E. Interviewed Wage and Investment Division Accounts Management function, Field Assistance Office, and Small Business/Self-Employed Division training coordinators and obtained documentation on training curricula that addressed PDT and CAU contact procedures.
 - F. Determined whether training on the PDT and CAU criteria and reporting is sufficient and in accordance with the guidelines established by the OEP and whether it is consistent across all IRS organizations that have employees who have direct contact with taxpayers. Because the IRS was unable to timely provide a list that ensured that all covered front-line employees were included, we interviewed a judgmental sample¹ of 34 employees who have direct contact with taxpayers (individual tax assistant specialists, customer service representatives, revenue officers, and examination employees) and determined what training they received, what knowledge they have

¹ A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.



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- about PDT and CAU procedures, and what experiences they may have had with such taxpayers in the last five years.
- G. Compared, for front-line employees in different functions, the procedures and regulations for reporting potential PDT and CAU taxpayers and determined whether these procedures were adequate and consistent with the OEP guidelines. We identified and reviewed 12 IRM sections that pertained to safety information, security procedures, and operational guidelines. These IRM sections are typically used by front-line employees, but may not be the only IRM sections that refer to PDT and CAU information.
- II. Conducted a walk-through of the EPS and analyzed the data fields for both the PDT and CAU inputs. We compared the PDT and CAU entries to the TIGTA PARIS² Report of Investigation information and the IMF Entity Table segments.³
- A. Documented information obtained from the system walk-through and determined the data fields used to input PDT and CAU information into the EPS. We determined whether the system contains historical information on PDT and CAU cases that have been retired. We determined the effectiveness of the PDT and CAU indicator input procedures to the IDRS⁴ and related IRS systems. We determined whether the system provides customized reports for data analysis and trending.
- B. Obtained PARIS information on PDT cases from the TIGTA Office of Investigations and verified the accuracy of the data in the EPS. We selected a statistical random sample of 70 records from the 1,384 PARIS PDT records received from the TIGTA Office of Investigations for the period April 1, 2011, through April 30, 2012. We used a 95 percent confidence level, a ± 5 percent precision rate, and a 5 percent error rate. We compared the sample to the EPS and determined whether the information was input as a PDT or CAU or whether the case did not meet PDT or CAU criteria and a pending code was archived.
- C. From 15 cases, analyzed how many referrals were designated as PDTs or CAUs or did not meet either the PDT or CAU criteria and determined whether the OEP appropriately applied the PDT and CAU criteria for each case. Due to resource constraints, 10 cases were judgmentally selected from the 6,649 active PDT and CAU cases, and five cases were judgmentally selected from the 662 pending PDT cases.

²The PARIS is a management information system that provides the TIGTA the ability to manage and account for the thousands of complaints received, investigations initiated, and leads developed from Local Investigative Initiatives and National Investigative Initiatives.

³ The IMF is the IRS database that maintains transactions or records of individual tax accounts.

⁴ IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.



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- D. For those cases that did not meet PDT or CAU criteria, determined whether the Office of Investigations appealed the decision and whether the information is annotated in the PARIS.
- E. Obtained the IMF Entity Table segment for cycle 201221 and identified taxpayers with PDT and CAU indicators. We selected a statistical random sample of 71 records from 2,751 records on the IMF Entity Table segment where the PDT Indicator equaled 1 (PDT). We selected a statistical random sample of 72 records from 4,490 records on the IMF Entity Table segment where the PDT Indicator equaled 2 (CAU). For both queries we used a 95 percent confidence level, a ± 5 percent precision rate, and a 5 percent error rate and verified information against the EPS.
- F. Obtained reports from the EPS for all the records in the PDT and CAU databases. We did not obtain access to the EPS because of TIGTA and IRS system incompatibility. We obtained PDT, CAU, and Pending PDT reports dated July 2012 and determined the number of active PDT and CAU records. The three reports reflect the active PDT and CAU Program cases as of the date the reports were generated. The Pending PDT cases will be closed upon completion of the TIGTA Office of Investigation's Report of Investigation. We used the number of records from the reports to select a statistical sample with a 95 percent confidence level, a ± 5 percent precision rate, and a 5 percent error rate to verify records against IMF Entity Table segments for PDT and CAU information.
- G. Due to resource constraints, we judgmentally selected 20 records from each sample grouping⁵ (80 records) where an active PDT or CAU indicator was confirmed and determined if a PDT indicator is present on the IDRS. In addition, we selected a judgmental sample of 10 records where an active PDT or CAU indicator was confirmed and determined whether an indicator is present on the Accounts Management System.
- H. Determined whether the OEP procedure to conduct five-year reviews is effective and considered both the rights of taxpayers and the continuing safety concerns of employees by selecting a judgmental sample of 12 cases from 12 Five-Year Renewal reports that listed 26 cases with PDT designations of more than five years.
- I. Determined whether the EPS data are unreliable or PDT/CAU designations are improperly applied to taxpayer accounts.

⁵ Judgmental sample groupings consist of 20 PARIS records, 20 IMF Entity Table records with PDT indicators, 20 IMF Entity Table records with CAU indicators, and 20 EPS records.



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- III. Determined the proactive steps the OEP has in place to identify and/or track previously identified PDTs.
- A. Determined whether the OEP has procedures to identify PDTs and CAUs outside of routine internal IRS reporting procedures.
 - B. Determined whether the OEP provides training on PDT and CAU criteria to IRS employees.
 - C. Determined whether the OEP has developed a training guide for IRS employees and whether it is distributed agency-wide.
 - D. Determined whether the IRS and/or the TIGTA Office of Investigations are responsible for tracking existing PDTs and monitoring their activities related to Federal tax administration.
 - E. Determined the relationship, if any, between the PDT and CAU Programs and overall IRS risk management.

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 OEP's desk guides and flowcharts, the PDT and CAU Programs' IRMs, and practices for ensuring the accuracy of the EPS. We evaluated these controls by interviewing management and employees, reviewing the IRM, visiting sites, reviewing EPS reports, and analyzing information on the EPS.

Evaluating the Reliability of Computer-Processed Data

To assess the reliability of the EPS data and the electronic exchange of data between the TIGTA Office of Investigations and the OEP, we interviewed TIGTA Office of Investigations personnel and OEP specialists, conducted a walk-through of the EPS, reviewed the EPS User Guide, and compared 10 records from the TIGTA Office of Investigations PARIS report to the actual EPS database while visiting the OEP in Detroit, Michigan. We verified the PARIS information against the EPS data and were able to determine that controls were in place and appropriate for the exchange of data between the two systems. The 10 records reviewed were at one time present in the EPS and are categorized as PDT, CAU, Pending, or Archived.

We relied on the TIGTA Information Technology Data Center Warehouse's assessment of the IMF Entity Table segment cycle 201221. The Data Center Warehouse personnel take several steps to ensure that IMF data are accurate. During the testing and post-processing, the data are analyzed to verify the data values were correctly extracted from the original file, the values look reasonable, money amounts have/do not have the correct decimal places, *etc.* This is done



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through printing out a subset of output records and physically reviewing the records, running frequency analyses on applicable fields showing all values existing for that field, and using IRS utilities/IDRS validation to display actual account data for a comparison between the data on the Data Central Warehouse file and what exists on IRS systems.



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Appendix II

Major Contributors to This Report

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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Commissioner, Small Business/Self-Employed Division SE:S
Commissioner, Wage and Investment Division SE:W
Chief, Office of Employee Protection, Small Business/Self-Employed Division SE:S:CS:P&G
Director, Accounts Management, Wage and Investment Division SE:W:CAS:AM
Director, Enterprise Collection Planning and Governance, Small Business/Self-Employed
Division SE:S:CS:P&G
Director, Field Assistance, Wage and Investment Division SE:W:CAR:FA
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 Liaisons:
 Chief, Program Evaluation and Improvement, Wage and Investment Division SE:W:S:PEI
 Communication and Stakeholders Outreach, Small Business/Self-Employed Division
 SE:S:CSO:SL:HQ



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Appendix IV

Management's Response to the Draft Report



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

DEC 20 2012

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Faris R. Fink 
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Audit Report – Potentially Dangerous Taxpayer and
Caution Upon Contact Cases Are Adequately Controlled, but
Improvements in Training and Outreach Are Needed
(Audit # 201240007)

Thank you for the opportunity to review your draft report titled: "Potentially Dangerous Taxpayer and Caution Upon Contact Cases Are Adequately Controlled, but Improvements in Training and Outreach Are Needed." This is an important program. IRS employees face exposure to many difficult and even threatening and dangerous situations.

We agree with your three recommendations, and we appreciate your acknowledgement that the Office of Employee Protection (OEP) has sufficient controls to ensure that cases referred to the Potentially Dangerous Taxpayer (PDT) and Caution Upon Contact (CAU) programs are appropriately processed and controlled.

Attached is a detailed response outlining our corrective actions to address your recommendations.

If you have any questions please contact me, or a member of your staff may contact Michael Julianelle, Director, Enterprise Collection Strategy at (202)622-3480.

Attachment



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Attachment

RECOMMENDATION 1:

The Deputy Commissioner for Services and Enforcement should establish processes to ensure all direct contact employees receive annual PDT and CAU criteria training.

CORRECTIVE ACTION:

We will develop and distribute PDT and CAU training material to all Operating Divisions for required sharing with their public contact employees through appropriate means, e.g. unit meetings, training meetings, etc.

IMPLEMENTATION DATE:

June 15, 2014

RESPONSIBLE OFFICIAL:

Chief, Office of Employee Protection, Enterprise Collection Strategy, Small Business/Self-Employed Division (SB/SE)

CORRECTIVE ACTION MONITORING PLAN:

IRS will monitor this corrective action as part of our internal management system of controls.

RECOMMENDATION 2:

The Deputy Commissioner for Services and Enforcement should ensure the IRM sections for all front-line employees include current, complete, and accurate information on the PDT and CAU Programs and establish processes to periodically ensure the IRM sections conform to the OEP's guidelines and procedures.

CORRECTIVE ACTION:

We will issue a memorandum to all Operating Divisions on the results of this audit and ask that they review their related IRMs that reference PDT and CAU procedures to ensure consistency with IRM 25.4. If they identify inconsistencies, we will ask that they furnish appropriate updated guidance. We will also share the results of the specific TIGTA IRM reviews referenced in the draft report with the appropriate offices for action.

IMPLEMENTATION DATE:

June 15, 2014

RESPONSIBLE OFFICIAL:

Chief, Office of Employee Protection, Enterprise Collection Strategy, Small Business/Self-Employed Division (SB/SE)

CORRECTIVE ACTION MONITORING PLAN:

IRS will monitor this corrective action as part of our internal management system of controls.



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RECOMMENDATION 3:

The Deputy Commissioner for Services and Enforcement should determine where the OEP would be better aligned in the organizational structure to enhance its mission of providing an agency-wide service, provide the resources needed to promote more proactive employee protection activities, and position it to allow agency-wide visibility to enhance employee awareness.

CORRECTIVE ACTION:

We will evaluate the organizational structure to determine the best alignment for the OEP office, and prepare a business case with recommendations for final executive approval.

IMPLEMENTATION DATE:

June 15, 2013

RESPONSIBLE OFFICIAL:

Director, Enterprise Collection Strategy, Small Business/Self-Employed Division (SB/SE)

CORRECTIVE ACTION MONITORING PLAN:

IRS will monitor this corrective action as part of our internal management system of controls.