



Treasury Inspector General for Tax Administration Office of Audit

SOME CONTRACTOR PERSONNEL WITHOUT BACKGROUND INVESTIGATIONS HAD ACCESS TO TAXPAYER DATA AND OTHER SENSITIVE INFORMATION

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Highlights

Highlights of Report Number: 2014-10-037 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

IRS policy requires contractor personnel to have a background investigation if they will have or require access to Sensitive But Unclassified (SBU) information, including taxpayer information. Allowing contractor personnel access to taxpayer and other SBU information without the appropriate background investigation exposes taxpayers to increased risk of fraud and identity theft.

WHY TIGTA DID THE AUDIT

The overall objective of this review was to determine the effectiveness of IRS controls to ensure that background investigations were conducted for contractor personnel who had access to SBU information.

WHAT TIGTA FOUND

Taxpayer and other SBU information may be at risk due to a lack of background investigation requirements in five contracts for courier, printing, document recovery, and sign language interpreter services. For example, in one printing services contract, the IRS provided the contractor a compact disk containing 1.4 million taxpayer names, addresses, and Social Security Numbers; however, none of the contractor personnel who worked on this contract were subject to a background investigation.

In addition, TIGTA found 12 contracts for which IRS program and procurement office staff correctly determined that contractor personnel required background investigations because they would have access to SBU information; however, some contractor personnel did not have interim access approval or final background investigations before they began working on the contracts.

Further, TIGTA identified 20 contracts for which either some or all contractor personnel did not sign nondisclosure agreements. In June 2013, after the period covered by our audit, the IRS issued more explicit guidance requiring the execution of nondisclosure agreements.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Deputy Commissioner for Operations Support should ensure that the types of service contracts identified in this review have the appropriate security provisions included in the contract and that associated contractor personnel have an appropriate interim access approval or final background investigation prior to beginning work on the contract. In addition, TIGTA recommended that the IRS use the results of our contract reviews to train program office and procurement office staff on contractor security requirements and the necessity for contractor personnel to sign nondisclosure agreements prior to performing work on a contract. Finally, TIGTA recommended that the Office of Chief Counsel (Chief Counsel) work with the Department of the Treasury Security Office to review the waiver currently in place that exempts expert witnesses from background investigations and determine if the waiver is still appropriate in the current security environment.

The IRS agreed with four of the five recommendations. The IRS disagreed with our recommendation that the Chief Counsel should work with the Department of the Treasury Security Office to review the background investigation waiver issued in August 2005 to determine if the waiver is still appropriate. TIGTA believes that waiving the requirement for a background investigation presents a security risk.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2014reports/201410037fr.pdf>.