



## Treasury Inspector General for Tax Administration Office of Audit

### IDENTITY PROTECTION PERSONAL IDENTIFICATION NUMBERS ARE NOT PROVIDED TO ALL ELIGIBLE TAXPAYERS

Issued on September 24, 2014

## Highlights

Highlights of Report Number: 2014-40-086 to the Internal Revenue Service Deputy Commissioner for Operations Support and the Commissioner for the Wage and Investment Division.

### IMPACT ON TAXPAYERS

Tax-related identity theft continues to be one of the biggest challenges facing the IRS. To provide relief to victims of identity theft, the IRS began issuing Identity Protection Personal Identification Numbers (IP PIN) to eligible taxpayers in Fiscal Year 2011. Use of an IP PIN provides relief to taxpayers because it allows the IRS to process their tax returns without delay and helps prevent the misuse of taxpayers' Social Security Numbers on fraudulent tax returns.

### WHY TIGTA DID THE AUDIT

The IP PIN helps the IRS verify a taxpayer's identity and accept his or her electronically filed or paper tax return. This audit was initiated to assess the IP PIN criteria and processes to determine whether the IRS is improving its assistance to victims of identity theft.

### WHAT TIGTA FOUND

For Processing Year 2013, the IRS issued over 770,000 IP PIN notices to taxpayers for use in filing their tax returns. This number increased to more than 1.2 million for Processing Year 2014. The IRS also started a limited pilot in January 2014 whereby taxpayers who obtained an electronic filing PIN through an IRS authentication website and live in the District of Columbia, Florida, or Georgia were provided with an opportunity to obtain an IP PIN. In addition, taxpayers who used their IP PIN to file their tax returns claiming a refund in Processing Year 2013 had their returns processed in a time frame similar to the general population of return filers claiming a refund.

Although the program expanded, the IRS did not provide an IP PIN to 532,637 taxpayers who had an identity theft indicator on their tax account indicating that the IRS resolved their case. The IRS also did not provide an IP PIN to 24,628 taxpayers who were potential victims

because their Personally Identifiable Information had been lost, breached, or stolen by/from the IRS.

In addition, IRS programming errors resulted in 32,274 taxpayers not timely receiving an IP PIN and the issuance of 13,220 IP PIN notices to deceased taxpayers. TIGTA also found that the IP PIN notice issued to 759,446 taxpayers for Processing Year 2013 does not provide taxpayers adequate instructions on the use of the number and its importance on a tax return.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS 1) ensure that IP PINs are consistently issued; 2) revise its IP PIN issuance criteria to make eligible those taxpayers who have had their Personally Identifiable Information lost, breached, disclosed, or stolen and have authenticated themselves; 3) ensure that the finalized IP PIN criteria are provided to the Applications Development function before each filing season; 4) ensure that IP PIN criteria are accurately programmed; and 5) revise the IP PIN issuance notice to explain the effect on processing a recipient's tax return and refund when the number is not included on the filed tax return.

The IRS agreed with the recommendations. However, its corrective action for one of the recommendations does not adequately address the concerns raised. The IRS indicates that individuals whose Personally Identifiable Information was compromised are eligible to receive an IP PIN. However, the IRS's website for its online IP PIN application still has not been updated to inform these individuals of this option.

### 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/201440086fr.pdf>