



## Treasury Inspector General for Tax Administration Office of Audit

### VICTIMS OF IDENTITY THEFT CONTINUE TO EXPERIENCE DELAYS AND ERRORS IN RECEIVING REFUNDS

Issued on March 20, 2015

## Highlights

Highlights of Report Number: 2015-40-024 to the Internal Revenue Service Commissioner, Wage and Investment Division.

### IMPACT ON TAXPAYERS

Identity theft for the purpose of committing refund fraud occurs when an individual uses another person's name and Taxpayer Identification Number (generally a Social Security Number) to file a fraudulent tax return and obtain a fraudulent tax refund. Refund fraud adversely affects the ability of innocent taxpayers to file their tax returns and timely receive their tax refunds, often imposing significant financial and emotional hardships.

### WHY TIGTA DID THE AUDIT

This audit was initiated to follow up on concerns raised in a prior audit that the IRS was not providing quality customer service to identity theft victims. Our overall objective was to determine whether the IRS is improving its assistance to victims of identity theft.

### WHAT TIGTA FOUND

Identity theft victims experienced long delays in resolving their tax accounts in Fiscal Year 2013. Our review of a statistically valid sample of 100 identity theft tax accounts resolved in the Accounts Management function between October 1, 2012, and September 30, 2013, identified that the IRS took an average 278 days to resolve the tax accounts.

In addition, our review continues to identify errors made on the tax accounts of victims of identity theft. For example, of the 100 tax accounts that TIGTA reviewed, the IRS did not correctly resolve 17 (17 percent) accounts. Based on the results of our sample of 100 identity theft tax accounts resolved during the period October 1, 2012, to September 30, 2013, TIGTA estimates that of the 267,692 taxpayers whose accounts were resolved, 25,565 (10 percent) may have been incorrectly resolved, resulting in the delay of refunds or the victim receiving an incorrect refund amount.

Finally, TIGTA continues to find that the information the IRS reports related to the time period for case

processing and resolution is misleading. For example, the IRS informs taxpayers who inquire about the status of their identity theft case that cases are resolved within 180 days.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS:

1. Analyze identity theft case reassignments and revise inventory management processes to reduce case reassignments.
2. Develop a comprehensive identity theft training course to ensure that assistors are capable of handling complex cases.
3. Develop processes and procedures to ensure that case closing actions and account adjustments are accurate.
4. Develop processes and procedures to accurately calculate the average time it takes to fully resolve taxpayer accounts affected by identity theft.
5. Develop processes and procedures to accurately report the number of identity theft cases resolved to include only those taxpayers for whom the IRS fully resolves their account and issues any refunds due.

The IRS agreed with three recommendations and partially agreed with another recommendation. The IRS disagreed with the recommendation to develop processes and procedures to calculate the average time it takes to fully resolve taxpayer accounts. TIGTA continues to believe that further actions are needed to improve its tracking of these timeframes. Until this is corrected, the IRS will continue to provide an inaccurate account resolution timeframe to taxpayers due a refund.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2015reports/201540024fr.pdf>

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