

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **Interim Results of the 2020 Filing Season: Effect of COVID-19 Shutdown on Tax Processing and Customer Service Operations and Assessment of Efforts to Implement Legislative Provisions**

June 30, 2020

Reference Number: 2020-46-041

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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: Interim Results of the 2020 Filing Season: Effect of COVID-19 Shutdown on Tax Processing and Customer Service Operations and Assessment of Efforts to Implement Legislative Provisions



Final Audit Report issued on June 30, 2020  
Reference Number 2020-46-041

## Why TIGTA Did This Audit

This audit was initiated to provide selected information related to the impact of the Coronavirus Disease 2019 (COVID-19) on the 2020 Filing Season. The overall objective of this review was to evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2020 Filing Season. TIGTA plans to issue the final results of our analysis later in Calendar Year 2020.

## Impact on Taxpayers

The 2020 Filing Season is unlike any other because the IRS had to take unprecedented and drastic actions to address COVID-19 to protect the health and safety of its employees and the taxpaying public. These actions included closing Taxpayer Assistance Centers, Tax Processing Centers, and offices nationwide. In addition, on March 20, 2020, the Department of the Treasury extended the Federal income tax filing due date from April 15, 2020, to July 15, 2020.

## What TIGTA Found

Significant coordination and efforts were taken by the IRS to expedite its analysis and reprogramming of systems and to educate individuals on the Economic Impact Payment (EIP). The IRS began issuing EIPs on April 10, 2020, just 14 days after the passage of the CARES Act. As a result of these efforts, the IRS has issued more than 157 million payments totaling more than \$264 billion as of May 21, 2020.

TIGTA found that the IRS correctly computed the payment amount for approximately 98 percent of the more than 157 million payments issued as of May 21, 2020; however, some payments were erroneous. The IRS issued 1.2 million payments (less than 1 percent) to prisoners and deceased individuals as of this same period.

The IRS initiated an education campaign to promote the availability of advanced tax credits for employers. To enable employers to request an advance, the IRS developed Form 7200, *Advance Payment of Employer Credits Due to COVID-19*, and developed a process to enable employers to submit these requests via a dedicated E-fax line. In addition, the IRS is coordinating with the Small Business Administration \*\*\*\*\*2\*\*\*\*\*. As of May 30, 2020, the IRS received 7,789 Forms 7200, and processed 2,410 Forms 7200, with refunds totaling more than \$50 million.

In response to the public health emergency, the IRS closed its four Tax Processing Centers. The majority of work at these Tax Processing Centers is performed onsite and is not conducive to telework. As of May 20, 2020, the IRS estimates that 10.4 million pieces of mail were received during the closure. As of the week ending May 23, 2020, the IRS estimates that 10 million paper individual tax returns and 6.6 million paper business tax returns need to be processed. In addition to unopened mail, the IRS had more than 1.7 million tax returns in its Error Resolution inventory as of this same period. The IRS had 2.5 million cases in its Accounts Management inventory as of March 14, 2020, and has nearly 1.6 million returns in its fraud program inventories as of the week ending May 23, 2020.

When the IRS closed its offices nationwide, it ceased operations on its toll-free telephone lines and closed its Taxpayer Assistance Centers. As of May 20, 2020, 48 of the 105 toll-free lines remained closed, and all of the Taxpayer Assistance Centers remain closed. In addition, 10,792 (98 percent) of the 11,014 Volunteer Income Tax Assistance/Tax Counseling for the Elderly partner sites remain closed as of May 24, 2020.

## What TIGTA Recommended

This report was prepared to provide interim information only. Therefore, no recommendations were made in this report.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**U.S. DEPARTMENT OF THE TREASURY**

**WASHINGTON, D.C. 20220**

June 30, 2020

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

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

**SUBJECT:** Final Audit Report – Interim Results of the 2020 Filing Season:  
Effect of COVID-19 Shutdown on Tax Processing and Customer Service  
Operations and Assessment of Efforts to Implement Legislative  
Provisions (Audit # 202040631)

This report presents the results of our review to evaluate whether the Internal Revenue Service (IRS) timely and accurately processed individual paper and electronically filed tax returns during the 2020 Filing Season. This review is part of our Fiscal Year 2020 discretionary audit work and addresses the major management and performance challenge of *Implementing Tax Law Changes*. As part of our Fiscal Year 2020 audit work, we are conducting several ongoing audits that are related to specific issues in this report. We will continue to provide IRS management with information on any areas of immediate concern throughout our audit process.

This report was prepared to provide information only. Therefore, we made no recommendations in the report. However, we provided IRS management officials with an advance copy of this report for review and comment prior to issuance.

Copies of this report are also being sent to the IRS managers affected by the report information. If you have any questions, please contact me or Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services).



# Interim Results of the 2020 Filing Season: Effect of COVID-19 Shutdown on Tax Processing and Customer Service Operations and Assessment of Efforts to Implement Legislative Provisions

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## Interim Results of the 2020 Filing Season: Effect of COVID-19 Shutdown on Tax Processing and Customer Service Operations and Assessment of Efforts to Implement Legislative Provisions

### Background

Due to Coronavirus Disease 2019 (COVID-19), the 2020 Filing Season<sup>1</sup> has been unlike any other. The Internal Revenue Service (IRS) has taken unprecedented and drastic actions to protect the health and safety of its employees and the taxpaying public. These actions have included closing Taxpayer Assistance Centers (TAC), Tax Processing Centers, and other offices nationwide. Specifically, employees were directed to evacuate their work sites, and those who were approved to telework started working from home (or an alternate location). Employees who were not yet approved but were able to telework had to complete training, sign agreements, and obtain the necessary equipment to enable teleworking. The remaining employees were put on weather and safety leave.

Along with protecting the safety of its workers, actions were also taken to assist taxpayers facing the challenges of COVID-19. For example, on March 25, 2020, the IRS unveiled a new *People First Initiative*, which included a sweeping series of steps to assist taxpayers by providing relief on a variety of issues ranging from adjusting or suspending key IRS compliance programs to easing payment guidelines. The IRS also postponed compliance actions by suspending liens and levies, suspending passport certifications of seriously delinquent taxpayers, not referring new delinquent accounts to Private Debt Collection, and delaying new field, office, or correspondence examinations.<sup>2</sup> This relief is through July 15, 2020.



The IRS's People First Initiative suspends or adjusts key compliance programs until July 15, 2020.

Furthermore, on March 20, 2020, the Department of the Treasury extended the Federal income tax filing due date from April 15, 2020, to July 15, 2020. Taxpayers were also permitted to defer Federal income tax payments due on April 15, 2020, to July 15, 2020, without penalties and interest. Finally, legislation was enacted to help businesses and individuals respond to the pandemic:

- *Families First Coronavirus Response Act*,<sup>3</sup> signed into law on March 18, 2020, provides businesses with tax credits to cover certain costs of providing employees with paid sick leave and expanded family and medical leave for reasons related to COVID-19, from April 1, 2020, through December 31, 2020. Eligible employers can claim these credits on their Federal employment tax returns (*e.g.*, Form 941, *Employer's Quarterly Federal Tax Return*) or an employer can benefit more quickly by reducing their Federal employment tax deposits. For those employers where there are insufficient Federal employment taxes to cover the amount of the employer's credit, the employer may request an advance payment of the credits from the IRS by submitting Form 7200, *Advance Payment of Employer Credits Due to COVID-19*.
- *Coronavirus Aid, Relief, and Economic Security (CARES) Act*,<sup>4</sup> signed into law on March 27, 2020, is the largest economic rescue package in U.S. history and included a

<sup>1</sup> See Appendix III for a glossary of terms.

<sup>2</sup> The IRS stated that it may start new examinations where deemed necessary to protect the Government's interest in preserving the applicable statute of limitations.

<sup>3</sup> Pub. L. No. 116-127.

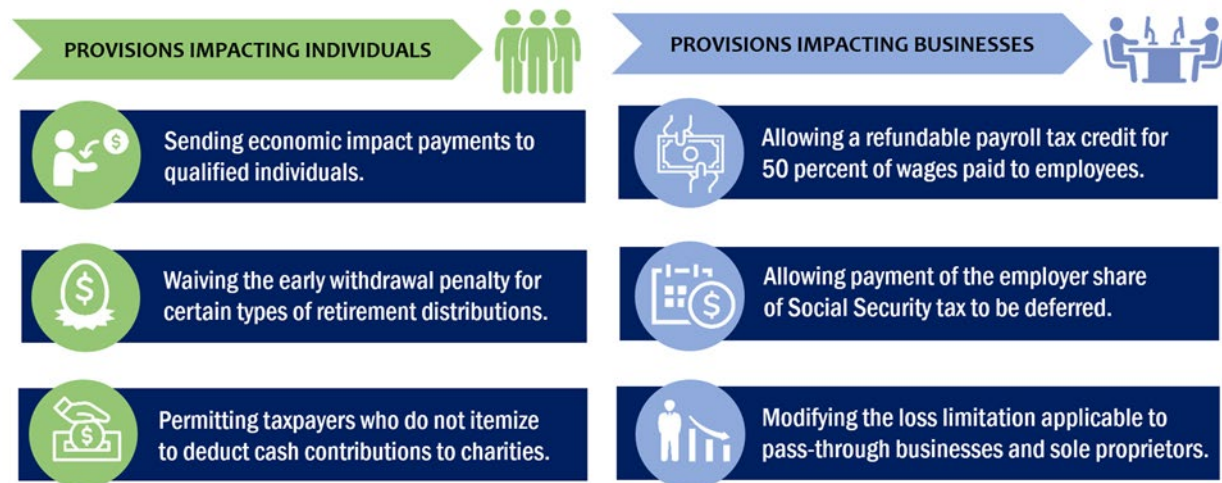
<sup>4</sup> Pub. L. No. 116-136, 134 Stat. 281.



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number of provisions that have a significant impact on the IRS and Federal tax administration. Specifically, the CARES Act contains numerous tax-related provisions affecting individuals and businesses and appropriates more than \$750 million in additional funding to the IRS to administer and oversee these provisions. Figure 1 provides highlights of CARES Act provisions.

**Figure 1: Highlights of CARES Act Provisions**



Source: TIGTA Analysis of CARES Act.

As a result of the closure actions taken on the part of the IRS as well as the enactment of extensive legislation, the IRS will be faced with a number of significant challenges in regards to the COVID-19 pandemic. For example:

- **Providing Tax Relief to Offset Economic Hardship.** The IRS must implement many tax provisions intended to provide relief to those experiencing financial hardship. As the IRS implements the individual and business tax relief provisions, it will face challenges to ensure that only eligible taxpayers are receiving financial relief and that the amount of relief is correct. The IRS will also need to recover improper payments made to ineligible taxpayers.
- **Continuity of Operations.** The IRS has not been able to perform many of its essential functions as a result of the pandemic. The IRS closed most of its offices and Tax Processing Centers and extended the deadline for filing tax returns in response to the pandemic. In addition, before the full impact of COVID-19 was felt, taxpayers were already experiencing lower levels of taxpayer service. As the IRS slowly reopens and begins to address significant backlogs in paper return filings, payments, correspondence, error resolution, and fraud detection cases, it must continually assess the personal safety of its workers. This may necessitate the IRS to continue offering telework flexibilities, place limits on the number of staff allowed in offices, and increase the procurement of personal protective equipment. Trying to balance restarting operations with employee safety will challenge the IRS to provide quality customer service, deliver the filing season, and enforce compliance with tax laws.

TIGTA has ongoing and planned oversight activities to help ensure that eligible taxpayers are receiving timely relief from financial hardship caused by the COVID-19 pandemic and that the



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IRS quickly identifies control weaknesses to prevent Federal Government funds from being wasted.

### Results of Review

This report presents the interim results of our assessment of the IRS's 2020 Filing Season and provides preliminary results of our review of the IRS's issuance of Economic Impact Payments (EIP), efforts to implement individual and business tax provisions included in relief legislation, and on its ability to process tax returns and provide quality customer service. We plan to report on the final results of our assessment early next fiscal year.

For the purpose of this report, the EIP figures presented reflect payments issued as of the time frame noted. These figures do not reflect direct deposit payments that may have been rejected and not converted to a paper check, paper checks returned as undelivered, or payments that were voluntarily returned by recipients. Our continued assessment will include a reconciliation of the EIPs issued and we will provide periodic reporting of these results. However, the actual time frame to complete this reconciliation is contingent on the IRS's processing of unopened mail, which includes undelivered and returned payments. As we note later in this report, the IRS has a significant backlog of unopened mail that needs to be processed.

### Economic Impact Payments

Significant coordination and efforts were taken by the IRS to expedite its analysis and reprogramming of systems and to educate individuals on the EIP. Impressively, the IRS began issuing EIPs on April 10, 2020, just 14 days after the passage of the CARES Act, which was enacted at the same time the IRS was closing its facilities in response to COVID-19. Efforts included:

- ***Establishing a dedicated webpage on IRS.gov (www.irs.gov/coronavirus/economic-impact-payments) to provide updated information related to the issuance of the EIP, including a continually evolving list of Frequently Asked Questions*** – In addition, the IRS developed an online tool “Get My Payment” that provides taxpayers with the ability to check the status of their EIP payment and submit bank information for taxpayer accounts that are missing that information. To assist taxpayers who are eligible to receive an EIP but do not have a Federal tax return filing requirement, the IRS partnered with the Free File Alliance to develop the *Non-Filers: Enter Payment Info Here* tool. This tool enables these individuals to quickly file a short tax return that contains the information the IRS needs to issue their EIP for free.
- ***Coordinating with other Federal agencies to obtain program data that could be used to automatically send an EIP to individuals who receive benefits from these agencies and do not regularly interact with the IRS*** – For example, the IRS worked with the Bureau of the Fiscal Service (BFS),<sup>5</sup> the Social Security Administration, and the Department of Veterans Affairs to identify beneficiary recipients along with their direct deposit account numbers, if available, for use in systemically issuing the EIP without the beneficiary having to file a short-form tax return.

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<sup>5</sup> Agency of the U.S. Department of the Treasury that issues payments on behalf of the IRS.



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- **Completing extensive computer programming and testing necessary to issue the EIPs** – Despite office closures and employees needing to work remotely, the IRS was able to complete the extensive programming and testing necessary to begin issuing EIPs. This included developing computer programming requirements to identify eligible individuals, compute their EIP amount, as well as modify the Master File to capture information related to the issuance of the EIP in each individual’s tax account, including information provided through the “Get My Payment” tool.

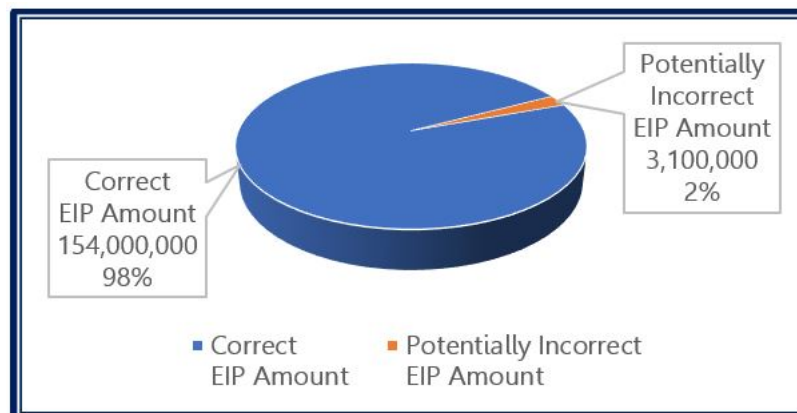
As a result of its efforts, the IRS issued more than 81.4 million payments totaling more than \$147.6 billion on April 10, 2020. As of May 21, 2020, the IRS issued more than 157 million payments totaling more than \$264 billion. As required by the CARES Act, the IRS also established processes to issue a notice to each EIP recipient providing the amount of the payment and the method used to send the payment (e.g., direct deposit, paper check, or prepaid debit card).

Similar to our assessment of prior IRS efforts to implement stimulus payment legislation, we developed an approach to provide results to the IRS quickly to allow the IRS to make timely programming corrections. Specifically, we used the payment criteria included in

**98 percent of EIPs issued as of May 21, 2020, were computed correctly.**

the CARES Act to develop a systemic program that enabled us to independently compute an EIP amount for all eligible taxpayers. We then used these data to compare our amount of EIP to what the IRS payment file reflected for each individual. Our review of the more than 157 million EIPs issued as of May 21, 2020, found that the IRS correctly computed the EIP amount for 98 percent (154 million) of these payments. We are continuing to work with the IRS to determine whether the remaining 3.1 million payments (2 percent) were computed correctly and will monitor the IRS’s efforts to address payments that are incorrect. Figure 2 shows the percentage of EIPs issued as of May 21, 2020, that were computed correctly.

**Figure 2: Accuracy of the Economic Impact Payment Amount as of May 21, 2020**



Source: TIGTA analysis of EIPs issued as of May 21, 2020.

### EIP payments were issued to prisoners and deceased individuals

As part of our initial assessment of the 81.4 million payments issued on April 10, 2020, we identified payments that were sent to individuals who were prisoners or deceased. We notified IRS management of our concerns with the issuance of payments to prisoners on April 14, 2020,





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and to deceased individuals on April 15, 2020, in an e-mail alert. In response, IRS management noted that payments to these populations of individuals were allowed because the CARES Act does not prohibit them from receiving a payment. However, the IRS subsequently changed its position, noting that individuals who are prisoners or deceased are not entitled to an EIP. As an interim measure, the IRS provided the BFS with a file that contained the Taxpayer Identification Numbers of prisoners and deceased individuals and requested that the BFS remove these individuals from payment files. This approach was applied to the May 1, 2020, and May 8, 2020, payment files.

Subsequent to these payments being processed, we were alerted that the BFS may have incorrectly marked payments as having a child support offset when in fact the payment was held because the individual was a prisoner or deceased. We notified IRS management of our concerns and provided the IRS with the results of our analysis that identified deceased individuals who do not have a pattern of having prior child support offsets, but the BFS marked the EIP as being offset. Our analysis identified 185,380 deceased individuals with offsets totaling over \$257 million with these characteristics.

IRS management informed us that the BFS used a pseudo offset to identify EIPs that the BFS stopped because the individual is a prisoner or deceased. Although the payment is marked as being offset, the BFS provided additional information that the IRS can use to identify that the payment was stopped because the individual was a prisoner or deceased.

We are concerned that marking these payments as having the EIP offset can result in taxpayer confusion. In addition, the spouse of a prisoner or deceased individual is entitled to their portion of the EIP, but the BFS incorrectly stopped the entire payment. The BFS provided the IRS with the Taxpayer Identification Numbers of the prisoners and deceased individuals where the BFS stopped the EIP. IRS management informed us that they are working to correct these accounts and issue the EIPs to the affected spouse where appropriate. We will continue to monitor the IRS's efforts to ensure that these individuals' tax accounts are corrected to show no offset occurred and the spouse's portion of the payment is reissued if appropriate.

Additionally, IRS management informed us that on May 13, 2020, programming was implemented to discontinue calculating and sending EIPs to prisoners and deceased individuals. The IRS also issued new guidance on May 6, 2020, and added the alerts below as part of the EIP Frequently Asked Questions on its website:

- **Does someone who has died qualify for the Payment?** No. A Payment made to someone who died before receipt of the payment should be returned to the IRS. Return the entire Payment unless the payment was made to joint filers and one spouse had not died before receipt of the payment, in which case, you only need to return the portion of the payment made to the decedent.
- **Does someone who is incarcerated qualify for the Payment?** No. A payment made to someone who is incarcerated should be returned to the IRS. For a payment made with respect to a joint return where only one spouse is incarcerated, you only need to return the portion of the payment made on account of the incarcerated spouse.

Figure 3 shows the number and amount of payments issued to prisoners and deceased individuals as of May 21, 2020.



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**Figure 3: Economic Impact Payments Issued as of May 21, 2020**

	Payments	Dollars
Prisoners	84,861	\$0.1 billion
Deceased	1,151,353	\$1.6 billion
<b>Total Payments Issued</b>	<b>1,236,214</b>	<b>\$1.7 billion</b>

Source: TIGTA analysis of EIPs issued as of May 21, 2020.

In response to another e-mail alert we sent the IRS on May 1, 2020, the IRS included steps that should be taken to return these payments as part of its Frequently Asked Questions. Individuals who received a direct deposit payment in error that was not returned to the IRS by the bank were instructed to submit a personal check or money order for the payment amount, notate the check as an EIP along with their Taxpayer Identification Number, and mail the check with a short note to the IRS at a specified address based on where the individual lives. Individuals who received a paper EIP check in error were instructed to return the voided check with a short note to the IRS at the address provided based on where the individual lives.

In our discussions with IRS management regarding the actions being taken to recover these payments, IRS management informed us that, at this time, they are relying on individuals to voluntarily return these payments. We will continue to evaluate the IRS's issuance of potentially erroneous EIPs and its efforts to recover these payments once identified.

### EIP payments issued to nonresidents

On May 1, 2020, we sent an alert to the IRS detailing our identification of EIPs issued to individuals who are likely not U.S. residents. We conducted our analysis based on reports by news media that individuals who were not U.S. residents were receiving EIPs. Our analysis of payments issued as of May 21, 2020, identified 309,601 payments totaling more than \$423 million that were issued to individuals whose Social Security Number indicates they are a legal alien authorized to work in the United States. However, these individuals had no Federal Insurance Contributions Act tax withheld from their wages in Calendar Years 2018 or 2019.<sup>6</sup> Of the 309,601 payments, 27,808 payments totaling \$34 million were calculated by the IRS using a tax return with a foreign address. In response to our alert, the IRS added the following Frequently Asked Question to its website:

- **Does someone who is a resident alien qualify for the Payment?** A person who is a nonresident alien in 2020 is not eligible for the Payment. A person who is a qualifying resident alien with a valid Social Security Number is eligible for the Payment only if he or she is a qualifying resident alien in 2020 and could not be claimed as a dependent of another taxpayer for 2020. Aliens who received a payment but are not qualifying resident aliens for 2020 should return the payment to the IRS.

Finally, in response to our question about actions taken to ensure that EIPs are sent only to U.S. residents, IRS management indicated that only taxpayers filing a Form 1040, *U.S. Individual Income Tax Return*, were considered for the EIP. Taxpayers filing the Form 1040-NR, *U.S.*

<sup>6</sup> Certain nonresident aliens are exempt from FICA taxes based on their VISA type, such as nonresident alien students and professors temporarily present in the United States.



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*Nonresident Alien Income Tax Return*, are not eligible for the EIP. IRS management further informed us that, at this time, they are relying on individuals to voluntarily return these payments. We will continue to evaluate the IRS's issuance of potentially erroneous EIPs and its efforts to recover these payments once identified.

### Duplicate EIP payments issued

On May 12, 2020, we sent an alert to the IRS that we identified 40,656 individuals who received two EIP payments as of April 30, 2020. The payments issued in error totaled more than \$61 million. Subsequent to our issuance of this alert, we continued to analyze payment files, and as of May 21, 2020, we identified 46,759 individuals who received two EIP payments. The payments issued in error totaled more than \$69 million. These included:

- 16,339 individuals who filed as Married Filing Jointly in Tax Year 2018 as the secondary taxpayer on a tax return and filed as Single (*i.e.*, Single, Head of Household, Qualifying Widow(er), or Married Filing Separately) in Tax Year 2019 as the primary taxpayer on a tax return. One payment was sent to the bank account or address shown on the Tax Year 2018 tax return, and one payment was sent to the bank account or address shown on the Tax Year 2019 tax return.
- 30,420 individuals who filed as Single in Tax Year 2018 as the primary taxpayer on a tax return and filed as Married Filing Jointly in Tax Year 2019 as the secondary on a tax return. One payment was sent to the bank account or address shown on the Tax Year 2018 tax return, and one payment was sent to the bank account or address shown on the Tax Year 2019 tax return.

IRS management noted that programming requirements were put in place to ensure that multiple EIPs were not issued to the same individual. However, because the IRS processed payments based on both Tax Years 2018 and 2019 return filings, the programming was unable to mark the account for the Tax Year 2018 return to show a payment was issued before the Tax Year 2019 payment was issued. Presently, the IRS is asking individuals to voluntarily return payments. We plan to continue monitoring the IRS's actions to recover these payments.

### Analysis of EIP payments issued as of May 21, 2020, identified 99,778 individuals with addresses in a U.S. Territory who received more than \$162 million in EIPs

Based on the identification of duplicate payments and our concern that duplicate payments could also be issued to this population of individuals, we met with IRS management to discuss processes and procedures they developed to ensure that duplicate payments are not issued to individuals who have an address in a U.S. Territory and previously received an EIP. IRS management indicated that U.S. Territories are responsible for determining who is eligible to receive an EIP payment, the amount of the payment, as well as issuing the payment. IRS management further explained that each U.S. Territory included steps to identify duplicate payments in their respective EIP Implementation Plans.

In addition, to assist U.S. Territories in the identification of potential duplicate payments, the IRS also identified payments made to individuals with a U.S. Territory address similar to the analysis we performed and sent these files to the Territories. Finally, IRS management noted that each U.S. Territory is required to send data to the IRS on a monthly basis beginning June 30, 2020, which detail the specific individuals who were issued an EIP by the U.S. Territory. We requested



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these files for use in our continued assessment of IRS processes to ensure individuals living in a U.S. Territory do not receive multiple payments.

### Some eligible individuals still have not received an EIP

Due to the complexity and speed at which the IRS was required to issue payments, it was unable to account for all potential scenarios like the ones we identified below in which eligible individuals will need the IRS's continued assistance to receive the payments to which they are entitled. Our analysis of payment files as of May 21, 2020, identified the following conditions, which we brought to IRS management's attention to be addressed:

- **Multiple Deposits to the Same Bank Account** – Our analysis identified 49,141 payments totaling \$75 million associated with 8,793 unique bank accounts that received four or more direct deposit EIPs. We first notified the IRS of our concerns on April 15, 2020. According to IRS management, some of these payments occurred because the computer programming intended to prevent the direct deposit of payments into bank accounts associated with advanced refund products such as a Refund Anticipation Loan did not work as intended. IRS management stated that many of these payments may have already been returned by the banks and will be reissued. We plan to continue to monitor the IRS's efforts to recover payments that have not been returned by entities associated with accounts that received multiple deposits, as well as IRS efforts to ensure individuals associated with these payments receive their EIP.
- **Individuals Who Divorced Between Tax Year 2018 and Tax Year 2019** – Our analysis identified 125,132 individuals who were associated with a joint tax return (married) in Tax Year 2018 (used by the IRS to compute the EIP). Subsequent to issuance of the payment, one of the individuals filed a Tax Year 2019 return that was not a joint tax return (*i.e.*, Single, Head of Household, Qualifying Widow(er), or Married Filing Separately). The EIP was sent to the bank account shown on the jointly filed tax return. This scenario could result in the individual who filed a subsequent Tax Year 2019 return with a filing status of single not receiving an EIP. We notified IRS management of our concerns on April 17, 2020. IRS management stated that obtaining the EIP from the former spouse is a civil matter between the two individuals who filed the joint Tax Year 2018 return.
- **Social Security Retirement, Social Security Supplemental Income, and Veteran Administration Beneficiaries** – The IRS committed to proactively issuing payments to individuals who receive Social Security payments, Social Security Supplemental Income payments, and veteran's benefits and do not have a filing requirement. However, as of May 21, 2020, we identified more than 1.3 million of these individuals who have still not received an EIP. The IRS has direct deposit information for 585,329 of these individuals. We notified IRS management of our concerns that these individuals have not yet received an EIP. IRS management reviewed the cases we provided and indicated that there are conditions associated with some of these individuals that will take more time to resolve before eligibility can be determined and a payment can be issued. We are continuing to work with the IRS to ensure that eligible individuals in this remaining population receive their EIP.



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### Actions are being taken to better inform and assist homeless individuals

A letter to the Secretary of the Treasury dated April 7, 2020, signed by 28 U.S. Senators, inquired about the IRS's efforts to assist homeless individuals in receiving their EIPs. To gain an understanding of the challenges faced by these individuals, we reached out to one of the Department of Housing and Urban Development's Continuum of Care Program partners in Massachusetts. We learned that homeless individuals face additional challenges in filing the tax return needed to receive an EIP, and if successfully filed, they are then presented with additional challenges in accessing their issued payment. For example:

*The IRS recommends individuals use the online Non-Filers: Enter Payment Info Here tool on IRS.gov. However, many homeless do not have access to a computer to file a return. This is further complicated by the fact that many locations with public access to a computer have been closed due to the pandemic. Finally, these individuals often do not have access to a bank account and are unable to negotiate a paper check once received because they do not have the necessary government issued identification to verify their identity.*

Recognizing the significant challenges these individuals face, we alerted the IRS on May 15, 2020, of the need to take additional actions to further assist this population. Our alert included the following recommendations:

- Coordinate with the Department of Housing and Urban Development to leverage the Continuum of Care Program to disseminate the following information to partner organizations for use in assisting homeless individuals and families in filing the tax return needed to obtain an EIP.
  - Instructions on how to access the Form 1040 on IRS.gov for use in filing a short-form paper return. These instructions should also provide steps these organizations can take to place bulk orders for the Form 1040 once the National Distribution Center reopens.
  - Instructions on how to complete a paper Form 1040 for individuals who have no filing requirement, including how to notate the return to identify it as an EIP2020 return.
  - Instructions on where to mail the tax return based on their geographical location.
- Coordinate with the Department of Housing and Urban Development to obtain a list of trusted addresses for the Continuum of Care partners for use in processing tax returns filed by the homeless. Often, the homeless use the address of these partners as their mailing address, resulting in multiple tax returns having the same address, which is one of the IRS's fraud screening factors.
- Partner with the BFS to issue the EIPs on a U.S. debit card to all individuals filing an EIP2020 return. At a minimum, the IRS should use the trusted address information for the Continuum of Care partners to identify returns filed using these addresses and ensure that the associated EIPs are issued on a debit card.
- Partner with national organizations dedicated to serving the homeless, such as the National Health Care for the Homeless Council, to identify other potential solutions for assisting individuals experiencing homelessness in obtaining and accessing their EIP.



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In response, IRS management stated that it has partnerships with numerous Federal agency and nongovernment organizations, including the Department of Housing and Urban Development, that provide assistance to the homeless. As of June 12, 2020, the IRS has reached out to 4,598 homeless shelters with information on how to obtain an EIP. The IRS agreed to reach out to the Department of Housing and Urban Development to include the Continuum of Care program to provide the information we recommended. The IRS will also continue to reach out to other national organizations dedicated to assisting the homeless to identify other possible solutions for assisting these individuals. In addition, the IRS created a strike team to research potential organizations nationwide that might assist homeless individuals and share IRS-related EIP resources with them. The IRS asked these organizations if they would act as a “trusted partner” to receive payments on behalf of their homeless clients. We will continue to monitor the IRS’s efforts to inform this population of individuals on how to obtain an EIP.

### **The issuance of EIPs on prepaid debit cards is presenting challenges for individuals**

Limitations on the number of paper checks the BFS can issue each week further delay the issuance of some EIPs to individuals for whom the IRS does not have a direct deposit account number. To minimize the impact of these limitations and to get the payments out to individuals, as of May 21, 2020, a total of 3.6 million individuals were sent their payment as a prepaid debit card instead of paper check. An IRS news release dated May 27, 2020, noted that the determination of which taxpayers received a debit card was made by the BFS. Those who receive their payment by prepaid debit card can do the following without any fees:

- Make purchases online and at any retail location where Visa is accepted.
- Get cash from in-network Automated Teller Machines.
- Transfer funds to their personal bank account.
- Check their card balance online, by mobile app, or by phone.

This free, prepaid card also provides consumer protections available to traditional bank account owners, including protection against fraud, loss, and other errors.

However, a number of news outlets have reported that the debit cards were mailed in unmarked envelopes and little notice was provided to the public about the issuance of these cards. As such, individuals have reported that they destroyed the cards, thinking that they were a scam or an unsolicited credit card offer. In an effort to address these concerns, the IRS recently added the information below to the Frequently Asked Questions on IRS.gov:

- **[What do I do if my prepaid debit card was lost or destroyed?](#)**

The Economic Impact Payment Card is sponsored by the Treasury Department’s Bureau of the Fiscal Service, managed by Money Network Financial, LLC and issued by Treasury’s financial agent, MetaBank®, N.A. If you receive an Economic Impact Payment Card, it will arrive in a plain envelope from “Money Network Cardholder Services.” The Visa name will appear on the front of the Card; the back of the Card has the name of the issuing bank, MetaBank®, N.A. Information included with the Card will explain that the card is your Economic Impact Payment Card. Please go to [EIPcard.com](http://EIPcard.com) for more information and additional FAQs.



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*Individuals who have lost or destroyed their EIP Card may request a free replacement through MetaBank® Customer Service. Individuals may request a replacement by phone at 800-240-8100 (option 2 from main menu).*

In our discussion with representatives from the BFS and MetaBank on June 11, 2020, MetaBank representatives estimated that they have received 30,000 to 35,000 requests for a replacement card to date. We plan to continue to assess the IRS's issuance of EIPs on prepaid debit cards and assistance to those individuals issued these cards.

### **A Separate TIGTA review is assessing IRS efforts to ensure eligible individuals receive an EIP**

This review will monitor the IRS's efforts to address the conditions identified above and actions to reissue payments to eligible individuals.<sup>7</sup> In addition, we will assess the IRS's efforts to address rejected direct deposits, payments returned as undeliverable, inquiries from individuals who received notification that a payment was sent but it has not been received, and outreach to individuals without a filing requirement who need to file a tax return to receive their EIP.

### **Advance Tax Credits for Employers**

As previously noted in our report, there are two new employer tax credits for businesses that have been severely affected by COVID-19 – the Credit for Sick and Family Leave, and the Employee Retention Credit:

- Paid sick leave credit and paid family leave credit are available for eligible employers who pay qualified sick leave wages or qualified family leave wages from April through December 2020 and who have fewer than 500 employees.
- The Employee Retention Credit is designed to encourage businesses to keep employees on their payroll. The refundable tax credit is 50 percent of up to \$10,000 in wages paid by an eligible employer whose business has been financially affected by COVID-19.

In response to the enactment of this legislation, the IRS initiated an educational campaign to promote the availability of these credits. As we previously detailed, the law allows eligible employers to request advance payments of these credits. Specifically, an eligible employer that pays qualified leave wages to its employees in a calendar quarter before it is required to deposit Federal employment taxes with the IRS for that quarter may reduce the amount of Federal employment taxes that it deposits by the amount of the qualified leave wages paid. The eligible employer must account for the reduction on the Form 941.

However, if there are insufficient Federal employment taxes to cover the amount of the credits, an eligible employer may request an advance payment of the credits from the IRS. To enable employers to request an advance, the IRS developed the new Form 7200. Along with the development of the form, the IRS also developed processes and procedures to enable employers to submit these requests even though the Tax Processing Centers were closed. For example, the IRS implemented a process to enable employers to submit these requests via a dedicated E-fax line. Once a Form 7200 is received electronically, it is routed to a dedicated group of revenue agents and revenue officers who review and process these requests.

<sup>7</sup> TIGTA, Audit No. 202040634, *Assessment of Actions to Ensure That All Eligible Individuals Receive an Economic Impact Payment*.



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Employers could begin to submit their Form 7200 starting April 1, 2020. As of May 30, 2020, the IRS received 7,789 Forms 7200, and processed 2,410 Forms 7200 with refunds totaling more than \$50 million.

In addition, the IRS also revised Form 941, adding lines to account for the various employment tax credits (e.g., paid and sick leave credit and Employee Retention Credit) and other tax relief (e.g., deferral of payroll tax) due to the coronavirus. Businesses will begin filing the revised Form 941 for their second quarter employment taxes due at the end of July 2020. In addition, businesses that requested and received an advance payment by filing Form 7200 will record that amount on the revised Form 941 to determine whether they owe additional employment taxes or are due a refund.

### **Efforts are ongoing to obtain \*\*\*\*\*2\*\*\*\*\* needed to verify that employers are not erroneously claiming the excluded credit**

The CARES Act contains an exclusion that businesses which received a Paycheck Protection Program loan from the Small Business Administration cannot receive an advanced Employee Retention Credit. \*\*\*\*\*2\*\*\*\*\*  
\*\*\*\*\*2\*\*\*\*\*  
\*\*\*\*\*2\*\*\*\*\*  
\*\*\*2\*\*\*. According to IRS management, they are currently coordinating with the Small Business Administration \*\*\*\*\*2\*\*\*\*\*  
\*\*\*2\*\*\* to ensure employer compliance with provisions in the CARES Act. \*\*\*\*\*2\*\*\*\*\*  
\*\*\*\*\*2\*\*\*\*\*  
\*\*\*\*\*2\*\*\*\*\*. We are conducting a separate review to evaluate the actions taken by the IRS to ensure the validity and accuracy of the processing of advanced employer credits.<sup>8</sup>

### **Tax Processing Center Closures Have Resulted in Significant Backlogs**

Much of the work performed at the IRS’s Tax Processing Centers is not conducive to a telework environment. Work performed at Tax Processing Centers includes mail operations which involve the receiving, sorting, and distributing of mail and processing of paper tax returns. Processing requires manual input of information from the tax return into IRS systems, correcting errors, and corresponding with the taxpayer, if needed. As noted earlier, the IRS closed its Tax Processing Centers due to the COVID-19 pandemic. Figure 4 shows the date each of these Tax Processing Centers were closed.

<sup>8</sup> TIGTA, Audit No. 202040633, *Actions Taken to Ensure the Validity of COVID-19 Relief Advanced Credits*.





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**Figure 4: Tax Processing Center Closures Due to COVID-19, as of April 6, 2020**

Location	Date Closed
Fresno	March 20
Austin	March 25
Kansas City	March 25
Ogden	April 6

*Source: IRS management reports and notification for each location's closure.*

To ensure an orderly shutdown of its Tax Processing Centers, the IRS followed existing guidelines that are used when operations are ceased due to a lapse in funding. The big difference with the COVID-19 shutdown is that they had less time to prepare due the urgency of the health crisis. However, IRS management worked with each function to complete any in-process inventory by the end of the final work shift on the day of closing. They also ensured that all tax returns were secured and marked so it would be easy to pick up where they left off when the Tax Processing Centers reopened. The paper tax returns are controlled in an IRS system that helps track levels of inventory at various stages of processing the tax returns. IRS management also turned off all fax machines as part of its closure process in order to prevent correspondence from taxpayers coming into the sites when employees were not present to work the inventory. Finally, the IRS also coordinated with the U.S. Postal Service to have all mail that could not be delivered onsite be either held by the Postal Service or stored in semi-trailers at each location as needed.

### **Mail receipt and paper tax return processing have only partially resumed**

As of May 20, 2020, the IRS estimates that it has received 10.4 million pieces of mail while the Tax Processing Centers were closed. This includes mail stored within its various Tax Processing Centers and in 20 semi-trailers and six storage containers housed outside these Centers. The unopened mail includes tax returns, taxpayer correspondence, payments, and mail returned as undeliverable. Each Tax Processing Center has a mail operation that opens, sorts, counts, and routes all incoming mail and packages to their appropriate destinations. These actions were all halted when the Tax Processing Centers were closed. Furthermore, all paper tax return processing was halted. Figure 5 shows the estimated volume of both individual and business paper tax returns received as of May 22, 2020. These volumes include tax returns received and still being processed at the time the IRS closed its Tax Processing Centers as well as the estimated number of tax returns received while the centers were closed.



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**Figure 5: Estimated Paper Tax Return Volumes to be Processed as of the Week Ending May 23, 2020**

Type of Tax Return	Week Ending April 4, 2020	Week Ending May 2, 2020
Individual Tax Returns	3,185,000	10,070,000
Business Tax Returns	2,569,000	6,569,000

*Source: Estimated volumes of paper tax returns received from the IRS's Filing Season Statistics Reports for the weeks ending April 4, 2020, and May 23, 2020.*

IRS management noted that the above figures are only estimates and include tax returns received in the unopened mail. The actual number will not be known for months (until all the mail is opened). The IRS bases these estimates on scheduled and actual work generated through its inventory tracking system that keeps track of scheduled work for each Tax Processing Center. Our review of the IRS's inventory tracking system showed that nearly 1.8 million individual and nearly 1.9 million business paper tax returns were in process at the time the IRS closed the Tax Processing Centers and need to be completed.

The IRS began recalling staff on a voluntary basis to open mail and deposit checks in each of the four Tax Processing Centers on April 27, 2020. As of May 18, 2020, there were 389 employees working in the mail operations of the Tax Processing Centers.<sup>9</sup> This is compared to 1,786 employees that worked in the mail operations prior to closure. Our review of the IRS's inventory tracking system shows that, as of May 22, 2020, the IRS had extracted and input into its inventory system approximately 842,000 tax returns received in the mail that had accumulated during the closures.

### **Error Resolution cases remain backlogged**

When Tax Processing Centers were closed, taxpayers still had the ability to electronically file (e-file) their tax returns. E-filed returns with no identified error or review conditions are processed to completion, with any associated refund being issued. However, similar to paper tax returns, e-filed tax returns identified with errors are sent to the IRS's Error Resolution function for tax examiner review. Specifically, when a tax return is identified with an error condition, the IRS suspends the tax return from processing and sends the tax return to a tax examiner to correct the error. The Error Resolution function is responsible for correcting these error conditions. Once corrected, the tax return will continue to be processed. The majority of this work was unable to be performed while the Tax Processing Centers were closed. However, the IRS was able to work some e-filed cases identified as needing correction by an Error Resolution function employee. Figure 6 shows the volume of Error Resolution cases as of May 22, 2020, that still need to be worked.

<sup>9</sup> Austin, Texas, had 108 employees; Fresno, California, had 107 employees; Kansas City, Missouri, had 60 employees; and Ogden, Utah, had 114 employees that had returned to work.



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**Figure 6: Error Resolution Volumes for Tax Processing Centers as of May 22, 2020**

Type of Tax Return	As of April 3, 2020	As of May 22, 2020
Individual Tax Returns	984,830	1,599,091
Business Tax Returns	111,816	153,287

Source: Error Resolution volumes from the IRS's Filing Season Statistics Reports for the weeks ending April 4, 2020, and May 23, 2020.

### Closures Are Affecting Efforts to Provide Quality Customer Service

When the IRS closed its offices nationwide, most customer service assistance options for taxpayers ceased. For example:

- **Toll-Free Lines** – According to the IRS, there are 105 toll-free lines available to provide assistance to taxpayers prior to March 19, 2020.<sup>10</sup> The IRS ceased answering 96 (91 percent) of these lines between March 19 and 31, 2020, because the IRS locations were closing and employees answering these phone lines were not telework ready. As of May 20, 2020, 48 (46 percent) of the 105 toll-free lines remained closed. These include lines that provide assistance with tax law questions, requesting transcripts of tax accounts, and setting up appointments for face-to-face assistance.

We asked IRS management how they are prioritizing the reopening of toll-free lines, and they informed us that their strategy included looking at the number of assistors available and their experience level for the type of assistance provided on the lines that need to be reopened. Based on these considerations, management determined the potential levels of service they could provide by reopening the line. IRS management stated that they will continue to monitor and open the remaining lines as soon as it is determined to have sufficient staffing with the necessary experience to operate that line.

- **TACs** – TACs provide taxpayers face-to-face assistance with an IRS employee, by appointment. All 358 TACs were closed nationwide effective March 23, 2020. According to IRS management, TAC employees are not eligible for telework and do not have laptops to allow for remote work. IRS management did note that there was a pilot ongoing prior to the pandemic allowing a limited number of TAC employees to provide virtual assistance to taxpayers through a web-based software, but this went on hold when the TACs closed. IRS management stated that they have no intention of expanding this service at this time because they do not have the results of the pilot to know if this was effective. As of June 12, 2020, management stated that the software they were using in the pilot does not have the system capabilities to be used nationwide.

At the time of closure, there were 79,264 appointments made to assist taxpayers, which were all cancelled. As of May 19, 2020, there are approximately 1,040 employees that work in the 358 TACs nationwide on weather and safety leave. As of June 1, 2020,

<sup>10</sup> Two additional lines, the EIP and COVID-19 Counsel Hotline, were opened after March 30, 2020, in response to the pandemic.



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108 TAC employees were recalled in Kentucky, Texas, and Utah. However, these employees are not providing face-to-face assistance at this time.

- **Free Tax Return Preparation** – The IRS Volunteer Income Tax Assistance and the Tax Counseling for the Elderly programs offer free tax help for taxpayers who qualify. While the IRS manages the programs, the sites are managed by IRS partners and staffed by their volunteers. For the week ending May 24, 2020, 10,792 (98 percent) of the 11,014 Volunteer Income Tax Assistance/Tax Counseling for the Elderly sites remain closed.
- **Distribution of Tax Products** – The National Distribution Center closed on March 25, 2020, and as of June 1, 2020, remains closed. The National Distribution Center provides printing and distribution services of IRS forms, publications, *etc.*, for both the IRS and external stakeholders. Figure 7 provides a list of the National Distribution Center stakeholders.

**Figure 7: Primary Users of the National Distribution Center Services**

User	Description of Supplies Provided
Taxpayer	Supplies individuals with tax-related materials for personal use.
Tax Professional	A person or firm that prepares tax returns for compensation or orders products to meet tax reporting requirements.
Tax Forms Outlet Program	Supplies post offices, libraries, and other outlets with tax materials for distribution to the public.
TACs	Supplies TACs with products for distribution to the public.
Volunteer Income Tax Assistance	Supplies Volunteer Income Tax Assistance sites with tax forms, instructions, and publications.
International Program	Supplies American embassies with tax forms to meet the needs of Americans overseas.
Employer	Supplies businesses with employment tax products for employee and company use.
IRS	Supplies packages of tax products for conferences administered by IRS employees, <i>etc.</i>
Other Government Agencies	Supplies other Federal, State, and local agencies with tax materials to act as a third-party distributor or meet its tax reporting requirements.

*Source: Internal Revenue Manual 1.18.5.*

- **Printing and Mailing Correspondence to Taxpayers** – The IRS prints and mails the majority of its correspondence from two centralized sites located in Detroit, Michigan, and Ogden, Utah. These operations are referred to as Correspondence Production Services. Correspondence generated and mailed to taxpayers includes notices to alert taxpayers that error conditions on their held tax return need to be addressed, the need



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to authenticate their return as it has been held as potentially fraudulent, as well as notices and letters required to be issued by law.

In response to the pandemic, the IRS closed both of these sites as of April 8, 2020. A total of 154 employees work at these sites. As of May 14, 2020, the IRS reported that there were more than 22.1 million items in the Correspondence Production Services queue to be printed and mailed. IRS management explained that they are coordinating with all affected IRS functional areas to prioritize which notices should be mailed first when resuming operations and which notices are no longer necessary and could be purged (for example, monthly payment reminders on installment agreements for months that have already passed).

As of June 1, 2020, the IRS recalled 41 of its Ogden, Utah employees, in an effort to resume its printing and mailing services. The IRS plans to reopen the operation in Detroit the week of June 15, 2020, with reduced staffing. IRS management estimates that it will take Correspondence Production Services until mid-July to work through the backlog of print requests in the queue because of the anticipated reduced staffing levels and the need to social distance. According to the IRS, the estimate of time to work through the backlog is contingent upon procuring a vendor to assist with printing or mailing notices.

### Accounts Management function has a significant backlog of cases critical to taxpayers

As of March 14, 2020, the IRS reports that there were 17,534 employees working in the Accounts Management function. In comparison, as of May 16, 2020, only 5,562 Accounts Management employees (32 percent) were teleworking or reporting to an office. The Accounts Management function is responsible for assisting taxpayers with questions about the tax laws, their account, and the status of their refunds and adjusting their tax accounts when necessary. As of March 14, 2020, the IRS reported that the ending inventory that still needed to be worked was 2.5 million cases. The inventory only increased slightly to 2.6 million as of May 16, 2020. However, this inventory does not include additional Accounts Management work included in the unopened mail. The IRS estimates that there are 970,333 pieces of unopened mail as of May 9, 2020, that require Accounts Management review at the four Tax Processing Centers.

In addition, Accounts Management also receives mail at six other Accounts Management locations nationwide. The IRS estimates that there are 389,844 pieces of unopened mail at these campuses as of June 2, 2020.<sup>11</sup> Based on staffing and IRS reports as of May 16, 2020, the IRS is closing nearly 119,000 cases per week. At this rate, we estimate that it will take 33 weeks before Accounts Management is in a position to get through the backlog, not considering new receipts. At best, the IRS was closing approximately 391,000 cases for the week proceeding March 14, 2020.

Although the majority of cases worked by Accounts Management are electronic and portable, there are two factors that affect the IRS's ability to address the type of cases worked:

- **Ability to Scan Correspondence into the Correspondence Imaging System** – Correspondence from taxpayers that needs to be worked by Accounts Management is received and scanned at IRS Tax Processing Centers to enable employees working in

<sup>11</sup> This includes all mail received at these six campuses. The IRS does not have an estimate of mail specific to Accounts Management for these six locations.



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remote locations to work the cases. If employees responsible for scanning this correspondence are not allowed to return to the Tax Processing Centers or the number of employees returning is limited, this will have a direct impact on scanning inventory into the Correspondence Imaging System for Accounts Management employees to work.

- **Extensiveness of the Process to Make Employees Telework-Ready** – To make employees telework-ready, the IRS must obtain the necessary equipment, have employees complete the necessary training, and sign telework agreements with their manager. IRS management noted that they can realistically get 200 to 400 employees telework-ready per week. Since the closure of its operations, IRS management has continued to increase the number of telework-ready employees in order to remotely work the Accounts Management inventory. For example, at the time of closure, a telework pilot included only 237 employees. As of May 16, 2020, a total of 4,841 employees were actively teleworking. However, despite these improvements, there are still nearly 8,427 employees who are not telework-ready and remain on weather and safety leave.

We will continue to monitor the IRS's efforts to address its backlogs. In addition, we have a separate ongoing review that will assess the impact of the COVID-19 pandemic on IRS customer service operations and the actions taken to resume these operations.

### **More Than a Million Tax Returns Identified and Held As Potentially Fraudulent or With Erroneous Refundable Credit Claims Remain to Be Worked**

The IRS's Return Integrity and Compliance Services function is responsible for addressing potentially fraudulent returns identified as well as returns identified with questionable refundable credit claims. Once a return is identified, those involving potential identity theft are held during processing until the IRS can verify the taxpayer's identity. If the IRS cannot confirm the individual's identity, the IRS removes the tax return from processing to prevent the issuance of a fraudulent refund. For other types of potentially fraudulent tax returns identified (*i.e.*, non-identity theft), the IRS suspends these tax returns to provide additional time to receive third-party income documents (*e.g.*, Form W-2, *Wage and Tax Statement*). The suspended tax returns are held until either the IRS receives third-party documents and the income and withholding is verified or the tax returns are sent to Return Integrity and Compliance Services for screening and verification.

The Return Integrity and Compliance Services function also conducts examinations of tax returns with questionable refundable credit claims. For those returns selected for examination, the IRS corresponds with taxpayers to request additional documentation to support their refundable credit claim. During the week ending May 23, 2020, the Return Integrity and Compliance Services inventory included:

- 892,777 tax returns identified as identity theft for which the taxpayer has been asked to authenticate their identity.
- 463,192 tax returns identified as non-identity theft for which the IRS has selected the return for treatment.
- 243,925 tax returns selected for examination. These returns primarily involve a questionable refundable tax credit.



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The above figures do not include tax returns that were identified by the Return Integrity and Compliance Services fraud and examination filters that have not yet been selected for treatment.

Return Integrity and Compliance Services management noted that, although their employees can work cases remotely, external factors are preventing this work from being performed. These factors include:

- ***The inability to print and mail required correspondence due to Correspondence Production Services site closures*** – Management noted that, even if the required correspondence could be printed and mailed, responses from taxpayers are sent to the IRS and require scanning to enable the information to be available for employees working remotely. However, because the IRS locations have been closed, the responses cannot be scanned into the system.
- ***Refundable credit claims are prerefund examinations*** – Per the *People First Initiative*, no compliance actions can be taken until July 15.

As of June 3, 2020, Return Integrity and Compliance Services had 756 (41 percent) of their 1,863 employees on weather and safety leave because they were unable to perform work in a telework environment for various reasons, such as not having a laptop or high-speed Internet. In addition, while 544 (72 percent) of the 756 employees had laptops, their work was not portable.



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# Appendix I

## Detailed Objective, Scope, and Methodology

Our overall objective was to evaluate whether the IRS timely and accurately processed individual paper and e-filed tax returns during the 2020 Filing Season. This audit was initiated to provide selected information related to the impact of COVID-19 on the 2020 Filing Season. To accomplish our objective, we:

- Monitored online news outlets and forums to identify any preparation, filing, or processing issues that taxpayers are experiencing.
- Coordinated with TIGTA's audit team covering the issuance of EIPs for individuals to obtain initial results on the accuracy of the EIP computation and related notifications.
- Coordinated with TIGTA's Business Return Services audit teams for information on business tax return processing and the impact of the COVID-19 relief provisions.
- Coordinated with TIGTA's audit team assessing the impact that closures of toll-free, TAC, and Volunteer Income Tax Assistance sites had on the IRS's ability to provide quality customer service.
- Identified volumes of paper tax returns in process at the time the Tax Processing Centers were closed and the estimated volumes of mail and tax returns received during closure through May 22, 2020.
- Evaluated IRS plans to address backlogs in paper return filings, payments, correspondence, error resolution, and fraud detection cases once Tax Processing Centers reopen.

### Performance of This Review

This review was performed with information obtained from the Wage and Investment Division Headquarters in Atlanta, Georgia; the Wage and Investment Division Submission Processing function offices in Cincinnati, Ohio; the Wage and Investment Division Customer Assistance, Relationships, and Education function in Atlanta, Georgia; the Wage and Investment Division Accounts Management function in Atlanta, Georgia; the Wage and Investment Division Return Integrity and Compliance Services function in Atlanta, Georgia; and the Information Technology organization in Lanham, Maryland, during the period March 30, 2020, through June 10, 2020. 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.

Major contributors to the report were Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services); Deann L. Baiza, Director; Linna K. Hung, Director; Diana M. Tengesdal, Director; Jeffrey D. Cullum, Audit Manager; Nina A. Hill, Audit Manager; Jonathan W. Lloyd, Audit Manager; Sharla J. Robinson, Audit Manager; Darryl J. Roth, Audit Manager; Ngan B. Tang, Audit Manager; Van A. Warmke, Audit Manager; Karen C. Fulte, Senior Auditor; Brieane K. Hamaoka, Senior Auditor; Tracy M. Hernandez, Senior Auditor; Sandra L.





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### Validity and Reliability of Data From Computer-Based Systems

During this review, we obtained extracts from the Individual Master File for Tax Years 2018 and 2019, Individual Return Transaction File for Processing Years 2019 and 2020, Information Returns Master File for Tax Years 2018 and 2019, Prisoner File for Processing Year 2019, Individual Master File Refund Files, and National Account Profile for Processing Year 2020 that were available on TIGTA's Data Center Warehouse. We also obtained the Social Security Supplemental Income and Veteran Administration beneficiary recipient files from the IRS. Before relying on the data, we ensured that each file contained the specific data elements we requested. In addition, we selected judgmental samples of each extract and verified that the data in the extracts were the same as the data captured in the Integrated Data Retrieval System. We also performed analysis to ensure the validity and reasonableness of our data, such as ranges of dollar values and obvious invalid values. Based on the results of our tests, we believe that the data used in our review were reliable.

### 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 also include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the process for planning, organizing, directing, and controlling program operations for the 2020 Filing Season. We evaluated these controls by meeting with IRS management, reviewing IRS procedures, and reviewing IRS reports.



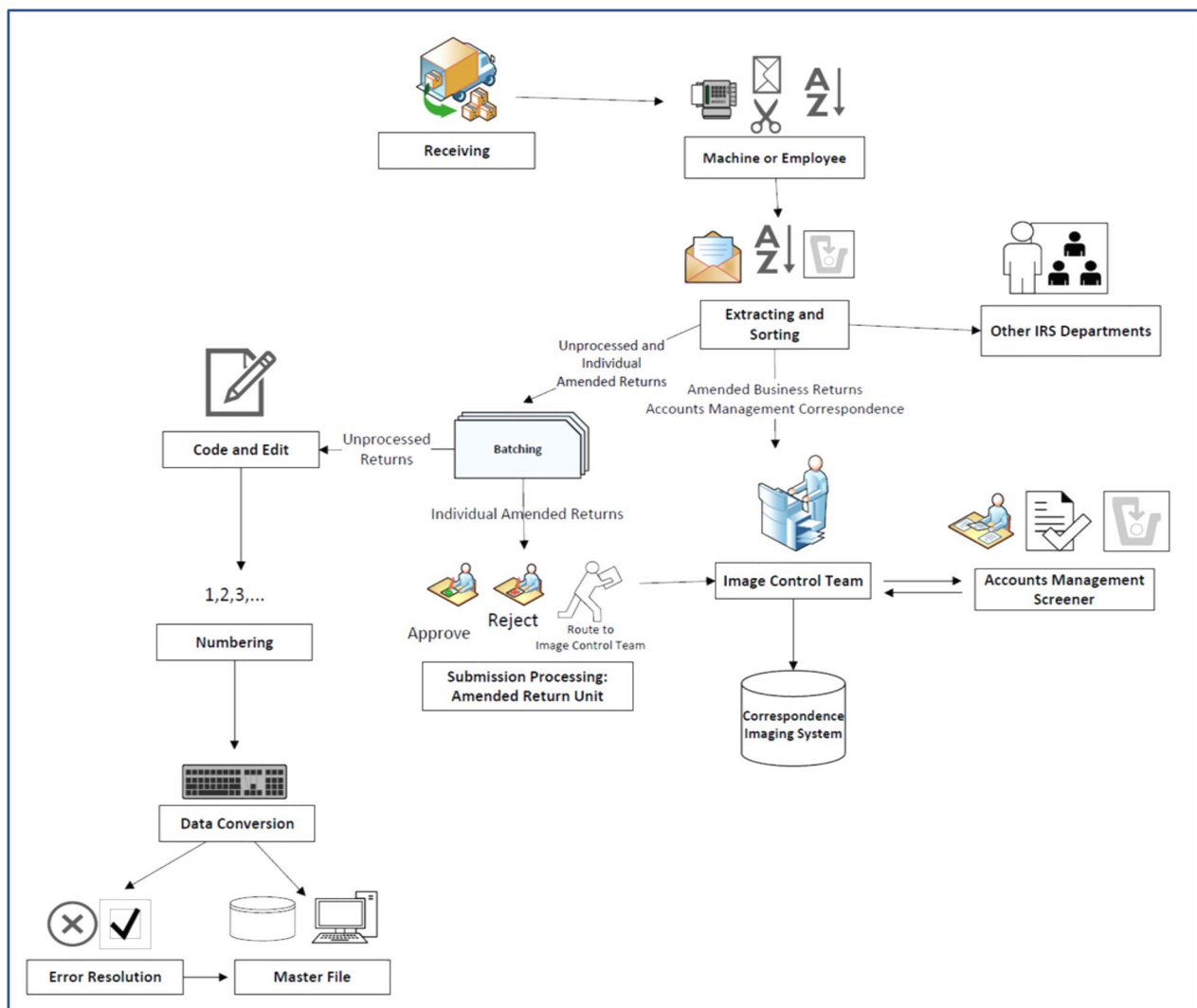
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## Appendix II

### High-Level Process Flow of IRS Documents

Figure 1 provides a high-level process flow of the processing of documents received by the IRS.

**Figure 1: High-Level Process Flow of IRS Documents**



Source: TIGTA's analysis to show a high-level process flow of Submission Processing and Accounts Management inventory processes.



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### Appendix III

### Glossary of Terms

Term	Definition
Filing Season	The period from January through mid-April when most individual income tax returns are filed.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
Free File	A free Federal tax preparation and e-filing program for eligible taxpayers developed through a partnership between the IRS and Free File Alliance LLC. The Alliance is a group of private sector tax software companies.
Level of Service	The primary measure of service to taxpayers. It is the relative success rate of taxpayers who call for live assistance on the IRS's toll-free telephone lines. The IRS's measure is titled Customer Service Representative Level of Service.
Individual Master File	The IRS database that maintains transactions or records of individual tax accounts.
Individual Return Transaction File	A database the IRS maintains that contains information on the individual tax returns it receives.
Information Returns Master File	Creates and maintains a master file of current and prior year information returns.
Integrated Data Retrieval System	IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.
Master File	The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.
National Account Profile	A compilation of selected entity data from various IRS Master Files and the Social Security Administration.
Prisoner File	The IRS compiles a list of prisoners received from the Federal Bureau of Prisons and State Departments of Corrections as well as Prisoner Update Processing System data from the Social Security Administration.
Processing Year	The calendar year in which the tax return or document is processed by the IRS.
Tax Year	A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.
Taxpayer Assistance Centers	An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face to face.
Volunteer Program	Includes the Volunteer Income Tax Assistance Program, including the Volunteer Income Tax Assistance Grant Program, and the Tax Counseling for the Elderly Program. The Volunteer Program provides free tax assistance to



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	persons with low to moderate income (generally defined as within the Earned Income Tax Credit threshold), senior citizens, persons with disabilities, rural persons, those with limited English proficiency, and Native Americans.
Weather and safety leave	May be permitted when weather or other safety-related conditions prevent employees from safely traveling or safely performing work at an approved location, such as the official duty station or telework location.



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### Appendix IV

#### Abbreviations

BFS	Bureau of the Fiscal Service
COVID-19	Coronavirus Disease 2019
e-file(d); e-filing	Electronically File(d); Electronic Filing
EIP	Economic Impact Payments
IRS	Internal Revenue Service
TAC	Taxpayer Assistance Center
TIGTA	Treasury Inspector General for Tax Administration