

TREASURY
INSPECTOR GENERAL

FOR TAX ADMINISTRATION

Annual
Audit Plan

Fiscal Year 2008



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Fiscal Year 2008 Annual Audit Plan

Message from the Deputy Inspector General for Audit

The Treasury Inspector General for Tax Administration (TIGTA) provides independent oversight of Internal Revenue Service (IRS) activities, the IRS Oversight Board, and the IRS Office of Chief Counsel. The Office of Audit provides audit services that promote the economy, efficiency and integrity of the Internal Revenue laws. We believe that in Fiscal Year 2008, the IRS will continue to face the same challenges identified previously, including the modernization of its computer systems, addressing the tax gap by balancing customer service and enforcement while protecting taxpayer rights, ensuring security of its resources, and strategic management of human capital. Some of these issues are also concerns of the President, as cited in *The President's Management Agenda*.¹ In addition, the IRS and the Government Accountability Office (GAO) have listed some of the issues as material weaknesses in IRS programs.

Modernization of the IRS' computer systems is a complex effort that involves the IRS' technology and related business processes. The IRS is in its ninth year of this effort and has received approximately \$2.5 billion for contractor services and management efforts. The IRS continues to make steady progress in integrating thousands of hardware and software components while replacing outdated technology and maintaining the current tax system. However, we continue to cite that due to receiving less funding than initially anticipated and having difficulties in managing contractor work, the IRS has not completed as many Modernization projects as planned. To achieve success in its modernization effort, the IRS still needs management process changes and necessary resources, better risk management and strategic direction, and improved accountability and management of contractor performance.

Tax compliance is an equal challenge to modernization. Tax compliance initiatives include administering tax regulations and collecting the correct amount of tax dollars from businesses and individuals, and overseeing tax-exempt and government entities for compliance. Increasing compliance with the tax code is at the heart of the IRS enforcement programs. The IRS is focusing its casework and enforcement activities to deliver better results and to better target those corporations and high-income individuals who fail to report or pay what they owe. The IRS' estimates of the tax gap, which is defined as the difference between what taxpayers are supposed to pay and what is actually and timely paid, is \$345 billion. The IRS has significant challenges in obtaining complete and timely data, and developing the methods for interpreting the data. Even with better data, the IRS needs broader strategies and better research to determine what actions are most effective in addressing noncompliance. This information is critical to the IRS for strategic direction, budgeting, and staff allocation.

Millions of taxpayers entrust the IRS with sensitive financial and personal data stored and processed by IRS computer systems. Reports of identity theft from both the private and


¹ *The President's Management Agenda, Fiscal Year 2002*;
[HTTP://WWW.WHITEHOUSE.GOV/OMB/BUDINTEGRATION/PMA_INDEX.HTML](http://www.whitehouse.gov/omb/budintegration/pma_index.html).

public sectors through lost or stolen information and phishing schemes have heightened awareness of the need to protect this data. The risks that sensitive data or computer systems could be compromised and computer operations could be disrupted continue to increase. This past year, the IRS improved its compliance with federal security requirements. However, it still needs to do more to adequately secure its systems and data. The IRS still needs to improve its annual testing of security controls and contingency plans, implementation of configuration management standards, and privacy requirements for protecting personally identifiable information.

Since the late 1990's the IRS has increased its delivery of quality customer service to taxpayers. Lately, the IRS has allocated more resources to its collection, examination, and criminal investigation functions and fewer resources to taxpayer service functions. As a result of this resource shift and other factors, Congress requested that the IRS develop a 5-year blueprint on which services it plans to provide and how it will improve services for taxpayers. The IRS is already facing challenges with its blueprint to ensure that the information used to support conclusions and strategic improvement themes is accurate and consistent. As the IRS moves forward, inaccuracies or inconsistencies will put the blueprint at risk of improperly aligning service content, delivery, and resources with taxpayer and partner expectations.

Strategic human capital is an essential part of any effort to reform the Federal Government to focus on maximizing performance and assuring accountability for achieving results. The IRS is faced with a workforce that is becoming more retirement-eligible and finding gaps in talent because of changes in the knowledge, skills, and competencies needed to meet its mission. The IRS has recognized it must be prepared to respond to an increasing and more demanding population, a more global and multi-lingual environment, and an increasing number of taxpayers with complex financial holdings, and the means and motive to resist the payment of taxes. It has taken recent steps to change pay, and classification and performance management systems to transition to a more market based and performance oriented culture. While the IRS has made some progress, it needs to strengthen its efforts and use of available flexibilities to acquire, develop, motivate, and retain talent. Strategic human capital management must be the centerpiece of the IRS' change management strategy.

The Office of Audit's FY 2008 Annual Audit Plan is designed to assess areas related to the major challenges facing the IRS, including modernization, the tax gap, security, customer service, and strategic human capital as well as The President's Management Agenda initiatives. In addition, the TIGTA will continue to perform audits required by statute, as well as address concerns of the Congress, the IRS Oversight Board, and other stakeholders. More information on the specific challenges the IRS faces and the Office of Audit's FY 2008 coverage in those challenges is included in the section entitled [List of Planned Audits for Fiscal Year 2008 by Major Management Challenge](#).


Michael R. Phillips
Deputy Inspector General for Audit

The Mission and the Organization

The Treasury Inspector General for Tax Administration (TIGTA) organization was established in January 1999, in accordance with the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998¹ with the powers and authorities given to other Inspector General organizations under the Inspector General Act² to provide independent oversight of IRS activities. TIGTA provides independent oversight of the Department of the Treasury matters involving IRS activities, the IRS Oversight Board, the National Taxpayer Advocate, and the IRS Office of Chief Counsel.

TIGTA's focus is devoted entirely to the IRS and is charged with conducting independent and objective audits, evaluations, and investigations of the IRS' programs and activities. TIGTA is organizationally placed within the Department of the Treasury, but it is independent of the Department and all other offices and agencies within the Department. TIGTA is committed to providing timely, useful, and reliable information and advice to IRS officials, including its Chief Counsel, the IRS Oversight Board, the Department of the Treasury, Congress, and the public.

TIGTA's Office of Audit identifies opportunities to improve the administration of the nation's tax laws by conducting comprehensive, independent performance and financial audits of IRS programs, operations, and activities to:

- assess efficiency, economy, effectiveness and program accomplishments;
- ensure compliance with applicable laws and regulations; and
- prevent, detect, and deter fraud, waste, and abuse.

The Audit program is comprised of reviews mandated by statute or regulation, as well as reviews identified through Audit's planning and evaluation process. The Office of Audit strategically evaluates IRS programs, activities and functions so that resources are expended in the areas of highest vulnerability to the nation's tax system. TIGTA provides recommendations to improve IRS systems and operations, while ensuring fair and equitable treatment of taxpayers.

Under the leadership of the Inspector General, the Deputy Inspector General for Audit (DIGA) is responsible for the Office of Audit. Four Assistant Inspectors General for Audit (AIGA), who are aligned around the IRS' core business activities, report to the DIGA. The four AIGAs cover: 1) Headquarters Operations and Exempt Organizations Programs; 2) Information Systems Programs; 3) Small Business and Corporate Programs; and 4) Wage and Investment Income Programs.

Please see [Appendix I](#) for the Office of Audit organization chart.

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

² 5 U.S.C.A. app. 3 (West 2007).

Audit Program for Fiscal Year 2008

The Office of Audit Fiscal Year (FY) 2008 Annual Audit Plan communicates the Treasury Inspector General for Tax Administration's (TIGTA) audit priorities to the Internal Revenue Service (IRS), Congress, and other interested parties. Many of the activities described in the Annual Audit Plan address the fundamental goals related to the IRS' mission to administer its programs effectively and efficiently.

Each year, the TIGTA identifies and addresses the major management challenges facing the IRS. The Annual Audit Plan is organized by the TIGTA's listing of the major management challenges facing the IRS for FY 2008 ([Appendix II](#)). Emphasis is placed on the mandatory coverage imposed by the IRS Restructuring and Reform Act of 1998 (RRA 98)¹ and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial audits. TIGTA will also focus on four key cross-cutting areas: 1) the Tax Gap; 2) Modernization and Security; 3) Human Capital; and 4) Customer Service.

The balance of TIGTA's audit work is concentrated on high-risk areas and will focus on the IRS' progress in achieving its strategic goals and eliminating identified material weaknesses, and the IRS' response to *The President's Management Agenda* initiatives. In addition, audits will address areas of concern to the IRS Commissioner, the IRS Oversight Board, the Secretary of the Treasury, Congress, and other stakeholders. The IRS' goals and objectives for the next fiscal year are highlighted in Appendix III. Key initiatives of *The President's Management Agenda* are included as [Appendix IV](#).

To identify FY 2008 high-risk areas for audit coverage, the TIGTA uses a risk-assessment strategy within its core business areas. The Assistant Inspector Generals for Audit advise the Deputy Inspector General for Audit on the major risks facing the IRS in their respective program areas, and annually propose a national audit plan based on perceived risks, stakeholder concerns, and follow-up reviews of previously audited areas with significant control weaknesses. In addition, to keep apprised of operating conditions and emerging issues, the Audit executives maintain liaison and working contact with applicable IRS executives, Department of the Treasury and Government Accountability Office officials, and Congressional staffs.

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

Office of Audit's Program Areas

The following narratives briefly describe the Internal Revenue Service's (IRS) major program areas that TIGTA will review during FY 2008.

Headquarters Operations and Exempt Organizations Programs

The Headquarters Operations and Exempt Organizations Programs Unit evaluates several IRS programs, including Financial Management, the Government Performance and Results Act of 1993 (GPRA)¹, the Criminal Investigation function, the Tax Exempt and Government Entities Division, the Taxpayer Bill of Rights, the Agency-Wide Shared Services function, the Chief Human Capital Officer, the National Taxpayer Advocate, and a number of other functions.

The IRS' financial statements and related activities continue to be of concern to IRS stakeholders. Because of the significance of IRS collections to Federal receipts and, in turn, to the consolidated financial statements of the Government and Congress' interest in financial management at the IRS, the Government Accountability Office (GAO) audits the IRS' financial statements annually to determine whether: 1) the financial statements the IRS prepares are reliable; 2) IRS management maintains effective internal controls; and 3) the IRS complies with selected provisions of significant laws and regulations and its financial systems comply with the Federal Financial Management Improvement Act of 1996.²

The IRS' Tax Exempt and Government Entities Division encompasses several organizations, including Employee Plans; Exempt Organizations; Indian Tribal Governments; Federal, State and Local Governments; Tax Exempt Bonds; and Customer Account Services. These organizations face many different types of issues, ranging from the safety of investments in employee plans to political activities of churches and gambling excise taxes. The overriding mission of each organization, however, is to provide top-quality service by helping each segment understand and comply with applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to all.

Two important support functions within the IRS are the Agency Wide Shared Services function and the Chief Human Capital Officer. The Agency Wide Shared Services function covers a broad spectrum of activities, including facilities and records management, employee support services, equal employment opportunity and diversity, procurement, and competitive sourcing. The Chief Human Capital Officer oversees the workforce strategy of the agency. Human capital issues include workforce restructuring, workforce relations, recruiting, hiring, training and personnel policy.

¹ Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

² Pub. L. No. 104-208, 110 Stat. 3009.

The Office of Audit also addresses IRS offices reporting directly to the IRS Commissioner, including the Taxpayer Advocate Service, Office of Chief Counsel, Office of Appeals, and Communications and Liaison. The National Taxpayer Advocate endeavors to identify and respond to taxpayer concerns, and advocates changes in law or procedures to reduce taxpayer burden while the Chief Counsel's strategic objective includes providing expanded guidance and increased legal support to IRS units.

Information Systems Programs

The Modernization and Information Technology Services organization is responsible for the ongoing multibillion dollar, multiyear Business Systems Modernization effort and for providing quality, efficient and responsive information services for the IRS. The Modernization and Information Technology Services organization also provides direction to the IRS business units for ensuring the security of IRS computer systems, property and personnel, and provides guidance on disaster recovery responsibilities.

For the IRS, modernizing technology has been an ongoing challenge. The current Business Systems Modernization effort, which began in 1999, was expected to last approximately 15 years at a cost of \$8 billion. The IRS' goal of providing high-quality, efficient, and responsive information services to its operating divisions is heavily dependent on this modernization of its core computer business systems while maintaining the existing systems. It is also reliant on the security of those systems and the buildings that house those systems, as well as the safety of the people who operate the computers.

Small Business and Corporate Programs

The IRS' Small Business/Self-Employed and the Large and Mid-Size Business Divisions focus on helping taxpayers understand the tax laws, processing tax returns, and enforcing compliance with the tax laws. These taxpayers usually have much more frequent contact with the IRS than wage and investment taxpayers, and these contacts are usually more unique and complicated. The IRS, nevertheless, strives to provide top quality service to each taxpayer in every interaction.

Approximately 45 million taxpayers, about 33 million that are full or partially self-employed, are serviced by the Small Business/Self-Employed Division and have substantially higher incomes and file twice the number of forms and schedules than wage and investment taxpayers. Thus, these taxpayers often spend more time working on their taxes or rely more frequently on paid tax preparers or IRS expertise. This Division also serves about 7 million small businesses, including corporations and partnerships with assets of \$10 million or less. While many of these taxpayers face the same tax issues as large corporations, they often do not have tax professionals on staff. In addition, this Division services taxpayers filing estate and gift returns, fiduciary returns, and international tax returns. The Small Business/Self-Employed Division's

employees focus on its mission of providing top quality service tailored to this taxpayer segment.

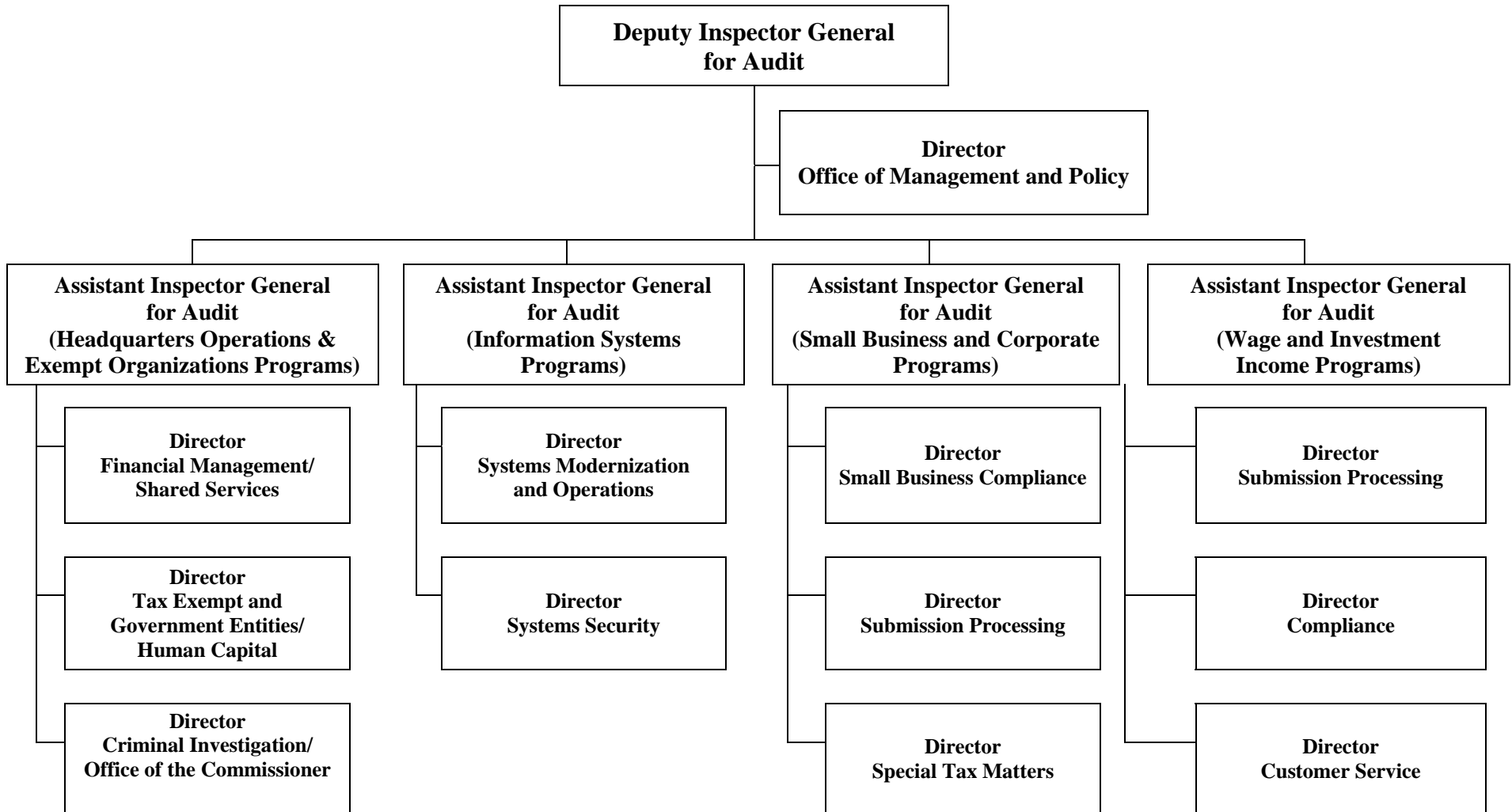
The Large and Mid-Size Division serves a small group of taxpayers – approximately 210,000 corporations, subchapter S corporations, and partnerships with assets greater than \$10 million. Many of the taxpayers in this group have a tax staff, and the issues the IRS faces in its contacts with these taxpayers are much more complicated than its dealings with small business and self-employed taxpayers.

Wage and Investment Income Programs

The Wage & Investment Division serves approximately 118 million customers accounting for 90 million returns. These are taxpayers filing a 1040 tax return with no accompanying Schedules C, E, F, or Employee Business Expenses (Form 2106) and no international activity. Almost all of the income for this group is reported by third parties, and the vast majority of taxes are collected through third party withholding. Most of these taxpayers deal with the IRS only when they file their returns and approximately 80 percent receive refunds and are highly compliant. When compliance issues do arise, they are often the result of a taxpayer's confusion and are often detected through technology-based matching programs. Over half of these taxpayers prepare their own tax returns, presenting a great opportunity for the Wage & Investment Division to provide top quality service to a large number of taxpayers who otherwise would not receive assistance.

The Wage & Investment Division strives to maintain a “customer-first” focus through routinely soliciting information concerning the needs and characteristics of its customers and implementing programs based on the information received. It partners with other Federal agencies, financial institutions, tax preparers, trade organizations, community groups, State and local authorities, and others to provide one-stop multi-agency tax information and education services to its customers. This Division attempts to increase voluntary compliance through its education and outreach programs, thus it should be positioned to provide professional and courteous service to customers to help them understand and meet their tax obligations.

Organization Chart
Treasury Inspector General for Tax Administration Office of Audit



Major Management Challenges Facing the Internal Revenue Service

The Treasury Inspector General for Tax Administration (TIGTA) believes the major management challenges facing the Internal Revenue Service (IRS) in Fiscal Year 2008 are:

- ❖ Modernization of the IRS.
- ❖ Tax Compliance Initiatives.
 - Business and Individual
 - Tax Exempt Entities
- ❖ Security of the IRS.
- ❖ Providing Quality Taxpayer Service Operations.
- ❖ Complexity of the Tax System.
- ❖ Human Capital.
- ❖ Erroneous and Improper Payments.
- ❖ Taxpayer Protection and Rights.
- ❖ Processing Returns and Implementing Tax Law Changes During the Tax Filing Season.
- ❖ Using Performance and Financial Information for Program and Budget Decisions.

The TIGTA's FY 2007 annual summary of these issues, including comments on progress the IRS has made toward resolving the challenges or the vulnerabilities that the IRS continues to face in achieving results, may be viewed on the Internet at the following address:

http://www.treas.gov/tigta/oa_management.shtml

The Internal Revenue Service's
Strategic Goals and Objectives¹

IRS Strategic Plan 2005-2009		
Goal 1 - Improve Taxpayer Service	Goal 2 – Enhance Enforcement Of The Tax Law	Goal 3 –Modernize the IRS Through Its People, Processes and Technology
<p>Objectives:</p> <ul style="list-style-type: none"> • Improve service options for the tax paying public • Facilitate participation in the tax system by all sectors of the public • Simplify the tax process 	<p>Objectives:</p> <ul style="list-style-type: none"> • Discourage and deter noncompliance with emphasis on corrosive activity by corporations, high-income individual taxpayers and other contributors to the tax gap • Ensure that attorneys, accountants and other tax practitioners adhere to professional standards and follow the law • Detect and deter domestic and off-shore based tax and financial criminal activity • Deter abuse within tax-exempt and governmental entities and misuse of such entities by third parties for tax avoidance or other unintended purposes 	<p>Objectives:</p> <ul style="list-style-type: none"> • Increase organizational capacity to enable full engagement and maximum productivity of employees • Modernize information systems to improve service and enforcement • Ensure the safety and security of people, facilities and information systems • Modernize business processes and align the infrastructure support to maximize resources devoted to frontline operations

¹ Excerpt from the Internal Revenue Service FY 2005 – 2009 Strategic Plan, dated June 2004.

The President's Management Agenda **Improving Government Performance**

President George W. Bush's Administration is dedicated to ensuring that the resources entrusted to the Federal Government are well managed and wisely used. The President sent to the Congress a bold strategy for improving the management and performance of the Federal Government. That strategy reads, in part:

To reform Government, we must rethink Government.

The need for reform is urgent. The Government Accountability Office (GAO) "high-risk" list identifies areas throughout the Federal Government that are most vulnerable to fraud, waste, and abuse. Ten years ago, the GAO found eight such areas. Today it lists 22. Perhaps as significant, Government programs too often deliver inadequate service at excessive cost....

... while the Government needs to reform its operations – how it goes about its business and how it treats the people it serves, it also needs to rethink its purpose – how it defines what business is and what services it should provide.

The President's vision for Government reform is guided by three principles. Government should be:

- Citizen-centered, not bureaucracy-centered.
- Results-oriented.
- Market-based, actively promoting rather than stifling innovation through competition.

The President has called for a Government that is active but limited that focuses on priorities and does them well. That same spirit should be brought to the work of reform. Rather than pursue an array of management initiatives, we have elected to identify the Government's most glaring problems – and solve them. *The President's Management Agenda* is a starting point for management reform.

- The Agenda contains five Government-wide ... goals to improve Federal management and deliver results that matter to the American people.
- It reflects the Administration's commitment to achieve immediate, concrete, and measurable results in the near term.
- It focuses on remedies to problems generally agreed to be serious, and commits to implement them fully.
- The goals in this Agenda are being undertaken in advance of, not instead of, other needed management improvements.

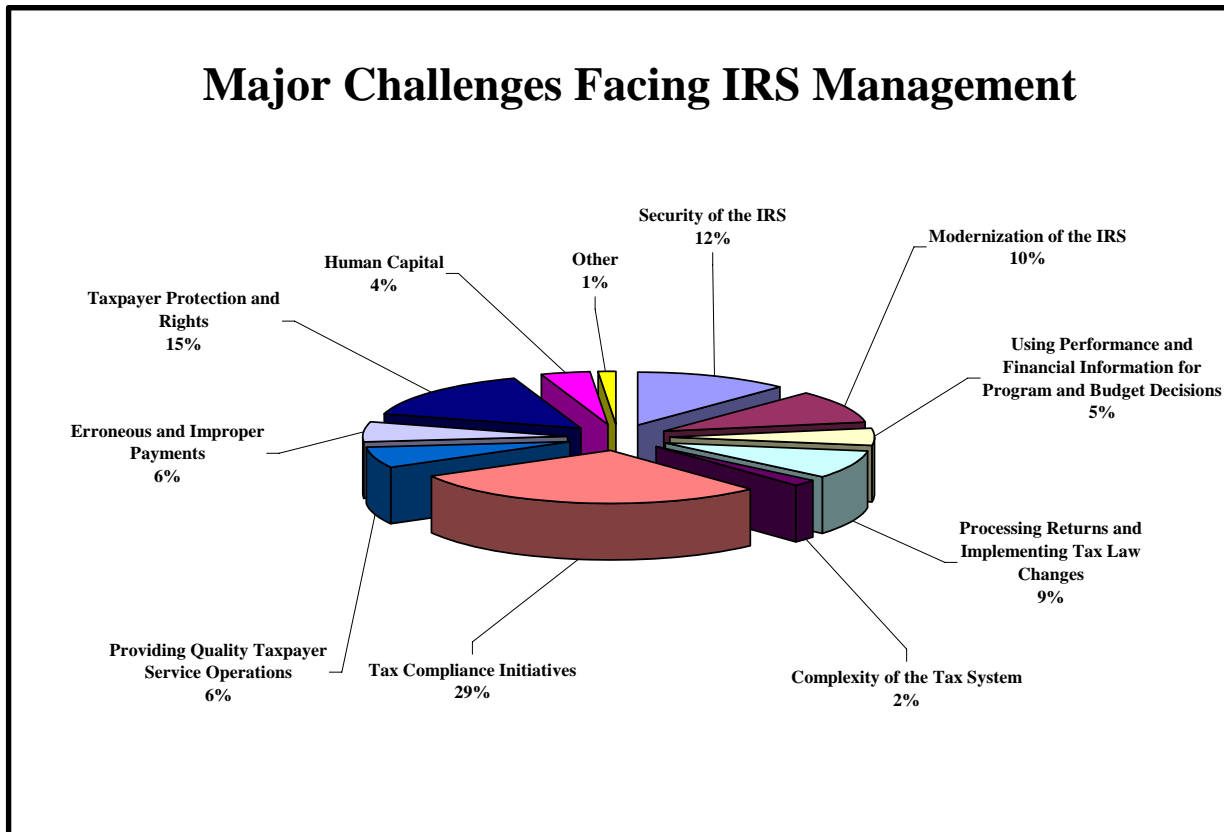
- Additional goals will be undertaken, as tangible improvements are made in this initial set of initiatives....¹

The five Government-wide goals included in *The President's Management Agenda for Improving Government Performance* are:

- ❖ Strategic Management of Human Capital.
- ❖ Competitive Sourcing.
- ❖ Improved Financial Performance.
- ❖ Expanded Electronic Government.
- ❖ Budget and Performance Integration.

¹ *The President's Management Agenda, Fiscal Year 2002;*
[HTTP://WWW.WHITEHOUSE.GOV/OMB/BUDINTEGRATION/PMA_INDEX.HTML](http://www.whitehouse.gov/omb/budintegration/pma_index.html) .

Office of Audit's Fiscal Year 2008 Staff Day Allocation By Major Challenges Facing Internal Revenue Service Management



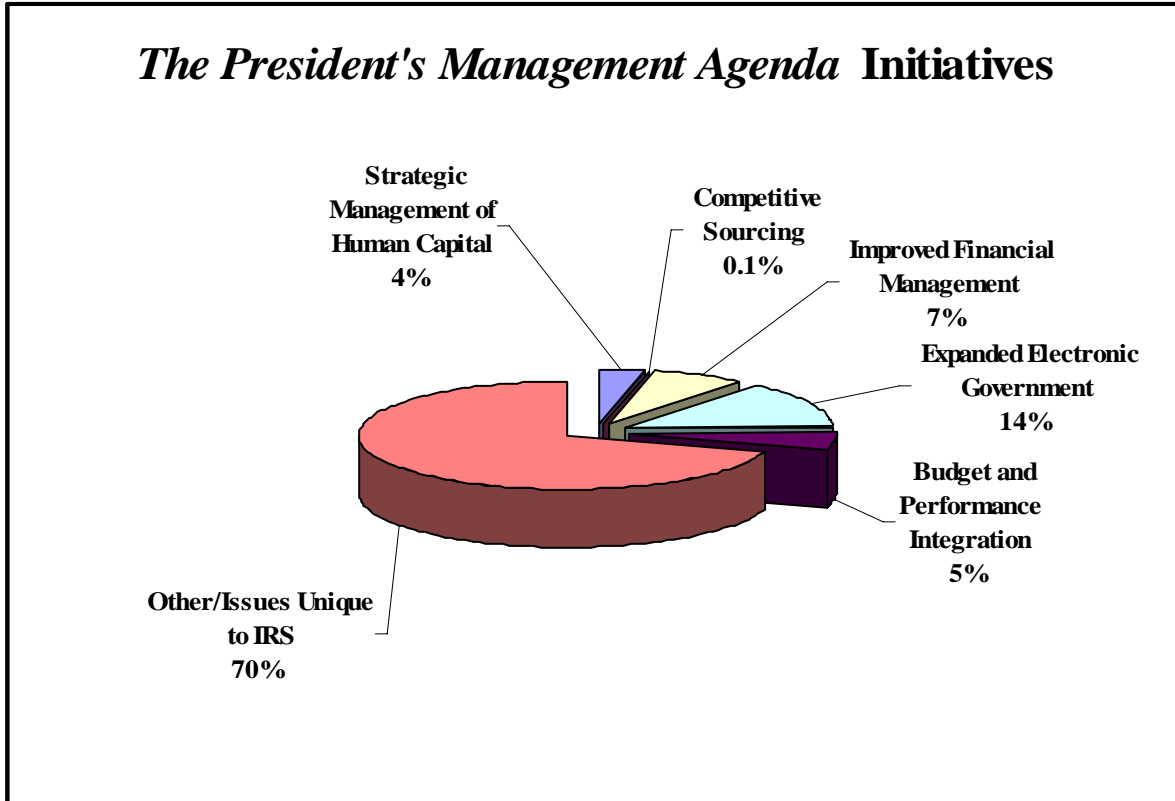
Note: Some audits relate to more than one major challenge area. In addition, Fiscal Year (FY) 2008 staff days are included for audits that were started in FY 2007 with planned completion dates in FY 2008. Totals may not equal 100 percent due to rounding.

Office of Audit's Fiscal Year 2008 Staff Day Allocation By Internal Revenue Service Strategic Plan Goals



Note: Some audits relate to more than one strategy area. In addition, Fiscal Year (FY) 2008 staff days are included for audits that were started in FY 2007 with planned completion dates in FY 2008. Totals may not equal 100 percent due to rounding.

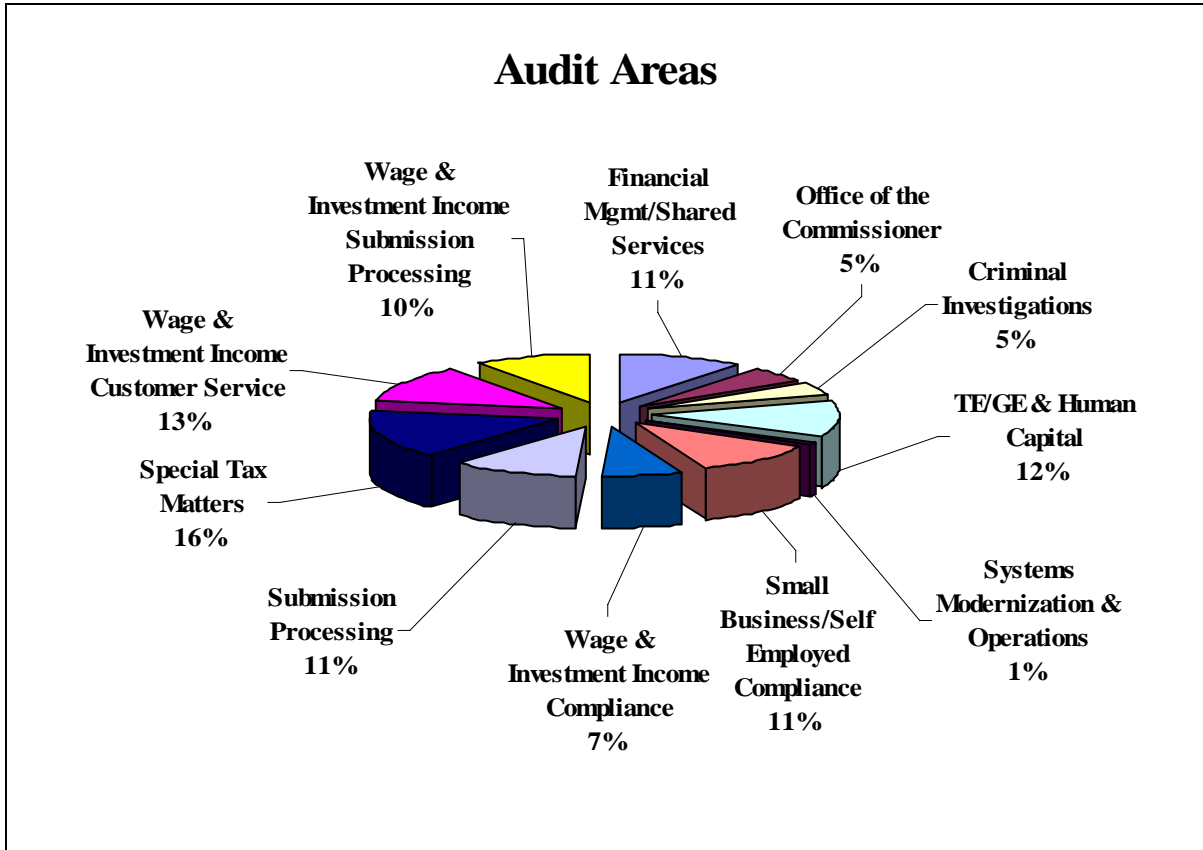
Office of Audit's Fiscal Year 2008 Staff Day Allocation By
*The President's Management Agenda Initiatives*¹



Note: Fiscal Year (FY) 2008 staff days are included for audits that were started in FY 2007 with planned completion dates in FY 2008. Totals may not equal 100 percent due to rounding.

¹ Fiscal Year 2008 audits have been categorized, as appropriate, under *The President's Management Agenda* initiatives. The audits that do not relate to *The President's Management Agenda* are categorized as "Other/Issues Unique to IRS."

Office of Audit's Fiscal Year 2008 Staff Day Allocation by Audit Areas



Note: Fiscal Year (FY) 2008 staff days are included for audits that were started in FY 2007 with planned completion dates in FY 2008. Totals may not equal 100 percent due to rounding.

List of Planned Audits for Fiscal Year 2008 by Major Management Challenge

Modernization of the Internal Revenue Service List of Planned Audits for Fiscal Year 2008

Modernization of the IRS includes both computer systems and business structure (reorganization) modernization. Although both issues have their own sets of challenges, they must both succeed to fully modernize the IRS. Business Systems Modernization (BSM) involves integrating thousands of hardware and software components over 15 years. The BSM program is in its ninth year and has received approximately \$2.3 billion for contractor services.

Web-Based Electronic Fraud Detection System (2008 – New Start)

Audit Objective: Determine whether the IRS and its contractors are using sound systems development practices in developing the Web-Based Electronic Fraud Detection System.

Portal Redesign Project Development Activities (2008 – New Start)

Audit Objective: Determine whether the portal redesign effort is following sound systems development practices and whether it will provide the infrastructure needed for sufficient access to IRS systems.

Information Technology Modernization Vision and Strategy (2008 – New Start)

Audit Objective: At the request of the IRS Oversight Board, determine whether the Information Technology Modernization Vision and Strategy is achieving the desired results.

Modernized e-File Requirements Development Release 5 (including the E-Postcard Project) (2008 – New Start)

Audit Objective: Determine whether Modernized e-File requirements development activities are providing clear and complete requirements and whether the IRS and its contractors are using sound systems development practices in developing the current Modernized e-File release. Also, determine whether the E-Postcard project was adequately implemented and met the intent of the Pension Protection Act.¹

Annual Business Systems Modernization Assessment (2008 – New Start)

Audit Objective: Assess the progress of the Business Systems Modernization program for Fiscal Year 2008, as required by the IRS Restructuring and Reform Act of 1998.

¹ Pension Protection Act of 2006, Pub. L. No. 109-208, 120 Stat. 780 (2006).

Excise Files Information Retrieval System/Excise Tax e-File & Compliance Project (2008 – New Start)

Audit Objective: Determine whether the IRS and its contractors are making improvements to the Excise Tax e-File & Compliance project using sound systems development practices and follow-up on prior Excise Files Information Retrieval System audit recommendations.

Implementation of the Internal Revenue Service’s Data Strategy
(2008 – New Start)

Audit Objective: Determine whether implementation of the IRS’ data strategy is successfully meeting its objectives and how the multiple compliance projects will be integrated including the plans for the Compliance Data Warehouse Enhancement. Also determine whether the Tax Return Database capacity issues and the methodology for transitioning data to the Modernized-Tax Return Database are being managed effectively.

Customer Account Data Engine Release 4 Development (2008 – New Start)

Audit Objective: Determine whether the IRS and its contractors are using sound systems development practices in developing the Customer Account Data Engine release 4 and follow-up on prior audit recommendations.

Customer Account Data Engine Release 3 Implementation Results (2008 – New Start)

Audit Objective: Determine whether the Customer Account Data Engine release 3 met the requirements specified by the users and is performing as expected in the production environment.

Accounts Management Services Project Development (2008 – New Start)

Audit Objective: Determine whether the IRS and its contractors are using sound systems development practices in developing the current Accounts Management Services release and follow-up on prior audit recommendations.

Management of Non-Modernization and Information Technology Services Project Development Activities (2008 – New Start)

Audit Objective: Determine whether project development activities controlled by the business units are following sound systems development practices and whether “steady state” budget amounts reflect actual project activities.

Implementation of the Enterprise Application Integration Broker
(2008 – New Start)

Audit Objective: Determine whether the IRS is effectively implementing the Enterprise Application Integration Broker and following sound systems development practices.

IRS Plans for Modernizing Tax Return Processing (2008 – New Start)

Audit Objective: Determine what strategies, operational priorities and improvement projects the IRS has to modernize and improve the processing of tax returns.

Remittance Strategy for Paper Check Conversion at Field Offices
(2008 – New Start)

Audit Objective: Determine if the Remittance Strategy for the Paper Check Conversion System is functioning as intended and is timely and accurately processing paper remittances.

Account Management Services Project Implementation (2007 –
Work in Process)

Audit Objective: Determine whether the IRS and its contractors are using sound systems development practices in developing current releases of the Account Management Services Project.

Disaster Recovery Program (2007 – Work in Process)

Audit Objective: Determine the effectiveness of the corrective actions taken by the IRS to resolve the previously reported disaster recovery material weaknesses.

***Modernization and Information Technology Services
Competitive Sourcing Initiatives*** (2007 – Work in Process)

Audit Objective: At the request of the IRS Oversight Board, determine whether the IRS' efforts to improve the competitive sourcing process have yielded positive and measurable results.

Correspondence Imaging Systems Project (2007 – Work in Process)

Audit Objective: Determine whether the IRS and its contractors are deploying Correspondence Imaging Systems Release 2 and converting to a new document management solution using sound systems development practices.

Tiered Project Management (2007 – Work in Process)

Audit Objective: At the request of the IRS, determine whether the IRS has established adequate internal controls to ensure the tiered Project Management Office within the new Enterprise Governance Model supports the achievements of the IRS mission and strategic goals.

Validation of Modernized e-File Returns in the Business Master File (2007 – Work in Process)

Audit Objective: Determine the accuracy and timeliness of the processing of the tax return data in the Business Master File for Modernized e-File electronically filed tax returns that were processed by the Error Resolution System and Generalized Unpostable Framework staffs.

Implementation of the Modernization and Information Technology Services Organization's Centers of Excellence (2007 – Work in Process)

Audit Objective: Assess the effectiveness of the Centers of Excellence by identifying the assignments, responsibilities and authorities and determining the extent of the formulation and accomplishments.

Triplex/Enterprise Systems Management Implementation (2007 – Work in Process)

Audit Objective: At the request of the IRS, review the status, efficiency, and effectiveness of implementing the Triplex and Enterprise Systems Management concepts in the three IRS data centers.

Using Technology to Reduce Publishing and Mail Costs (2007 – Work in Process)

Audit Objective: Evaluate the IRS' efforts to reduce publishing and mail costs through the use of electronic technology.

Tax Compliance Initiatives List of Planned Audits for Fiscal Year 2008

Tax compliance initiatives include administering tax regulations and collecting the correct amount of tax for businesses and individuals, and overseeing tax-exempt and government entities for compliance. Increasing compliance with the tax code is at the heart of IRS enforcement programs. The IRS is focusing its casework and enforcement activities to deliver better results and to better focus on those corporations and high-income individual taxpayers who fail to report or pay what they owe.

The IRS' Actions to Improve the Accuracy of Information Reporting by Federal Agencies (2008 – New Start)

Audit Objective: Evaluate the progress underway to minimize inaccurate names and identification numbers reported by Federal agencies on Wage and Income Statements (Forms W-2) and Miscellaneous Income Statements (Forms 1099-MISC).

The Deterrent Effect of the Son of Boss Settlement Initiative (2008 – New Start)

Audit Objective: Determine whether taxpayers who participated in the Son of Boss Settlement Initiative have any further compliance issues.

Large and Mid-Size Business Division Efforts to Reduce Cycle Time (2008 – New Start)

Audit Objective: Determine if efforts to reduce the length of examinations are adversely affecting the examination process and outcomes in the Large and Mid-Size Business Division.

Review of the Gap Case Initiative Test at the Automated Collection System Support Site (2008 – New Start)

Audit Objective: Determine whether the IRS has effectively performed the Gap Case Initiative Test and whether test results were used for expanding the program, if appropriate.

Identification of Small Business Non-Filers (2008 – New Start)

Audit Objective: Identify the taxpayers that are operating small businesses and not filing their taxes.

Review of Refund Returns with Additional Assessments (2008 – New Start)

Audit Objective: Identify refund tax returns with additional assessment of tax and determine whether the assessment could be made in time to use the refund amount to offset additional tax assessment.

Compliance Trends (2008 – New Start)

Audit Objective: Provide various statistical information regarding examination and collection activities.

Evaluate the Effectiveness of the Compliance Initiative Project Program (2008 – New Start)

Audit Objective: Evaluate the Compliance Initiative Project program to determine the impact on compliance and burden to taxpayers.

Review of the Embedded Quality Review Program at the Compliance Campus (2008 – New Start)

Audit Objective: At the request of the IRS, determine whether the sampling methodology used in the Embedded Quality Review Program yields a valid statistical representation of the quality of work products in the IRS Campus programs and effectively evaluates the quality of campus compliance activities.

Balance Due Notice Program (2008 – New Start)

Audit Objective: Determine whether the campus collection function is taking appropriate actions when closing balance due notice cases.

Review of the Embedded Quality Review System (2008 – New Start)

Audit Objective: At the request of the IRS, determine whether the Embedded Quality Review Program in the Examination (or Collection) function is an effective measure of the quality of the function's work and if results are used to improve program performance.

Effectiveness of the Collection Actions on Tax Account Assessments Due to Abusive Tax Avoidance Transactions (2008 – New Start)

Audit Objective: Determine whether the Small Business/Self-Employed Collection function effectively and efficiently collects tax assessments and penalties imposed against promoters of and/or participants in abusive tax avoidance transactions.

Small Business/Self-Employed Division Fast Track Settlement Program (2008 – New Start)

Audit Objective: At the request of the IRS, determine whether the Fast Track Settlement program is being used to timely and effectively resolve tax issues.

Effectiveness of Small Business/Self-Employed Examination Function Resolution of Taxpayer Claims for Refund (2008 – New Start)

Audit Objective: Determine whether the Small Business/Self-Employed Examination function effectively and efficiently evaluates the validity of claims for refund.

Revenue Officer Target Inventory Levels and Case Grading (2008 – New Start)

Audit Objective: Determine if the IRS is properly establishing and monitoring case inventories and if the case grade level criteria is properly applied.

Federal Tax System Abuse (2008 – New Start)

Audit Objective: Determine areas in which tax abuse is most commonly committed, who commits the abuse, the cost to the U.S. Treasury, and efforts to detect, deter and resolve abuses.

The IRS' Engagement of Tax Practitioners to Reduce the Gap (2008 – New Start)

Audit Objective: Evaluate efforts to engage the tax practitioner community in strategies for reducing the tax gap.

The IRS' Capacity and Capabilities to Process Current and Proposed Information Documents (2008 – New Start)

Audit Objective: Determine if the IRS has the capacity and capability to incorporate expanded information into its Information Returns Program.

Use of the National Research Program to Better Select Returns for Examination (2008 – New Start)

Audit Objective: At the request of the IRS, assess the impact of revised Discriminant Index Function formulas created as a result of the National Research Program on examination results.

Profiles of Large Balance Due Accounts (2008 – New Start)

Audit Objective: Evaluate the source and collection potential of individual account balances and the actions being taken to collect amounts due.

Implementation of the IRS Whistleblower Office (2008 – New Start)

Audit Objective: Evaluate the implementation of the IRS Whistleblower Office and the new regulations regarding the informant rewards program.

Evaluate Challenges to Achieving 90 Percent Compliance Rate by 2017 (2008 – New Start)

Audit Objective: Evaluate the challenges associated with achieving a voluntary compliance rate of 90 percent by 2017.

Tax Havens and Offshore Compliance (2008 – New Start)

Audit Objective: Evaluate current activities to address the use of tax havens by multinational enterprises and high income net worth individuals using Organization for Economic Cooperation and Development criteria.

The Deterrent Effect of IRS Enforcement Efforts on High Income Non-Filer Recidivism (2008 – New Start)

Audit Objective: Determine whether IRS enforcement efforts prevent high income non-filer recidivism.

The IRS' Research Studies on Compliance and Reducing the Tax Gap (2008 – New Start)

Audit Objective: Determine whether the IRS' research plans are integrated with tax gap reduction strategies and whether the studies' results are being used in identifying treatments that can be used to reduce the tax gap.

Criminal Investigation Statistical Portrayal (2008 – New Start)

Audit Objective: Provide statistical information and trend analyses of the nationwide enforcement statistics pertaining to the Criminal Investigation Division.

Department of Justice Pipeline Processing (2008 – New Start)

Audit Objective: At the request of the IRS, determine the effectiveness of the coordination between the IRS' Criminal Investigation Division and the Department of Justice's U.S. Attorney offices to ensure cases recommended for prosecution are timely presented to the courts.

State Volume Caps for Tax Exempt Bonds (2008 – New Start)

Audit Objective: Determine if the IRS has an effective program in place to identify noncompliance with State volume caps for tax exempt bonds.

Exempt Organizations Function's Strategy to Improve Form 990 Filing Compliance (2008 – New Start)

Audit Objective: Evaluate the Exempt Organizations function's strategy for improving compliance with Returns of Organization Exempt From Income Tax (Form 990) filing requirements.

The Employee Plans Organization's Determination Letter Program (2008 – New Start)

Audit Objective: At the request of the IRS, determine if the Employee Plans organization is administering the determination letter program effectively and efficiently.

Follow-up Review of Tax Exempt and Government Entities Division's Efforts to Detect and Deter Fraud (2008 – New Start)

Audit Objective: Determine the effectiveness of the Tax Exempt and Government Entities Division's efforts to detect and deter fraud.

Effectiveness of Employee Plans Team Audit Examination Case Selection Criteria (2008 – New Start)

Audit Objective: Determine whether the case selection process employed by the Employee Plans Team Audit groups focuses resources on the most productive cases.

Mortgage Interest Review (2008 – New Start)

Audit Objective: Evaluate the process the IRS uses to evaluate the accuracy of mortgage interest deductions.

Review of the Wage & Investment Division's Automated Substitute for Return Program (2008 – New Start)

Audit Objective: Determine whether the centralization of the Automated Substitute for Return Program has been effective and if centralization has had a beneficial impact on case processing.

Review of the Automated Federal Payment Levy Program (2008 – New Start)

Audit Objective: Determine the effectiveness of the Federal Payment Levy Program in identifying levy sources and collecting delinquent taxes, and whether the automated levy process has adequate controls to prevent undue financial hardship on the IRS' most vulnerable taxpayers.

Automated Underreporter - Case Selection (2008 – New Start)

Audit Objective: Evaluate the Automated Underreporter Program process for selecting and resolving cases and for managing workload.

Withholding Compliance (2008 – New Start)

Audit Objective: Evaluate the effectiveness of the IRS' actions on underwithheld compliance cases.

Taking Enforcement Actions on Taxpayer Delinquent Accounts (2008 – New Start)

Audit Objective: Determine whether Revenue Officers follow the enforcement guidelines established for collecting Taxpayer Delinquent Accounts.

Effectiveness of the Memorandum of Understanding Concerning Indian Tribal Governments' Compliance with the Bank Secrecy Act (2008 – New Start)

Audit Objective: Determine if Indian Tribal Government Entities that are noncompliant with the Bank Secrecy Act are identified and examined.

Suspended Debit Balance Accounts (2007 – Work in Process)

Audit Objective: Determine whether there are areas where the IRS could improve resolution of debit balance accounts.

Misclassification of Employees as Independent Contractors (2007 – Work in Process)

Audit Objective: Evaluate the actions the IRS has taken to address the misclassification of employees as independent contractors.

Review of Campus Delinquency Investigations (2007 – Work in Process)

Audit Objective: Determine if the Compliance Services Collection Operations administers the Return Delinquency Program in a manner that reasonably ensures that resolution actions on Return Delinquency notice responses are accurate and timely.

Sales of Seized Property (2007 – Work in Process)

Audit Objective: Determine if the IRS is properly following procedures for sales of Seized Property and whether controls are effective to safeguard assets and protect taxpayer rights.

Preparer Penalty Program Review (2007 – Work in Process)

Audit Objective: Determine if the Return Preparer Program is effectively managed and if penalties are appropriate.

Large Dollar Cases Assigned to the Automated Collection System (2007 – Work in Process)

Audit Objective: Determine whether the Automated Collection System function timely and properly works large dollar accounts.

Pick-up of Related Years on Tax Return Examinations (2007 – Work in Process)

Audit Objective: Determine whether tax examiners review prior and subsequent tax years when identifying tax issue adjustments.

Centralized Insolvency Operation (2007 – Work in Process)

Audit Objective: Evaluate the controls used in the Centralized Insolvency Operation to ensure that taxpayers' rights and the government's interest are protected during bankruptcy proceedings.

Review of Examinations Closed with No Taxpayer Response (2007 – Work in Process)

Audit Objective: Determine whether the IRS can improve the process which would minimize the high number of examination assessments in which the taxpayer did not respond.

Review of International Tax Gap (2007 – Work in Process)

Audit Objective: Identify the accuracy and reliability of estimates of the size of the United States international tax gap, whether the IRS is planning to develop its own measurement and what efforts the IRS has underway to reduce it.

Referrals to International Examiners (2007 – Work in Process)

Audit Objective: Assess the timeliness of requesting and delivering the assistance of international specialists in corporate examinations that have international features.

Tax Gap Initiatives (2007 – Work in Process)

Audit Objective: Determine the progress of IRS plans and actions taken to reduce the tax gap.

Counterterrorism and Tax Exempt Fraud (2007 – Work in Process)

Audit Objective: At the request of the Senate Finance Committee, evaluate the methods used by the IRS' Criminal Investigation Division to successfully identify and prosecute organizations that are fronts for terrorist financing activities.

Office of Professional Responsibility's Actions on Tax Shelter Programs (2007 – Work in Process)

Audit Objective: Determine if the IRS' Office of Professional Responsibility is taking appropriate action to identify licensed practitioners who promote tax shelters.

Follow-up Review of Alleged Campaign Intervention by Tax Exempt Organizations (2007 – Work in Process)

Audit Objective: At the request of the IRS, assess the effectiveness of the Tax Exempt/Government Entities Division in addressing alleged political campaign intervention by I.R.C. § 501(c)(3) organizations and determine whether actions to date have detected potential repeated campaign intervention by previously identified organizations.

Exempt Organizations Function's Compliance Efforts to Follow Up on Tax Exempt Organizations (2007 – Work in Process)

Audit Objective: Assess the Exempt Organizations function's Review of Operations Unit's effectiveness in identifying and evaluating recently established tax-exempt organizations that may not be complying with their stated tax-exempt purpose and/or may not be current with all filing requirements.

Effectiveness of the Tax Exempt and Government Entities Data Analysis Unit and Touch-And-Go Audit Group (2007 – Work in Process)

Audit Objective: Determine the effectiveness of the Data Analysis Unit and the Touch-and-Go Program in identifying abusive transactions.

Installment Agreement User Fees (2006 – Work in Process)

Audit Objective: Evaluate the administration of installment agreement user fees.

Security of the Internal Revenue Service List of Planned Audits for Fiscal Year 2008

Millions of taxpayers entrust the IRS with sensitive financial and personal data stored in and processed by IRS computer systems. Recent reports of identity theft from both the private and public sectors have heightened awareness of the need to protect this data. The risks that sensitive data or computer systems could be compromised and computer operations disrupted continue to increase. Both internal factors such as increased connectivity of computer systems and increased use of portable laptop computers, and external factors such as the volatile threat environment related to increased terrorist and hacker activity, cause these risks.

Business Continuity Planning (2008 – New Start)

Audit Objective: Determine whether actions are taken and effective to address weaknesses on disaster recovery, business resumption, incident management, and occupant emergency plans.

Malware and Spyware Controls (2008 – New Start)

Audit Objective: Determine the effectiveness of actions taken to identify and prevent malicious software from affecting IRS computer systems.

Access Controls Over Contractors (2008 – New Start)

Audit Objective: At the request of the IRS, determine whether contractors' access privileges to IRS development and production systems are limited to those needed to carry out their responsibilities and whether contractors' actions are monitored to detect unauthorized accesses.

Configuration Settings - Enterprise Networks (2008 – New Start)

Audit Objective: Determine whether standard configurations have been developed, tested, implemented, maintained, and monitored by the Enterprise Networks organization for assets under its control.

Configuration Settings - Enterprise Operations (2008 – New Start)

Audit Objective: Determine whether standard configurations have been developed, tested, implemented, maintained, and monitored by the Enterprise Operations organization for assets under its control.

Follow-up on Prior Capital Planning and Investment Control Findings (2008 – New Start)

Audit Objective: Determine whether the IRS is managing its Information Technology investments in compliance with the Office of Management and Budget and Clinger-Cohen Act requirements. Also determine whether the IRS took effective corrective actions to address previous audit recommendations.

Security Controls in the Criminal Investigation Organization (2008 – New Start)

Audit Objective: Determine whether security controls within the Criminal Investigation organization comply with National Institute of Standards and Technology requirements and established standards.

Follow-up on Actions Taken to Detect Employee Accesses to Taxpayer Accounts (2008 – New Start)

Audit Objective: Determine whether adequate actions have been taken to address prior audit findings regarding the detection of unauthorized access to taxpayer accounts.

Security of Taxpayer Data Provided to Debt Collection Agencies (2008 – New Start)

Audit Objective: Determine whether Private Debt Collection Agencies are adequately protecting taxpayer data.

2008 Review of Federal Information Security Management Act – Intelligence Program Systems (2008 – New Start)

Audit Objective: Determine the progress made by the IRS in meeting the responsibilities established by the National Institute of Standards and Technology and the Office of Management and Budget during the 2008 Federal Information Security Management Act¹ mandatory review of the IRS' Intelligence information technology systems.

¹ FISMA is part of the E-Government Act of 2002, Pub. L. No. 107-347, Title III, Section 301 (2002). It is the primary legislation governing Federal Government information security programs, building upon earlier legislation through added emphasis on the management dimension of information security

2008 Review of Federal Information Security Management Act – Non-Intelligence National Security Systems (2008 – New Start)

Audit Objective: Determine the progress made by the IRS in meeting the responsibilities established by the National Institute of Standards and Technology and the Office of Management and Budget during the 2008 Federal Information Security Management Act mandatory review of the IRS' Non-Intelligence National Security information technology systems

2008 Review of Federal Information Security Management Act - Unclassified Systems (2008 – New Start)

Audit Objective: Determine the progress made by the IRS in meeting the responsibilities established by the National Institute of Standards and Technology and the Office of Management and Budget during the 2008 Federal Information Security Management Act mandatory review of the IRS' Unclassified information technology system security program.

Follow-up on Encryption of Laptop Computers and Other Electronic Media (2008 – New Start)

Audit Objective: Determine whether corrective actions were taken and were effective to protect sensitive data on portable electronic media.

Configuration Settings - End User Environment Systems (2008 – New Start)

Audit Objective: Determine whether standard configurations have been developed, tested, implemented, maintained, and monitored by the End User Environment Systems organization for assets under its control.

Closure of Selected Computer Security Material Weaknesses (2008 – New Start)

Audit Objective: At the request of the IRS, determine whether the IRS has effectively resolved the vulnerabilities relating to its computer security material weaknesses and implemented repeatable processes to ensure the weaknesses do not recur. Validate actions taken to ensure significant progress has been made on selected material weakness areas.

Review of the IRS' Cybersecurity Organization (2007 – Work in Process)

Audit Objective: Determine whether the IRS has developed sufficient cybersecurity policies and procedures and whether it effectively monitors compliance.

Internet Gateways (2007 – Work in Process)

Audit Objective: Determine the effectiveness of controls for preventing unauthorized access to IRS systems from the Internet.

Web Servers (2007 – Work in Process)

Audit Objective: Assess the security of the IRS' web servers by reviewing the registration process, encryption of data traffic, patching of software and maintenance of the administrative functions.

Follow-up Penetration Test (2007 – Work in Process)

Audit Objective: Determine whether databases used by the IRS applications are secure from exploitation by unauthorized individuals.

Security Review of Modernized e-File (2007 – Work in Process)

Audit Objective: Determine whether the security controls for the Modernized e-File applications meet established standards.

Network Management Control Center (2007 – Work in Process)

Audit Objective: Determine whether the security controls over routers and switches are adequate.

Physical Security (2007 – Work in Process)

Audit Objective: At the request of the IRS, determine whether the IRS has an effective control structure to manage physical security at IRS offices.

Security of Customer Account Data Engine/Account Management Services (2007 – Work in Process)

Audit Objective: Determine whether the security controls for the Customer Account Data Engine/Account Management Services application meet established standards.

Office of Research, Analysis, and Statistics (2007 – Work in Process)

Audit Objective: Determine whether security controls over data and systems in the Office of Research, Analysis, and Statistics meet established standards.

HSPD-12 Program Office (2007 – Work in Process)

Audit Objective: Determine whether the IRS is complying with Homeland Security Presidential Directive-12 in an efficient and effective manner.

***2007 Review of Federal Information Security Management Act –
Non-intelligence National Security Systems (2007 – Work in Process)***

Audit Objective: Determine the progress made by the IRS in meeting the responsibilities established by the National Institute of Standards and Technology and the Office of Management and Budget during the 2007 Federal Information Security Management Act mandatory review of the IRS' Non-Intelligence National Security information technology systems.

***Incident Management Plans and the Occupant Emergency Plans
(2007 – Work in Process)***

Audit Objective: Determine effectiveness of Incident Management and the Office of Employee Protection.

Providing Quality Taxpayer Service Operations List of Planned Audits for Fiscal Year 2008

Since the 1990s, the IRS has increased delivery of quality customer service to taxpayers. In fact, in its current strategic plan, the IRS' first goal is to improve taxpayer service. The Senate Committee on Appropriations has noted that the IRS lacks a concrete plan to provide adequate alternative services to replace services proposed for reduction or elimination. In response, the IRS developed a five-year Taxpayer Assistance Blueprint that will help it focus on providing the appropriate types and amounts of service. TIGTA continues to identify the need for improvement in taxpayer services provided through toll-free, face-to-face, and electronic methods.

Review of Returns Filed Just to Reclaim Tax Withheld from Social Security Benefits (2008 – New Start)

Audit Objective: Determine the reasons for taxpayers filing returns with no entries other than withholding from Social Security payments, and why these taxpayers have tax withheld from these payments. Determine if the IRS has taken any steps to inform these taxpayers of the steps necessary to eliminate the withholding, and determine the cost savings involved with processing these unnecessary returns.

Restricted Interest Calculations for Large Dollar Refunds (2008 – New Start)

Audit Objective: Determine if lack of access to proper documentation is delaying restricted interest cases.

Taxpayer Assistance Center Assessment - Follow-up (2008 – New Start)

Audit Objective: Evaluate the accuracy and completeness of data used by the IRS in its Taxpayer Assistance Center Assessment process.

Toll-Free Access for the 2008 Filing Season (2008 – New Start)

Audit Objective: Evaluate customer service toll-free telephone access and the toll-free performance measures during the 2008 Filing Season.

Taxpayer Assistance Blueprint Program Management Office (2008 – New Start)

Audit Objective: Determine if the Project Management Office has been established and provides adequate oversight of the Taxpayer Assistance Blueprint strategic plan to improve taxpayer service.

Facilitated Self-Assistance Research Project (2008 – New Start)

Audit Objective: Determine if the Facilitated Self-Assistance Model structure and methodology is sound with adequate performance measures and milestones for successful implementation.

Financial Hardship Cases (2007 – Work in Process)

Audit Objective: Determine whether the financial hardship criteria used by the Taxpayer Advocate Service is adequately applied.

High Dollar Refunds Returned by the United States Postal Service as Undeliverable (2007 – Work in Process)

Audit Objective: Determine the frequency of occurrence and the potential effects to taxpayers and to the IRS of refund checks being erroneously returned as undeliverable by the U.S. Postal Service.

The 2007 Taxpayer Assistance Blueprint Phase II (2007 – Work in Process)

Audit Objective: Assess the accuracy and reliability of the data used to develop the Taxpayer Assistance Blueprint Phase II report.

Efficiency and Effectiveness of Processing Heavy Highway Vehicle Use Tax Return (Forms 2290) (2007 – Work in Process)

Audit Objective: Determine whether the IRS has an efficient and effective process for processing Heavy Highway Vehicle Use Tax Returns (Forms 2290).

Tax Counseling for the Elderly Grants (2007 – Work in Process)

Audit Objective: Determine if the Tax Counseling for the Elderly grant program is effectively administered and is in compliance with legal requirements.

Accuracy of Carryback Adjustments (2007 – Work in Process)

Audit Objective: Determine whether carryback adjustments from individual taxpayer claims for tentative refund (Forms 1045 and Forms 1040X) are accurate.

Complexity of the Tax System List of Planned Audits for Fiscal Year 2008

The complexities of the tax laws affect the ability of the IRS to administer the nation's tax system. The IRS' efforts to provide assistance to taxpayers are hampered because of these complexities. Without meaningful simplification, it is likely that the complexities of the current tax code will continue to contribute to the tax gap.

Accuracy of Tax Returns Prepared by Paid Preparers (2008 – New Start)

Audit Objective: Determine whether taxpayers receive accurate preparation of their income tax returns when using paid preparers and tax return software providers.

Chief Counsel Pilot Project (2007 – Work in Process)

Audit Objective: At the request of the Senate Finance Committee, evaluate the process and related controls for developing tax guidance, including the pilot program.

Tax Implications of the Aging U.S. Population (2007 – Work in Process)

Audit Objective: Determine if the Wage & Investment Division is adequately planning for and addressing certain tax issues affecting older taxpayers.

Human Capital

List of Planned Audits for Fiscal Year 2008

Like many other Federal agencies, over the past several years the IRS has experienced workforce challenges. While the IRS has made some progress, the strategic management of human capital remains one of the IRS' major management challenge areas.

Effectiveness of the IRS' Hiring Process (2008 – New Start)

Audit Objective: At the request of the IRS Oversight Board, determine if the IRS has the capacity to recruit, hire, and train employees to meet future staffing needs.

Human Capital Issues and Management Burden (2008 – New Start)

Audit Objective: At the request of the IRS, identify opportunities for reducing administrative burden of managers in the Large and Mid-Size Business and Small Business/Self-Employed Divisions to facilitate increased manager involvement in case work.

Review of IRS Retirement Projections (2008 – New Start)

Audit Objective: At the request of the IRS Oversight Board, determine if the IRS has taken any action to identify the extent of future retirement projections.

Adequacy of IRS Succession Planning Efforts (2007 – Work in Process)

Audit Objective: At the request of the IRS Oversight Board, determine if the succession planning program adequately plans for the future retirement of IRS executives and managers.

Human Capital Office Skills Gap Strategy (2007 – Work in Process)

Audit Objective: At the request of the IRS Oversight Board, evaluate the Human Capital Office strategies for identifying and addressing skills gaps.

Use of Sick Leave by IRS Employees (2007 – Work in Process)

Audit Objective: At the request of the IRS, identify the trends and patterns of IRS employees' sick leave usage and the policies, programs and procedures that have been implemented to reduce the opportunity for abuse.

Review of IRS Workers' Compensation Program (2007 – Work in Process)

Audit Objective: At the request of the President's Council on Integrity and Efficiency, evaluate the effectiveness of the Workers Compensation Program administration in the IRS with an emphasis on the progress made since 2003.

Erroneous and Improper Payments List of Planned Audits for Fiscal Year 2008

For the IRS, improper and erroneous payments generally involve improperly paid refunds, tax return filing fraud, or overpayments to vendors or contractors.

Assist the Office of Investigations (2008 – New Start)

Audit Objective: Assist the Office of Investigations in evaluating financial and operational information relating to allegations of criminal and civil misconduct in procurement activities.

Voucher/Invoice Review (2008 – New Start)

Audit Objective: Determine whether selected vouchers and invoices submitted and paid under a contract were appropriate and in accordance with the contract's terms and conditions.

Use of 8(a) Contractors (2008 – New Start)

Audit Objective: Determine whether the IRS is effectively managing its use of the 8(a) Program

Phone Card Expenses (2008 – New Start)

Audit Objective: Evaluate whether the IRS has adequate controls to monitor the use of phone cards to ensure expenses are reasonable and valid.

Controls Over the Direct Deposit of Refunds (2008 – New Start)

Audit Objective: Determine the adequacy of controls over direct deposit of refunds into taxpayer bank accounts including the new Split Refund option.

Follow-up on the Use of Duplicate Taxpayer Identification Numbers (2008 – New Start)

Audit Objective: Determine if the IRS has taken necessary corrective actions based on prior audit reports.

Questionable Refund Project Phase II (2007 – Work in Process)

Audit Objective: At the request of the House Ways & Means Committee, determine the effectiveness of the IRS' processes to identify and stop questionable refunds by evaluating the validity of the data mining models used to identify potentially fraudulent refund returns, and compiling demographic profiles of affected taxpayers.

Payments and Fees to Private Debt Collection Contractors (2007 – Work in Process)

Audit Objective: Determine whether selected invoices paid by the IRS were appropriate and in accordance with the task orders' terms and conditions.

Contracting Officer's Technical Representative Effectiveness (2007 – Work in Process)

Audit Objective: At the request of the IRS, determine whether Contracting Officer's Technical Representatives are functioning in an effective manner as directed by the responsible contracting officers.

Low Income Tax Clinics Financial Review – Follow-up (2007 – Work in Process)

Audit Objective: Determine whether Low Income Tax Clinics complied with the grant terms and conditions and the applicable laws and regulations related to the management of Federal funds.

Roll-Up Report of Invoice and Voucher Audits (2007 – Work in Process)

Audit Objective: Evaluate the effectiveness of the IRS' processes to validate invoices and vouchers submitted by contractors.

Administration of the Earned Income Tax Credit Program (2007 – Work in Process)

Audit Objective: Evaluate the progress the IRS has made in improving the administration of the Earned Income Tax Credit Program.

Review of Earned Income Tax Credit Recertification Process - Follow-Up (2007 – Work in Process)

Audit Objective: Determine if the IRS has taken effective corrective actions to address previously reported issues; evaluate the current status of the program; and, determine if it is meeting the intent of the legislation to reduce erroneous Earned Income Tax Credit claims.

Taxpayer Protection and Rights List of Planned Audits for Fiscal Year 2008

The IRS continues to dedicate significant resources and attention to implementing the taxpayer rights provisions of RRA 98¹.

Collection Due Process (2008 – New Start)

Audit Objective: Determine if the IRS complied with legal provisions when taxpayers exercised their rights to appeal the filing of a Notice of Federal Tax Lien or the issuance of a Notice of Intent to Levy.

Fair Tax Compliance (2008 – New Start)

Audit Objective: Obtain information on IRS administrative or civil actions resulting from Fair Tax Collection Practices violations by IRS employees.

Parallel Investigations (2008 – New Start)

Audit Objective: Evaluate the procedures that enable special agents to coordinate with compliance function officers and agents to stop the promotion of abusive tax schemes.

Fiscal Year (FY) 2008 Mandatory Review of Liens (2008 – New Start)

Audit Objective: Determine if liens issued by the IRS comply with legal guidelines set forth in the Internal Revenue Code and related guidance in the Federal Tax Lien Handbook.

FY 2008 Mandatory Review of Seizures (2008 – New Start)

Audit Objective: Determine compliance with certain taxpayer right provisions required by law.

FY 2008 Mandatory Review of Levies (2008 – New Start)

Audit Objective: Determine compliance with certain taxpayer right provisions required by law.

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

Review of Classified Waste Private Contracting (2008 – New Start)

Audit Objective: Evaluate the adequacy of procedures employed in the handling and disposal of classified waste to ensure that applicable privacy and disclosure laws are being followed.

Review of IRS Compliance with the Freedom of Information Act² (2008 – New Start)

Audit Objective: Determine whether the IRS has adequate and effective policies and procedures to ensure compliance with Freedom of Information Act laws and regulations.

IRS Response to Math Error Notices (2008 – New Start)

Audit Objective: Identify the top 10 errors made by taxpayers computing their taxes over the last 5 years and determine efforts the IRS has made to improve forms and instructions in an effort to alleviate taxpayer burden.

Private Debt Collection Program Controls - Expanded Implementation (2008 – New Start)

Audit Objective: Evaluate the effectiveness of the IRS' expansion of the Private Debt Collection Program.

FY 2008 Restrictions on the Use of Enforcement Statistics (2008 – New Start)

Audit Objective: Determine whether the IRS is complying with restrictions on the use of enforcement statistics to evaluate employees.

FY 2008 Assessment Statute Extension Dates (2008 – New Start)

Audit Objective: Determine whether the IRS is complying with legal and internal guidelines when requesting and processing assessment statute extensions.

FY 2008 Taxpayer Designations - Illegal Tax Protester and Non-filer Designation (2008 – New Start)

Audit Objective: Determine whether the IRS is in compliance with RRA 98 § 3707 and its own guidelines to not designate taxpayers as Illegal Tax Protesters or any similar designation.

² Freedom of Information Act (FOIA), 5 U.S.C.A. § 552 (West 2007)

FY 2008 Disclosure of Collection Activities With Respect to Jointly Filed Returns (2008 – New Start)

Audit Objective: Determine whether the IRS is complying with the provisions of the Taxpayer Bill of Rights and 26 United States Code (U.S.C.) § 6103(e)(8).

FY 2008 Restrictions on Directly Contacting Taxpayers (2008 – New Start)

Audit Objective: Determine whether the IRS is in compliance with 26 U.S.C. § 7521(b)(2) and (c) regarding directly contacting taxpayers.

Automated Underreporter - Notice Accuracy (2008 – New Start)

Audit Objective: Determine if the information provided to taxpayers in notices issued by the Automated Underreporter Program are complete and accurate.

Quality of Services at Volunteer Income Tax Assistance Sites During the 2008 Filing Season (2008 – New Start)

Audit Objective: Determine whether taxpayers receive quality service, including the accurate preparation of their income tax returns, when visiting Voluntary Income Tax Assistance and American Association for Retired Persons tax preparation sites. In addition, testing will include evaluating the process of ensuring the integrity of volunteers.

Identification and Processing of Discretionary Examination Cases (2008 – New Start)

Audit Objective: Determine the impact of Examination's reduction of audit cycle time on taxpayers and the audit process.

Assessment of Refund Anticipation Loans (2008 – New Start)

Audit Objective: Evaluate the use of Refund Anticipation Loans, whether taxpayers are aware of the cost of using them, and whether tax practitioners adequately disclose the cost and minimal difference in refund timing.

Process for Reporting Complaints Against Tax Preparers (2008 – New Start)

Audit Objective: Determine if the process for taxpayers to report complaints against tax return preparers to the IRS is effective.

Screening and Monitoring of Acceptance Agents (Follow-up)
(2008 – New Start)

Audit Objective: Determine if the screening and monitoring of Acceptance Agents is effective.

E-Crimes Program (2007 – Work in Process)

Audit Objective: Determine if the E-Crimes Field Services function properly controls the collection and timely analysis of digital evidence in support of IRS special agents.

Private Debt Collection - Phase III (2007 – Work in Process)

Audit Objective: Determine whether the IRS and contractors are following required procedures in the Private Debt Collection Program since implementation on September 7, 2006.

Identity Theft Procedures and Guidelines (2007 – Work in Process)

Audit Objective: Evaluate the effectiveness of the Wage & Investment Division's procedures for resolving identity theft cases and providing appropriate information to taxpayers.

Processing Returns and Implementing Tax Law Changes During the Tax Filing Season List of Planned Audits for Fiscal Year 2008

Each filing season tests the ability of the IRS to implement tax law changes made by Congress. Correctly implementing tax law changes is a continuing challenge because the IRS must identify the tax law changes; revise the various tax forms, instructions, and publications; and reprogram the computer systems used for processing returns.

Follow-up Review of the Assessment of Interest on Accrued Failure to Pay Penalties (2008 – New Start)

Audit Objective: Determine if the IRS has implemented the agreed to corrective actions.

The IRS' Tolerance Levels for Required Substantiation (2008 – New Start)

Audit Objective: Determine if the IRS has adequate controls in place to ensure that taxpayers provide documentation required by law or IRS regulations to substantiate certain entries on their tax returns.

Review of Education Credit Usage (2008 – New Start)

Audit Objective: Determine what actions the IRS has taken to ensure that those who claim the Hope Scholarship Credit are entitled to do so.

2008 Filing Season Implementation (2008 – New Start)

Audit Objective: Evaluate whether the IRS timely and accurately processes individual paper and electronically filed tax returns during the 2008 Filing Season.

Processing Tax Returns with Individual Taxpayer Identification Numbers (2008 – New Start)

Audit Objective: Determine if the IRS has proper controls in place to detect and deter improper use of Individual Taxpayer Identification Numbers when processing tax returns.

Use of Third-Party Entity Information During Returns Processing (2008 – New Start)

Audit Objective: Determine the extent that the IRS uses entity information provided by third-parties (Social Security Administration, U.S. Postal Service, etc.), and whether the information used contributes to more effective perfection and processing of individual income tax returns.

Tax Exempt/Government Entities Implementation of Notification Requirement for Tax-Entities Not Currently Required to File (2007 – Work in Process)

Audit Objective: Assess the adequacy of the IRS' efforts to prepare for the processing of information returns by tax exempt organizations with less than \$25,000 in gross receipts as required by the Pension Protection Act of 2006³.

Alternative Motor Vehicle Credit (2007 – Work in Process)

Audit Objective: Determine whether the IRS has adequate controls in place to properly implement and ensure taxpayer compliance with the Alternative Motor Vehicle Credit provisions of the Energy Policy Act of 2005⁴.

Business Telephone Excise Tax Review (2007 – Work in Process)

Audit Objective: At the request of the IRS, determine if the IRS effectively implemented the Telephone Excise Tax Refund program for business filers.

Controls over Processing Payments in Lockbox Banks (2007 – Work in Process)

Audit Objective: Evaluate the adequacy of the controls established to process payments received in lockbox banks.

Accuracy of Processing Tax Returns with Alternative Minimum Tax (2007 – Work in Process)

Audit Objective: Determine whether the IRS computer systems accurately identify and compute the Alternative Minimum Tax for taxpayers who may be liable, both those who claim it and those who did not but should.

³ Pension Protection Act of 2006, Pub. L. No. 109-280, § 1220, 120 Stat. 780, 1086-89 (2006).

⁴ Pub. L. No. 109-58, sec. 1341(a), § 30B, 119 Stat. 594, 1038-39.

Review of Customer Account Data Engine Release 2.2 (2007 – Work in Process)

Audit Objective: Determine if the Customer Account Data Engine accurately and timely posts returns and related refunds, and if additional functionality added to Release 2 is working as intended.

Using Performance and Financial Information for Program and Budget Decisions List of Planned Audits for Fiscal Year 2008

While the IRS has made some progress in using performance and financial information for program and budget decisions, this area is still a major challenge. The IRS lacks a comprehensive, integrated system that provides accurate, relevant, and timely financial and operating data describing the performance measures, productivity, and associated costs of IRS programs.

Effectiveness of the IRS Research Structure (2008 – New Start)

Audit Objective: At the request of the IRS Oversight Board, determine if the IRS Research functions are effectively structured.

National Taxpayer Advocate Quality of Casework (2008 – New Start)

Audit Objective: Determine if the quality index for National Taxpayer Advocate casework is accurately reported.

National Taxpayer Advocate Annual Report to Congress (2008 – New Start)

Audit Objective: Determine how the National Taxpayer Advocate identified the problems and conclusions reported in the Annual Report to Congress.

Federal Financial Management Improvement Act Remediation Plan (2008 – New Start)

Audit Objective: Report to Congress any instances and reasons for missed intermediate target dates established in the IRS' Federal Financial Management Improvement Act⁵ remediation plan, and evaluate whether the IRS is meeting its responsibilities in fulfilling the intent of the Act.

⁵ Federal Financial Management Improvement Act of 1996, Pub. L. No. 104-208, 110 Stat. 3009

Federal Insurance Contribution Act/Federal Unemployment Tax Reimbursables – Follow-up (2008 – New Start)

Audit Objective: At the request of the Department of Labor Office of Inspector General, review the recording and reporting of reimbursable expenses associated with Social Security and Unemployment taxes.

Space Utilization Follow-Up (2008 – New Start)

Audit Objective: Determine whether the Real Estate and Facilities Management Division effectively manages office space to ensure efficient use.

Savings from Competitive Sourcing (2008 – New Start)

Audit Objective: Determine if the IRS is achieving its reported savings from Competitive Sourcing initiatives.

Delegated Leasing Authority (2008 – New Start)

Audit Objective: Determine if the IRS' Agency-Wide Shared Services/Real Estate & Facilities Management is following the legal requirements and regulations of the delegated leasing authority and if projected savings are being realized.

Field Assistance Office Strategy to Improve its Management Information Systems - Follow-Up (2008 – New Start)

Audit Objective: Assess the Field Assistance Office's corrective actions to improve its management information system.

Effective Use of Performance-Based Service Acquisition (2007 – Work in Process)

Audit Objective: Determine whether the IRS is effectively managing its use of performance-based service acquisition.

Office of National Drug Control Policy Attestation (2007 – Work in Process)

Audit Objective: Perform an attestation review of the IRS' reporting of FY 2007 Office of National Drug Control Policy obligations for the purpose of expressing a conclusion on the reliability of the assertions made in the detailed accounting submission.

Other

List of Planned Audits for Fiscal Year 2008

There are some high-risk areas that do not completely fit within any of the Major Management Challenge areas, and are listed here.

Contract Types (2008 – New Start)

Audit Objective: At the request of the IRS, determine whether the IRS is selecting the most effective and efficient contracting methods to obtain needed goods and services.

Form 809 Review - Locations to be Determined (2008 – New Start)

Audit Objective: Determine whether internal controls for collecting and depositing remittances with the Collection Field function are effective.

Real Estate & Facilities Management Records Management (2007 – Work in Process)

Audit Objective: Determine whether the IRS Records Management Program provides the oversight necessary to ensure that IRS records are properly handled.

DEPARTMENT OF THE TREASURY

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