

Current Status of Issue

Coordinated Issue Papers for Department of Justice (DOJ) Settlements and EPA Supplemental Environmental Projects are in the formal circulation and review process.

Issue Management Team (IMT)

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Tier I



Government Settlements

Quick Reference Guide

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Issue Owner Executive (IOE)

Sergio Arellano, Director

**Retailers, Food, Pharmaceuticals
and Healthcare**



Tier 1

Tier I: Government Settlements

Issue Description

Whether or not a settlement between a government entity and a defendant under any law in which a penalty can be assessed is deductible in its entirety as a Sec 162 (a) deduction, or is some portion a non-deductible penalty under Sec 162 (f).

Administrative Codes

UIL Codes:

IMS will be used to track the issue by UIL code:

162.21-17 False Claims Act Settlements with DOJ – Health Care Fraud

162.21-18 False Claims Act Settlements with DOJ – Environmental Fraud

162.21-19 False Claims Act Settlements with DOJ – Aerospace Defense Contractors

162.21-20 DOJ – Fraud Settlements not under False Claims Act

162.21-21 Settlements with Security and Exchange Commission

162.21-22 Environmental Settlements with Environmental Protection Agency

Tracking Code: 1931

Project Code: 0193

ITA Codes:

R250 -162 (f) Settlements under False Claim Act

R251- False Claims Act Settlements with DOJ – Health Care Fraud

R252 - False Claims Act Settlements with DOJ – Environmental Fraud

R253 - False Claims Act Settlements with DOJ – Aerospace Defense Contractors

R254 - DOJ – Fraud Settlements not under False Claims Act

R255 - Settlements with Security and Exchange Commission

R256 - Environmental Settlements with Environmental Protection Agency

Industry Director Directives (IDDs)

IDD # 1 for DOJ and EPA SEP Settlements was issued 05/30/07:

http://www.irs.gov/pub/irs-utl/redactedfinaliddgovernmentsettlementinitiative_2_.pdf

(Also see Audit Guidelines that are the attachments to this IDD)

IDD # 2 on Rules of Engagement issued 09/14/07:

<http://www.irs.gov/businesses/article/0,,id=174273,00.html>

Mandatory IDRs

There are no mandatory IDRs.

Appeals Settlement Guidelines (ASGs)

Currently there are no ASGs for this issue.

Issue Specialization Team (IST)

There is no IST for this issue.

Administrative & Technical Guidance

Audit Guidelines for DOJ and EPA SEP Settlements were issued 05/30/07 (attachments to IDD #1):

Audit Guidelines on Government Settlements:
<http://www.irs.gov/businesses/article/0,,id=171041,00.html>

Audit Guidelines on Environmental Settlements:
<http://www.irs.gov/businesses/article/0,,id=171049,00.html>

Further guidance and direction will be provided to the field in the form of the EPA SEP Coordinated Issue Paper and the FCA Coordinated Issue Paper, currently in the formal circulation and review process.

Executing IMT Strategy for Tier I Issues

Audit Teams Should:

- Establish the Tier I Issue on IMS using the UIL code per the ID Directive.
- Research the issue on the Tier I website.
- Communicate with the IMT early to determine the strategy and any special requirements for the issue.
- Consider the issue in the audit planning and risk assessment in accordance with the IMT strategy.
- Utilize the audit tools and techniques provided by the IMT to develop the issue.
- Resolve the issue using all resolution tools in alignment with the IMT strategy.