

TREASURY
INSPECTOR GENERAL

FOR TAX ADMINISTRATION

Annual
Audit Plan

Fiscal Year 2009



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Fiscal Year 2009 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 (FY) 2009, the IRS will continue to face the same challenges the Office of Audit has previously identified, including modernization of its computer systems and business processes, ensuring security of its resources, addressing the Tax Gap, balancing customer service and enforcement while protecting taxpayer rights, and strategic management of human capital. The IRS and the Government Accountability Office (GAO) have also listed some of these issues as material weaknesses in IRS programs.

The IRS Business Systems Modernization Program is a complex effort to modernize its technology and related business processes. The Program is in its 10th year and has received approximately \$2.5 billion for contractor services, plus an additional \$310 million for internal IRS costs. According to the IRS' original plan, the Modernization Program would be past the halfway point in Calendar Year 2008. However, due to generally decreased funding and difficulties in managing contractor work, the IRS has had to reduce the scope of many Modernization projects. The IRS has, however, achieved successes when the Modernization Program followed its systems development and management guidance. The Program has progressed more effectively with development and implementation of an Information Technology Modernization Vision and Strategy as a map for future development.

Millions of taxpayers entrust the IRS with sensitive financial, personal, and other data that are processed by and stored on IRS computer systems. Reports of identity thefts from both the private and public sectors have heightened awareness of the need to protect these data. The IRS has made steady progress in complying with Federal security requirements and continues to develop an enterprise-wide approach to ensuring that employees understand their responsibilities for securing IRS systems and data. However, the risk that taxpayers' identities could be stolen by exploiting security weaknesses in the IRS' computer systems continues to increase, as does the risk that IRS computer operations could be disrupted. Additionally, internal factors (such as the increased connectivity of computer systems and increased use of portable laptop computers) and external factors (such as the volatile threat environment resulting from increased terrorist and hacker activity) require strong security controls.

Another compelling challenge confronting the IRS is tax compliance. 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' estimate of the Tax Gap, which is defined as the amount of tax that taxpayers should pay and the amount that is paid voluntarily and on time, is \$345 billion. The IRS has significant challenges in obtaining complete and timely data regarding compliance, 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.

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 plan for how it will provide and how it will improve services for taxpayers. The IRS developed its Taxpayer Assistance Blueprint focusing on services that support the needs of individuals who should file the Form 1040 series tax returns. The Blueprint is already facing challenges 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 organization's efforts to maximize performance and assure accountability for achieving results. As with many other Federal agencies, the IRS has experienced workforce challenges over the past few years, including recruiting, training, and retaining employees, as well as an increasing number of employees who are eligible to retire. The IRS is slowly moving toward changing pay, classification, and performance management systems to transition to a more market-based and performance-oriented culture. While the IRS has made some progress, the strategic management of human capital remains one of its major management challenge areas. Specifically, we found that the IRS can improve how future human capital vacancy projections are made and how future leaders are identified and developed. In fact, due to these on-going challenges, we raised this issue to the fifth most significant challenge facing the IRS in FY 2009 from the sixth most significant challenge in FY 2008.

TIGTA - Office of Audit
Annual Audit Plan FY 2009

To more effectively address these and other challenges faced by the IRS, in FY 2009 the Office of Audit will realign its organizational structure to better mirror major IRS processes and initiatives. Under our realigned structure, we will be better prepared to address emerging issues and the ongoing challenges of the IRS. Additionally, our audit strategies will be broader and better address IRS-wide tax administration issues. Our FY 2009 Annual Audit Plan (see *List of Planned Audits for Fiscal Year 2009 by Major Management Challenge*) is designed to accomplish these goals. TIGTA will also continue to perform audits required by statute, as well as address concerns of Congress, the IRS Oversight Board, and other stakeholders.


Michael R. Phillips
Deputy Inspector General for Audit

[List of Planned Audits for Fiscal Year 2009 by Major Management Challenge.](#)

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. 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 it conducts 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 Office of Audit program is comprised of reviews mandated by statute or regulation, as well as reviews identified through the Office of 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), aligned around the IRS' processes, report to the DIGA. The four AIGAs cover: 1) Management Services and Exempt Organizations Programs; 2) Security and Information Technology Services; 3) Compliance and Enforcement Operations; and 4) Returns Processing and Accounts Services.

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 2009

The Office of Audit Fiscal Year (FY) 2009 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 TIGTA's listing of the major management challenges facing the IRS for FY 2009 (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.

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 2009 high-risk areas for audit coverage, TIGTA uses a risk-assessment strategy within its core business areas. The Assistant Inspectors General 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 followup reviews of previously audited areas with significant control weaknesses. In addition, to keep apprised of operating conditions and emerging issues, the Office of 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 alignment of the Treasury Inspector General for Tax Administration's (TIGTA) Business Units and the areas within the Internal Revenue Service (IRS) that these Units will review during FY 2009.

Management Services and Exempt Organizations

The Management Services and Exempt Organizations Unit reviews several IRS programs, including Financial Management, the Government Performance and Results Act of 1993 (GPR A)¹, the Tax Exempt and Government Entities Division, the Agency-Wide Shared Services function, the Chief Human Capital Officer, the IRS Oversight Board, and acquisition and procurement fraud.

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, Office of Equal Employment Opportunity and Diversity, and Office of Research, Analysis and Statistics. 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.

Security and Information Technology Services

The Security and Information Technology Services Unit assesses the ongoing multibillion dollar, multiyear Business Systems Modernization Program including post-implementation reviews. Some of these core system projects are focused on the activities related to filing and processing tax returns, posting tax return information to accounts, and accessing tax account information. This Unit will also review the security of IRS computer systems, property and personnel, and disaster recovery procedures and activities.

For the IRS, modernizing technology has been an ongoing challenge. The IRS originally estimated the Program would last up to 15 years and incur contractor costs of approximately \$8 billion.² The Program is in its 10th year and has received approximately \$2.5 billion for contractor services, plus an additional \$310 million for internal IRS costs. 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

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 TIGTA Audit report *Annual Assessment of the Business Systems Modernization Program* (Report Reference Number 2008-20-129, dated June 24, 2008)

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.

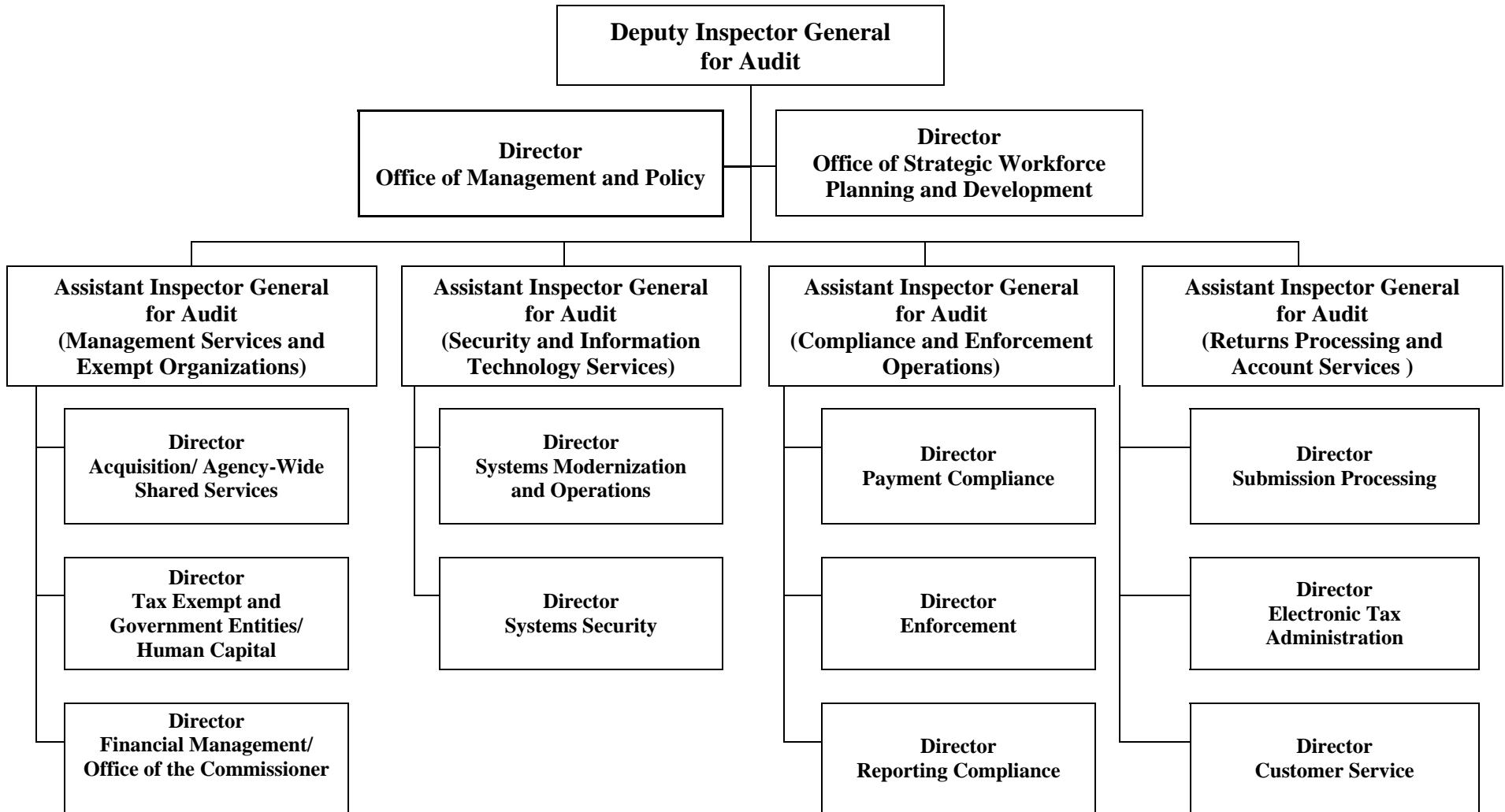
Compliance and Enforcement Operations

The Compliance and Enforcement Operations Unit reviews reporting, filing, and payment compliance IRS-wide. This includes the examination (except for tax-exempt organizations) and collection functions of all taxpayer groups. This Business Unit will focus on all tax-related activities concerning compliance with and enforcement of tax laws and regulations, including the Criminal Investigation Division (except the Questionable Refund Program) and tax preparers involved in inappropriate or criminal activity. We believe this allows us to provide better overall coverage and assessment of the IRS' compliance activities.

Returns Processing and Accounts Services

The Returns Processing and Accounts Services Unit reviews activities related to the preparation and processing of tax returns and the issuing of refunds to taxpayers. This includes Customer Service activities, outreach efforts, tax law implementation, taxpayer assistance, notices, submission processing, and upfront compliance such as the Frivolous Returns Program and the Criminal Investigation Division's Questionable Refund Program. Basically, this Business Unit focuses on 1) all activities leading to the preparation, filing, processing, posting, and adjusting of tax returns and related tax account information for both business and individual taxpayers, and 2) the authorization and monitoring of tax preparers and electronic return originators.

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 2009 are:

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

The TIGTA FY 2009 annual summary of these issues, including comments on progress the IRS has made toward resolving the challenges or the vulnerabilities that it 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	Goal 2	Goal 3
Improve Taxpayer Service	Enhance Enforcement Of The Tax Law	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, and 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.

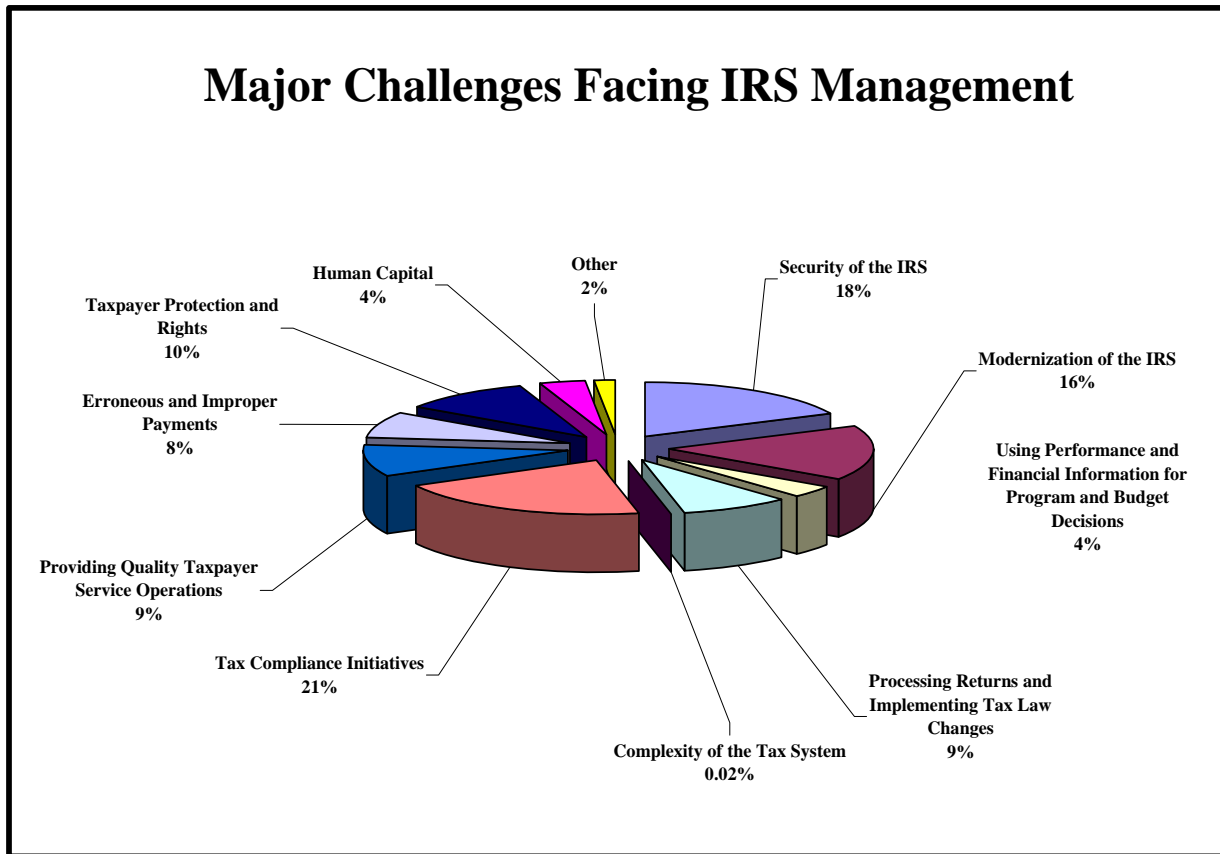
- Additional goals will be undertaken, as tangible improvements are made in this initial set of initiatives ¹

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 2009 Staff Day Allocation By Major Challenges Facing Internal Revenue Service Management



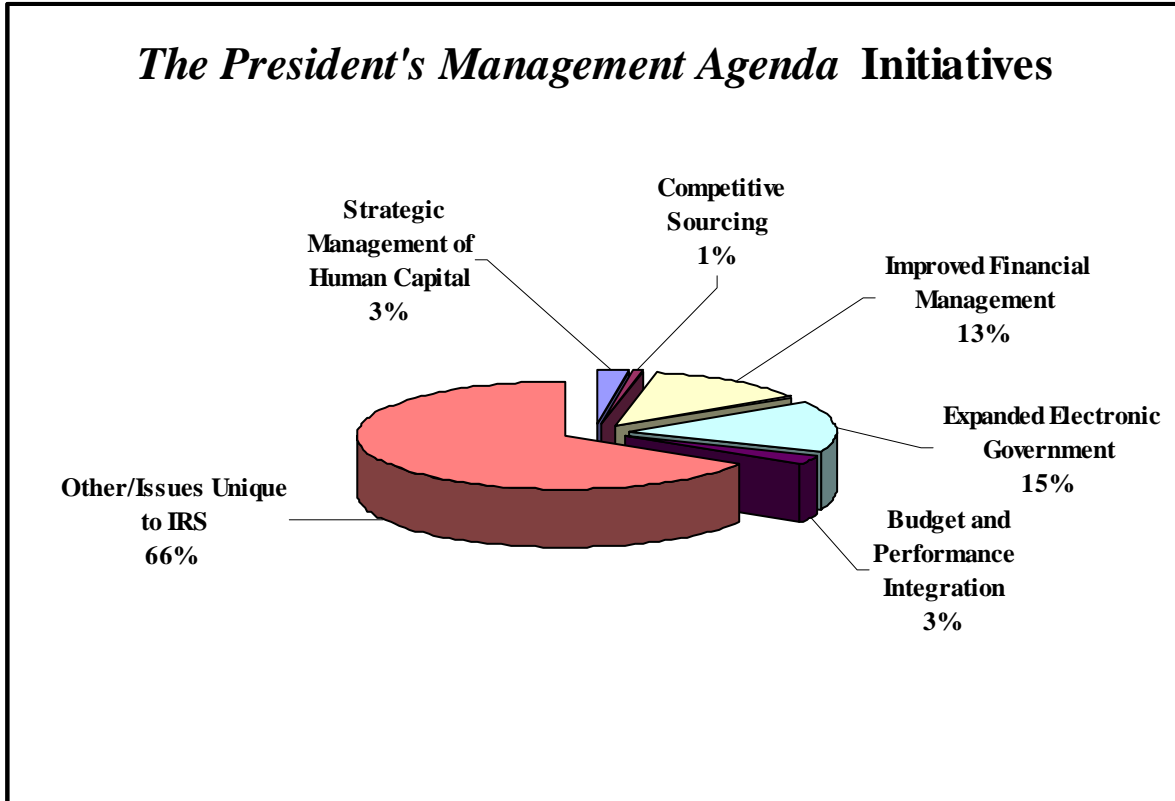
Note: Some audits relate to more than one major challenge area. In addition, Fiscal Year (FY) 2009 staff days are included for audits that were started in FY 2008 with planned completion dates in FY 2009. Totals might not equal 100 percent due to rounding.

Office of Audit's Fiscal Year 2009 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) 2009 staff days are included for audits that were started in FY 2008 with planned completion dates in FY 2009. Totals might not equal 100 percent due to rounding.

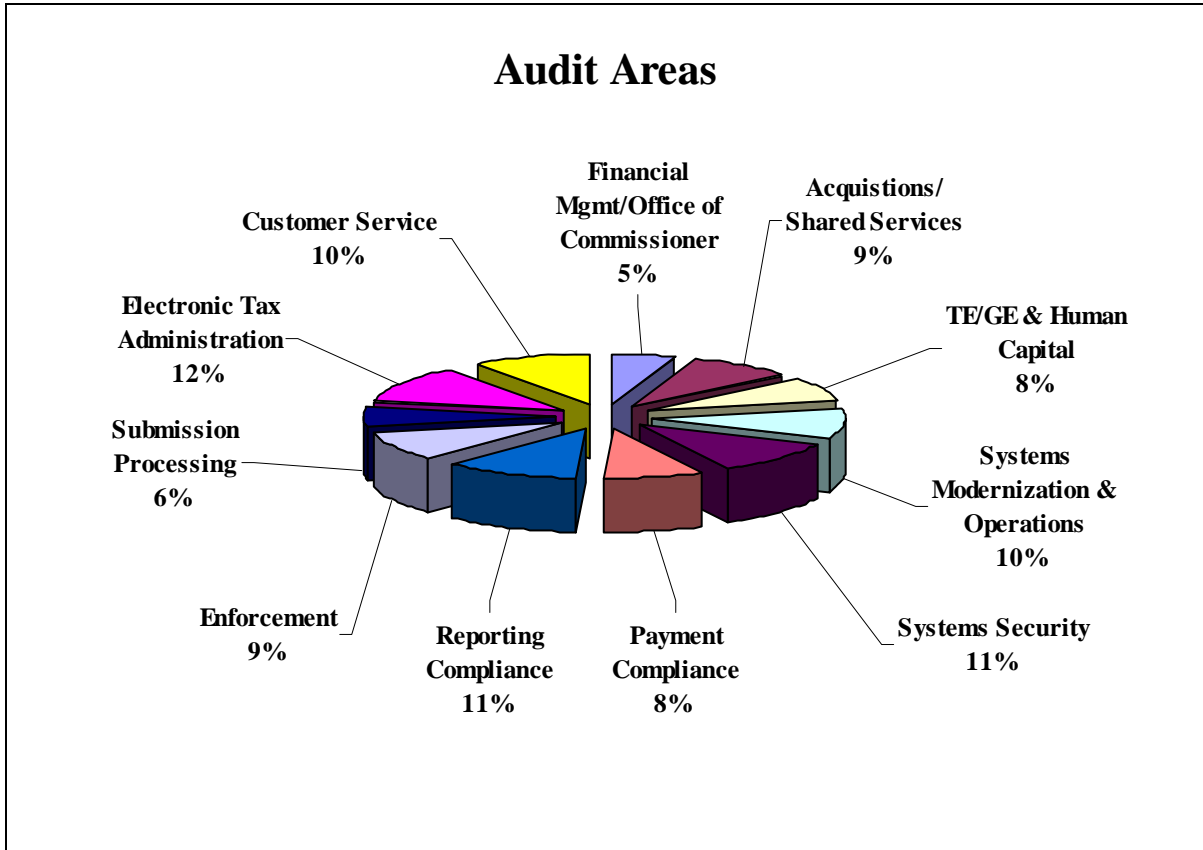
Office of Audit's Fiscal Year 2009 Staff Day Allocation By
*The President's Management Agenda Initiatives*¹



Note: Fiscal Year (FY) 2009 staff days are included for audits that were started in FY 2008 with planned completion dates in FY 2009. Totals might not equal 100 percent due to rounding.

¹ Fiscal Year 2009 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 2009 Staff Day Allocation by Audit Areas



Note: Fiscal Year (FY) 2009 staff days are included for audits that were started in FY 2008 with planned completion dates in FY 2009. Totals might not equal 100 percent due to rounding.

List of Planned Audits for Fiscal Year 2009 by Major Management Challenge

Modernization of the Internal Revenue Service List of Planned Audits for Fiscal Year 2009

Modernization of the Internal Revenue Service (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. The Business Systems Modernization (BSM) Program involves integrating thousands of hardware and software components over 15 years. The Program is in its 10th year and has received approximately \$2.5 billion for contractor services, plus an additional \$310 million for internal IRS costs.

IRS' Capacity to Effectively Analyze Increased Information Returns (2009 – New Start)

Audit Objective: At the request of the IRS Oversight Board, determine the capacity necessary to effectively analyze the information returns as proposed under pending tax gap legislation. Also, determine whether the IRS has the capacity to process this information.

Highest Priority Initiatives (Business Systems Modernization Challenges) (2009 – New Start)

Audit Objective: Determine if the Highest Priority Initiatives are being adequately resolved before closure, and follow up to determine whether TIGTA audits were adequately considered for inclusion as Highest Priority Initiatives.

Controls over Business Systems Modernization Improvements of Non-Modernization Systems (2009 – New Start)

Audit Objective: Determine whether system development and/or enhancement of non-modernization systems for inclusion in the Business Systems Modernization Program are properly controlled as included in Modernization guidance. Also, determine whether the implementation of the unified work request process has improved IRS configuration management processes and has resulted in better control of change requests.

Customer Account Data Engine Release 4 Post-Implementation (2009 – New Start)

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

Annual Business Systems Modernization Assessment (2009 – New Start)

Audit Objective: Assess the progress of the Business Systems Modernization Program for Fiscal Year 2009, as required by the Internal Revenue Service Restructuring and Reform Act of 1998.¹

Customer Account Data Engine Development and Integration Activities (2009 – New Start)

Audit Objective: Determine whether the IRS and its contractors are using sound systems development practices in developing the current Customer Account Data Engine (CADE) release and follow up on prior audit recommendations. Assess the impact that the results of the CADE/Integrated Data Retrieval System Engineering Study will have on the IRS' ability to successfully realize the long term goal of retiring the Individual Master File in 2015.

Modernized e-File Project Release 6 Development (2009 – New Start)

Audit Objective: Determine whether the IRS and its contractors are using sound systems development practices in developing the current Modernized e-File release and follow up on prior audit recommendations. Also, ascertain whether the Excise Tax e-File and Compliance Project is performing as planned.

Integrated Financial System (2009 – New Start)

Audit Objective: At the request of the IRS, determine whether the IRS has sufficiently planned for the upgrade or replacement of the Integrated Financial System.

Data Center Energy Efficiency (2009 – New Start)

Audit Objective: Determine whether the IRS is building/planning to build toward a more energy-efficient data center environment.

Modernization and Information Technology Services Sustaining Infrastructure (2009 – New Start)

Audit Objective: At the request of the IRS, determine the effectiveness of the IRS' efforts to address the critical issue of sustaining the IRS' information technology infrastructure.

¹ Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98), 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.).

Return Review Program (Formerly Web-Based Electronic Fraud Detection System) (2009 – 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.

Web Currency Banking and Retrieval System (2009 – New Start)

Audit Objective: Determine whether the IRS and its contractors are following sound systems development practices in the development of the Web Currency Banking and Retrieval System. Determine whether system requirements include access for required stakeholders and all necessary security controls.

Remittance Strategy for Paper Check Conversion at Field Offices (2009 – New Start)

Audit Objective: Determine whether the Remittance Strategy for Paper Check Conversion System is functioning as intended and is processing paper remittances in an accurate and timely manner.

IRS Plans for Modernizing Tax Return Processing (2009 – New Start)

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

Portal Redesign Project Development Activities (2008 – Work in Process)

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 – Work in Process)

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

Excise Files Information Retrieval System/Excise Tax e-File & Compliance Project (2008 – Work in Process)

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

findings.²

Implementation of the Internal Revenue Service's Data Strategy
(2008 – Work in Process)

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.

Customer Account Data Engine Release 3 Implementation Results
(2008 – Work in Process)

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

Account Management Services Release Activities (2008 – Work in Process)

Audit Objective: Review current Account Management Services (AMS) project Release 1.3 activities for potential issues impacting the conversion of the Correspondence Imaging System and the Desktop Integration application, and identify the internal controls used by the AMS project team to plan the project management, development, and deployment of AMS Release 2.1.

Internet Customer Account Services (2008 – Work in Process)

Audit Objective: Determine whether 1) the IRS and its contractors are following sound systems development practices, 2) the project will provide taxpayers secure and efficient access to their account information, and 3) the project is sufficiently incorporated into the Modernization Vision and Strategy and is appropriately funded.

Enterprise Operations Triplex Implementation (2008 – Work in Process)

Audit Objective: At the request of the IRS, review the efficiency and effectiveness of implementing the Enterprise Operations Triplex Initiative in the three IRS data centers.

Excise Files Information Retrieval System Development (2008 – Work in Process)

Audit Objective: Determine whether the IRS and its contractors are making improvements to the Excise Files Information Retrieval System (ExFIRS) project using sound systems development practices, and follow up on the ExFIRS findings from the

² Prior TIGTA Audit report *The Excise Files Information Retrieval System Has Not Been Effectively Implemented* (Report Reference Number 2006-20-001, dated October 18, 2005)

prior TIGTA audit report.³

Field Assistance Office's Strategy to Improve its Management Information Systems – Followup (2008 – Work in Process)

Audit Objective: Assess the Field Assistance Office's corrective actions to improve its management information system.⁴

Effectiveness of the Tax Exempt and Government Entities Reporting and Electronic Examination System (2008 – Work in Process)

Audit Objective: At the request of the IRS, assess whether the Tax Exempt and Government Entities Reporting and Electronic Examination System is delivering expected capabilities and benefits.

Review of the Costs and Procedures Associated with the Use of Form 809 by the Collection Field Function (2008 – Work in Process)

Audit Objective: Assess the costs and burdens associated with the use of a Receipt for Payment of Taxes (Form 809) by the Collection Field function to determine whether alternative processes should be considered to improve the efficiency and effectiveness of collecting and processing remittances.

³ Prior TIGTA Audit report *The Excise Files Information Retrieval System Has Not Been Effectively Implemented* (Report Reference Number 2006-20-001, dated October 18, 2005)

⁴ Prior TIGTA Audit report *Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint* (Report Reference Number 2008-40-118, dated May 16, 2008)

Security of the Internal Revenue Service List of Planned Audits for Fiscal Year 2009

Millions of taxpayers entrust the IRS with sensitive financial and personal data stored in and processed by IRS computer systems. Reports of identity thefts from both the private and public sectors have heightened awareness of the need to protect this data. The risk that taxpayers' identities could be stolen by exploiting security weaknesses in the IRS' computer systems continues to increase, as does the risk that its computer operations could be disrupted. Internal factors, such as the increased connectivity of computer systems and increased use of portable laptop computers; and external factors, such as the volatile threat environment resulting from increased terrorist and hacker activity require strong security controls.

Treasury Network Security Controls (2009 – New Start)

Audit Objective: Determine whether the Treasury Network (Tnet) is being developed and managed effectively to deliver adequate security controls for bureaus in the Department of the Treasury.

Enterprise Audit Log Use (2009 – New Start)

Audit Objective: Determine whether current and planned IRS actions are adequate to detect unauthorized security events.

Homeland Security Presidential Directive-12 – Followup (2009 – New Start)

Audit Objective: At the request of the IRS, determine whether the IRS has managed the Homeland Security Presidential Directive-12 project efficiently and effectively to ensure compliance with all requirements.¹

Database – Followup (Non-Mainframe Databases) (2009 – New Start)

Audit Objective: Determine whether IRS non-mainframe databases are adequately configured to secure and account for accesses to taxpayer data.²

¹ Prior TIGTA Audit report *Lack of Proper IRS Oversight of the Department of the Treasury HSPD-12 Initiative Resulted in Misuse of Federal Government Resources* (Report Reference Number 2008-20-030, dated December 14, 2007)

² Prior TIGTA Audit report *Standard Database Security Configurations Are Adequate, Although Much Work Is Needed to Ensure Proper Implementation* (Report Reference Number 2007-20-129, dated August 22, 2007)

Security Controls on Contractor Managed Systems (2009 – New Start)

Audit Objective: Determine whether security controls on IRS systems managed by contractors comply with National Institute of Standards and Technology requirements.

Enterprise Governance of Security Weaknesses (2009 – New Start)

Audit Objective: Determine whether sufficient enterprise governance over computer security is provided to ensure that the IRS becomes a security conscious organization and adequately addresses existing security weaknesses.

General Support System Security Controls (2009 – New Start)

Audit Objective: Determine whether general support system security controls are being effectively implemented and whether owners of major applications that rely on them for certain key controls are kept apprised of the general support system security posture.

2009 Federal Information Security Management Act Review - Classified (Intelligence) Systems (2009 – 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 2009 Federal Information Security Management Act (FISMA) mandatory review of the IRS' Classified (Intelligence) information technology system security program.

2009 Federal Information Security Management Act Review - Classified (Non-Intelligence) Systems (2009 – 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 2009 FISMA mandatory review of the IRS' Classified (Non-Intelligence) information technology system security program.

2009 Federal Information Security Management Act Review - Unclassified Systems (2009 – 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 2009 FISMA mandatory review of the IRS' Unclassified information technology system security program.

Privacy Assessment (2009 – New Start)

Audit Objective: Determine the progress the IRS has made in ensuring the security and privacy of personally identifiable information it maintains.

Application Reviews - Material Weakness Areas (2009 – New Start)

Audit Objective: At the request of the Department of the Treasury, determine whether the IRS implemented access controls, maintains and reviews audit logs, and maintains adequate configuration management controls for the systems reviewed.

Mainframe Databases (2009 – New Start)

Audit Objective: Determine whether the IRS mainframe databases are adequately configured to secure and account for accesses to taxpayer data.

User Access to IRS Data (2009 – New Start)

Audit Objective: Assess the adequacy and effectiveness of user access controls in place to allow outsiders (employees working away from the office, external business partners, and taxpayers) access to the IRS network and computer systems.

Tax Data Provided to State Governments (2009 – New Start)

Audit Objective: At the request of the IRS, determine whether IRS actions are adequate to ensure that State governments provide adequate security over Federal taxpayer data provided to them.

Closure of Selected Computer Security Material Weaknesses
(2009 – New Start)

Audit Objective: At the request of the Treasury Department, determine whether the IRS has effectively resolved the vulnerabilities relating to its computer security material weaknesses and implemented repeatable processes to ensure that the weaknesses do not reoccur.

Contractor Employees' Legal Statuses (2009 – New Start)

Audit Objective: Determine whether the IRS has sufficient procedures to accurately establish the legal working requirements of contractor and sub-contractor employees, and to prevent the unauthorized disclosure of taxpayer information to undocumented contractor personnel.

Controls Over Seized Assets (2009 – New Start)

Audit Objective: Ensure that controls adequately safeguard seized assets from fraud, waste, and abuse.

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

Audit Objective: Determine whether appropriate security controls have been implemented in the Modernized e-File system.

Malware and Spyware Controls (2008 – Work in Process)

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

Access Controls Over Contractors (2008 – Work in Process)

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.

Actions Taken to Detect Employee Accesses to Taxpayer

Accounts – Followup (2008 – Work in Process)

Audit Objective: Determine whether adequate actions have been taken to address prior audit findings regarding the detection of unauthorized access to taxpayer accounts.³

Encryption of Laptop Computers and Other Electronic

Media – Followup (2008 – Work in Process)

Audit Objective: Determine whether corrective actions were taken and effective to protect sensitive data on portable electronic media.⁴

Configuration Settings – End User Environment Systems

(2008 – Work in Process)

Audit Objective: Determine whether standard configurations have been

³ Prior TIGTA Audit report *Increased Managerial Attention Is Needed to Ensure Taxpayer Accounts Are Monitored to Detect Unauthorized Employee Accesses* (Report Reference Number 2006-20-111, dated July 24, 2006)

⁴ Prior TIGTA Audit report *The Internal Revenue Service Is Not Adequately Protecting Taxpayer Data on Laptop Computers and Other Portable Electronic Media Devices* (Report Reference Number 2007-20-048, dated March 23, 2007)

developed, tested, implemented, maintained, and monitored by the End User Environment Systems organization for assets under its control.

Business Continuity Capping Review (2008 – Work in Process)

Audit Objective: Provide a summary analysis of recent audit work related to the IRS' business continuity efforts in the areas of Disaster Recovery, Business Resumption, and Incident Management/Occupant Emergency.

Tax Compliance Initiatives List of Planned Audits for Fiscal Year 2009

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 concentrate on those corporations and high-income individual taxpayers who fail to report or pay what they owe.

Review of Section 527 Political Organizations – Followup (2009 – New Start)

Audit Objective: Determine the effectiveness of the Tax Exempt and Government Entities Division's efforts to ensure that Section 527 political organizations publicly disclose their activities in a complete and timely manner.¹

State Volume Caps for Tax Exempt Bonds (2009 – New Start)

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

Review of the Employee Plans Voluntary Correction Program (2009 – New Start)

Audit Objective: At the suggestion of the IRS, assess the IRS' efforts to improve its Employee Plans function Voluntary Correction Program within its resource constraints.

Increase in the Number of Taxpayer Delinquent Investigations (2009 – New Start)

Audit Objective: Determine the reasons for the increase in the Taxpayer Delinquent Investigations in the Queue/Service Center Collection Branch and whether shelving is appropriate.

¹ Prior TIGTA Audit report *Additional Actions Are Needed to Ensure Section 527 Political Organizations Publicly Disclose Their Activities Timely and Completely* (Report Reference Number 2005-10-125, dated August 10, 2005)

Compliance Trends (2009 – New Start)

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

Automated Collection System Outbound Calls (2009 – New Start)

Audit Objective: At the request of the IRS Oversight Board, determine whether the IRS is effectively using the outbound call feature on Automated Collection System Contact function cases.

Collection Efforts Against Delinquent Federal Contractors (2009 – New Start)

Audit Objective: Determine how effective IRS collection procedures are in identifying and collecting unpaid Federal tax debts by Federal contractors.

Defaulted Installment Agreements and the Validity of the Default Rate (2009 – New Start)

Audit Objective: Determine the effectiveness of how the IRS works and processes defaulted Installment Agreements and the validity of the default rate.

Revenue Officer Target Inventory Levels and Case Grading (2009 – New Start)

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

Collection During Foreclosure Actions (2009 – New Start)

Audit Objective: Determine whether the Small Business/Self-Employed (SB/SE) Collection function effectively and efficiently protects the Government's interest during foreclosure proceedings.

Review of Lien Determinations – Followup (2009 – New Start)

Audit Objective: Determine whether lien determinations are being performed as required.²

² Prior TIGTA Audit report *The Internal Revenue Service Should Modify Its Federal Tax Lien Practices to Treat Taxpayers More Equitably and Better Protect the Government's Interest* (Reference Number 2002-30-106, dated June 5, 2002.)

In-Business Accounts Closed as Currently Not Collectible (2009 – New Start)

Audit Objective: Determine whether the SB/SE Collection Field function uses the proper procedures when closing delinquent accounts of In-Business Corporation cases as Currently Not Collectible.

***Use of Accuracy Related Penalties in Small Business/
Self-Employed Field Examinations*** (2009 – New Start)

Audit Objective: Determine if accuracy-related penalties are recommended in accordance with IRS policies and procedures during SB/SE examinations and if SB/SE Headquarters is monitoring the penalty programs to assess how these programs are encouraging voluntary compliance.

***Use of Correspondence Techniques to Examine High Income
Schedule C Taxpayers*** (2009 – New Start)

Audit Objective: Determine whether correspondence examination techniques are effectively addressing the compliance risks posed by sole proprietors.

Use of Trust Fund Recovery Penalties (2009 – New Start)

Audit Objective: Determine whether trust fund recovery penalties are recommended and assessed in accordance with statutory and administrative procedures.

***Probe for Unreported Income During Sole Proprietor
Examinations*** (2009 – New Start)

Audit Objective: Determine whether probes for unreported income during sole proprietor examinations are conducted in accordance with IRS policies and procedures.

***Compliance of IRS Contractors with Tax Reporting and Paying
Requirements*** (2009 – New Start)

Audit Objective: Determine whether businesses contracting to provide services to the IRS are compliant with federal tax laws, including filing and paying federal income tax returns, and withholding and paying employment and withholding taxes.

Impact of Return Preparers on IRS Examination Rates (2009 – New Start)

Audit Objective: Determine whether the preparer of the return has an influence on IRS examination rates.

The Effectiveness of the SS-8 Worker Determination Program

(2009 – New Start)

Audit Objective: Determine the overall effectiveness of the SS-8 Worker Determination Program and identify possible areas of improvement.

IRS Engagement of Tax Practitioners to Reduce the Tax Gap

(2009 – New Start)

Audit Objective: Assess the efforts to engage the tax practitioner community in strategies for reducing the Tax Gap.

Use of Forms 8300 in Small Business/Self-Employment

Enforcement Efforts *(2009 – New Start)*

Audit Objective: Determine if the IRS effectively uses information from the Currency and Banking Retrieval System to detect non-filers and under-reporters for examination consideration.

Use of Penalties to Deter Abusive Tax Shelters *(2009 – New Start)*

Audit Objective: Assess how the IRS is identifying, developing, and applying accuracy-related, fraud, and Section §6707A penalties for taxpayers and tax advisors involved in abusive tax transactions and shelters.

Administration and Proper Use of Forfeiture Funds *(2009 – New Start)*

Audit Objective: Determine if the Criminal Investigation Division uses forfeited funds in accordance with guidance to provide training to special agents and to fund law enforcement initiatives to increase the effectiveness and efficiency of the Division.

Review of Non-Examined Field Abusive Tax Avoidance

Transaction Cases *(2009 – New Start)*

Audit Objective: Determine if the field is following established protocols and guidelines when processing Abusive Tax Avoidance Transaction (ATAT) cases.

Centralized Insolvency Operation *(2006 – Work in Process)*

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

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

Audit Objective: Determine whether the IRS' Office of Professional Responsibility is effectively identifying, initiating proceedings, and reporting disciplinary actions taken against licensed tax practitioners who have violated Treasury Regulations through the promotion of abusive tax shelters.

Criminal Investigation Division's Efforts on Counterterrorism (2007 – Work in Process)

Audit Objective: Review the Criminal Investigation Division's efforts to assist in the identification and investigation of terrorist-related financing activities.

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

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

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

Audit Objective: Determine whether the Automated Collection System function works large dollar accounts in a timely and proper manner.

The Deterrent Effect of the Son of Boss Settlement Initiative (2007 – Work in Process)

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

The IRS' Actions to Improve the Accuracy of Information Documents Issued by the Federal Government (2007 – Work in Process)

Audit Objective: Review 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).

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

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

Implementation of the IRS Whistleblower Office (2008 – Work in Process)

Audit Objective: Assess the implementation of the IRS Whistleblower Office and the new regulations³ regarding the informant rewards program.

Review of Tax Exempt and Government Entities Division's Efforts to Detect and Deter Fraud – Followup (2008 – Work in Process)

Audit Objective: Determine the effectiveness of the Tax Exempt and Government Entities Division's efforts to detect and deter fraud.⁴

Exempt Organizations Function's Strategy to Improve Form 990 Filing Compliance (2008 – Work in Process)

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

Profiling of Examinations Completed for the 2004 Political Activities Campaign Initiative (2008 – Work in Process)

Audit Objective: At the request of the Senate Committee on Finance, provide nationwide statistical information for the 2004 Political Activities Compliance Initiative and determine how the Exempt Organizations function addressed political activity non-compliance.

Review of Processing Controls for Balance Due Notice Cases in the Compliance Services Collection Operation (2008 – Work in Process)

Audit Objective: Determine whether controls over the processing of balance due notice cases in the Compliance Services Collection Operations are effective.

Effectiveness of the Collection Actions on Tax Account Assessments Due to Abusive Tax Avoidance Transactions (2008 – Work in Process)

Audit Objective: Determine whether the SB/SE Collection function effectively and

³ Pub. L No. 109-432.

⁴ Prior TIGTA Audit report *The Tax Exempt and Government Entities Division is Making Progress to Detect and Deter Fraud Within Its Customer Base, but the Impact Cannot Be Determined at This Time* (Report Reference Number 2005-10-161, dated September 30, 2005)

efficiently collects tax assessments and penalties imposed against promoters and/or participants of Abusive Tax Avoidance Transactions.

Taking Enforcement Actions on Taxpayer Delinquent Accounts
(2008 – Work in Process)

Audit Objective: Determine whether revenue officers follow the enforcement guidelines for collecting taxpayer delinquent accounts.

Assess the Effectiveness of the Compliance Initiative Project Program (2008 – Work in Process)

Audit Objective: Determine if the SB/SE Division is meeting its goal of identifying areas of noncompliance and controlling returns for the Compliance Initiative Project.

National Research Program – Individual Compliance Study (2008 – Work in Process)

Audit Objective: Determine the adequacy of the methodology for conducting the National Research Program - Individual Compliance Study.

Review of the Embedded Quality Review System (2008 – Work in Process)

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

Profiles of Large Balance Due Accounts (2008 – Work in Process)

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

Use of the National Research Program to Better Select Returns for Examination (2008 – Work in Process)

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.

Mortgage Interest – Indicators of Unreported Income (2008 – Work in Process)

Audit Objective: Assess the process the IRS uses to match wages with the mortgage interest deduction.

Withholding Compliance Case Selection and Processing (2008 –
Work in Process)

Audit Objective: Determine the effectiveness of case selection and processing in the Withholding Compliance Program.

Review of the Automated Substitute for Return Program (2008 –
Work in Process)

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 –
Work in Process)

Audit Objective: Determine the effectiveness of the Federal Payment Levy Program in collecting delinquent taxes and whether the program adequately protects taxpayers' rights.

Impact of the Growth in Prosecution Pipeline Inventory on the Criminal Investigation Division (2008 – *Work in Process*)

Audit Objective: At the request of the IRS, determine the growth in prosecution pipeline inventory in the Criminal Investigation Division and identify any potential actions that can be taken to reduce the resources devoted to this area in the future.

Providing Quality Taxpayer Service Operations List of Planned Audits for Fiscal Year 2009

Since the late 1990s, the IRS has increased its delivery of quality customer service to taxpayers. However, the first goal in the IRS' current strategic plan is to improve taxpayer service. In July 2005, Congress requested that the IRS develop a five-year plan, including an outline of which services the IRS should provide and how it will improve services for taxpayers.

Quality of Services at Volunteer Program Sites During the 2009 Filing Season (2009 – New Start)

Audit Objective: At the request of the IRS, determine whether taxpayers receive quality service, including the accurate preparation of their income tax returns, when visiting Volunteer Program tax preparation sites.

Toll-Free Access During the 2009 Filing Season (2009 – New Start)

Audit Objective: Review customer service toll-free telephone access and the toll-free performance measures during the 2009 Filing Season.

Volunteer Income Tax Assistance Grant Program (2009 – New Start)

Audit Objective: At the request of the IRS, determine whether the IRS is effectively administering the Volunteer Income Tax Assistance Grant Program through oversight of grantee reimbursements for allowable expenses.

Processing of the Field Assistance Office's Application for Individual Taxpayer Identification Number (Form W-7) (2009 – New Start)

Audit Objective: At the request of the IRS, determine whether the Field Assistance Office's processes for Applications for Individual Taxpayer Identification Number (Form W-7) are efficient and effective and whether accepted Forms W-7 follow guidelines and regulations.

Evaluation of Accounts Management Process to Work Priority Cases (2009 – New Start)

Audit Objective: Determine if the Accounts Management Office effectively processes priority cases to minimize interest payments and reduce taxpayer burden.

Assessment of the IRS' Dishonored Check Process (2009 – New Start)

Audit Objective: Assess the efficiency and effectiveness of the IRS' dishonored check process.

Restricted Interest Calculations for Large Dollar Refunds (2009 – New Start)

Audit Objective: Determine if interest is being properly computed by IRS employees when IRS computer systems cannot calculate the interest.

Taxpayer Advocacy Panels (2009 – New Start)

Audit Objective: Determine whether the Taxpayer Advocacy Panel Program is operating as intended and is utilizing resources efficiently to promote improvements in IRS customer service.

Appeals Campus Centralization – Followup (2009 – New Start)

Audit Objective: Assess the quality and effectiveness of Appeals campus operations.⁵

Employee Suggestion Program (2009 – New Start)

Audit Objective: At the request of the IRS, review the Employee Suggestion Program, determining whether more could be done with employee suggestions and whether the requirements involved in submission of a suggestion discourage employees from participating in the Program.

Facilitated Self-Assistance Research Project (2008 – Work in Process)

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

Implementation of the 2008 Tax Rebates - Phase III (2008 – Work in Process)

Audit Objective: Assess the adequacy of IRS' actions to ensure eligible individuals receive a stimulus payment.

Assessment of IRS Stimulus Payment Recovery Payment Efforts in Preparation for the 2009 Filing Season - Rebates Phase IV (2008 – Work in Process)

Audit Objective: Assess the effectiveness of the IRS' efforts to plan for the issuance of

⁵ Prior TIGTA Audit report *The Office of Appeals Needs to Improve the Monitoring of its Campus Operations Quality* (Report Reference Number 2007-10-071, dated May 10, 2007)

recovery payments during the 2009 filing season.

***Review of Returns Filed Just to Reclaim Tax Withheld from
Social Security Benefits (2008 – Work in Process)***

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.

Human Capital

List of Planned Audits for Fiscal Year 2009

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 challenges.

Equal Employment Opportunity - Senior Executive Service Diversity (2009 – New Start)

Audit Objective: Determine whether the Executive ranks of the IRS generally reflect the diversity of the workforce and that members of the workforce have a merit-based opportunity to rise into leadership positions.

Periodic Assessment of Actions to Address the Human Capital Challenge (2009 – New Start)

Audit Objective: Assess the progress of the IRS in addressing its human capital challenge.

Review of the Pay-for-Performance System – Followup (2009 – New Start)

Audit Objective: At the suggestion of the IRS, assess the ongoing efforts to evaluate the effectiveness of its pay-for-performance system.¹

Review of Recruitment Timelines (2009 – New Start)

Audit Objective: At the suggestion of the IRS, determine whether the Human Capital Office's reengineering efforts were effective in improving the efficiency and timeliness of hiring internal and external candidates.

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

Audit Objective: Determine whether the actions planned and taken by the IRS to identify and address the competency skills gaps among its primary Mission Critical Occupations are effective.

¹ Prior TIGTA Audit report *The Internal Revenue Service Pay-for-Performance System May Not Support Initiatives to Recruit, Retain, and Motivate Future Leaders* (Report Reference Number 2007-10-106, dated July 3, 2007)

Review of Recruiting Efforts (2008 – Work in Process)

Audit Objective: Assess the efforts of the Human Capital Office in developing and overseeing a strategic recruitment process. In addition, determine the current recruitment processes and whether they have enabled the IRS to meet its hiring goals.

Human Capital Issues and Management Burden (2008 – Work in Process)

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.

Erroneous and Improper Payments List of Planned Audits for Fiscal Year 2009

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

Effectiveness of the Earned Income Tax Credit Preparer Strategy (2009 – New Start)

Audit Objective: Determine if the Earned Income Tax Credit Preparer Strategy identifies preparer non-compliance, and actions are taken to effectively address the non-compliance.

Efficiency of the Administration of the Health Coverage Tax Credit (2009 – New Start)

Audit Objective: Assess the efficiency of IRS efforts relating to enrollment, payment, and compliance.

Voucher/Invoice Review (Federal Supply Schedule) (2009 – New Start)

Audit Objective: Determine whether invoices submitted and paid under the General Services Administration Federal Supply Schedule contracts were appropriate and in accordance with the contract's terms and conditions.

Premium Travel/Travel Card (2009 – New Start)

Audit Objective: Determine the magnitude of premium class travel within the IRS and whether any such travel was unauthorized, unsupported, or abusive.

Audit Assistance to Office of Investigations on Procurement Fraud (2009 – New Start)

Audit Objective: Assist the Office of Investigations with financial and operational assessments relating to referrals of audit issues and allegations of IRS employee/contractor fraud, waste, or abuse or other misconduct.

Use of Government Purchase Cards for Non-Contract Acquisitions (2009 – New Start)

Audit Objective: Determine whether purchases made under non-contract acquisitions are allowable, accurate, and supported by relevant and sufficient documentation.

Large Dollar Frozen Refunds (2009 – New Start)

Audit Objective: Determine the progress the IRS is making to strengthen the controls over business taxpayer accounts containing the automatic refund freeze.

Use of Duplicate Taxpayer Identification Numbers – Followup
(2009 – New Start)

Audit Objective: Determine if the IRS has taken necessary corrective actions based on prior audit reports; whether adequate controls are in place to identify the potential identity theft of dependent Taxpayer Identification Numbers and prevent the fraudulent filing of individual tax returns; and whether the IRS identifies taxpayer accounts involved with claims of identity thefts (e.g., indicators on accounts indicating identify theft claims or previous duplicate filing).²

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

Audit Objective: Assess the IRS' progress in improving the administration of the Earned Income Tax Credit Program since FY 2003.

Review of the Manual Refund Process (2008 – Work in Process)

Audit Objective: Determine if controls over manual refunds are effective to minimize the risk of issuing erroneous refunds.

Contract Types (2008 – Work in Process)

Audit Objective: At the request of the IRS, determine whether the IRS is using appropriate contract types, as presented in and directed by the Federal Acquisition Regulation, to accomplish its mission of tax administration.

² Prior TIGTA Audit report *Efforts to Prevent Improper Tax Benefits Resulting From Multiple Uses of Taxpayer Identification Numbers Can Be Improved* (Report Reference Number 2006-40-007, dated November 4, 2005)

Review of the Contracting Officer's Technical Representatives' Effectiveness Over Contracts (2008 – Work in Process)

Audit Objective: Determine whether Contracting Officer's Technical Representatives are functioning in a manner, as directed by the responsible Contracting Officers and applicable guidance, which will ensure that goods/services are received in accordance with the terms of the contract and within the cost and/or schedule requirements.

Phone Card Expenses (2008 – Work in Process)

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

Criminal Investigation's Actions to Stop False Stimulus Payments (2008 – Work in Process)

Audit Objective: Assess the effectiveness of the Criminal Investigation Division's actions to prevent the issuance of economic stimulus payments for tax returns identified by the IRS as claiming false refunds.

Complexity of the Tax Law List of Planned Audits for Fiscal Year 2009

Tax law complexity continues to challenge the IRS and taxpayers. 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.

Chief Counsel's Private Letter Ruling Process (2009 – New Start)

Audit Objective: Determine whether requests for private letter rulings are properly processed to provide taxpayers guidance regarding the tax treatment of specific issues prior to filing their tax returns.

Taxpayer Protection and Rights List of Planned Audits for Fiscal Year 2009

*The IRS continues to dedicate significant resources and attention to implementing the taxpayer rights provisions of the IRS Restructuring and Reform Act of 1998 (RRA 98)*³.

Screening and Monitoring of E-File Providers – Followup (2009 – New Start)

Audit Objective: Determine whether the screening and monitoring of electronic filing providers is effective.⁴

Effectiveness of the Process to Ensure Accuracy of Combat Zone Indicators (2009 – New Start)

Audit Objective: Assess actions to ensure the accuracy of combat zone indicators.

Fair Tax Compliance (2009 – New Start)

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

Collection Due Process (2009 – New Start)

Audit Objective: Determine whether the IRS complied with 26 U.S.C. §§ 6320(b) and (c) and 6330(b) and (c) when taxpayers exercised their right to appeal the filing of a Notice of Federal Tax Lien or issuance of an intent to levy.

FY 2009 Mandatory Review of Liens (2009 – 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.

³ 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.).

⁴ Prior TIGTA Audit report *Better Screening and Monitoring of E-File Providers Is Needed to Minimize the Risk of Unscrupulous Providers Participating in the E-File Program* (Report Reference Number 2007-40-176, dated September 19, 2007)

FY 2009 Mandatory Review of Seizures (2009 – New Start)

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

FY 2009 Mandatory Review of Levies (2009 – New Start)

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

FY 2009 Mandatory Review of Assessment Statute Extension

Dates (2009 – New Start)

Audit Objective: Determine whether the IRS is complying with legal and internal guidelines, which require the IRS to provide notice to taxpayers of their right to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues.

FY 2009 Mandatory Review of Disclosure of Collection Activities on Joint Returns (2009 – New Start)

Audit Objective: Determine if the IRS is complying with legal and internal guidelines related to the disclosure of collection activities to joint filers.

FY 2009 Mandatory Review of Restrictions on Directly Contacting Taxpayers (2009 – New Start)

Audit Objective: Determine if the IRS is in compliance with legal guidelines addressing the direct contact of taxpayers and their representatives.

FY 2009 Mandatory Review of Compliance with the Freedom of Information Act (2009 – 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.

FY 2009 Mandatory Review of Compliance with Restrictions on the Use of Enforcement Statistics (2009 – New Start)

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

FY 2009 Mandatory Review of Taxpayer Designations – Illegal Tax Protestor and Non-Filer Designations (2008 – Work in Process)

Audit Objective: Determine whether the IRS complied with legal and internal guidelines that prohibit IRS officers and employees from referring to taxpayers as Illegal Tax Protesters or any similar designations.

Review of Efforts to Better Address Employment-Related and Tax Fraud Identity Theft (2009 – New Start)

Audit Objective: Determine the effectiveness of IRS' comprehensive identity theft strategy in assisting taxpayers victimized by identity theft.

Review of Classified Waste Private Contracting (2008 – Work in Process)

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

Screening and Monitoring of Acceptance Agents (2008 – Work in Process)

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

Process for Reporting Complaints Against Tax Preparers (2008 – Work in Process)

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

Identification and Processing of Discretionary Examination Cases (2008 – Work in Process)

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

Processing Returns and Implementing Tax Law Changes

List of Planned Audits for Fiscal Year 2009

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.

Processing Requests for Tax Returns and Transcripts of Tax Return (Forms 4506) (2009 – New Start)

Audit Objective: Determine whether controls over the requests for copies of tax returns, Request for Copy of Tax Return (Form 4506), are sufficient to prevent identity theft and/or unauthorized disclosure of taxpayer information.

2009 Interim Filing Season Review (2009 – New Start)

Audit Objective: Provide selected information relating to the progress of 2009 Filing Season.

2009 Filing Season Implementation - Including Processing of Stimulus Payments on Tax Year 2008 Tax Returns (2009 – New Start)

Audit Objective: Determine whether the IRS timely and accurately processes individual paper and electronically filed tax returns during the 2009 Filing Season.

Revenue Impact Resulting from Excess Individual Retirement Account Contributions and Required Minimum Distributions (2009 – New Start)

Audit Objective: Assess IRS actions to identify and correct taxpayer excess contributions to Individual Retirement Accounts (IRAs) and non-disbursements of required minimum distributions from traditional IRAs.

Assessment of Actions Taken to Resolve Accounts Placed on the Invalid Master File⁵ (2009 – New Start)

Audit Objective: Assess how the growing use of invalid Social Security Numbers on tax returns affects the IRS system for maintaining taxpayer accounts.

Costs Associated with the Implementation and Issuance of Stimulus Payments (2009 – New Start)

Audit Objective: Determine the costs associated with the implementation and issuance of stimulus payments (administrative and potential revenue loss to the IRS).

Controls Over Paper Filed Individual Income Tax Returns Subsequent to IRS Receipt (2009 – New Start)

Audit Objective: Determine if controls are sufficient to properly control and account for individual income tax returns when transferred out of the Submission Processing function subsequent to receipt.

Outreach Regarding Qualified Joint Ventures of Married Couples (2009 – New Start)

Audit Objective: Ensure that proper educational materials, guidance, and outreach are available to taxpayers who appear to meet the requirements for qualified joint ventures treatment as provided in the Small Business and Work Opportunity Tax Act of 2007⁶.

Accessibility of Paper and Electronic Tax Returns (2009 – New Start)

Audit Objective: Determine whether the IRS has taken adequate steps to ensure that paper and electronic tax returns and associated files are properly controlled and readily available.

Tax Return Diversion in Submission Processing Campuses (2009 – New Start)

Audit Objective: At the request of the IRS, determine if sufficient controls are in place to identify documents at Submission Processing Campuses routed to other areas and to determine their status.

Frivolous Return Program (2009 – New Start)

⁵ The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

⁶ Pub. L. No. 110-28, Sec 8215 (signed May 25, 2007)

Audit Objective: Determine if returns with frivolous claims listed in new release IR-2008-8⁷ are being worked as frivolous returns by the Frivolous Return Program.

Motor Vehicle Donations – Followup (2009 – New Start)

Audit Objective: Review the processing of individual income tax returns reporting deductions for donated vehicles to charities for Tax Year 2007.⁸

Review of the Assessment of Interest on Accrued Failure to Pay Penalties – Followup (2008 – Work in Process)

Audit Objective: Determine whether the IRS has implemented the agreed to corrective actions from the previous audit.⁹

Response to Math Error Notices (2008 – Work in Process)

Audit Objective: Identify the Individual Master File and Business Master File math error notices with the highest volumes over the past 5 years, and determine whether efforts the IRS has made to educate taxpayers, including changes to forms and publications, have been adequate.

Review of Education Credit Usage (2008 – Work in Process)

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

Use of Third Party Entity Information During Returns Processing (2008 – Work in Process)

Audit Objective: Determine the extent that the IRS makes use of 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.

⁷ Dated January 14, 2008 “IRS Names Four New Frivolous Claims to Avoid”

⁸ Prior TIGTA Audit report *Improved Procedures Are Needed to Identify Noncompliance With the Reporting Requirements for Contributions of Motor Vehicles* (Reference Number 2007-30-171, dated September 17, 2007)

⁹ Prior TIGTA Audit report *Procedures Regarding the Failure to Pay Tax Penalty Result in Inconsistent Treatment of Taxpayers and Hundreds of Millions of Dollars in Lost Revenue* (Report Reference Number 2005-30-052, dated March 18, 2005)

Rebate Impact on Toll-Free Telephone Access (2008 – Work in Process)

Audit Objective: Determine the effect of implementation of the Economic Stimulus Act of 2008¹⁰ on customer service toll-free telephone access after the 2008 Filing Season and in planning for the 2009 Filing Season.

Preparer Management Information System (2008 – Work in Process)

Audit Objective: Determine if the information in IRS management systems concerning tax preparers is accurate and comprehensive.

Processing Tax Returns with Individual Taxpayer Identification Numbers (2008 – Work in Process)

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 (such as identifying Temporary Social Security Number (SSN) returns containing wages claimed under a valid SSN, and improper credits and refunds).

¹⁰ Pub. L. 110-185, 122 Stat. 613.

Improving Performance and Financial Data for Program and Budget Decisions List of Planned Audits for Fiscal Year 2009

While the IRS has made some progress in improving performance and financial data 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.

Federal Financial Management Improvement Act Remediation Plan (2009 – New Start)

Audit Objective: Perform sufficient audit work to report to Congress, as required by the Federal Financial Management Improvement Act¹¹, any instances and reasons for missed intermediate target dates established in the IRS' remediation plan.

Review of the Competitive Sourcing Program (2009 – New Start)

Audit Objective: Determine whether the IRS has implemented a comprehensive process to track and assess the quality of contractor and Most Efficient Organization performance under the competitive sourcing program.

Review of the Calculation of Reimbursable Activities Related to the Collection of Federal Unemployment Tax (2009 – New Start)

Audit Objective: Determine whether the IRS is accurately calculating reimbursable activities related to the collection of unemployment tax.

Trends in the Criminal Investigation Function's Enforcement Activities for FYs 2000-2008 (2009 – New Start)

Audit Objective: Provide a statistical analysis of trends relating to the Criminal Investigation Division's enforcement activities.

¹¹ Federal Financial Management Improvement Act of 1996, Pub. L. No. 104-208, 110 Stat. 3009.

FY 2008 Attestation Review of the Annual Accounting of Drug Control Funds (2008 – Work in Process)

Audit Objective: Perform an attestation review of the IRS' reporting of FY 2008 Office of National Drug Control Policy expenditures and related performance for the purpose of expressing a conclusion about the reliability of each assertion made in the Detailed Accounting Submission and Performance Summary Report.

Effectiveness of the Research Structure (2008 – Work in Process)

Audit Objective: At the request of the IRS Oversight Board, determine whether the structure and management of IRS research activities can be improved when providing information to IRS executive management.

Space Utilization – Followup (2008 – Work in Process)

Audit Objective: Determine whether the IRS has developed an effective long-term strategy to minimize its office space rental costs while still ensuring that it has sufficient space availability to meet the needs of its workforce.¹²

¹² Prior TIGTA Audit report *The Internal Revenue Service Faces Significant Challenges to Reduce Underused Office Space Costing \$84 Million Annually* (Report Reference Number 2004-10-182, dated September 27, 2004)

Other

List of Planned Audits for Fiscal Year 2009

There are some high-risk areas that do not completely fit within any of the Major Management Challenge areas. The audits not fitting into the other categories are listed here.

Integrity Project - Returned Refunds (2009 – New Start)

Audit Objective: Determine if IRS controls allow employees to fraudulently obtain returned refunds.

Reducing Undeliverable Mail (2009 – New Start)

Audit Objective: Determine whether the IRS can reduce the volume of undeliverable mail.

DEPARTMENT OF THE TREASURY

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