

# **Excise File Information Retrieval System - Modernized (ExFIRS-M) Privacy Impact Assessment**

**PIA Approval Date - July 13, 2007**

## **ExFIRS-M System Overview**

The Excise Files Information Retrieval System-Modernized (ExFIRS-M) is an evolving set of applications and activities providing management information and support processes to assess the health and direction of the Excise Tax program. The business objective is data level integration of multiple, independent applications supporting Excise business processes, and internal and external stakeholders.

### **A. Description of System**

The Excise Files Information Retrieval System-Modernized (ExFIRS-M) is an evolving set of applications and activities providing management information and support processes to assess the health and direction of the Excise Tax program. The business objective is data level integration of multiple, independent applications supporting Excise business processes, and internal and external stakeholders.

The Excise Tax Program covers a wide range of commercial business interests (abstracts) including, but not limited to:

- Highway Use Tax
- Wagering
- Air Transportation
- Fuel Taxes
- Retail (Truck and Trailer)
- Ship Passenger
- Luxury (Passenger Vehicle) Tax
- Manufacturer Taxes (Coal – Highway Tires – Gas Guzzler)
- Foreign Insurance
- Sport Fishing
- Ozone Depleting Chemicals

ExFIRS-M provides a decision support mechanism for the management of the Excise Tax program in support of its business requirements in areas such as compliance review, resource utilization, coordination of issues across multiple jurisdictions, and the encouragement of voluntary compliance. Automated systems and tools are used to assist in compliance activities.

ExFIRS-M will be rolled out based on Releases. Release 1 is planned to be deployed in FY2009.

ExFIRS-M Release 1 consists of the following three sub-systems. Table 1 describes the function of each sub-system:

- ExFON (Excise Fuel Online Network)
- ExTAC (Excise Tax Agent Center)
- ODB (Operational Database)

## ***Application Sub-systems***

**Sub-systems Name:** ExFON (Excise Fuel Online Network) Release 1

**Location:** TBD

**Sub-systems Function:** ExFON (Excise Fuel Online Network) Release 1

**Location:** TBD

**Sub-systems Function:** ExFON, commonly known as the Dyed Diesel Program, supports 150 Fuel Compliance Officers (FCO) and their managers in their inspection of fuel storage and transfer facilities. It assists the FCOs in establishing and tracking case files.

**Sub-systems Name:** ExTAC (Excise Tax Agent Center) Release 1

**Location:** TBD

**Sub-systems Function:** ExTAC provides 250 Excise Revenue Agents, their managers and Excise classifiers with the ability to create and manage case files. (has group manager element)

**Sub-systems Name:** ODB (Operational Database) Release 1

**Location:** TBD

**Sub-systems Function:** The purpose of the DW/ODB is to provide a common data management solution, from disparate legacy databases and information stores, created from a variety of sources. The DW/ODB contains information gathered from the various *ExFIRS-M* applications *ExFON*, *ExTAC*, *ExTRAS* and *ExSTARS*. Other sources of information within the DW include Master File and non-Master File information, an ERCS download, and Customs CF7501 import information, as pertains to taxable commodities.

The ExFIRS-M subsystems will be phased in as the ExFIRS Legacy subsystems are phased out over the course of three releases. The system will maintain functionality during all three releases by utilizing both old and new system components until release 3 when the system will be able to utilize strictly modernized components.

### **ExFIRS-M Application new functionality for Release 1:**

The following new functionality is included in this milestone of Release 1:

Many minor changes in functionality are being incorporated into ExFIRS-M, however these changes mainly affect the infrastructure and architecture of ExFIRS-M whereas the business functionality of ExFIRS-M remains unchanged.

## **B. Data in the System**

### **1. General Description of Data by Category**

#### **1.a. Generally describe the taxpayer information to be used in the system**

All information introduced into ExFIRS-M is related to the administrative or technical enhancement of Excise Tax compliance programs, both federal and state. Some information in the system is required to be reported to the IRS, such as fuel transaction reports, information collected through the Dyed Diesel Program, and from Form 637 Registration information. Additional information in ExFIRS-M includes an ERCS (Examination Returns Control System) and AIMS (Audit Information Management System) downloads, and Master File and non-Master File filed tax return information and/or claims, pertaining to Forms 720, 2290, 730 and 8849. Specific categories of information to be gathered include:

- ◆ Taxpayer (name, address, Taxpayer/Employer Identification Number (TIN/EIN))
- ◆ Fuel Transaction Information – date, bill of lading number, TCN (terminal control number), position holder and carrier (e.g., product type and gallons per transaction, terminal storage capacity, usage)
- ◆ Vehicle Registrations
- ◆ State Fuel Tax Compliance Contacts

The information in the legacy (ExFON and ExTAC) systems of ExFIRS that is being ported into the ExFIRS-M DW/ODB (Data Warehouse/Operational Database) will remain unchanged and be available only to IRS employees:

- ◆ IRS (Fuel Compliance Officer) Employee (e.g., name, location, time charges, mileage put on government trucks)
- ◆ Dyed Diesel Penalty Information (e.g., amount, payments, balance due)
- ◆ Excise Tax Registrant Database (Form 637)
- ◆ Excise returns, adjustments and claims

**1.b. Generally describe the employee information to be used in the system** Employee User ID and Password are entered into the system as a result of the OL5081 procedures allowing them access to the approved ExFIRS-M applications.

Information on employee system activity captured in audit logs is in compliance with IRM 10.8.3 Auditing Security Standards. Information captured includes:

- ◆ When an event occurred and results
- ◆ User initiating the event
- ◆ Type of event – log-on/off; all system administrators actions

**1.c. Generally describe any other Personally Identifiable Information (PII) to be used in the system**

Customs import information, pertaining to goods subject to Excise Tax is collected. ExTOLE information represents State records provided by state agencies and intended to be shared with other states' tax compliance divisions.

## **2. Sources of Information in the System**

### **2.a. What IRS files and databases are used?**

ExFIRS-M receives data in the form of extracts from MasterFile, Examination Return Control System (ERCS), Summary Examination Time Tracking System (SETTS), and Generalized Mainline Framework (GMF). ExFIRS-M will receive data from the legacy ExTRAS and legacy ExSTARS systems. ExFIRS-M also receives an extract directly from the Modernized Tax Return Database (MTRDB) on excise taxes that have been submitted electronically.

### **2.b. What Federal Agencies are providing data for use in the system?**

United States Customs and Border Protection Authority (Department of Homeland Security)

### **2.c. What State and Local Agencies are providing data for use in the system?**

For the components of ExFIRS-M in Release 1, no State and Local Agencies provide data for use in the system.

### **2.d. From what other third party sources will data be collected?**

No third party sources provide data to ExFIRS-M.

### **2.e. What information will be collected from the taxpayer/employee?**

**Taxpayer:** MasterFile and non-MasterFile “filed return” information is contained in ExFIRS-M. Return information is specific to Forms 720 Quarterly Excise Tax and 2290 Heavy Highway Vehicle Use Tax, including Vehicle Identification Numbers.

Form 8849 Claim for Refund of Excise Tax Paid data is also contained in ExFIRS-M. The ExFIRS-M ODB will contain the Form 637 registration data from EXTRAS and a Form 720 (Terminal Operator “TO”) and 720 (Carrier Summary “CS”) from ExSTARS informational return data.

**Employee:** No information is collected directly from the employee.

## **3. Verification of Accuracy, Completeness, and Timeliness**

### **3.a. How will the data collected from sources other than IRS records and the taxpayers be verified for accuracy?**

Throughout Release 1 information will be verified through taxpayer and employee contacts. Other methods of verification are planned for future milestones.

### **3.b. How will data be checked for completeness?**

Throughout Release 1, information will be verified through taxpayer and employee contacts. Other methods of verification are planned for future milestones.

### **3.c. Is the data current? How do you know?**

Throughout Release 1 information will be verified through taxpayer and employee contacts. Additionally revenue agents providing periodic checks on the companies registered in the system provide current data with which to compare the data already in the system.

## 4. Description of Data Elements

### 4.a. Are the data elements described in detail and documented?

Detailed documentation of data elements is planned for a future milestone.

### 4.b. If the answer to question 4.a. is yes, what is the name of the document?

Detailed documentation of data elements is planned for a future milestone.

A: All information introduced into ExFIRS-M is related to the administrative or technical enhancement of Excise Tax compliance programs, both federal and state. Some information in the system is required to be reported to the IRS, such as fuel transaction reports, information collected through the Dyed Diesel Program, and from Form 637 Registration information. Additional information in ExFIRS-M includes an ERCS (Examination Returns Control System) and AIMS (Audit Information Management System) downloads, and Master File and non-Master File filed tax return information and/or claims, pertaining to Forms 720, 2290, 730 and 8849. Specific categories of information to be gathered include:

- ◆ Taxpayer (name, address, TIN/FEIN)
- ◆ Fuel Transaction Information – date, bill of lading number, TCN (terminal control number), position holder and carrier (e.g., product type and gallons per transaction, terminal storage capacity, usage)
- ◆ Vehicle Registrations
- ◆ State Fuel Tax Compliance Contacts

The information in the legacy (EXTRAS and ExSTARS) applications of ExFIRS, is being ported into the ExFIRS-M DW/ODB (Data Warehouse/Operational Database) will remain unchanged and be available only to IRS employees:

- ◆ IRS (Fuel Compliance Officer) Employee (e.g., name, location, time charges, mileage put on government trucks)
- ◆ Dyed Diesel Penalty Information (e.g., amount, payments, balance due)
- ◆ Excise Tax Registrant Database (Form 637)
- ◆ Excise returns, adjustments and claims

B: Employees access the various ExFIRS-M applications via Used ID and Password following OL5081 procedures. External (Fuel Industry and State) users follow a similar procedure, each user having distinct User ID's and passwords.

C: Audit information captured on system activity is in compliance with IRM 10.8.3 Auditing Security Standards. Information captured includes:

- ◆ When an event occurred and results
- ◆ User initiating the event
- ◆ Type of event – logon/off; all system administrators actions

D: Customs import information, pertaining to goods subject to Excise Tax. ExTOLE information represents State records, not IRS records, provided by state agencies and intended to be shared with other states' compliance activities.

## Access to the Data

### **1. Who will have access to the data in the system (Users, Managers, System Administrators, Developers, Others)?**

Excise Tax employees:

Fuel Compliance Officers (FCO's), FCO Managers, FCO program support users, Excise Revenue Agents (RA) and RA Managers, Covington – Centralized Excise Operations employees who have direct involvement with the Excise compliance program, National Office Excise employees who have program management responsibility.

Contractors, after completion of background investigations and disclosure review, may have access to ExFIRS-M data to supplement IRS staff in highly specialized analysis of fuel supply and movement information. These contractors would also be using IRS supplied equipment and applying the appropriate safeguards to protect the data they might have.

All access is requested via OL5081.

### **2. User Access Determination Procedures**

#### **2.a. How is access to the data by a user determined?**

The ExFIRS-M data will be accessed by employees or contractors who, because of their positions within the Excise organization, need access to perform their compliance, contractual or administrative duties. Access will be restricted to users with valid logons and passwords. Audit trails will exist to identify the records accessed and actions taken.

#### **2.b. Are criteria, procedures, controls, and responsibilities regarding access documented?**

Criteria, procedures, controls, and responsibilities regarding access are those that apply to OL5081.

### **3. User Access Limitations**

#### **3.a. Will users have access to all data on the system or will the user's access be restricted? Explain.**

User access will be restricted using role-based privileges. These privileges have not yet been determined with enough detail to provide a table with each user role and the specific corresponding permissions.

#### **3.b. What controls are in place to prevent the misuse (e.g. browsing) of data by those having access?**

**Revenue Agents** only have access to their own case files. They are not able to browse the files of other agents. Group Managers can only view the cases of the agents in their own group. **Fuel Compliance Officers** only have access to their own inspection files. They are not able to browse the files of other FCOs. Group managers for the FCOs can only view their own group's inspections.

**Analysts** have to have access to log into the ODB in the performance of their business responsibilities. There will be a group of excise analysts accessing the ODB from accounts on the physical machine that the ODB resides on. They will have limited access to ODB based upon their business needs.

#### **4. Data Sharing within the IRS**

**4.a. Do other systems share data or have access to data in this system? If yes, explain.**

As stated above, ExFIRS-M does not share data with any other systems, and other systems do not have access to ExFIRS-M. ExFIRS-M does receive data extracts from MasterFile, GMF, ERCS, SETTS, and MTRDB.

**4.b. Who will be responsible for protecting the privacy rights of the taxpayers and employees affected by the interface?**

The Business System Owner is responsible for protecting the privacy rights of the taxpayers and employees affected by the interface.

#### **5. Data Sharing With Other Agencies**

**5.a. Will other agencies share data or have access to data in this system (International, Federal, State, Local, & Other)?**

ExFIRS-M receives Customs data on CD that is imported into the ODB. Neither Customs, nor any other International, Federal, State or Local agency, has access to data in ExFIRS-M.

**5.b. How will the data be used by the agency?**

ExFIRS-M does not provide data to other agencies. Not Applicable.

**5.c. Who is responsible for assuring proper use of the data?**

ExFIRS-M does not provide data to other agencies. Not Applicable.

**5.d. How will the system ensure that agencies only get the information they are entitled to under IRC 6103?**

ExFIRS-M does not provide data to other agencies. Not Applicable

#### **Attributes of the Data**

**1. Is the use of the data both relevant and necessary to the purpose for which the system is being designed?**

ExFIRS-M data is required for the administration of the IRS Excise Tax Program as a whole. All use of data is relevant and necessary to the purpose for which ExFIRS-M has been designed.

**2. Derivation of new data**

**2.a. Will the system derive new data or create previously unavailable data about an individual through aggregation from the information collected?**

**Taxpayer:** Yes. For ExTAC, the only data that is aggregated from the ODB by Revenue Agents is taxpayer entity data. Revenue Agents cannot view prior work papers or case data from closed cases of their own or closed cases of other Revenue Agents.

For ExFON, the only data that is aggregated from the ODB by FCOs is taxpayer entity data and a prior violation number multiplier only if a taxpayer has previously been penalized

under the same IRC. The circumstances of the prior violation are not available, only the multiplier.

**Employee:** No.

**2.b. Will the new data be placed in the individual's record (taxpayer or employee)?**

**Taxpayer:** Yes. This information will be placed in his Excise Tax record to support the case.

**Employee:** Not Applicable.

**2.c. Can the system make determinations about taxpayers or employees that would not be possible without the new data?**

**Taxpayer:** Yes. The purpose of ExFIRS-M is to aggregate data on the fuel industry taxpayer to determine whether the taxpayer has a) fully complied with all excise tax regulations b) made an error of omission causing him not to pay the correct amount of taxes c) perpetuated tax fraud.

**Employee:** Not Applicable.

**2.d. How will the data be verified for relevance and accuracy?**

Throughout Release 1 information will be verified through taxpayer and employee contacts. Other methods of verification are planned for future milestones.

**3. Consolidation of Data and Processes**

**3.a If the data is being consolidated, what controls are in place to protect the data and prevent unauthorized access? Explain.**

Revenue Agents and Fuel Compliance Officers only have access to their own case and/or inspection files and their respective Group Managers only have access to the cases and/or inspections within their groups. They are not able to browse the files of other agents. General Managers can only view the cases of the agents in their own group. Additionally, all ExFIRS-M users must first be approved for access using the OL5081 system before gaining access to the ExFON and ExTAC subsystems. Logins and passwords are required by users of the systems.

**3.b If processes are being consolidated, are the proper controls remaining in place to protect the data and prevent unauthorized access? Explain.**

ExFIRS-M is not consolidating processes.

**4. Data Retrieval**

**4.a. Can the data in the system be retrieved by personal identifier?**

Yes.

**4.b. If the answer to question 4.a. is Yes, how will the data be retrieved?**

For both ExTAC and ExFON there is systematic retrieval. As a Fuel Compliance Officer or a Revenue Agent logs into ExFON or ExTAC respectively, his/her case inventory will automatically be retrieved by the system. He/She is presented with the menu of cases, and can then choose the case he wants to view.



While a Revenue Agent is working an active case on their client machine, he/she can access the data that he/she has created or stored in the case file by selecting the case file. He/she cannot retrieve the active case file data via EIN/TIN or 637 registration number. The Group Manager of that individual can also see the same data. Once an ExTAC case is closed, the Revenue Agent can no longer access the case and it cannot be restored to the client from the server. The Group Manager sees the closed case until he/she archives the case. Once archived, the Group Manager can no longer see the case.

The same holds true for ExFON except that once a FCO makes the status of an inspection "complete", he/she can no longer access the inspection unless his/her Group Manager marks the inspection "incomplete."

## **5. Due Process Rights**

### **5.a. What are the potential effects on the due process rights of taxpayers and employees as a result of consolidation and linkage of files and systems?**

**Taxpayer:** Once an assessment is made, all due process rights still apply. Therefore there is no effect on the due process rights of taxpayers.

**Employee:** Not Applicable.

### **5.b. What are the potential effects on the due process rights of taxpayers and employees as a result of derivation of new data?**

**Taxpayer:** Derivation of information allows ExFIRS-M to make determinations about whether or not a taxpayer's activity has been fraudulent, however due process rights will not be affected.

**Employee:** Not Applicable.

### **5.c. What are the potential effects on the due process rights of taxpayers and employees as a result of accelerated information processing and decision making?**

**Taxpayer:** The accelerated information processing and decision making will allow earlier receipt of electronically filed information and quicker turnaround of assessments, but once assessments have been made, all due process rights remain in effect.

**Employee:** Not Applicable.

### **5.d. What are the potential effects on the due process rights of taxpayers and employees as a result of the use of new technologies?**

**Taxpayer:** The use of new technologies by ExFIRS-M will enable better protection against unauthorized access and will not affect due process rights.

**Employee:** The use of new technologies by ExFIRS-M will enable better protection against unauthorized access and will not affect due process rights.

### **5.e. How are the effects on due process rights to be mitigated?**

No effects on due process rights have been identified. No mitigation is necessary.

## **Maintenance of Administrative Controls**

### **1. Equitable and Consistent Treatment of Taxpayers and Employees**

#### **1.a. Explain how the system and its use will ensure equitable treatment of taxpayers and employees.**

ExFIRS-M will provide consistent and equitable treatment for all taxpayers. The ExFIRS-M applications do not differentiate between taxpayers.

#### **1.b. If the system is operated in more than one site, how will consistent use of the system be maintained at all sites?**

The system will not operate at more than one site.

#### **1.c. Explain any possibility of disparate treatment of individuals or groups.**

The system does not allow for disparate treatment of individuals. Human error is the only possible source of inconsistency in the treatment from individual to individual and this possibility is regulated by business conduct rules.

### **2. Data Retention and Elimination**

#### **2.a. What are the retention periods of data in this system?**

The determination of retention periods of data in the system is planned for a future milestone. Retention periods will comply with IRM 1.15.23 *Record Control Schedule for Tax Administration – Examination*. Data falls into three broad categories outlined in Exhibit 1.15.23-1: Program and Functional Records (15) – research; studies; workpapers...

- Destroy after 6 years

- Retire to Federal Records Center after final review

Examination Case Files (42) – copies of Revenue Agent reports with related workpapers

Taxpayer Files (8)

- Destroy at 3 years

Retention periods for the motor fuel transaction reports will follow the same process currently used for 1099's and like information return documents, which is the current year plus six.

#### **2.b. What are the procedures for eliminating the data at the end of the retention period?**

##### **Where are the procedures documented?**

The determination of procedures for eliminating data at the end of the retention period is planned for a future milestone. At this time it is planned that ExFIRS-M will adhere to all appropriate IRM and LEM requirements. TBD

#### **2.c. While the data is retained in the system, what are the requirements for determining if the data is still sufficiently accurate, relevant, timely, and complete to ensure fairness in making determinations?**

Data retention requirements have not yet been fully determined. Accuracy, relevance, timeliness, and completeness of ExFIRS-M information will be verified through taxpayer and employee contacts.

### **3. Use of New Technology**

**3.a. Is the system using technologies in ways that the IRS has not previously employed (e.g. Caller-ID)?**

No.

**3.b. How does the use of this technology affect taxpayer/employee privacy?**

As technology will not be used in ways that the IRS has not previously employed, there will be no effect on taxpayer/employee privacy.

### **4. Location and Monitoring of Individuals and Groups**

**4.a. Will this system provide the capability to identify, locate, and monitor individuals? If yes, explain.**

No.

**4.b. Will this system provide the capability to identify, locate, and monitor groups of people? If yes, explain.**

ExFIRS-M will not provide the capability to monitor individuals. The taxpayer contact information maintained by ExFIRS-M would enable individuals with access to identify and locate taxpayers; however this activity is not covered under the business purpose of the system.

**4.c. What controls will be used to prevent unauthorized monitoring?**

The activity of employees in the system could technically be monitored retroactively through the use of audit logs; however ExFIRS-M does not provide the capability to monitor employees in real time. Determination of the audit log review schedule and permissions is planned for a future milestone.

### **5. System of Records Notice (SORN) Specifications**

**5.a. Under which SORN does the system operate? Provide number and name.**

34.037 IRS Audit Trail and Security Records System  
42.002 Excise Compliance Programs

**5.b. If the system is being modified, will the SORN require amendment or revision?**

**Explain**

The SORN will not require amendment or revision as the data and functionality of the system will remain the same.

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