



## Treasury Inspector General for Tax Administration

### THE CUSTOMER ACCOUNT DATA ENGINE RELEASE 2.2 POSTED TAX RETURN INFORMATION ACCURATELY

Issued on October 29, 2007

## Highlights

Highlights of Report Number: 2008-40-004 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

### IMPACT ON TAXPAYERS

The Customer Account Data Engine (the CADE) is the new computer system for taxpayer account information that will eventually replace the current aging Master File. It is essential that tax return information posted to the CADE is accurate because inaccurate information could affect subsequent activities or adjustments to taxpayer accounts. Release 2.2 of the CADE accurately posted tax return information to approximately 11 million taxpayer accounts and generated approximately \$11.6 billion in refunds from March through August 2007. However, delays in implementing Release 2.2 prevented an additional estimated 22 million tax returns from posting to the CADE. As such, many taxpayers did not receive the benefits the CADE provides, such as faster refunds.

### WHY TIGTA DID THE AUDIT

This audit was initiated because the CADE is a critical building block in the Internal Revenue Service's (IRS) modernization program that will enable the development of subsequent modernized systems to improve customer service and compliance. It is designed to post information to taxpayers' accounts daily rather than weekly, which will facilitate faster refunds to taxpayers and allow IRS employees to provide improved service to taxpayers because the employees will have up-to-date, accurate account information available.

CADE Release 2.2 began posting returns in March 2007 and contained significant additional functionality over prior releases. The objective of our audit was to determine whether Release 2.2 accurately posted tax return information, focusing on functionality not included in prior releases.

### WHAT TIGTA FOUND

Tax return information was accepted and posted accurately to CADE accounts. TIGTA verified that

information posted on the CADE matched the information from sample tax returns.

The ability to accept and post returns with self-employment information was added to the CADE on May 30, 2007. TIGTA verified the posted information was accurate and the self-employment information being provided in a weekly report to the United States Census Bureau was accurate. Finally, the process used to determine the audit potential of returns posting to the CADE was adequately tested.

TIGTA did identify one condition that could have resulted in \$400,000 of overpaid taxes being incorrectly refunded to taxpayers. Accounts with special processing codes that were intended to stop refunds so any overpayments could be applied to amounts owed on related business accounts were incorrectly added to the CADE. However, because the CADE was not yet programmed to accept these codes, the overpayments on these accounts would have been incorrectly refunded.

TIGTA identified this issue soon after the CADE began posting returns in March 2007 and referred it to the CADE Project Office. The accounts with freeze codes were transferred from the CADE back to the Master File, which enabled the freeze codes to work as intended. In addition, the CADE programming was reviewed to identify and correct what caused these accounts to be included in the CADE. The prompt corrective action taken at that time prevented these accounts from having the overpayments refunded. However, had this condition not been identified and corrected early, the CADE would have allowed these overpayments to refund rather than be applied to the related balance-due accounts.

### WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report because IRS management took appropriate corrective action to our finding during the course of the audit. Key IRS management officials reviewed the report prior to issuance and agreed with the facts and conclusions presented.

### READ THE FULL REPORT

To view the report, including the scope and methodology, go to:

<http://www.treas.gov/tigta/auditreports/2008reports/200840004fr.pdf>.

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