



**U.S. Department of the Treasury
Financial Management Service**

*Privacy Impact Assessment
Federal Reserve – Electronic Tax Application
Major Application*

Version 2.0

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Financial Management Service
Privacy Impact Assessment

Name of Project: Federal Reserve – Electronic Tax Application (FR-ETA)
Project’s Unique ID: FR-ETA

A. SYSTEM APPLICATION/GENERAL INFORMATION:

1) Does this system contain any information about individuals? Yes

a. Is this information identifiable to the individual¹?

Yes. Information is collected, maintained, or used that is identifiable to the individual in the system.

b. Is the information about individual members of the public? Yes.

c. Is the information about employees?

No.

2) What is the purpose of the system/application?

The primary function of FR-ETA is to support the Electronic Federal Tax Payment System (EFTPS) by providing a same-day payment mechanism for business tax filers and payroll processors (and individuals directed by the IRS) via their own financial institution.

3) What legal authority authorizes the purchase or development of this system/application?

The Department of the Treasury, Financial Management Service, and the Internal Revenue Service authorized the development of the FR-ETA system per the established MOU, signed May 4, 1995.

B. DATA in the SYSTEM:

1) What categories of individuals are covered in the system?

FR-ETA primarily supports business taxpayers (as opposed to individuals). Some business taxpayers may be individuals, for example, a sole proprietor. The IRS will occasionally direct individual taxpayers to utilize the FR-ETA tax payment system. While not the preferred method, individual taxpayers utilize the FR-ETA tax payment system even when not directed by the IRS.

¹ “Identifiable Form” – according to the OMB Memo M-03-22, this means information in an IT system or online collection: (i) that directly identifies an individual (e.g., name, address, social security number or other identifying number or code, telephone number, email address, etc.) or (ii) by which an agency intends to identify specific individuals in conjunction with other data elements, i.e., indirect identification. (These data elements may include a combination of gender, race, birth date, geographic indicator, and other descriptors).

2) What are the sources of the information in the system?

- IRS and non-enrolled taxpayers, through their financial institutions

- a. Is the source of the information from the individual or is it taken from another source? If not directly from the individual, then what other source?**
The source of the information is not taken directly from the individual it is supplied from other sources as listed above.
 - IRS provides information on taxpayers enrolled in EFTPS, through an appointed Treasury Financial Agent.
 - Non-enrolled taxpayers, through their financial institutions, send taxpayer information via the FRS Fedwire Funds Transfer Application

- b. What Federal agencies are providing data for use in the system?**
IRS provides information on taxpayers enrolled in EFTPS, through an appointed Treasury Financial Agent.

- c. What State and local agencies are providing data for use in the system?**
State and local agencies do not provide data for use in the system.

- d. From what other third party sources will data be collected?**
Information on non-enrolled taxpayers is received from the taxpayers' financial institution, via the FRS Funds Application.

- e. What information will be collected from the employee and the public?**
No information is collected directly from the employees. Information is collected from the public as described above. The only sources of collection are mentioned above.

3) Accuracy, Timeliness, and Reliability

- a. How will data collected from sources other than FMS records be verified for accuracy?**
FR-ETA does not verify data on non-enrolled taxpayers, per IRS instructions. Data about enrolled taxpayers is presumed to be accurate due to IRS internal verification processes.

- b. How will data be checked for completeness?**
Data about enrolled taxpayers is presumed to be accurate due to IRS internal verification processes. FR-ETA does not check data on non-enrolled taxpayers, per IRS instructions.

- c. Is the data current? What steps or procedures are taken to ensure the data is current and not out-of-date? Name the document (e.g., data models).**
FR-ETA performs edits on the data as defined by the IRS to assist in the provision of more accurate data. The IRS provides the data and it is presumed to be current due to IRS internal verification processes.

d. Are the data elements described in detail and documented? If yes, what is the name of the document?

Yes

- Making EFTPS Same-Day Federal Tax Payments, Guidelines for Financial Institutions. Reference sections 3 and 10. The guide is available at: <http://www.frbservices.org/Treasury/pdf/Sameday.pdf>
- FR-ETA Data Privacy Inventory

C. 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?** Yes
- 2) **Will the system derive new data or create previously unavailable data about an individual through aggregation from the information collected, and how will this be maintained and filed?**
No. The system does not derive new data or create previously unavailable data about an individual.
- 3) **Will the new data be placed in the individual's record?**
No, there is no new data placed in the individual's record.
- 4) **Can the system make determinations about employees/public that would not be possible without the new data?**
No, there is no new data placed in the individual's record.
- 5) **How will the new data be verified for relevance and accuracy?**
No new data is derived or created.
- 6) **If the data is being consolidated, what controls are in place to protect the data from unauthorized access or use?**
Data is not being consolidated. Appropriate management, operational and technical controls are in place to protect data from unauthorized access or use.
- 7) **If processes are being consolidated, are the proper controls remaining in place to protect the data and prevent unauthorized access? Explain.**
Processes are not consolidated.
- 8) **How will the data be retrieved?**
The FR-ETA application retrieves the data from the application databases and tables by Taxpayer Identification Number (TIN), Taxpayer Name, and Name Control.
- 9) **What kinds of reports can be produced on individuals? What will be the use of these reports? Who will have access to them?**
The transaction inquiry function can create a listing of transactions containing any specific taxpayer information, for a designated time period. The transaction inquiry function is used by authorized staff to assist taxpayers, financial institutions and the IRS

in research and verification of transactions. Only authorized FR-ETA staff and IRS staff have access to this information.

10) What opportunities do individuals have to decline to provide information (i.e., where providing information is voluntary) or to consent to particular uses of the information (other than required or authorized uses), and how individuals can grant consent.)

Taxpayer information is required by the IRS in order to accurately identify a payment and credit a taxpayer. FR-ETA only requires information needed for this purpose.

D. MAINTENANCE AND ADMINISTRATIVE CONTROLS:

1) If the system is operated in more than one site, how will consistent use of the system and data be maintained in all sites?

The system is not operated in more than one site.

2) What are the retention periods of data in this system?

Transaction data retention is 7 years per IRS requirements. Taxpayer Enrollment data is retained indefinitely.

3) What are the procedures for disposition of the data at the end of the retention period? How long will the reports produced be kept? Where are the procedures documented?

FR-ETA is responsible for the proper destruction of any data, or any intermediate hardcopy printouts, which can occur during the processing of taxpayer data. FR-ETA follows standard FRS procedures and IRS guidelines, in the destruction of these documents. Electronic data past the 7-year retention requirement is purged on a quarterly basis, with notification to and as approved by the IRS. Paper reports may be retained for a shorter period of time, as they can be recreated as needed.

Retentions and procedures are located in the following FR-ETA supporting documents:

- Quarterly Paper Destruction Procedures
- SAR Report Retention
- Request for Approval to Destroy Electronic Data form
- IRS Destruction Approval
- Guide to FR-ETA Reports
- FR-ETA CBAF Destruction Records 3-ring binder
- FR-ETA Records Management & Retention 3-ring binder

4) Is the system using technologies in ways that the FMS has not previously employed (e.g., monitoring software, Smart Cards, Caller-ID)?

No

5) How does the use of this technology affect public/employee privacy?

The system does not use technologies in ways that the FMS has not previously employed.

6) Will this system provide the capability to identify, locate, and monitor individuals? If yes, explain.

Yes. The FR-ETA application stores taxpayer and transaction data, which could identify an individual. Monitoring capability is limited to the potential to monitor tax payments sent through FR-ETA.

7) What kinds of information are collected as a function of the monitoring of individuals?

Individuals are not “monitored” by FR-ETA and the data collected is for the tax payment purposes only.

8) What controls will be used to prevent unauthorized monitoring?

The FRS utilizes software to control access to all applications by identifying and authenticating users, via logon ID and password verification, before allowing access.

9) Under which Privacy Act systems of records notice does the system operate? Provide number and name.

System of Records Notice: Treasury/FMS .017: Collections Records - - Treasury Financial Management Service

10) If the system is being modified, will the Privacy Act system of records notice require amendment or revision?

The system is not being modified for any other purpose than its original design. The Privacy Act SoRN will not require amendment or revision.

F. ACCESS TO DATA:

1) Who will have access to the data in the system?

Authorized FR-ETA CBAF customer support/operations support staff and authorized IRS (transaction inquiry) staff will have access to the data in the system.

2) How is access to the data by a user determined? Are criteria, procedures, controls and responsibilities regarding access documented?

Access to FR-ETA data is controlled by software, which assigns a UserID and password. Access for users is restricted using the concept of least privilege, which requires identifying the user’s job functions, determining the minimum set of privileges required to perform that function, and restricting the user to those privileges and nothing more. FR-ETA management approves all new user accounts and privileges according to security policies. Criteria, procedures, controls and responsibilities regarding access are referenced in the FR-ETA System Security Plan on file with FMS.

3) Will users have access to all data on the system or will the user’s access be restricted? Explain.

Authorized FR-ETA CBAF customer support/operations support staff and authorized IRS (transaction inquiry) staff will have access to the data in the system. These users do not have access to all data on the system. The access for users is restricted using the concept of least privilege, which requires identifying the user’s job functions, determining the

minimum set of privileges required to perform that function, and restricting the user to those privileges and nothing more. FR-ETA management approves all new user accounts and privileges. IRS staff have even more restricted access to only a few select transaction screens.

4) What controls are in place to prevent the misuse (e.g., unauthorized browsing) of data by those having access? (Please list processes and training materials.)

- Information received and processed by FR-ETA is confidential and highly sensitive. Taxpayer data processed through the system is retained in accordance with the FRS Retention Manual and IRS requirements. All FR-ETA data is handled in strict accordance with FRS and IRS.
- **Notice of Disclosure:** The following disclosure notification is provided and signed by all Federal Reserve staff that have access to the application data.
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<p>NOTICE OF CRIMINAL/CIVIL SANCTIONS FOR UNAUTHORIZED DISCLOSURE AND/OR ACCESS/INSPECTION (BROWSING) OF TAXPAYER DATA</p> <p>"FR-ETA taxpayer data and information can only be used to perform necessary work related to the FR-ETA operation. Willful, unauthorized disclosure of data is punishable by a fine of up to \$5,000 and/or imprisonment of up to five (5) years. The penalty for unauthorized access or inspection (browsing) is a fine of up to \$1,000 and/or imprisonment of up to one (1) year. Affected taxpayers may also institute a civil action for the greater of \$1,000 or actual damages. Refer to the Internal Revenue Code, sections 7213A and 7431, for details.</p>
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- **Rules of Behavior:** The FR-ETA System Security Plan provides documentation for the FR-ETA system and is based on the business organization's assessment of the sensitivity of the system and the potential for loss or harm. The plan details the security controls for FR-ETA and compliance with the security standards established by the National Institute of Standards and technology (NIST). Sensitivity of the application is assessed based on the security objectives for confidentiality, integrity, and availability.
- **Security Awareness Training and Education (SATE):** Annual SATE is required for all staff.

5) Are contractors involved with the design and development of the system and will they be involved with the maintenance of the system?

No contractors are currently utilized in the design, development, or maintenance of the FR-ETA system.

6) Do other systems share data or have access to the data in the system? If yes, explain.

No, FR-ETA does not share data with other systems and other systems do not have access to the data stored in the FR-ETA system.

7) Who will be responsible for protecting the privacy rights of the public and employees affected by the interface?

The EFTPS business partners are responsible for protecting the privacy rights of the taxpayer.

8) Will other agencies share data or have access to the data in this system (Federal, State, Local, Other)?

IRS has access to the system data in the system to complete transaction inquiries for the purpose of problem resolution.

9) How will the data be used by the other agency?

Treasury IRS users access the FR-ETA application for the purposes of transaction inquiry only. The users investigate problem transactions and follow up with taxpayers and/or their financial institutions for reconciliation

10) Who is responsible for assuring proper use of the data?

The business owner and ISSO are responsible for assuring proper use of the data.