Information Reporting and Document Matching (IRDM) – Privacy Impact Assessment

PIA Approval Date – Jun. 28, 2011

System Overview

The Information Reporting and Document Matching (IRDM) system consists of three subsystems: IRDM Data Correlation (IRDMDC), IRDM Case Inventory Selection & Analytics (IRDMCISA), and IRDM Case Management (IRDMCM). The purpose of IRDM's subsystems Release 1 is to assess additional corporate income tax, penalties, and interest on Forms 1120 where corporations have underreported their revenue and/or income. IRDM's three subsystems will provide functionality that is typical of IRS Compliance applications. IRDMDC will identify potential cases. IRDMCISA will score and select cases. IRDMCM will manage cases as Business caseworkers work them. Due to IRDM's complexity and high profile, each subsystem will be developed as a separate Enterprise Life Cycle (ELC) project by a separate Modernization & Information Technology Services (MITS) Application Development (AD)/Compliance team.

Systems of Records Notice (SORN):

- IRS 34.037--IRS Audit Trail and Security Records System
- IRS 42.021--Compliance Programs and Projects Files
- IRS 22.054--Subsidiary Accounting Files
- IRS 22.062--Electronic Filing Records
- IRS 46.050--Automated Information Analysis System
- IRS 24.030--Customer Account Data Engine Individual Master File
- IRS 24.046--Customer Account Data Engine Business Master File

Data in the System

1. Describe the information (data elements and fields) available in the system in the following categories:

A. Taxpayer:
- Tax return:
  - Payer Taxpayer Identification Number (TIN), Name, Address
  - Payee TIN, Name, Address
  - Payment amount
  - Payment Type

- Tax account data:
  - Taxpayer TIN, Name, Address, Tax form number, and tax period
  - Status indicator
  - Accounting Entries: total tax, penalty, interest, payment, and refund amount

- Information return data:
  - Taxpayer TIN, Name, Address, Tax form number, and tax period
  - Specific Income, deduction, credit types, and amounts

B. Employee:
- Name
- Standard Employee Identifier (SEID)
- Case worker inventory assignments

C. Audit Trail Information: At the application level, audit trails will be saved in a separate table that is not updatable at the user level.
- The audit table will be updated each time a user:
  - o Accesses the subsystems (log–on)
  - o Exits the subsystems
  - o Accesses taxpayer sensitive information
  - o Tries to access, delete, modify, create, change file permission, and read a file
  - o Is created, modified, deleted, or when a password is changed

- IRDMDC: No audit trail information is collected for IRDMDC because the subsystem has no end users.

- IRDMCM, IRDMCISA:
  - o SEID
  - o User Type
  - o System
  - o Event Type
  - o Event Identification (ID)
  - o Tax Filer TIN
  - o Session ID
  - o Computer IP Address (SRCADDR)
  - o Return Code
  - o Error Message (Msg)
  - o Time Stamp
  - o Variable Data (Var Data)
  - o Tax Period
  - o Master File Tax Code

2. Describe/identify which data elements are obtained from files, databases, individuals, or any other sources.

A. IRS:
- IRDMDC – Integrated Production Model (IPM):IRDMDC will extract data from the IPM to aggregate information returns, identify potential underreporters, calculate underreporter discrepancies, create the Case Selection layout, and create the case build layouts for Case Major, Minor and Return Tax File (RTF) by accessing all necessary IPM data fields.

- IRDMCM − Case Control Activity System (CCA) (Subsystem of Integrated Data Retrieval System (IDRS)): IRDMCM sends a CCA file containing case activity changes (Open Case, Taxpayer response, Close Case, etc.) to the Case Control Activity System which will update BMF master file with the activities that occurred on a case for that week.

- Centralized Authorization File (CAF) (Subsystem of Integrated Data Retrieval System (IDRS)): IRDMCM sends a file to the CAF system containing EIN's and Master File Tax (MFT) codes requesting that the latest Power of Attorney updates be downloaded from CAF back into the IRDMCM subsystem. These updates include Power of Attorney name and contact data that correlate to the EIN's for which they have the power of attorney.

- Correspondex Letter System (CRX) (Subsystem of Integrated Data Retrieval System (IDRS)): IRDMCM sends EIN's and control codes to the CRX system to trigger letters to be sent out based on the status of the cases for that week.

- Daily Taxpayer Information File (TIF) Update (DLY) (Subsystem of Integrated Data Retrieval System (IDRS)): IRDMCM downloads a taxpayer information file containing taxpayer address updates as well as transaction updates that occurred on a case on master file for that week. The file is sent to the Daily TIF Update system which will update BMF master file.

- End Of Day Processing (EOD) (Subsystem of Integrated Data Retrieval System (IDRS)): IRDMCM uploads a file containing taxpayer address changes as well as case assessment updates that were entered into the IRDMCM subsystem, for that week, up to the EOD system which will update BMF master file.

- Transcript Research System (TRS) (Subsystem of IDRS)): IRDMCM interface produces a transcript or a tax request file for further research requested by an examiner. The interface purpose of the IRDM upload research program is to provide an automated process for users to request additional information. Information such as the taxpayer's TIN and the correspondence requestor's Standard Employee Identifier (SEID) are contained in this request file.

- Weekly TIF Update (WTU) (Subsystem of IDRS): The purpose of the Download TIF interface is to provide the IRDMCM subsystem with entity, transaction and status update information assembled from IDRS updates on a weekly basis. These typically include taxpayer address updates.

- Penalty and Interest Explanation (PINEX) (Subsystem of IDRS): IRDMCM sends requests for interest and penalty amounts to the PINEX system. These requests contain taxpayer information necessary to compute the amounts which will then be downloaded back into IRDMCM.

- IMF Automated Underreporter (AUR): AUR sends payer agent information to IRDMCM. Payer agent information includes fact of employer–reported problems such as duplicate sets of Forms W2 sent to Social Security Administration. IRDMCM connects to the AUR system to download the latest payer agent information changes which includes taxpayer TIN's to keep IRDMCM in sync with what was entered in the AUR system for that week.

- Notice Delivery System (NDS): The IRDMCM subsystem sends Advanced Function Printing (AFP) files containing notice information files that will be used by NDS to print out notices containing taxpayer information. These files are in binary format and contain everything necessary to print out a notice to be sent to the taxpayer.

- Service Center Input Processing Automation System (SCIPAS) (Subsystem of MITS–21): IRDMCM sends a control file to SCIPAS to record the number of process code types and transactions being sent to master file. The data is primarily counts, dates and process codes. No taxpayer info is contained in this file.

- Third Party Contact (TPC): IRDMCM sends data to the Upload Party Contact system which will update Masterfile (TPC11) with information about contacts (i.e. letters, notices, etc.) made for a case. Information such as TIN's and addresses are contained in this file.

System name to be determined: (IRDM interface with IRDMDA):

- The IRDM Data Assimilation (IRDMDA) subsystem of Information Returns Processing (IRP) will receive compliance record data from IRDM. IRDMDA will use this data as input to its BMF Information Returns Processing Case Analysis (BMF IRPCA) reports process. Compliance record data includes TIN, campus code, universal location code, category code, subcategory code, and tax period month. At this time, it is TBD whether IRDMDA will receive the data from IRDMDC or IRDMCM.

- IRDMDA will provide BMF IRPCA data to the IRDMCISA environment. BMF IRPCA data will include aggregated case statistics such as total tax, penalties, and interest assessed, broken out by various factors such as per time period, casework location, and type of income that was underreported. It will not contain taxpayer–specific data.

B. Taxpayer: Taxpayer responses to IRDM case notices may include contact information (Corporation Tax ID, Business Name, and address), explanations and supporting documentation, amended returns, corrected information returns, and more

C. Employee:
- Audit trails of IRDM user access, including login ID and password and some record of actions taken on a case
- Online 5081 (OL5081)
- Employee's Direct Manager

3. Is each data item required for the business purpose of the system? Explain.
Yes. The use of the data is both relevant and necessary to the purpose for which IRDM has been designed. The IRDM's data items will be used to access additional corporate income tax, penalties, and interest on Forms 1120 where corporations have underreported their revenue and/or income. Information returns in IRDM will be compared to Form 1120 to identify discrepancies in tax return money amounts. This will be used to create a potential Underreporter case. The cases status information and tax assessment transaction codes, which are processed in IRDM, will be forwarded to BMF for posting to tax accounts.

4. How will each data item be verified for accuracy, timeliness, and completeness?
IRDM will work cases on an annual tax year cycle, generally concluding cases within the three year assessment statute of limitations. IRDM will base cases on authoritative source IRS Master File data. IRDM will undergo testing, including Systems Acceptability Testing (SAT) prior to being used for production work. Taxpayers will have the opportunity to provide additional information, such as corrected information returns or amended tax returns, during the IRDM case process and prior to IRDM assessing additional tax.

5. Is there another source for the data? Explain how that source is or is not used.
No. IRS Master Files are the authoritative sources for tax return, tax account, and information return data.

6. Generally, how will data be retrieved by the user?
- IRDMDC: This is not applicable to IRDMDC because the subsystem has no end users.

- IRDMCISA: The IRDMCISA user will access the subsystem and run summary reports. The summary reports contain managerial performing information (ex: number of open cases). The

users will be able to apply business rules to select large block of cases to be added to IRDMCISA inventory.

- IRDMCM: The IRDMCM user will login into the subsystem and cases will be assigned to them to work. Users will review case data such as income discrepancy. User will create notices to be issued which will generate requests for taxpayers to explain the discrepancy. User will be able to input tax account adjustment to close out cases. Sometime this will include additional tax penalties and interests.

7. Is the data retrievable by a personal identifier such as name, SSN, or other unique identifier?

Yes.

- IRDMDC: IRDMDC does not have end users.

- IRDMCM: Case workers may retrieve case data by name, Employer Identification Number (EIN), and other personal identifiers, in order to work cases the system assigns to them.

- IRDMCISA users retrieve data via Business Objects Enterprise (BOE) by using business rules that are defined by broad criteria, such as discrepancies greater than a defined dollar amount.

Access to the Data

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

Users, Managers, System Administrators, and the Application Administrator/Coordinator will have access to the data in the IRDM's subsystems. All users are IRS employees. The IRDMDC has no end users.

- IRDMCISA

  Role: Business Customer User
  Permission: The IRDMCISA user can access BMF taxpayer data, leverage historical data for summary reporting purposes and review, and can select cases, run rules, complete data integrity checks and complete similar activities already allowed in reviewing Individual Master File (IMF) case selection.

  Role: Administrator/ Coordinator
  Permission: The Administrator/ Coordinator has limited user setup, and folder creation.

- IRDMCM

  Role: Analysis
  Permission: The ability to perform research and analysis for screening cases. The functionality of reviewing archived cases and case history.

  Role: Clerk Lead
  Permission: The ability to perform the required lead clerical activities. Provides oversight, guidance and expertise for clerks. Performs all control menu options, except reports accessible only to the Coordinator.

Role: Clerk Mgr
Permission: The ability to provide oversight, guidance, expertise, and personnel actions for clerks and lead clerks. Performs all control menu options, except reports accessible only to the Coordinator.

Role: Clerks
Permission: The ability to perform clerical activities. Perform all control menu functions and limited to some reports.

Role: Coordinator
Permission: Providing for the physical and system security in their area (This includes questioning anyone attempting to use the equipment if their identity and purpose is not known). Initiating the addition, update and deletion of Users. Serving as backup, when needed, for another Manager to initiate adding, updating, and deleting Users. Only a Coordinator can add or update a Manager on the system. Unlocking User Ids (UIDs) and/or terminals. Assigning/updating appropriate status and user roles for Users. Changing a User's unit location number when appropriate. This function should only be used when an employee is reassigned to another unit. Informing employees about their Security responsibilities.

Role: Support
Permission: Design and develop new software application functionality. Maintain existing software application functionality and correct any bug fixes.

Role: Folder Labels
Permission: The ability to generate folder labels using the Label report.

Role: HQ Analyst
Permission: The ability to perform system administrative and security functions at Headquarters for all sites.

Role: Mgr Control
Permission: The ability to perform the required management Reports activities batches, work units cases to assign release transfer, accept transfer and update work.

Role: Mgr Reports
Permission: The ability to manage all technical reports.

Role: Mgr Review
Permission: The ability to manage and analyze reviews.

Role: Payer Agent Coordinator
Permission: The ability to perform the required payer agent coordinator activities. Research the required data, add new data, and maintain existing data. Generate a payer agent list report.

Role: Quality Review
Permission: The ability to perform the required quality reviews of IRS employees' work.

Role: Reconsideration
Permission: The ability to perform the required reconsideration activities manage reports for open inventory, closed inventory, aging and issue.

Role: Response
Permission: The ability to perform the required response activities. The functionality of reviewing archived cases and case history. Research and Analysis required needed for responses.

Role: Security
Permission: Completing the actions necessary to add new Users, delete Users and/or update existing Users. Notifying management officials of any known or suspected security breaches.

Role: Security Lead
Permission: The ability to perform the required lead security activities to manage the application Users.

Role: View Case
Permission: The ability to research and analyze cases not assigned to the User.

Role: Universal Work
Permission: The ability to perform the universal work case activities.

Role: Operator
Permission: The ability to perform the basic system operator activities. Oversee the running of computer systems, ensuring that the machines are running and physically secured.

Note: Contractors do not have access to the IRDM's subsystems.

9. How is access to the data by a user determined and by whom?
Access to the data is determined by the manager based on a user's position and need–to–know. The manager will request a user be added. Permission for users to access IRDM's subsystems will be controlled via the Online 5081 (OL5081) request and approval system. A user's access to the data terminates when it is no longer required.

10. Do other IRS systems provide, receive, or share data in the system? If YES, list the system(s) and describe which data is shared.
Yes. IRDM's subsystems share data with the following systems:
- IRDMDC:
  - Integrated Production Model (IPM) – IRDMDC will extract data from the IPM to aggregate information returns, identify potential underreporters, calculate underreporter discrepancies, create the Case Selection layout, and create the case build layouts for Case Major, Minor and Return Tax File (RTF) by accessing all necessary IPM data fields.

- IRDMCM:
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11. Have the IRS systems described in Item 10 received an approved Security Certification and Privacy Impact Assessment?
Yes.

Modernization & Information Technology Services – 21 (MITS–21)
- Certification & Accreditation (C&A) – February 18, 2010
- Privacy Impact Assessment (PIA) – August 28, 2009

Integrated Production Model (IPM)
- Certification & Accreditation (C&A) – August 4, 2008
- Privacy Impact Assessment (PIA) – March 22, 2011

Information Returns Processing (IRP)
- Certification & Accreditation (C&A) – March 8, 2010
- Privacy Impact Assessment (PIA) – October 9, 2009

Integrated Data Retrieval System (IDRS)
- Certification & Accreditation (C&A) – March 10, 2009
- Privacy Impact Assessment (PIA) – November 6, 2008

Automated Underreporter (AUR)
- Certification & Accreditation (C&A) – May 6, 2009
- Privacy Impact Assessment (PIA) – February 27, 2009

Notice Delivery System (NDS)
- Certification & Accreditation (C&A) – May 3, 2010
- Privacy Impact Assessment (PIA) – March 29, 2010

Third Party Contact (TPC)
- Certification & Accreditation (C&A) – April 21, 2009
- Privacy Impact Assessment (PIA) – January 30, 2009

12. Will other agencies provide, receive, or share data in any form with this system?
No other agencies will provide, receive, or share data in any form with this system.

Administrative Controls of Data

13. What are the procedures for eliminating the data at the end of the retention period?
IRDM is a new IRS Small Business/Self–Employed Compliance application in development. In advance of its 2013 operational date, SB/SE and the IRS Records Office are working together to draft and submit to the National Archives and Records Administration (NARA) a request for records disposition authority that will provide mandatory retentions for IRDM inputs, system data, outputs and system documentation.

System data is proposed for destruction 10 years after assessment, similar to the retention of Automated Underreporter data for individual returns. When approved by NARA, IRDM disposition instructions will be published under IRM 1.15.32 (Records Control Schedule for Electronic Tax Administration), Item 45.

14. Will this system use technology in a new way?
No. IRDM's subsystems do not use technology in a new way.

15. Will this system be used to identify or locate individuals or groups? If so, describe the business purpose for this capability.
No, the IRDM's subsystems will not be used to identify or locate individual taxpayers or groups of taxpayers. The IRDM's subsystems will keep audit trails of IRS user actions in accordance with IRS Cybersecurity requirements, since (for example) case workers will be accessing taxpayer data for the cases assigned to them.

16. Will this system provide the capability to monitor individuals or groups? If yes, describe the business purpose for this capability and the controls established to prevent unauthorized monitoring.
No. IRDM's subsystems will not allow users (case workers and analysts) to monitor individuals or groups. Case workers will work cases assigned to them by the system. Analysts will review summary reports. Some analysts will maintain the business rules described in (14) above.

17. Can use of the system allow IRS to treat taxpayers, employees, or others, differently?
Yes. IRDM will be programmed to provide special treatment for businesses located in disaster areas or in bankruptcy. However, IRDM users will not have the ability to apply special treatments that are not pre–programmed.

18. Does the system ensure "due process" by allowing affected parties to respond to any negative determination, prior to final action?
Yes. IRDM's subsystems will compare information returns (such as Form 1099K) to tax returns (such as Form 1120) to identify discrepancies. If there is a discrepancy and the case is selected to be worked, the taxpayer will be contacted via notice(s) about the discrepancy and proposed tax return changes. Even after an IRDM tax assessment, the taxpayer still may respond late (for reconsideration) or file an amended tax return (if applicable).

19. If the system is web–based, does it use persistent cookies or other tracking devices to identify web visitors?
No. IRDM's subsystems do not use persistent cookies to identify web visitors.

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