

# Compliance Data Environment, Release 3 (CDer3) – Privacy Impact Assessment

PIA Approval Date – May 29, 2009

## **System Overview:**

Compliance Data Environment, Release 3 (CDer3) eliminates the manual handling of paper tax returns and provides central and local monitoring of all aspects of the Audit classification process. The purpose of CDer3 is to automate and increase workload efficiencies and fairness of audit case selection, and to address alternative compliance treatment. CDer3 will automate current labor-intensive, manual analysis of data files not available in any other application, while incorporating fraud and collect ability indicators

## **Systems of Records Notice (SORN):**

- IRS 42.021 – Compliance Programs and Projects Files
- IRS 34.037 – IRS Audit Trail and Security Records System
- IRS 42.008 – Audit Information Management System

## **Data in the System**

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

- A. Taxpayer – CDer3 contains data elements from the Form 1040 taxpayer tax return data including date of birth, name, address, gross income; TINs, audit history, deductions, and Discriminant Function (DIF) DIF score.
- B. Audit Trail Information – CDer3 does not have any end users to the application. Thus, there is no log-in to access the application. Audit trail information through CDer3's database is controlled by Modernization & Information Technology Services (MITS)-30 Enterprise Operations Personnel (EOps). The CDer3 database keeps audit trails for all files processed by the application, which reflect the file processed, data and time of processing, number of records (input/output), and any errors that occur from problems with the rules in the RBE, which have its own capabilities.

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

- A. IRS:
  - CDE – CDer3 receives tax return information from the Compliance Data Environment (CDE) application. This tax return data originally comes from the tax return form 1040 series. Data elements from the 1040 taxpayer return form include date of birth, name, address, gross income, TINs, audit history, deductions, and DIF score.
  - MS Access Database – CDer3 also receives Allowable Living Expense (ALE) information from a MS Access Database. This information is not private taxpayer information, rather public data originally obtained from the United States Census Bureau.
  - DEPDB – CDer3 receives an Initial Inventory Selection results file from DEPDB, which contains the status of each return (whether it was posted to Audit Information Management System (AIMS) or rejected).

**3. Is each data item required for the business purpose of the system? Explain.**

Yes. The CDEr3 application will provide an automated means to identify areas of non-compliance. CDEr3's RBE uses the taxpayer information from tax return forms to automatically generate areas of non-compliance. Thus, available efforts can be focused on the more significant potential non-compliance issues. Certain taxpayer records generated from CDEr3 may be used to select taxpayers for enforcement or non-enforcement actions.

**4. How will each data item be verified for accuracy, timeliness, and completeness?**

CDEr3 receives data from CDE, which validates the data prior to sending it to the CDEr3 database. Thus, this taxpayer return data comes from an authoritative source and cannot be changed (authoritative source in this case is CDE; pulling the data directly from the Masterfile. This data can't be changed as it is loaded). The RBE filters this data, but does not actually change any of the taxpayer data and variables.

**5. Is there another source for the data? Explain how that source is or is not used.**

No. Other than ALE information and taxpayer data received from CDE, there are no other data sources.

**6. Generally, how will data be retrieved by the user?**

There are no end users of the CDEr3 application. An end user from the MIS-DW application cannot directly retrieve data from the CDEr3 database. Instead, the PDS sends data via EFTU file transfer to MIS-DW, where MIS-DW users view, research, and select data.

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

No. There are no end users of the CDEr3 application. Therefore, nobody can access, retrieve, or read the data in CDEr3's database.

**Access to the Data**

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

There are no end users of the CDEr3 application. System and database administrators gain access to CDEr3 through the server rather than the application itself. All access is confined to only IRS employees and only those employees who have been cleared to access CDEr3 to perform specific functions.

System and Database Administrators gain access through the server which gives them the ability to change/modify and configure settings and look at audit capabilities. An Audit log/trail is kept at the application and GSS level when SAs, DBAs, or Developers access or make changes to the system.

Developers will only have access to CDEr3's production environment for a limited time when they make changes to the rules in the RBE or CDEr3 coding. MITS EOps will grant MITS-AD CDEr3 access, to ensure that the RBE is functioning properly and producing the desired output into the PDS. Once this has been confirmed, developers will lose access to the production environment.

*No outside contractors will have access to the system in the production environment.*

**9. How is access to the data by a user determined and by whom?**

CDEr3 does not have any end users. System and Database Administrators can only access the application through the server rather than the application and are granted access through the On Line 5081. The only other instance of access is when MITS EOps grants temporary access to developers after developers have made a change to the rules in the RBE or CDEr3 code.

**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.

- CDE – CDEr3 receives tax return information from the Compliance Data Environment (CDE) application. This tax return data originally comes from the tax return form 1040 series. Data elements from the 1040 taxpayer return form include date of birth, names, address, gross income, TINs, audit history, deductions, and DIF score.
- DEPDB – CDEr3 receives an Initial Inventory Selection results file from DEPDB, which contains the status of each return (whether it was posted to Audit Information Management System (AIMS) or rejected). This Initial Inventory Selection file also includes date of birth, names, address, gross income, TINs, audit history, deductions, and DIF score.
- MIS-DW – CDEr3 sends taxpayer data via an EFTU file transfer to MIS-DW that includes date of birth, names, address, gross income, TINs, audit history, tax deductions, and DIF score.

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

Yes.

CDE

- Received an Authority to Operate (ATO) – April 10, 2008
- Privacy Impact Assessment (PIA) – May 11, 2007

MIS-DW

- (Currently going through recertification) Authority to Operate (ATO) – May 18, 2006
- Privacy Impact Assessment (PIA) – December 12, 2008

DEPDB

- Authority to Operate (ATO) – March 16, 2009,
- Privacy Impact Assessment (PIA) – December 18, 2008

**12. Will other agencies provide, receive, or share data in any form with this system?**

No. Agencies do not directly provide, receive or share data with CDEr3.

**Administrative Controls of Data**

**13. What are the procedures for eliminating the data at the end of the retention period?**

The outcome of the Initial Inventory Selection results file from DEPDB will be stored for 7 years, and tax return information from CDE is available to CDEr3 for 3 years. Removal of the data in storage will be handled by proper degaussing of the magnetic media used for storage. Any other record retention measures for CDEr3 are required by IRS Internal Revenue Manual (IRM) 1.15.27. Records Control

Schedule for Compliance Research. The records covered by this schedule are created and maintained by the Compliance Research Division. The Compliance Research Division generates a number of records unique to the Service. They include those belonging to the Taxpayer Compliance Measurement Program (TOMP), Workload Selection System, Discriminant Function area, and special one-time studies and reports produced by other functions of research. The records disposition authorizations in this schedule are based upon administrative determinations of the Internal Revenue Service, are included under Job Number N1-58-89-4, and were approved by the Archivist of the United States on October 16, 1989. Specific records would include items 6, 8, 36, 38, 45, 46, from the Exhibit 1.15.27-1. All schedules will be followed based on the requirements set forth in this Exhibit.

**14. Will this system use technology in a new way?**

No.

**15. Will this system be used to identify or locate individuals or groups? If so, describe the business purpose for this capability.**

No. The CDEr3 will not be used to identify or locate individuals or groups. It will only use its static database of tax returns to pre-classify potentially non-compliant issues that meet pre-established selection criteria.

**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. The CDEr3 will not be used to identify or locate individuals or groups. It will only use its static database of tax returns to pre-classify potentially non-compliant issues that meet pre-established selection criteria.

**17. Can use of the system allow IRS to treat taxpayers, employees, or others, differently?**

No. The CDEr3 system does not allow the IRS to treat taxpayers, employees, or others differently. CDEr3 does not have users, thus no PII data may be viewed or analyzed.

**18. Does the system ensure "due process" by allowing affected parties to respond to any negative determination, prior to final action?**

Not Applicable. The CDEr3 system may not audit or classify particular individuals.

**19. If the system is web-based, does it use persistent cookies or other tracking devices to identify web visitors?**

Not Applicable. CDEr3 is not web-based and does not have end users.

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