

TREASURY
INSPECTOR GENERAL

FOR TAX ADMINISTRATION

Annual
Audit Plan

Fiscal Year 2010



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Fiscal Year 2010 Annual Audit Plan

Message from the Deputy Inspector General for Audit

As the United States and the global community continue to face the worst economic times in recent history, Federal agencies are under increasing pressure to effectively and efficiently deliver their programs in a transparent, accountable manner. The Internal Revenue Service (IRS) is no different. The IRS operates in a rapidly changing environment that includes the ever increasing complexity of, and frequent revisions to, the Internal Revenue Code (IRC), making it more difficult to explain and enforce the tax laws and more costly for taxpayers who want to comply. The IRS is also increasingly being asked by the Congress to play major roles in non-traditional tax matters. Last year, the IRS was tasked with issuing economic rebate payments to over 116 million households during the tax filing season. In addition, Congress is currently considering numerous tax law changes in the proposed healthcare reform legislation which could have a significant effect on the IRS in the coming years. As the IRC is modified to effect broad policy changes, the IRS is faced with the challenge of responding timely and effectively by shifting resources and altering established plans.

In addition to these environmental challenges, we believe that in Fiscal Year (FY) 2010 the IRS will continue to face many of the same challenges the Office of Audit has previously identified, including modernization of its computer systems and business processes, ensuring security of its resources, addressing the tax gap, balancing customer service and enforcement while protecting taxpayer rights, and strategic management of human capital. We have also identified a new FY 2010 challenge the IRS must address – Globalization.

The IRS Business Systems Modernization Program is a complex effort to modernize its technology and related business processes. The Modernization Program (or Program), is in its 11th year and has received over \$3 billion for contractor services and internal IRS costs. However, the past year's Program performance did not continue the trend of improvement it demonstrated in the prior 3 years. While the IRS has improved its controls over program management processes as the Program has matured, several weaknesses continue to exist. Recent TIGTA audits have identified continued problems in requirements development and management, program management, contract management, and security controls. Since 1995, the IRS has identified and reported the Modernization Program as a material weakness. Until the IRS is able to show consistent progress and improvement in the management of its Modernization Program, the Program will remain a high risk for the IRS and will continue to be considered a material weakness.

Millions of taxpayers entrust the IRS with sensitive financial, personal, and other data that are processed by and stored on IRS computer systems. Reports of identity thefts from both the private and public sectors have heightened awareness of the need to protect

these data. The risk that taxpayers' identities could be stolen by exploiting security weaknesses in the IRS's computer systems continues to increase, as does the risk that IRS computer operations could be disrupted. Internal factors (such as the increased connectivity of computer systems and increased use of portable laptop computers) and external factors (such as the volatile threat environment resulting from increased terrorist and hacker activity) require strong security controls.

Another compelling challenge for the IRS is tax compliance. Tax compliance initiatives include administering tax regulations and collecting the correct amount of tax dollars from businesses and individuals, and overseeing tax-exempt and government entities for compliance. Increasing compliance with the tax code is at the heart of the IRS enforcement programs. The IRS is focusing its casework and enforcement activities to deliver better results and to better target those corporations and high-income individuals who fail to report or pay what they owe. The IRS's estimate of the tax gap, which is defined as the difference between what taxpayers are supposed to pay and what is actually and timely paid, is \$345 billion. The IRS has significant challenges in obtaining complete and timely data regarding compliance and developing the methods for interpreting the data. Even with better data, the IRS needs broader strategies and better research to determine what actions are most effective in addressing noncompliance.

Congress frequently changes the tax laws, so some level of change is a normal part of the IRS environment. However, certain types of changes and the timing of those changes can significantly affect the IRS in terms of the quality and effectiveness of its service and how taxpayers perceive the Service. The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009. The Recovery Act presents significant challenges to all Federal agencies as they move to implement provisions quickly while attempting to minimize risk and meet increased standards for transparency and accountability. With its numerous tax provisions, the Recovery Act poses significant challenges to the IRS as the nation's tax collection agency and administrator of tax laws. These provisions, which impact both individual and business taxpayers, will challenge the IRS as it attempts to implement the required changes over multiple filing seasons.

The IRS recognizes that effective taxpayer service has a significant impact on voluntary tax compliance and continues to focus on improving service. Assisting taxpayers in preparing their returns by answering tax questions reduces the burden of notices and correspondence that taxpayers might have received if they made errors on their returns. Taxpayer service also reduces overall unintentional noncompliance and the need for compliance activity in the future. As a result of resource shifts and other factors, the IRS developed its Taxpayer Assistance Blueprint to improve services for taxpayers by focusing on services that support the needs of individuals who file, or should file, the Form 1040 series tax returns. While the IRS has begun implementing the initiatives, many are dependent upon future funding.

Strategic human capital is an essential part of any organization's efforts to maximize performance and assure accountability for achieving results. Like many other Federal Government agencies, the IRS has experienced workforce challenges over the past few

years, including recruiting, training, and retaining employees, as well as an increasing number of employees who are eligible to retire. To fill the projected shortage in leadership, the IRS has stated that it must recruit one manager a day for the next 10 years. The IRS's challenge of having the right people in the right place at the right time is made more difficult by many complex internal and external factors. The IRS Commissioner recognizes the need for greater attention to human capital. He established the Workforce of Tomorrow Task Force to address recruitment and retention issues so that the IRS has the necessary leadership and workforce in place to address future challenges.

The IRS also faces significant enforcement challenges by the scope, complexity, and magnitude of the international financial system. As technology continues to advance and cross-border transactions rise, the IRS faces the growing challenge created by economic globalization. Over the past few years, the IRS has taken actions to better coordinate international tax compliance issues. In September 2007, the IRS announced a Service-wide Approach to International Tax Administration highlighted by three strategic goals: 1) improving taxpayer service; 2) enhancing enforcement and modernizing the IRS for improving voluntary compliance with international tax provisions; and 3) reducing the Tax Gap attributable to international transactions. In addition, the IRS Commissioner has emphasized that international issues will be a top priority during his tenure. The IRS has also made other changes to its structure and processes, including increasing cooperation and outreach efforts to foreign governments.

To continue to meet our mission of assessing and helping to prevent, detect, and deter fraud, waste, and abuse in IRS programs and operations, we must also adapt to the ever changing environment in which we operate. Nearly 40 percent of our FY 2010 audit resources will be devoted to projects mandated by law or at the specific request of the Congress, the IRS, the IRS Oversight Board, and other stakeholders. We must be nimble enough to focus on potential new initiatives such as ones contained in the proposed healthcare legislation and those related to international tax issues, while maintaining the appropriate focus on our risk-based assessments. To further these goals, last year the Office of Audit realigned its organizational structure to better mirror major IRS processes and initiatives. Under our realigned structure, we are better prepared to address emerging issues and the ongoing challenges of the IRS. Our FY 2010 Annual Audit Plan is designed to accomplish these goals. See [*List of Planned Audits for Fiscal Year 2010 by Major Management and Performance Challenge*](#).



Michael R. Phillips
Deputy Inspector General for Audit

The Mission and the Organization

The Treasury Inspector General for Tax Administration (TIGTA) was established in January 1999 in accordance with the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998¹, with the powers and authorities given to other Inspectors General under the Inspector General Act². TIGTA provides independent oversight of Department of the Treasury matters involving IRS activities, the IRS Oversight Board, the National Taxpayer Advocate, and the IRS Office of Chief Counsel.

TIGTA's focus is devoted entirely to the IRS and its related entities, and it conducts independent and objective audits, inspections and evaluations, and investigations of IRS programs and activities. TIGTA is organizationally placed within the Department of the Treasury, but it is independent of the Department and all other offices and agencies within the Department. TIGTA is committed to providing timely, useful, and reliable information and advice to IRS officials, including its Chief Counsel, the IRS Oversight Board, the Department of the Treasury, Congress, and the public.

TIGTA's Office of Audit identifies opportunities to improve the administration of the Nation's tax laws by conducting comprehensive, independent performance and financial audits of IRS programs, operations, and activities to:

- assess efficiency, economy, effectiveness, and program accomplishments;
- ensure compliance with applicable laws and regulations; and
- prevent, detect, and deter fraud, waste, and abuse.

The Office of Audit program is comprised of reviews mandated by statute or regulation, as well as reviews identified through the Office of Audit's planning and evaluation process. The Office of Audit strategically evaluates IRS programs, activities, and functions so that resources are expended in the areas of highest vulnerability to the Nation's tax system. TIGTA provides recommendations to improve IRS systems and operations, while ensuring fair and equitable treatment of taxpayers.

Under the leadership of the Inspector General, the Deputy Inspector General for Audit (DIGA) is responsible for the Office of Audit. Four Assistant Inspectors General for Audit (AIGA), aligned around the IRS's processes, report to the DIGA. The four AIGAs cover: 1) Management Services and Exempt Organizations Programs; 2) Security and Information Technology Services; 3) Compliance and Enforcement Operations; and 4) Returns Processing and Accounts Services.

Please see [Appendix I](#) for the Office of Audit organization chart.

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

² 5 U.S.C.A. app. 3 (West 2007).

Audit Program for Fiscal Year 2010

The Office of Audit Fiscal Year (FY) 2010 Annual Audit Plan communicates the Treasury Inspector General for Tax Administration's (TIGTA) audit priorities to the Internal Revenue Service (IRS), Congress, and other interested parties. Many of the activities described in the Annual Audit Plan address the fundamental goals related to the IRS's mission to administer its programs effectively and efficiently.

Each year, the TIGTA identifies and addresses the major management and performance challenges facing the IRS. The Annual Audit Plan is organized by TIGTA's listing of the major challenges facing the IRS for FY 2010 (Appendix II). Emphasis is placed on the mandatory coverage imposed by the IRS Restructuring and Reform Act of 1998 (RRA 98)¹ and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial audits. The American Recovery and Reinvestment Act of 2009² (Recovery Act) contains multiple tax law changes that the IRS is charged with administering. TIGTA has several audits planned to monitor Recovery Act issues as shown in Appendix XIX.

The balance of TIGTA's audit work is concentrated on high-risk areas and will focus on the IRS's progress in achieving its strategic goals and eliminating identified material weaknesses. In addition, audits will address areas of concern to the IRS Commissioner, the IRS Oversight Board, the Secretary of the Treasury, Congress, and other stakeholders. The IRS's goals and objectives for the next fiscal year are highlighted in Appendix III.

To identify FY 2010 high-risk areas for audit coverage, TIGTA uses a risk-assessment strategy within its core business areas. The Assistant Inspectors General for Audit advise the Deputy Inspector General for Audit on the major risks facing the IRS in their respective program areas and annually propose a national audit plan based on perceived risks, stakeholder concerns, and followup reviews of previously audited areas with significant control weaknesses. In addition, to keep apprised of operating conditions and emerging issues, the Office of Audit executives maintain liaison and working contact with applicable IRS executives, the IRS Oversight Board, Department of the Treasury and Government Accountability Office officials, and congressional staffs.

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

² American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115.

Office of Audit's Program Areas

The following narratives briefly describe the alignment of the Treasury Inspector General for Tax Administration's (TIGTA) Business Units and the areas within the Internal Revenue Service (IRS) that these Units will review during Fiscal Year (FY) 2010.

Management Services and Exempt Organizations

The Management Services and Exempt Organizations Unit reviews several IRS programs, including Financial Management, the Tax Exempt and Government Entities Division, the Agency-Wide Shared Services function, the Chief Human Capital Officer, the IRS Oversight Board, and acquisition and procurement fraud.

The Management Services and Exempt Organizations Unit also addresses IRS offices reporting directly to the IRS Commissioner, including the Taxpayer Advocate Service, Office of Chief Counsel, Office of Appeals, Office of Equity, Diversity, and Inclusion, and Office of Research, Analysis and Statistics. The National Taxpayer Advocate endeavors to identify and respond to taxpayer concerns and advocates changes in law or procedures to reduce taxpayer burden, while the Chief Counsel's strategic objective includes providing expanded guidance and increased legal support to IRS units.

Security and Information Technology Services

The Security and Information Technology Services Unit assesses the ongoing multibillion dollar, multiyear Business Systems Modernization Program, including post-implementation reviews. Some of these core system projects are focused on the activities related to filing and processing tax returns, posting tax return information to accounts, and accessing tax account information. This Unit also reviews the security of IRS computer systems, property and personnel, and disaster recovery procedures and activities.

The Business Systems Modernization (Modernization Program or Program) is a complex effort to modernize IRS technology and related business processes. It involves integrating thousands of hardware and software components while replacing outdated technology and maintaining the current tax system. The IRS originally estimated that the Modernization Program would last up to 15 years and incur contractor costs of approximately \$8 billion.¹ The Program is now in its 11th year and has received approximately \$2.72 billion for contractor services, plus an additional \$353 million for internal IRS costs.

¹ TIGTA audit *Annual Assessment of the Business Systems Modernization Program* (Report Reference Number 2009-20-136, dated September 14, 2009).

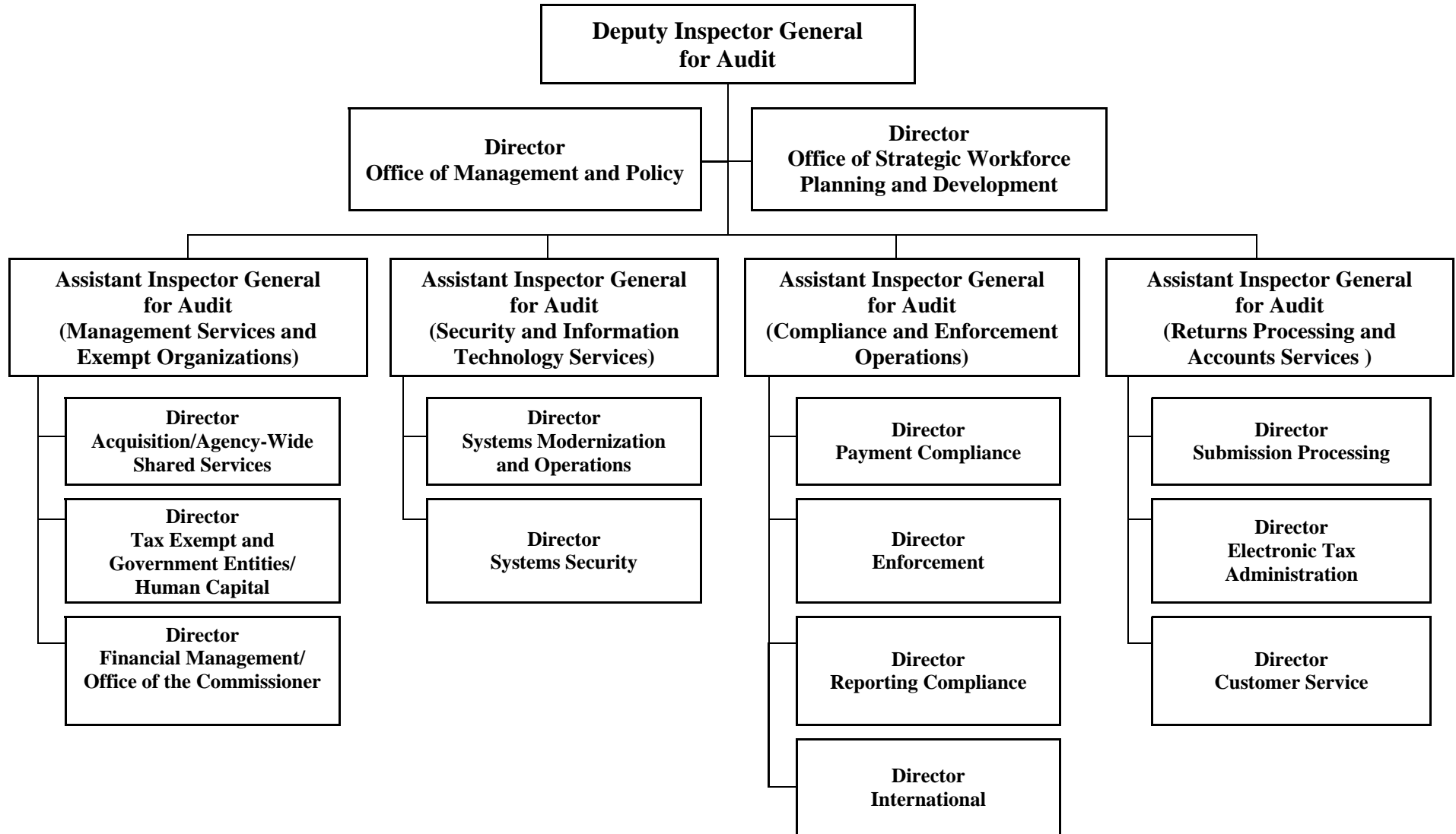
Compliance and Enforcement Operations

The Compliance and Enforcement Operations Unit reviews reporting, filing, and payment compliance IRS-wide. This includes the examination (except for tax-exempt organizations) and collection functions of all taxpayer groups, both international and domestic. This Unit focuses on all tax-related activities concerning compliance with and enforcement of tax laws and regulations, including the Criminal Investigation Division (except the Questionable Refund Program) and tax preparers involved in inappropriate or criminal activity.

Returns Processing and Accounts Services

The Returns Processing and Accounts Services Unit reviews activities related to the preparation and processing of tax returns and the issuing of refunds to taxpayers. This includes Customer Service activities, outreach efforts, tax law implementation, taxpayer assistance, notices, submission processing, and upfront compliance such as the Frivolous Returns Program and the Criminal Investigation Division's Questionable Refund Program. This Unit focuses on 1) all activities leading to the preparation, filing, processing, posting, and adjusting of tax returns and related tax account information for both business and individual taxpayers, and 2) the authorization and monitoring of tax preparers and electronic return originators.

Organization Chart
Treasury Inspector General for Tax Administration Office of Audit



Major Management and Performance Challenges Facing the Internal Revenue Service

The Treasury Inspector General for Tax Administration (TIGTA) has identified the following as the major management and performance challenges facing the Internal Revenue Service (IRS) in Fiscal Year 2010:

- ❖ Modernization
- ❖ Security
- ❖ Tax Compliance Initiatives
 - Business and Individual
 - Tax Exempt Entities
- ❖ Implementing Tax Law Changes
 - American Recovery and Reinvestment Act
 - Other Tax Law Changes
- ❖ Providing Quality Taxpayer Service Operations
- ❖ Human Capital
- ❖ Erroneous and Improper Credits and Payments
 - Refundable Credits
 - Contract and Other Payments
- ❖ Globalization
- ❖ Taxpayer Protection and Rights
- ❖ Leveraging Data to Improve Program Effectiveness and Reduce Costs

The TIGTA FY 2010 annual summary of these issues, including comments on progress the IRS has made toward resolving the challenges or the vulnerabilities that it continues to face in achieving results, may be viewed on the Internet at the following address:

http://www.treas.gov/tigta/oa_management.shtml

The Internal Revenue Service's
Strategic Goals and Foundations¹

IRS Strategic Plan 2009-2013		
Goal 1	Goal 2	Strategic Foundations
Improve Service to Make Voluntary Compliance Easier	Enforce the Law to Ensure Everyone Meets Their Obligation To Pay Taxes	Invest for High Performance
<p>Objectives:</p> <ul style="list-style-type: none"> • Incorporate taxpayer perspectives to improve all service interactions • Expedite and improve issue resolution across all interactions with taxpayers, making it easier to navigate the IRS • Provide taxpayers with targeted, timely guidance and outreach • Strengthen partnerships with tax practitioners, tax preparers and other third parties in order to ensure effective tax administration 	<p>Objectives:</p> <ul style="list-style-type: none"> • Proactively enforce the law in a timely manner while respecting taxpayer rights and minimizing taxpayer burden • Expand enforcement approaches and tools • Meet the challenges of international tax administration • Allocate compliance resources using a data-driven approach to target existing and emerging high-risk areas • Continue focused oversight of the tax-exempt sector • Ensure that all tax practitioners, tax preparers and other third parties in the tax system adhere to professional standards and follow the law 	<p>Objectives:</p> <ul style="list-style-type: none"> • Make the IRS the best place to work in government • Build and deploy advanced information technology systems, processes and tools to improve IRS efficiency and productivity • Use data and research across the organization to make informed decisions and allocate resources • Ensure the privacy and security of data and the safety and security of employees

¹ Excerpt from the Internal Revenue Service FY 2009 – 2013 Strategic Plan, revised 4-2009.

Appendix IV

American Recovery and Reinvestment Act of 2009

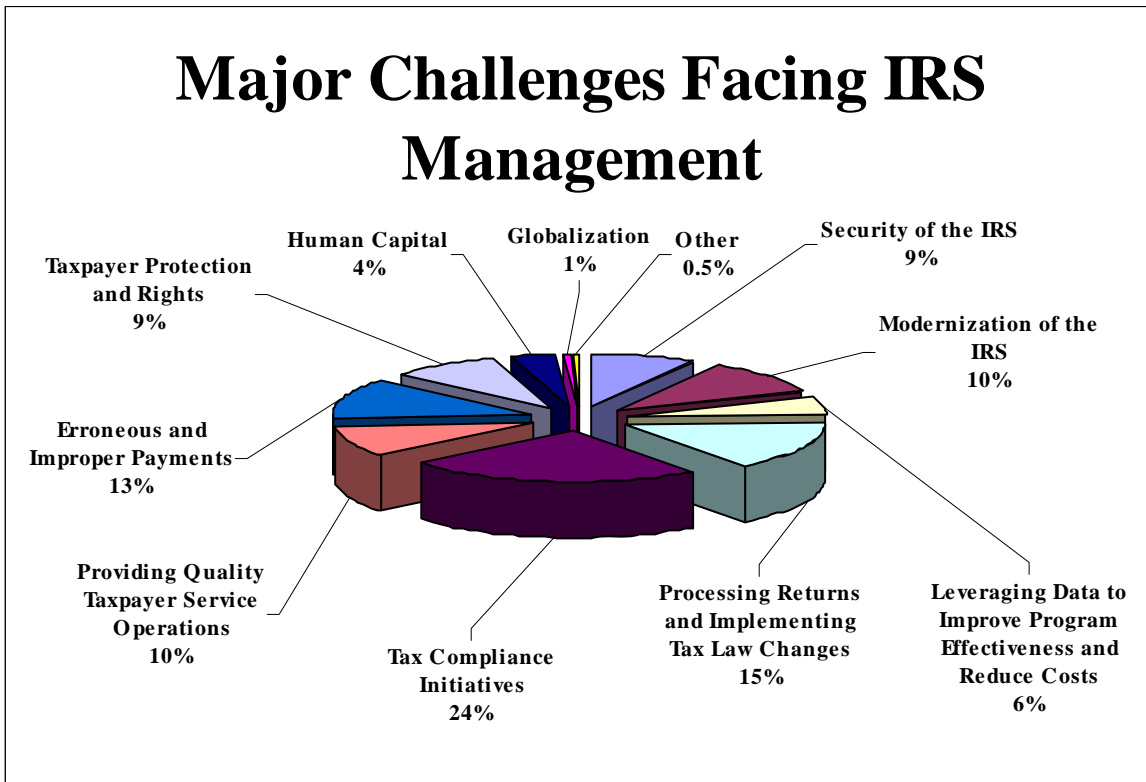
The American Recovery and Reinvestment Act² (Recovery Act) is intended to jumpstart our economy, create or save millions of jobs, and address many of the challenges facing our country. Included in the Recovery Act provisions are many tax law provisions that the Internal Revenue Service (IRS) is charged with administering. Additionally, the Treasury Inspector General for Tax Administration (TIGTA) received separate Recovery Act funding through September 30, 2013, to be used in oversight activities of IRS programs.

The Recovery Act is a far-reaching effort that includes multiple tax law changes, and the impact of some of these will not be apparent for several years. As part of its Recovery Act oversight, TIGTA will continue to coordinate its activities with appropriate external oversight agencies and include the impact of these provisions in its strategic planning activities.

TIGTA and the Treasury Office of Inspector General (TIG) agreed to coordinate oversight activities in two key Recovery Act areas: *Low-Income Housing Grants* and *Specified Energy Property Grants*. Both TIGTA and TIG have oversight responsibility in these two areas. TIG will review the grants side of the equation, and TIGTA will review how well the IRS is updating forms, publications, and its customer services to assist taxpayers in understanding the implications of these grants. TIGTA and TIG also agreed to coordinate oversight to determine if individuals claim both the credit and receive a grant. TIGTA will monitor the IRS's approximate \$86.4 million in Recovery Act contracts during the strategic planning process and initiate individual audits as warranted. TIGTA will apply Office of Management and Budget Recovery Act implementing guidance and existing Federal Acquisition Regulation requirements in its monitoring of these contracts. Please see [Appendix XIX](#) for a listing of all Recovery Act-related audits.

² American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115.

Office of Audit's Fiscal Year 2010
Staff Day Allocation By Major Challenges Facing Internal
Revenue Service Management



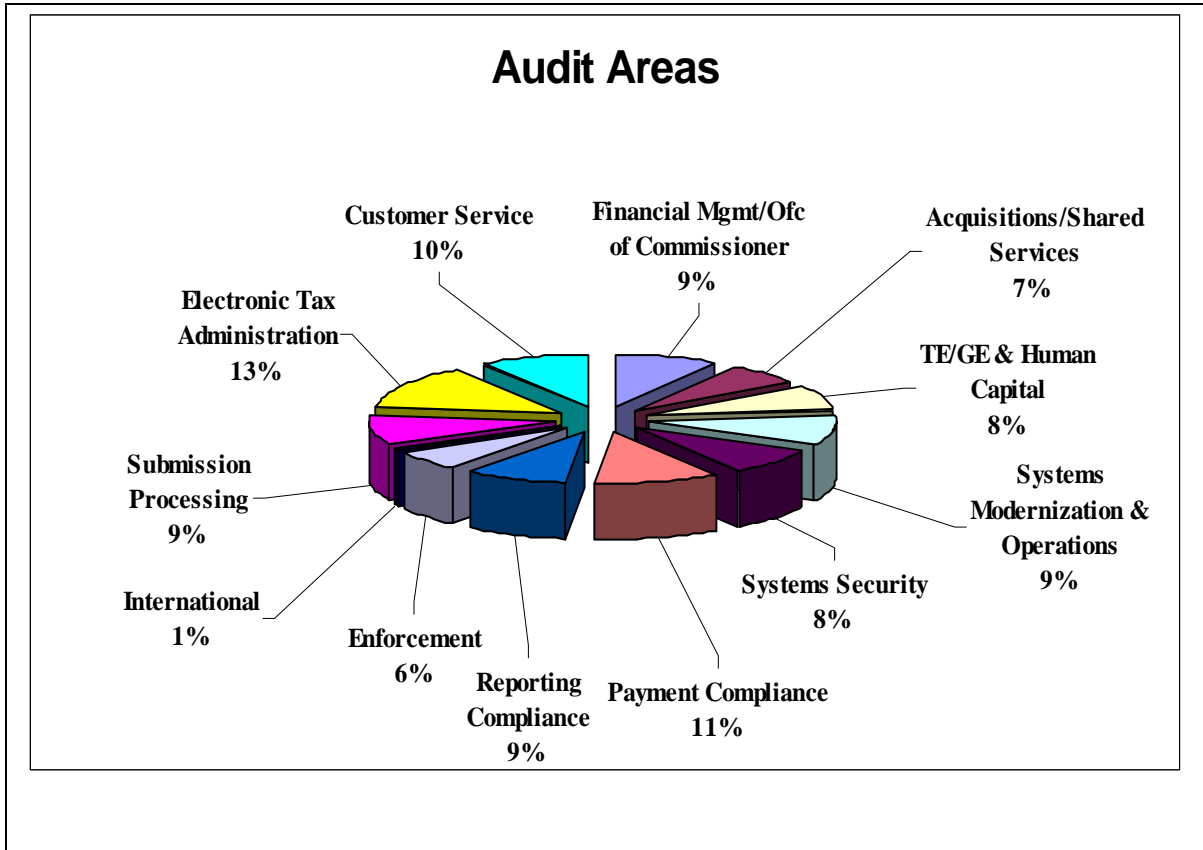
Note: Some audits relate to more than one major challenge area. In addition, Fiscal Year (FY) 2010 staff days are included for audits that were started in FY 2009 with planned completion dates in FY 2010. Totals might not equal 100 percent due to rounding.

Office of Audit's Fiscal Year 2010 Staff Day Allocation By Internal Revenue Service Strategic Plan Goals and Foundations



Note: Some audits relate to more than one strategy area. In addition, Fiscal Year (FY) 2010 staff days are included for audits that were started in FY 2009 with planned completion dates in FY 2010. Totals might not equal 100 percent due to rounding.

Office of Audit's Fiscal Year 2010 Staff Day Allocation by Audit Areas



Note: Fiscal Year (FY) 2010 staff days are included for audits that were started in FY 2009 with planned completion dates in FY 2010. Totals might not equal 100 percent due to rounding.

List of Planned Audits for Fiscal Year 2010 by Major Management and Performance Challenge

Modernization

List of Planned Audits for Fiscal Year 2010

Modernization includes both computer systems and business structure (reorganization) modernization. Although both issues have their own sets of challenges, they must both succeed to fully modernize the Internal Revenue Service (IRS). The Business Systems Modernization (BSM) Program involves integrating thousands of hardware and software components over 15 years. The Program is now in its 11th year and has received approximately \$2.72 billion for contractor services, plus an additional \$353 million for internal IRS costs.

Health Coverage Tax Credit System Upgrades for Fiscal Year 2010 (2010 – New Start - 201020101)

Audit Objective: Determine if the IRS is properly accounting for American Recovery and Reinvestment Act¹ (Recovery Act) funds as part of system upgrades to the Health Coverage Tax Credit system for Fiscal Year (FY) 2010.

FY 2010 Assessment of the Business Systems Modernization Program (2010 – New Start - 201020002)

Audit Objective: Assess the progress of the IRS's BSM Program for Fiscal Year 2010.

Controls over Governance of Information Technology Projects - Followup (2010 – New Start – 201020003)

Audit Objective: Determine whether the Modernization and Information Technology Services organization has taken actions to enhance its governance process over Information Technology (IT) projects, including establishing reasonable and relevant Modernization performance measures. Determine the effectiveness of Executive Steering Committees on overseeing IT projects and programs.²

¹ American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115.

² Prior TIGTA Audit *The Information Technology Enterprise Governance Structure Needs Further Process Improvements to Ensure Adequate Oversight* (Report Reference Number 2008-20-134, dated July 31, 2008).

Development of the Modernized Taxpayer Account Program (2010 – New Start - 201020004)

Audit Objective: At the request of the IRS Oversight Board, determine whether 1) sound system development practices are being used to reengineer the IRS's tax account management process to meet future needs; 2) Customer Account Data Engine (CADE) design flaws will be adequately addressed by the new approach selected to manage tax accounts and returns; 3) Master File³ financial material weaknesses will be adequately addressed by the selected approach; and 4) the selected approach will include capabilities that were originally planned for CADE.

Return Review Program Development (2010 – New Start - 201020005)

Audit Objective: Determine whether the IRS and its contractors are using sound systems development practices in developing the Return Review Program (formerly Web-Based Electronic Fraud Detection System).

Service Delivery Management Command Center (2010 – New Start - 201020006)

Audit Objective: Determine whether the Service Delivery Management Command Center organization has implemented and is following Information Technology Infrastructure Library best practices to ensure service delivery management for Enterprise Operations products and services.

Integrated Financial System Upgrades (2010 – New Start - 201020007)

Audit Objective: At the suggestion of the IRS, determine whether the IRS has sufficiently planned for the upgrade or replacement of the Integrated Financial System.

Capacity to Effectively Analyze Increased Tax Return Information (2010 – New Start - 201020008)

Audit Objective: At the request of the IRS Oversight Board, determine whether the IRS has the computer systems capacity necessary to effectively process and analyze the additional tax return information made available from e-filed returns, including third party information returns. Also, determine whether the IRS has sufficient downstream systems and infrastructure available to take advantage of the additional data.

³ The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

Modernized e-File Release 6 Post-Implementation (2010 – New Start - 201020009)

Audit Objective: At the request of the IRS Oversight Board, determine if Modernized e-File Release 6 is working as intended to process electronically-filed U.S. Individual Income Tax Returns (Form 1040).

Enterprise Operations Triplex Implementation (2008 – Work in Process - 200820031)

Audit Objective: At the request of the IRS, review the efficiency and effectiveness of implementing the Enterprise Operations Triplex Initiative in the three IRS data centers.

Controls Over the Use of Non-Modernization Systems in the Business Systems Modernization Program (2009 – Work in Process - 200920019)

Audit Objective: Determine whether system development and/or enhancement of non-modernization systems for inclusion in the BSM Program are properly controlled as included in Modernization guidance. Also, determine whether the implementation of the unified work request process has improved IRS configuration management processes and has resulted in better control of change requests.

Modernized e-File Project Release 6 Development (2009 – Work in Process - 200920023)

Audit Objective: Determine whether the IRS and its contractors are using sound systems development practices in developing the current Modernized e-File release and follow up on prior audit recommendations. Also, ascertain whether the Excise Tax e-File and Compliance Project is performing as planned.

Data Center Energy Efficiency (2009 – Work in Process - 200920025)

Audit Objective: Determine whether the IRS is building/planning to build toward a more energy-efficient data center environment.

Modernization and Information Technology Services Sustaining Infrastructure (2009 – Work in Process - 200920026)

Audit Objective: At the suggestion of the IRS, determine the effectiveness of IRS's efforts to address the critical issue of sustaining the IRS Information Technology infrastructure.

Modernization and Information Technology Services

Organization Program Integration Office Start-Up (2009 – Work in Process - 200920029)

Audit Objective: Assess the adequacy of the Modernization and Information Technology Services organization Program Integration Office start-up activities to manage the migration of taxpayer account processing to a modernized environment.

Health Coverage Tax Credit Expansion Effort (2009 – Work in Process - 200920130)

Audit Objective: Determine if controls are in place for administration and expansion of the Health Coverage Tax Credit under the Recovery Act.

Federal Student Aid-Datashare Project (2009 – Work in Process - 200920031)

Audit Objective: At the request of the IRS, determine whether the IRS has properly developed and placed adequate security controls on the Federal Student Aid-Datashare Project.

Efficiency of Desktop Computer Equipment (2009 – Work in Process - 200920032)

Audit Objective: Determine whether the IRS has policies in place to reduce energy usage by desktop computer equipment.

Modernization and Information Technology Services

Organization's Capital Planning and Investment Control (2009 – Work in Process - 200920033)

Audit Objective: Determine the effectiveness of Modernization and Information Technology Services organization's Capital Planning and Investment Control processes, timelines, and earned value management policies; classification of investments; and governance requirements in conjunction with the guidance provided in Office of Management and Budget Circulars A-11 and A-94.

Remittance Strategy for Paper Check Conversion at Field Offices (2009 – Work in Process - #200940007)

Audit Objective: Determine whether the Remittance Strategy for the Paper Check Conversion System is functioning as intended and is processing paper remittances in an accurate and timely manner.

***Effectiveness of the Tax Exempt and Government Entities
Reporting and Electronic Examination System (2008 – Work in Process
- 200810035)***

Audit Objective: At the request of IRS, assess: 1) whether implementation of the Tax Exempt and Government Entities Reporting and Electronic Examination System led to expected improvements in the examination process, and 2) whether appropriate actions are being taken to improve the System.

Security

List of Planned Audits for Fiscal Year 2010

Millions of taxpayers entrust the IRS with sensitive financial and personal data stored in and processed by IRS computer systems. Reports of identity thefts from both the private and public sectors have heightened awareness of the need to protect this data. The risk that taxpayers' identities could be stolen by exploiting security weaknesses in the IRS's computer systems continues to increase, as does the risk that its computer operations could be disrupted. Internal factors, such as the increased connectivity of computer systems and increased use of portable laptop computers; and external factors, such as the volatile threat environment resulting from increased terrorist and hacker activity require strong security controls.

2010 Federal Information Security Management Act (Unclassified Systems) (2010 – New Start - 201020010)

Audit Objective: Determine the progress made by the IRS in meeting the responsibilities established by the National Institute of Standards and Technology and the Office of Management and Budget (OMB) during the 2010 Federal Information Security Management Act (FISMA) mandatory review of the IRS's Unclassified information technology system security program.

2010 Federal Information Security Management Act (National Security Systems-Non Intelligence) (2010 – New Start - 201020011)

Audit Objective: Determine the progress made by the IRS in meeting the responsibilities established by the National Institute of Standards and Technology and the OMB during the 2010 FISMA mandatory review of the IRS's National Security Systems (Non-Intelligence) program.

FY 2010 Review of the Closure of the Computer Security Material Weakness (2010 – New Start - 201020012)

Audit Objective: At the suggestion of the Treasury Department, determine whether the IRS has effectively resolved the vulnerabilities relating to its computer security material weaknesses and implemented repeatable processes to ensure that the weaknesses do not reoccur.

Enterprise-wide E-Authentication Solution (2010 – New Start - 201020013)

Audit Objective: Determine whether the IRS has developed and implemented an effective enterprise-wide e-authentication solution for outward facing applications.

Database Security - Followup (2010 – New Start - 201020014)

Audit Objective: Determine whether the IRS has taken effective corrective actions to address previously identified security weaknesses with databases, and databases are adequately configured to secure and account for accesses to taxpayer data.¹

Modernized Audit Trails - Followup (2010 – New Start – 201020015)

Audit Objective: Determine whether the IRS has taken effective corrective actions to address previously identified security weaknesses with modernized audit trails and evaluate the future solutions on audit trail capabilities of modernized systems.²

Windows Server Security (2010 – New Start - 201020016)

Audit Objective: Determine whether servers with the Windows operating system are configured to provide adequate security over access privileges and auditing capabilities.

Adequacy of Security Tests and Evaluations (2010 – New Start - 201020017)

Audit Objective: Determine the adequacy of the Security Tests and Evaluations as part of the system authorization process on computer systems.

Enterprise Configuration Management (2010 – New Start – 201020018)

Audit Objective: Evaluate the efforts on ensuring consistent configuration management practices on an enterprise-wide basis. This review will focus on the adequacy of data integrity controls in IRS systems and the patch management process.

Password Compliance (2010 – New Start - 201020019)

Audit Objective: Determine whether IRS employees are complying with password rules and regulations.

¹ Prior TIGTA Audit *Standard Database Security Configurations Are Adequate, Although Much Work Is Needed to Ensure Proper Implementation* (Report Reference Number 2007-20-129, dated August 22, 2007).

² Prior TIGTA Audit *Improvements Are Needed to Ensure the Use of Modernization Applications Is Effectively Audited* (Report Reference Number 2006-20-177, dated September 29, 2006).

Security of Wireless Technology (2010 – New Start - 201020020)

Audit Objective: Determine whether the IRS properly secured the wireless devices on laptop computers and wireless networks. We will focus on security configuration of the devices/network, monitoring the wireless networks, and staff training on wireless security.

Security of Electronic Mail (2010 – New Start - 201020021)

Audit Objective: At the suggestion of the Department of the Treasury, determine whether the implementation of email technological controls maintains compliance with security policies and procedures.

Access Controls over the Automated Insolvency System (2010 – New Start - 201020022)

Audit Objective: At the suggestion of the IRS, determine whether access controls have been implemented on the Automated Insolvency Systems to ensure only authorized employees can access system resources for official business.

Enterprise Audit Log Use (2009 – Work in Process - 200920003)

Audit Objective: Determine whether current and planned IRS actions are adequate to detect unauthorized security events.

Security Controls on Contractor Managed Systems (2009 – Work in Process - 200920005)

Audit Objective: Determine whether security controls on IRS systems managed by contractors comply with National Institute of Standards and Technology requirements.

Enterprise Governance - Security Weaknesses (2009 – Work in Process - 200920006)

Audit Objective: Determine whether the IRS is providing sufficient enterprise governance over computer security to ensure the IRS is becoming a security conscious organization and is adequately addressing existing security weaknesses.

General Support System Security Controls (2009 – Work in Process - 200920007)

Audit Objective: Determine whether general support system security controls are being effectively implemented and whether owners of major applications that rely on them for certain key controls are kept apprised of the general support system security posture.

Privacy Assessment (2009 – Work in Process - 200920011)

Audit Objective: Determine the progress the IRS has made in ensuring the security and privacy of personally identifiable information it maintains.

Automated Collection System Application Review (2009 – Work in Process - 200920012)

Audit Objective: At request of the Department of the Treasury, determine whether the IRS implemented access controls, maintains and reviews audit logs, and maintains adequate configuration management controls for the systems reviewed.

Access Controls for the Registered User Portal (2009 – Work in Process - 200920014)

Audit Objective: Assess the adequacy and effectiveness of user access controls in place to allow outsiders (employees working away from the office, external business partners, and taxpayers) access to the IRS network and computer systems.

Taxpayer Data Provided to State Governments (2009 – Work in Process - 200920015)

Audit Objective: At the suggestion of the IRS, determine whether IRS actions are adequate to ensure that State governments provide adequate security over Federal taxpayer data provided to them.

FY 2009 Review of the ‘Roles and Responsibilities’ Closure of Computer Security Material Weaknesses (2009 – Work in Process - 200920016)

Audit Objective: At the suggestion of the Department of the Treasury, determine whether the IRS has effectively resolved the vulnerabilities relating to its computer security material weaknesses and implemented repeatable processes to ensure the weaknesses do not reoccur.

Volunteer Program Computer Management - Followup (2009 – Work in Process - #200940046)

Audit Objective: At the suggestion of the IRS, determine whether computers used in the Volunteer Program are properly accounted for and controlled.³

³ Prior TIGTA Audit Accountability Over Volunteer Income Assistance Program Computers Continues to Be a Problem, (Reference Number: 2006-40-172, dated September 25, 2006).

Tax Compliance Initiatives

List of Planned Audits for Fiscal Year 2010

Tax compliance initiatives include administering tax regulations and collecting the correct amount of tax for businesses and individuals, and overseeing tax-exempt and government entities for compliance. Increasing compliance with the tax code is at the heart of IRS enforcement programs. The IRS is focusing its casework and enforcement activities to deliver better results and to better concentrate on those corporations and high-income individual taxpayers who fail to report or pay what they owe.

Statistical Review of Trends in Noncompliance Rates and the Types and Funding of Retirement Plans (2010 – New Start - 201010009)

Audit Objective: Provide a statistical overview of noncompliance rates and changes in the types and funding levels of retirement plans.

The Federal, State, and Local Governments Office’s Voluntary Closing Agreements (2010 – New Start - 201010010)

Audit Objective: At the request of the IRS, determine whether the Office of Federal, State, and Local Governments ensures requests for voluntary closing agreements are processed in a timely, consistent, and effective manner.

The Tax Exempt Bonds Office’s Readiness for American Recovery and Reinvestment Act of 2009 (Post-Issuance Compliance - Workload Selection) (2010 – New Start - 201010111)

Audit Objective: Assess the Tax Exempt Bonds Office’s progress in developing a workload selection process to identify American Recovery and Reinvestment Act of 2009¹ bonds with a potential for noncompliance.

Processing Sailing Permits (2010 – New Start - 201040020)

Audit Objective: Determine whether the IRS is enforcing the sailing permit requirement and educating taxpayers of the requirement.

¹ American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115.

Continuation of the National Research Program – Individual Reporting Compliance Study (2010 – New Start – 201030011)

Audit Objective: At the request of the IRS Oversight Board, determine whether the National Research Project Office developed an appropriate methodology for continuing the Individual Reporting Compliance Study after completing the first three years of the study.

Trends in Compliance Activities Through FY 2009 (2010 – New Start – 201030012)

Audit Objective: Provide various statistical information regarding examination and collection activities.

Revenue Officer Tax Abatements Involving Substitute for Return Cases (2010 – New Start – 201030014)

Audit Objective: Determine whether revenue officers have the expertise to evaluate original tax returns when working substitute for return cases and to assess the controls over revenue officer requests to abate tax based on original tax returns.

Taxpayer Accounts Returned from Private Debt Collection Program (2010 – New Start – 201030016)

Audit Objective: Determine the effectiveness of collection actions taken by the IRS on the taxpayer accounts returned from the Private Debt Collection Program.

Defaulted Installment Agreements and the Validity of the Default Rate (2010 – New Start – 201030017)

Audit Objective: Evaluate the effectiveness of how the IRS works and processes Defaulted Installment Agreements and the validity of the Default Rate.

Increases of Taxpayer Delinquent Accounts in Queue Inventory (2010 – New Start – 201030018)

Audit Objective: Determine the potential causes for the increase in Taxpayer Delinquent Accounts in the Queue and whether current enforcement activity adequately addresses balance-due cases that reside in the Queue.

Business Master File Case Creation Nonfiler Identification Process (2010 – New Start – 201030019)

Audit Objective: Determine the effectiveness of the Business Master File (BMF) Case Creation Nonfiler Identification Process in targeting BMF nonfilers who may be delinquent in filing their required tax returns, by improving workload selection and casework quality.

Collection Notice Stream (2010 – New Start – 201030020)

Audit Objective: Determine whether the traditional IRS inventory delivery methods for delinquent accounts can be improved to more equitably address the collection of delinquent taxes and provide timely service to taxpayers with collection problems.

Use of Fair Isaac Corporation Credit Scores in Collection Programs (2010 – New Start – 201030021)

Audit Objective: At the request of the IRS, determine at what point in the process IRS Collection function uses Fair Isaac Corporation Credit (FICO) scores and how effectively it is used to predict collectability.

Assessment Statute Expiration Date – Trust Fund Recovery Penalty Cases (2010 – New Start – 201030022)

Audit Objective: Evaluate the controls and procedures in place for the Trust Fund Recovery Penalty cases to determine if they prevent and deter the assessment on expired statutes.

Use of the Section 6707A Penalty to Deter Abusive Tax Shelters (2010 – New Start – 201030007)

Audit Objective: Evaluate the IRS's effectiveness in identifying, developing, and applying Internal Revenue Code (IRC) Section 6707A penalties.

Leveraging the Use of Data on Electronically Filed Returns (2010 – New Start - 201030004)

Audit Objective: At the request of the IRS Oversight Board, evaluate the progress that the IRS is making to take advantage of the opportunities offered by electronic filing and whether additional steps may be needed to further enhance its effort.

Mismatching Taxpayer Identification Numbers on Information Documents Submitted by Governmental Agencies (2010 – New Start - 201030005)

Audit Objective: Determine the extent that government agencies are submitting accurate information returns reporting income payments and whether additional steps may be needed to further enhance compliance with the reporting requirements.

Compliance Assurance Process in Large and Mid-Size Business Division (2010 – New Start – 201030024)

Audit Objective: At the request of the IRS Oversight Board, determine if the Compliance Assurance Program process is being administered in accordance with IRS policies and procedures.

Small Business/Self-Employed Division's Examination Survey Process (2010 – New Start – 201030025)

Audit Objective: Determine how well examiners and their managers are assessing the compliance risk posed by returns they survey.

Factors Affecting Corporate Audits in Small Business/Self-Employed Division (2010 – New Start – 201030026)

Audit Objective: Determine the factors affecting the outcome of corporate audits in the Small Business/Self-Employed (SB/SE) Division.

Factors Affecting the Results of Partnership Audits in Small Business/Self-Employed Division (2010 – New Start – 201030027)

Audit Objective: Determine the factors affecting the outcome of partnership audits in the SB/SE Division.

Frozen Credits (2010 – New Start – 201030028)

Audit Objective: Determine whether taxpayer accounts with frozen credit balances are properly monitored and released in accordance with IRS policies and procedures.

Contractors Whose Accounts Are Blocked From the Treasury Offset Program/Federal Payment Levy Program (2010 – New Start – 201030029)

Audit Objective: Determine why IRS contractors owing millions in delinquent taxes and previously selected for the Federal Payment Levy Program have their accounts blocked from levy, eliminating the IRS from easily attaching guaranteed disbursements that can be used to offset the outstanding debt and potentially reduce the tax gap.

Processing of Restitution Payments and Condition of Probation (2010 – New Start – 201030031)

Audit Objective: Evaluate the Criminal Investigation (CI) Division's efforts to coordinate with the IRS operational divisions, the United States Probation Office, and the United States Attorneys' Offices to effectively monitor and track compliance with conditions of probation and restitution.

Office of Professional Responsibility's Internal Controls for Licensing Enrolled Agents and Disciplinary Actions Against Tax Practitioner (2010 – New Start) – 201030032)

Audit Objective: Determine if the Office of Professional Responsibility has adequate controls in place both to license enrolled agents and to propose, monitor, and enforce disciplinary actions against tax practitioners.

Program Controls to Effectively Process the American Recovery and Reinvestment Act of 2009 Build America Bonds, Recovery Zone Bonds, and Qualified Energy Conservation Bonds (2010 – New Start – 201030133)

Audit Objective: Determine whether the IRS has adequately planned for the processing of three Recovery Act bonds for the bond holders to ensure they provide accurate reporting.

The Correspondence (Discretionary) Examination Process (2010 – New Start – 201030034)

Audit Objective: At the request of the IRS Oversight Board, determine whether the IRS's re-engineered correspondence examination process (mail processing, information document requests, and telephone access and service) has resulted in a more responsive and less burdensome process for the taxpayers.

Tax Practitioners – Preparer Penalties Assessed (2010 – New Start – 201030035)

Audit Objective: At the request of the IRS Oversight Board, determine how effective the IRS uses the existing requirements and penalty regime, such as IRC Sections 6694 and 6695, that applies to unenrolled return preparers.

Controls Over Pension Income (2010 – New Start – 201030036)

Audit Objective: Determine what procedures the IRS has in place to ensure that taxpayers and payers are computing the taxable portions of pensions and annuities correctly.

Undercover Operations (2010 – New Start – 201030037)

Audit Objective: Evaluate the appropriateness of confidential expenditures related to selected CI undercover operations.

Controls and Use of Income Earned During Undercover Operations (2010 – New Start – 201030038)

Audit Objective: Determine if controls are adequate to ensure that income earned from undercover operations is properly controlled and that expenses are properly paid and accounted for from the income earned.

Section 527 Political Organizations - Followup (2009 – Work in Process - 200910010)

Audit Objective: Determine the effectiveness of the Tax Exempt and Government Entities Division's efforts to ensure that Section 527 political organizations publicly disclose their activities in a complete and timely manner.²

The Employee Plans Voluntary Correction Program (2009 – Work in Process - 200910015)

Audit Objective: At the suggestion of the IRS, assess the IRS's efforts to: 1) improve the efficiency of processing Employee Plans Voluntary Correction Program cases to ensure timely processing, and 2) increase participation through outreach efforts.

² Prior TIGTA Audit report *Additional Actions Are Needed to Ensure Section 527 Political Organizations Publicly Disclose Their Activities Timely and Completely* (Report Reference Number 2005-10-125, dated August 10, 2005).

Observations about State Volume Cap Compliance and the American Recovery and Reinvestment Act of 2009 (2009 – Work in Process - 200910135)

Audit Objective: Report observations identified during the *Review of Private Activity Tax-Exempt Bond Volume Cap Compliance*³ that relate to Recovery Act.

The Tax Exempt Bonds Office’s Readiness for the American Recovery and Reinvestment Act of 2009 Bonds (Guidance) (2009 – Work in Process - 200910131)

Audit Objective: Determine whether the Tax Exempt Bonds Office published guidance is complete, accurate, and consistent to allow issuance of tax-exempt and tax credit bonds in accordance with Recovery Act.

The Tax Exempt and Government Entities Division’s Efforts to Ensure the Correct User Fee Amounts Are Collected - Followup (2009 – Work in Process - 200910030)

Audit Objective: At the suggestion of the IRS, determine whether the Tax Exempt and Government Entities Division is accurately determining whether the correct amount of user fees are being collected before issuing determination letters and refunding overpayments of user fees timely.⁴

The Tax Exempt Bonds Office’s Readiness for American Recovery and Reinvestment Act of 2009 Bonds (Pre-Payment Compliance) (2009 – Work in Process - 200910136)

Audit Objective: Determine whether the Tax Exempt Bonds Office has developed controls that will timely and accurately issue Build America Bonds interest payments while preventing erroneous payments from being disbursed.

The Automated Substitute for Return Program (2008 – Work in Process - 200840026)

Audit Objective: Determine whether the centralization of the Automated Substitute for Return Program has been effective and if centralization has had a beneficial impact on case processing.

³ Prior TIGTA Audit *Future Tax Revenues Are at Risk Because Certain Tax-Exempt Bonds May Exceed Annual Dollar Limits Without Detection* (Report Reference Number 2009-10-097, dated September 14, 2009).

⁴ Prior TIGTA Audit *Additional Management Actions Are Needed to Better Process and Safeguard Tax Exempt and Government Entities Division User Fee Payments* (Report Reference Number 2001-10-136, dated August 22, 2001).

In-Business Accounts Closed as Currently Not Collectible (2009 –
Work in Process - 200930015)

Audit Objective: Determine whether the IRS's Collection Field function appropriately evaluates and monitors In-Business trust fund accounts closed as currently not collectible.

Economic Hardship Flexibilities (2009 – Work in Process - 200930037)

Audit Objective: Determine whether the IRS is effectively implementing provisions identified to assist economically distressed taxpayers that are now having difficulties paying their balance due accounts.

Private Debt Collection Close Out (2009 – Work in Process - 200930035)

Audit Objective: At the suggestion of IRS, determine whether the IRS and private collection agencies took appropriate actions to conclude work on the Private Debt Collection Program.

Lien Determinations - Followup (2009 – Work in Process - 200930014)

Audit Objective: Determine whether IRS policies and procedures for lien determination protect the Government's interest and encourage compliance while ensuring fair and equitable treatment of taxpayers.⁵

Revenue Officer Target Inventory Levels and Case Grading (2009
– Work in Process - 200930012)

Audit Objective: Determine if the SB/SE Division is properly applying the case grade level criteria and ensuring Revenue Officers have an appropriate balance of assigned cases.

***Processing Controls for Balance Due Notice Cases in the
Compliance Services Collection Operation*** (2008 – Work in Process -
200830049)

Audit Objective: Determine whether Compliance Services Collection Operations has effective controls over the processing of balance due cases to ensure appropriate actions are taken to resolve balance due notices accurately and timely.

⁵ Prior TIGTA Audit *The Internal Revenue Service Should Modify Its Federal Tax Lien Practices to Treat Taxpayers More Equitably and Better Protect the Government's Interest* (Report Reference Number 2002-30-106, dated June 5, 2002.)

Automated Collection System Outbound Calls (2009 – Work in Process -200930009)

Audit Objective: At the request of the IRS Oversight Board, determine whether the IRS is effectively using the outbound call feature on Automated Collection System Contact function cases.

Collection During Foreclosure Actions (2009 – Work in Process - 200930013)

Audit Objective: Determine whether the SB/SE Collection function effectively and efficiently protects the Government's interest during foreclosure proceedings.

Federal Tax Compliance of Participants in the Troubled Asset Relief Program (2009 – Work in Process - 200930034)

Audit Objective: Determine (1) the amount and type of Federal tax debt owed by recipients of Troubled Asset Relief Program (TARP) funds, (2) whether TARP recipients with unpaid Federal taxes are engaged in abusive tax activities, and (3) the actions underway to enforce compliance or pursue collection of unpaid taxes from TARP recipients.

Probe for Unreported Income During Sole Proprietor Examinations (2009 – Work in Process - 200930020)

Audit Objective: Determine whether probes for unreported income during sole proprietor examinations are conducted in accordance with IRS policies and procedures.

Use of Currency Transaction Reports in Small Business/Self-Employed Division Enforcement Efforts (2009 – Work in Process - 200930028)

Audit Objective: Determine if the IRS effectively uses information from the Currency and Banking Retrieval System to detect nonfilers and underreporters for examination consideration.

Use of Soft Notices in the Automated Underreporter Program (2009 – Work in Process - 200930038)

Audit Objective: Determine whether the Soft Notice Process is effective in addressing noncompliance without unnecessarily burdening taxpayers.

Use of Accuracy-Related Penalties in Small Business/Self-Employed Division Field Examinations (2009 – Work in Process - 200930033)

Audit Objective: Determine whether accuracy-related penalties are assessed during correspondence examinations in accordance with IRS policies and procedures.

Use of Correspondence Techniques to Examine High Income Schedule C Taxpayers (2009 – Work in Process - 200830054)

Audit Objective: Determine whether correspondence examination techniques are effectively addressing the compliance risks posed by sole proprietors.

Withholding Compliance Case Selection and Processing (2008 – Work in Process - 200840035)

Audit Objective: Determine the effectiveness of case selection and processing in the Withholding Compliance Program.

Engagement of Tax Practitioners to Reduce the Tax Gap (2009 – Work in Process - 200930027)

Audit Objective: Evaluate the IRS's efforts to engage the tax practitioner community in a productive partnership to reduce the tax gap.

Effectiveness of the Criminal Investigation Division's Seizure Program (2009 – Work in Process - 200930026)

Audit Objective: Evaluate the effectiveness of the CI Division's seizure program.

Compliance of Contractors with Tax Reporting and Paying Requirements (2009 – Work in Process - 200830051)

Audit Objective: Determine whether businesses contracting to provide services to the IRS are compliant with Federal tax laws, including filing and paying Federal income tax returns, and withholding and paying employment and withholding taxes.

Rental Real Estate Passive Activity Losses (2009 – Work in Process - 200930032)

Audit Objective: Evaluate the IRS's oversight of the limitations on rental real estate passive activity losses as set forth by IRC Section 469.

Controls Over Abusive Tax Transaction Cases (2009 – Work in Process - 200930031)

Audit Objective: Evaluate the effectiveness of controls and procedures used by the Large and Mid-Size Business (LMSB) and SB/SE divisions to ensure Abusive Tax Avoidance Transaction cases are properly examined for abusive tax shelter and abusive tax avoidance schemes.

Criminal Investigation Division Pipeline Inventory (2008 – Work in Process - 200810008)

Audit Objective: At the request of the IRS, evaluate the growth in prosecution pipeline inventory in the CI Division program and identify any potential actions that can be taken to reduce the resources devoted to this area by the CI Division in the future.

The Effectiveness of the SS-8 Worker Determination Program (2009 – Work in Process - 200930004)

Audit Objective: Evaluate the effectiveness of IRS's controls and procedures for ensuring taxpayer compliance with determinations of worker status.

High Income Delinquent Returns (2009 – Work in Process - 200930040)

Audit Objective: Determine if delinquent returns from high-income nonfilers are screened for noncompliance in accordance with IRS policies and procedures.

Filing and Audit Trends for Corporate Returns in the Small Business/Self-Employed Division (2009 – Work in Process - 200930041)

Audit Objective: Analyze the filing characteristics and examination trends of corporate returns.

Implementing Tax Law Changes List of Planned Audits for Fiscal Year 2010

Each filing season tests the ability of the IRS to implement tax law changes made by Congress. Correctly implementing tax law changes is a continuing challenge because the IRS must identify the tax law changes; revise the various tax forms, instructions, and publications; and reprogram the computer systems used for processing returns. The passage of the American Recovery and Reinvestment Act of 2009 (Recovery Act)⁶ includes multiple tax law changes, the impact of some of these will not be apparent for several years.

2010 Interim Filing Season (2010 – New Start - 201040105)

Audit Objective: Provide selected information relating to the progress of the 2010 Filing Season.

2010 Filing Season Implementation (2010 – New Start - 201040102)

Audit Objective: Evaluate whether the IRS timely and accurately processes individual paper and electronically filed tax returns during the 2010 Filing Season.

Process to Administer the First-Time Homebuyer Credit (2010 – New Start - 201040101)

Audit Objective: Determine the effectiveness of the IRS's efforts to distinguish between filers claiming the credit for a purchase in 2008 versus those claiming the credit for a purchase in 2009.

Process to Ensure Repayment of the First-Time Homebuyer Credit (2010 – New Start - 201040107)

Audit Objective: Assess the IRS's efforts to ensure accurate and timely repayment of the First-Time Homebuyer Credit.

Individual Taxpayer Identification Number Compliance Strategy (2010 – New Start - 201040013)

Audit Objective: Assess the effectiveness of the Individual Taxpayer Identification Number Program Office Compliance Strategy.

⁶ American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115.

Adequacy of Controls Over Paper Tax Returns and Check Payments (2010 – New Start - 201040014)

Audit Objective: Assess the effectiveness of controls to ensure paper tax returns and check payments are accurately processed.

Processing of Amended Returns Claiming Refunds (2010 – New Start - 201040027)

Audit Objective: Determine whether proper controls are in place to ensure that adjustments resulting in refunds to taxpayer accounts as the result of amendments to tax returns were appropriate, contained the proper documentation, and were completed timely.

Credit Card Matching (2010 – New Start - 201040028)

Audit Objective: Determine if the IRS will be able to timely update its systems to capture and use the credit card data to collect the estimated billions in additional revenue.⁷

Accessibility of Paper and Electronic Tax Returns (2010 – New Start - 201040029)

Audit Objective: Determine whether the IRS has taken adequate steps to ensure that paper and electronic tax returns and associated files are properly controlled and readily available.

Low Income Housing and Energy Grants in Lieu of Tax Credits (2010 – New Start - 201040130)

Audit Objective: Evaluate controls, including sharing of information between the Treasury Department, States, and the IRS, to ensure taxpayers do not receive both grants and credits.

Controls Over Erroneous Claims of the Plug-In Electric Vehicle Credit (2010 – New Start- 201040131)

Audit Objective: Determine whether the IRS's controls identify erroneous claims for the Plug-In Electric Vehicle Credit and prevent fraudulent claims of the Credit. Also assess whether forms, instructions, and taxpayer education efforts are adequate.

⁷ The new reporting requirements are in section 6050W of the Internal Revenue Code, which was added by section 3091 of the Housing Assistance Tax Act of 2008, Div. C of Pub. L. No. 110-289, 122 Stat. 2653.

Double the Hope Education Credits in Midwestern Disaster

Areas (2010 – New Start - 201040033)

Audit Objective: Determine whether the IRS has adequate controls to ensure that only taxpayers entitled to the increased Hope Credits receive the proper amount.

Business Master File Error Notices (2010 – New Start - 201040034)

Audit Objective: Identify the top 10 errors made by taxpayers filing specific Business Master File⁸ returns in the last 5 years and determine whether these errors may result from unclear tax forms or instructions.

Abatements of the Failure to Pay Penalties and Failure to File Penalties (2010 – New Start - 201040035)

Audit Objective: Evaluate the controls to ensure that IRS employees consistently and objectively apply criteria for waiving or abating the Failure to Pay and Failure to File penalties.

Correcting Individual Taxpayer Errors in the Error Resolution System (2010 – New Start - 201040015)

Audit Objective: Evaluate the effectiveness and efficiency of the IRS's process to correct individual taxpayer errors.

Small Business Net Operating Loss Carryback Period Extended to Five Years (2009 – Work in Process - 200940136)

Audit Objective: Determine if the IRS properly implemented the new Recovery Act 5-year Net Operating Loss carryback provision, and follow up on prior audit⁹ recommendations related to carrybacks.

Efforts to Ensure Proper Use of Recovery Funds (2009 – Work in Process - 200940137)

Audit Objective: Assess the IRS's ability to verify the accuracy and eligibility for tax related Recovery Act benefits and credits.

⁸ The IRS database that stores various types of taxpayer account information.

⁹ Prior TIGTA Audit *Processing of Carryback Loss Claims Needs to Be Improved to Ensure Taxpayers Receive Accurate Refunds* (Report Reference Number 2008-40-062, dated February 21, 2008).

Outreach Regarding Qualified Joint Ventures of Married Couples (2009 – Work in Process - 200940023)

Audit Objective: Ensure that proper educational materials, guidance, and outreach are available to taxpayers who appear to meet the requirements for qualified joint ventures treatment as provided in the Small Business and Work Opportunity Tax Act of 2007.¹⁰

The Processing of Individual Taxpayer Identification Number Tax Returns in Criminal Investigation (2009 – Work in Process - 200940031)

Audit Objective: Determine if there are significant differences between the procedures used by the Criminal Investigation Fraud Detection Centers to work tax returns filed with Social Security Numbers and tax returns filed with Individual Tax Identification Numbers and, if so, what are the effects on revenue protection and taxpayer burden.

First-Time Home Buyer Credit (Erroneous Claims) (2009 – Work in Process - 200940138)

Audit Objective: Determine whether IRS controls identify and stop erroneous claims for the First-Time Homebuyer Credit.

Implementation and Taxpayer Notification of the Making Work Pay Credit (2009 – Work in Process - 200940139)

Audit Objective: Assess the IRS's efforts to implement the Making Work Pay Credit and evaluate its effect on taxpayers and employers.

Use of Third-Party Entity Information During Returns Processing (2008 – Work in Process - 200840021)

Audit Objective: Determine the extent that IRS makes use of entity information provided by third parties (Social Security, Post Office, etc.), and whether the information used contributes to more effective perfection and processing of individual income tax returns.

Screening and Monitoring of E-File Providers - Followup (2009 – Work in Process - 200940029)

Audit Objective: Determine whether the screening and monitoring of electronic filing providers is effective.¹¹

¹⁰ Pub. L. No. 110-28, Sec 8215 (signed May 25, 2007)

Revenue Impact Resulting from Excess Individual Retirement Account Contributions and Required Minimum Distributions
(2009 – Work in Process - 200940016)

Audit Objective: Assess IRS actions to identify and correct taxpayer excess contributions to Individual Retirement Accounts (IRAs) and non-disbursements of required minimum distributions from traditional IRAs.

Processing Electronic Tax Returns Received Through the Modernized E-File System (2009 – Work in Process - 200940047)

Audit Objective: Determine if electronic returns received through the modernized e-file system are processed accurately.

¹¹ Prior TIGTA Audit *Better Screening and Monitoring of E-File Providers Is Needed to Minimize the Risk of Unscrupulous Providers Participating in the E-File Program* (Report Reference Number 2007-40-176, dated September 19, 2007).

Providing Quality Taxpayer Service Operations List of Planned Audits for Fiscal Year 2010

Since the late 1990s, the IRS has increased its delivery of quality customer service to taxpayers. However, the first goal in the IRS's current strategic plan is to improve taxpayer service. In July 2005, Congress requested that the IRS develop a five-year plan, including an outline of which services the IRS should provide and how it will improve services for taxpayers.

Taxpayer Advocate Service Systemic Advocacy (2010 – New Start - 201010002)

Audit Objective: Determine whether the Systemic Advocacy Program is effectively and timely addressing problems that affect large groups of taxpayers.

Administration of Low Income Tax Clinic Program (2010 – New Start - 201010003)

Audit Objective: Evaluate the administration of the Low Income Taxpayer Clinic Program.

Taxpayer Advocate Service Systemic Burden (2010 –New Start - 201010005)

Audit Objective: Determine whether the Taxpayer Advocate Service has an effective system to process taxpayer requests for relief due to Systemic Burden.

Field Assistance Geographic Coverage Initiative - Followup (2010 – New Start - 201040016)

Audit Objective: At the request of the IRS Oversight Board, determine whether the Geographic Coverage Initiative meets the IRS's strategic goal of improving service to make voluntary compliance easier.¹

Toll-Free Access During the 2010 Filing Season (2010 – New Start - 201040017)

Audit Objective: Evaluate customer service toll-free telephone access during the 2010 Filing Season. We will also follow up on a prior audit² to evaluate the access/service specifically provided hearing- and speech-impaired taxpayers.

¹ Prior TIGTA Audit *Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint* (Report Reference Number 2008-40-118, dated May 16, 2008).

Quality of Services at Volunteer Program Sites During the 2010 Filing Season - Followup (2010 – New Start - 201040018)

Audit Objective: Determine whether taxpayers visiting Volunteer Program sites receive quality service, including accurate tax return preparation.³

Multilingual Initiative (2010 – New Start - 201040021)

Audit Objective: Determine whether the Languages Services Office effectively provides language support programs to taxpayers to assist them in fulfilling their tax obligations.

Timely Processing of Taxpayer Correspondence (2010 – New Start - 201040022)

Audit Objective: Determine whether the IRS is appropriately processing correspondence from taxpayers or their representatives when required to meet its own policy requirements to respond to the taxpayer within 30 days or provide an update on the status of the response.

Taxpayer Assistance Center Customer Service Survey (2010 – New Start - 201040025)

Audit Objective: Evaluate customer service provided to taxpayers who visit Taxpayer Assistance Centers for account information.

Customer Service for Small Businesses - Followup (2010 – New Start - 201040026)

Audit Objective: Determine whether the IRS is improving customer service to small businesses.⁴

² Prior TIGTA Audit *The Internal Revenue Service Has Opportunities to Provide Hearing-and Speech-Impaired Taxpayers With Easier Access to Toll-Free Telephone Services* (Report Reference Number 2003-30-111, dated May 30, 2003).

³ Prior TIGTA Audit *Ensuring the Quality Assurance Processes Are Consistently Followed Remains a Significant Challenge for the Volunteer Program* (Report Reference Number 2009-40-128, dated September 15, 2009).

⁴ Prior TIGTA Audits *Consolidated Report on Opportunities for the Internal Revenue Service to Improve Service to Business Taxpayers* (Report Reference Number 2000-30-015, dated December 9, 1999); *A Prototype to Help New Small Business Employers Appears Effective, But More Information Is Needed Before Expanding It Nationwide* (Report Reference Number 2001-30-118, dated August 2, 2001).

Chief Counsel Private Letter Rulings (2009 – Work in Process - 200910019)

Audit Objective: Determine whether the Chief Counsel Private Letter Ruling Program is providing timely and effective service to taxpayers.

Appeals Campus Centralization – Followup (2009 – Work in Process - 200910017)

Audit Objective: Assess the quality and effectiveness of Appeals campus operations.⁵

Processing of the Application for Individual Taxpayer Identification Number (Form W-7) (2009 – Work in Process - 200940006)

Audit Objective: At the request of the IRS, determine whether the Field Assistance Office's processes for Application for Individual Taxpayer Identification Number (Form W-7) are efficient and effective and whether accepted Forms W-7 follow guidelines and regulations.

Toll-Free Planning for the 2010 Filing Season (2009 – Work in Process - 200940041)

Audit Objective: Determine whether the IRS is adequately planning for the 2010 Filing Season.

Authentication of Taxpayers Who Call Toll-Free Telephone Numbers (2009 – Work in Process - 200940044)

Audit Objective: At the request of the Department of the Treasury, determine whether current procedures to authenticate taxpayers who call the toll-free lines reduce the risk of identify theft and unauthorized disclosure of taxpayer personally identifiable information.

⁵ Prior TIGTA Audit report *The Office of Appeals Needs to Improve the Monitoring of its Campus Operations Quality* (Report Reference Number 2007-10-071, dated May 10, 2007).

Human Capital

List of Planned Audits for Fiscal Year 2010

Like many other Federal agencies, over the past several years the IRS has experienced workforce challenges. While the IRS has made some progress, the strategic management of human capital remains one of the IRS's major management challenges.

The Size of the Acquisition Workforce (2010 – New Start - 201010012)

Audit Objective: Determine whether the IRS has assessed the adequacy of its Acquisitions personnel and addressed any needs resulting from the IRS's increasing contracting workload.

Hiring Timelines (2010 – New Start - 201010008)

Audit Objective: At the request of the IRS, determine whether the IRS has improved the timeliness of hiring new employees.

Collection Hiring Initiative (2010 – New Start – 201030015)

Audit Objective: Determine whether Collection has maximized the benefits of the additional staffing resources and identified appropriate measures to be accountable for resources received.

Senior Executive Service Diversity (2009 – Work in Process - 200910003)

Audit Objective: Determine whether the Executive ranks of the IRS generally reflect the diversity of the workforce and that members of the workforce have a merit-based opportunity to rise into leadership positions.

The Pay for Performance System Implementation (2009 – Work in Process - 200910012)

Audit Objective: At the suggestion of the IRS, determine whether the IRS's Human Capital Office has established the necessary processes for assessing and monitoring the progress of the Pay for Performance System to ensure the System assists the IRS in recruiting, retaining, and motivating highly skilled leaders.

Efforts to Improve Recruiting Activities (2009 – Work in Process - 200910032)

Audit Objective: Determine whether efforts to improve recruiting will assist the IRS in attracting a highly skilled workforce.

Erroneous and Improper Credits and Payments List of Planned Audits for Fiscal Year 2010

For the IRS, improper and erroneous credits and payments generally involve improperly paid refunds, tax return filing fraud, or overpayments to vendors or contractors. This challenge also includes refundable credits that the IRS administers and contracts or other payments made by the IRS.

Post Award Contractor Suspension and Debarment Program (2010 – New Start - 201010013)

Audit Objective: Determine whether the IRS has an effective Suspension and Debarment program for identifying and excluding irresponsible contractors from being granted additional work on current Federal contracts.

Post-Award Compliance of FY 2009 Procurement Actions with the American Recovery and Reinvestment Act of 2009 (2010 – New Start - 201010114)

Audit Objective: Determine whether the IRS's American Recovery and Reinvestment Act of 2009 (Recovery Act) funded procurement actions were compliant with the Recovery Act and all implementing guidance.

Use of Defense Contract Audit Agency Audit Results (2010 – New Start - 201010006)

Audit Objective: Determine whether the IRS is using the results of the Defense Contract Audit Agency audits to manage contracts effectively.

Observations About Contractor Officer's Technical Representative Effectiveness and the American Recovery and Reinvestment Act of 2009 (2010 – New Start - 201010115)

Audit Objective: Report observations identified during the *Review of the Effectiveness of the IRS Contracting Officer's Technical Representatives (COTR)* audit⁶ that relate to the Recovery Act.

⁶ Prior TIGTA Audit, *Controls Over the Contracting Officer's Technical Representatives Workforce Were Ineffective, Resulting in Significant Risks to the Government* (Report Reference Number 2009-10-139, dated September 30, 2009).

American Recovery and Reinvestment Act Observations on a Decade of Procurement Audit Coverage (2010 – New Start - 201010116)

Audit Objective: Report observations identified during the *Acquisition Risks Identified During a Decade of IRS Procurement Audit Coverage*⁷ audit that relate to the Recovery Act.

Questionable Refund Program Scanning Process (2010 – New Start - 201040003)

Audit Objective: Evaluate the effectiveness of the IRS's scanning process to identify fraudulent refunds.

Refund Program Verification Process (2010 – New Start - 201040004)

Audit Objective: Evaluate the effectiveness of the IRS's wage verification process to confirm fraudulent refunds.

Efficiency and Effectiveness of the Health Coverage Tax Credit (2010 – New Start - 201040106)

Audit Objective: Evaluate the efficiency and effectiveness of the Health Care Tax Credit payment processing.

Deductions Associated with the Purchase of Qualified Motor Vehicles (2010 – New Start - 201040108)

Audit Objective: Assess the effectiveness of the IRS's process to identify erroneous Qualified Motor Vehicle deductions.

Residential Energy Credits (2010 – New Start - 201040109)

Audit Objective: Assess the effectiveness of the IRS's process to identify erroneous Residential Energy Credits.

Assessment of Prisoner Fraud (2010 – New Start - 201040010)

Audit Objective: Assess the IRS's efforts to reduce prisoner fraud including an assessment of the IRS's compliance with the Inmate Tax Fraud Prevention Act.⁸

⁷ Audit # 200910033 *Acquisition Risks Identified During a Decade of Audit Coverage*. This is a work in process audit.

⁸ Pub L. 110-428, 122 Stat. 4839

Use of External Data to Validate Earned Income Tax Credit Claims (2010 – New Start - 201040111)

Audit Objective: Assess the IRS's efforts to use third party information to validate Earned Income Tax Credit Claims.

Refunds Issued to Foreign Countries (2010 – New Start - 201040032)

Audit Objective: Determine whether the IRS has adequate controls to ensure that both manual and computer generated refunds issued to foreign countries receive the proper scrutiny to determine that they are valid and correct.

Travel Card Program (2009 – Work in Process - 200910021)

Audit Objective: Determine whether the IRS has effective internal controls to prevent and detect travel card misuse.

Contracting Officer's Determination of Contractor's Present Responsibility in the Contract Preaward Process (2009 – Work in Process - 200910023)

Audit Objective: Determine whether the IRS has an effective contract preaward process for identifying and excluding dishonest, unethical, or otherwise irresponsible contractors from being awarded Federal contracts and awarding IRS procurements to only presently responsible contractors.

Use of Government Purchase Cards for Non-Contract Acquisitions (2009 – Work in Process - 200910009)

Audit Objective: Determine whether purchases made under non-contract acquisitions are allowable, accurate, and supported by relevant and sufficient documentation.

Fleet Card Program (Small Business/Self-Employed Division) (2009 – Work in Process - 200910026)

Audit Objective: Determine whether the IRS's Small Business/Self-Employed Division has established effective controls to identify, address, and account for instances of fraud, waste, and abuse relating to fleet charge cards.

Acquisition Risks Identified During a Decade of Audit Coverage

(2009 – Work in Process- 200910033)

Audit Objective: Identify and categorize acquisition issues that were identified during the past decade of TIGTA, Defense Contract Audit Agency, and Government Accountability Office audits in an effort to ensure that historical problematic issues will not recur in IRS acquisitions.

Efforts to Maximize Rebates for Prompt Payment on Travel Card Accounts

(2009 – Work in Process - 200910034)

Audit Objective: Determine whether the IRS has effective internal controls to ensure travel card accounts are timely paid to maximize prompt payment rebates.

Use of Duplicate Taxpayer Identification Numbers – Followup

(2009 – Work in Process - 200940028)

Audit Objective: Determine if the IRS has taken necessary corrective actions based on prior audit reports; whether adequate controls are in place to identify the potential identity theft of dependent Taxpayer Identification Numbers and prevent the fraudulent filing of individual tax returns; and whether the IRS identifies taxpayer accounts involved with claims of identity thefts (e.g., indicators on accounts indicating identify theft claims or previous duplicate filing).⁹

Assessment of the Fraud Detection Center Transition Project

(2009 – Work in Process - 200940032)

Audit Objective: Assess the IRS's efforts to ensure a successful transition of pre-refund detection activities and resources at the Fraud Detection Center sites from Criminal Investigation to the Wage and & Investment Income Division in time for the 2010 Filing Season.

Foreign Earned Income Exclusions

(2009 – Work in Process - 200940043)

Audit Objective: Assess the IRS's process to ensure the accuracy of foreign earned income exclusions.

⁹ Prior TIGTA Audit *Efforts to Prevent Improper Tax Benefits Resulting From Multiple Uses of Taxpayer Identification Numbers Can Be Improved* (Report Reference Number 2006-40-007, dated November 4, 2005).

Effectiveness of the Earned Income Tax Credit Preparer Strategy
(2009 – Work in Process - #200940014)

Audit Objective: Determine if the Earned Income Tax Credit Preparer Strategy identifies Preparer non-compliance and actions are taken to effectively address the non-compliance.

Globalization

List of Planned Audits for Fiscal Year 2010

United States-based corporations more than tripled their foreign profits between 1994 and 2004, from \$89 billion to \$298 billion, with 58 percent of that profit earned in low-tax or no-tax jurisdictions. Since 1990, the number of multinational corporations worldwide has grown by 20 times to 63,000. United States businesses now make wide use of offshoring and outsourcing – often through sophisticated and complex transfer pricing systems. Personal income tax returns also show the impact of globalization. The number of individual Americans paying taxes in another country increased by 30 percent between 2003 and 2005.

International Financial Reporting Standards (2010 – New Start – 201030040)

Audit Objective: Assess the progress the IRS is making to prepare for the tax issues and implications of converting from Generally Accepted Accounting Principles to the International Financial Reporting Standards.

Foreign Bank and Financial Account Report Filing Requirements (2010 – New Start – 201030039)

Audit Objective: Assess the progress the IRS is making to address the noncompliance with the Foreign Bank and Financial Account Report filing requirements.

Taxpayer Protection and Rights List of Planned Audits for Fiscal Year 2010

The IRS continues to dedicate significant resources and attention to implementing the taxpayer rights provisions of the IRS Restructuring and Reform Act of 1998 (RRA 98)¹⁰.

FY 2010 Mandatory Review of Collection Due Process (2010 – New Start - 201010004)

Audit Objective: Determine whether the IRS complied with the provisions of 26 United States Code § 6320 (b) and (c) and § 6330 (b) and (c) when taxpayers exercised their right to appeal the filing of a Notice of Federal Tax Lien or the issuance of a notice of intent to levy.

FY 2009 Mandatory Review of Fair Tax Collection Practices Act Violations (2010 – New Start - 201010007)

Audit Objective: Obtain information on any IRS administrative or civil actions resulting from violations of Fair Tax Collection Practices Act.

FY 2010 Mandatory Review of Liens (2010 – New Start - 201030001)

Audit Objective: Determine if liens issued by the IRS comply with legal guidelines set forth in the Internal Revenue Code (IRC) and related guidance in the Federal Tax Lien Handbook.

FY 2010 Mandatory Review of Seizures (2010 – New Start - 201030002)

Audit Objective: Determine compliance with certain taxpayer rights provisions required by law.

FY 2010 Mandatory Review of Levies (2010 – New Start - 201030003)

Audit Objective: Determine compliance with certain taxpayer rights provisions required by law.

¹⁰ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

FY 2010 Mandatory Review of Disclosure of Collection Activities on Joint Returns (2010 – New Start – 201030009)

Audit Objective: Determine if the IRS is complying with the provisions of the IRC Section 6103(e)(8) as related to the disclosure of collection activities to joint filers.

FY 2010 Mandatory Review of Assessment Statute Extension Dates (2010 – New Start – 201030010)

Audit Objective: Determine whether the IRS is complying with the I.R.C. 6501(c)(4)(B), which requires the IRS to provide notice to taxpayers of their right to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues.

FY 2010 Mandatory Review of Compliance with Restrictions on the Use of Enforcement Statistics (2010 – New Start - 201030006)

Audit Objective: Determine whether the IRS is complying with restrictions on the use of enforcement statistics to evaluate employees.

FY 2010 Mandatory Review of Illegal Tax Protesters and Similar Designations (2009 – Work in Process - 200930042)

Audit Objective: Determine whether the IRS complied with IRS Restructuring and Reform Act of 1998 (RRA 98)¹¹ Section 3707 and internal IRS guidelines that prohibit IRS officers and employees from referring to taxpayers as Illegal Tax Protesters or any similar designations.

FY 2010 Mandatory Review of Restrictions on Directly Contacting Taxpayers (2009 – Work in Process - 200930043)

Audit Objective: Determine if the IRS is in compliance with legal guidelines addressing the direct contact of taxpayers and their representatives set forth in the IRC Section 7521(b)(2) and (c).

Compliance with the Freedom of Information Act (2010 – New Start – 201030023)

Audit Objective: Determine whether the IRS has adequate and effective policies and procedures to ensure compliance with Freedom of Information Act laws and regulations.

¹¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

Excess Collections (2010 – New Start – 201030013)

Audit Objective: Determine whether payments in Excess Collections accounts were effectively transferred back to taxpayers' accounts where appropriate and determine whether IRC procedures are used during case resolution when the taxpayer is unable or unwilling to submit a tax return for large-dollar cases.

Population of Paid Preparers Who Prepare Business Tax Returns (2010 – New Start - 201040023)

Audit Objective: Identify the total population of tax return preparers, including the number of paid preparers who prepare business income tax returns, and determine if they are regulated.

Progress to Reduce the Use of Taxpayers' Social Security Numbers (2009 – Work in Process - 200940040)

Audit Objective: Assess the IRS's progress in eliminating and reducing the use of taxpayers' Social Security Numbers.

Individual Taxpayer Identification Number Collection Procedures (2009 – Work in Process - 200940042)

Audit Objective: Determine whether the IRS has procedures to handle collection issues related to Individual Taxpayer Identification Numbers.

Leveraging Data to Improve Program Effectiveness and Reduce Costs

List of Planned Audits for Fiscal Year 2010

While the IRS has made some progress in improving performance and financial data for program and budget decisions, this area is still a major challenge. The IRS lacks a comprehensive, integrated system that provides accurate, relevant, and timely financial and operating data describing the performance measures, productivity, and associated costs of IRS programs.

Financial Controls Over Logistical Support Services (2010 – New Start - 201010001)

Audit Objective: Determine whether effective financial controls have been established over outsourced logistical support services.

Survey and Report on Enhanced Health Coverage Tax Credit Program (2010 – New Start - 20104112)

Audit Objective: Assess the methodology used to conduct the IRS's Health Coverage Tax Credit study to ensure results are accurately reported.

Reducing Publishing and Mail Costs for Businesses and Non-Profits (2010 – New Start - 201040019)

Audit Objective: At the suggestion of the IRS, determine whether the IRS has adequate controls over tax forms and publications to ensure its offices and functions are following laws and regulations and are using the most cost effective methods to process and distribute them to businesses and non-profits.

Evaluating Certified Mail Costs and Notice Streams (2010 – New Start - 201040024)

Audit Objective: Determine whether taxpayer notices and letters are mailed using the most cost-effective methods.

Controls Over Investigative Equipment - Followup (2010 – New Start – 201030008)

Audit Objective: Determine if controls are effective to ensure investigative equipment is safeguarded against waste and loss. We will also followup on key recommendations from our prior audit to ensure the IRS implemented corrective action.¹²

Trends in the Criminal Investigation Function's Enforcement Activities for Fiscal Years 2000-2009 (2009 – New Start – 201030030)

Audit Objective: Provide a statistical analysis of trends relating to Criminal Investigation's enforcement activities.

The Calculation of Reimbursable Activities Related to the Collection of Federal Unemployment Tax - Followup(2009 – Work in Process- 200910020)

Audit Objective: Determine whether the IRS is accurately calculating reimbursable activities related to the collection of unemployment tax.¹³

Office of National Drug Control Policy Attestation Review (2009 – Work in Process- 200910025)

Audit Objective: Perform an attestation review of the IRS's reporting of FY 2009 Office of National Drug Control Policy Expenditures and Related Performance for the purpose of expressing a conclusion about the reliability of each assertion made in the Detailed Accounting Submission and Accounting Summary Report.

Internal Revenue Service Oversight Board Financials - Followup (2009 – Work in Process - 200910028)

Audit Objective: Evaluate the effectiveness of actions taken by the IRS Oversight Board as a result of a prior TIGTA audit evaluating the extent and adequacy of controls over the budgeting of funds, recording of transactions, and financial reporting of the IRS Oversight Board, and whether those actions resolved conditions previously identified.¹⁴

¹² Prior TIGTA Audit Report *Weaknesses in the Criminal Investigation Function's Controls Leave Investigative Equipment Vulnerable to Loss* (Reference Number 2005-10-163, dated September 30, 2005).

¹³ Prior TIGTA Audit Report *The Internal Revenue Service Needs to Establish an Effective Process to Accurately Identify, Record, and Report Unemployment Trust Fund Administrative Expenses* (Reference Number 2003-10-054 dated March 27, 2003).

¹⁴ Prior TIGTA audit report *Controls Over the Financial Activities of the Internal Revenue Service Oversight Board Need to Be Improved* (Report Reference Number 2005-10-135, dated August 23, 2005).

Federal Financial Management Improvement Act 2009 Rollup

(2009 – Work in Process - 200910027)

Audit Objective: Perform sufficient audit work to report to Congress as required by the Federal Financial Management Improvement Act (FFMIA), any instances and reasons for missed intermediate target dates established in the IRS's remediation plan for FY 2009. In addition, we will evaluate the effectiveness of the remedial actions taken by the IRS during the period 2005 – 2009 in resolving the material weaknesses reported in the FFMIA remediation plans and assess the challenges associated with resolving the remaining material weaknesses.

Level of Readiness to Procure Goods and Services Under the

American Recovery and Reinvestment Act of 2009 *(2009 – Work in Process - 200910124)*

Audit Objective: Determine the IRS's level of readiness to implement the requirements for planning, awarding, and reporting of Recovery Act funded procurement actions.

Other

List of Planned Audits for Fiscal Year 2010

There are some high-risk areas that do not completely fit within any of the Major Management Challenge areas. The audits not fitting into the other categories are listed here.

Reducing Undeliverable Mail (2009 – Work in Process - 200940008)

Audit Objective: Determine whether the IRS can reduce the volume of undeliverable mail.

List of Planned Audits Related to the American Recovery and Reinvestment Act of 2009

American Recovery and Reinvestment Act of 2009 List of Planned Audits for Fiscal Year 2010

*The audits listed here are all related to the American Recovery and Reinvestment Act of 2009 (Recovery Act).*¹⁵

Health Coverage Tax Credit System Upgrades for Fiscal Year 2010 (2010 – New Start - 201020101)

Audit Objective: Determine if the IRS is properly accounting for Recovery Act funds as part of system upgrades to the Health Coverage Tax Credit system.

The Tax Exempt Bonds Office’s Readiness for American Recovery and Reinvestment Act of 2009 (Post-Issuance Compliance - Workload Selection) (2010 – New Start - 201010111)

Audit Objective: Assess the Tax Exempt Bonds Office’s progress in developing a workload selection process to identify Recovery Act bonds with a potential for noncompliance.

Post-Award Compliance of FY 2009 Procurement Actions with the American Recovery and Reinvestment Act of 2009 (2010 – New Start - 201010114)

Audit Objective: Determine whether the IRS’s Recovery Act funded procurement actions were compliant with the Recovery Act and all implementing guidance.

Observations About Contractor Officer’s Technical Representative Effectiveness and the American Recovery and Reinvestment Act of 2009 (2010 – New Start - 201010115)

Audit Objective: Report observations identified during the *Review of the Effectiveness of the IRS Contracting Officer’s Technical Representatives (COTR)* audit¹⁶ that relate to the Recovery Act.

¹⁵ American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115.

¹⁶ Prior TIGTA Audit, *Controls Over the Contracting Officer’s Technical Representatives Workforce Were Ineffective, Resulting in Significant Risks to the Government* (Report Reference Number 2009-10-139, dated September 30, 2009).

American Recovery and Reinvestment Act Observations on a Decade of Procurement Audit Coverage (2010 – New Start - 201010116)

Audit Objective: Report observations identified during the *Acquisition Risks Identified During a Decade of IRS Procurement Audit Coverage*¹⁷ audit that relate to the Recovery Act.

2010 Interim Filing Season (2010 – New Start - 201040105)

Audit Objective: Provide selected information relating to the progress of the 2010 Filing Season.

2010 Filing Season Implementation (2010 – New Start - 201040102)

Audit Objective: Evaluate whether the IRS timely and accurately processes individual paper and electronically filed tax returns during the 2010 Filing Season.

Process to Administer the First-Time Homebuyer Credit (2010 – New Start - 201040101)

Audit Objective: Determine the effectiveness of the IRS's efforts to distinguish between filers claiming the credit for a purchase in 2008 versus those claiming the credit for a purchase in 2009.

Process to Ensure Repayment of the First-Time Homebuyer Credit (2010 – New Start - 201040107)

Audit Objective: Assess the IRS's efforts to ensure accurate and timely repayment of the First-Time Homebuyer Credit.

Low Income Housing and Energy Grants in Lieu of Tax Credits (2010 – New Start - 201040130)

Audit Objective: Evaluate controls, including sharing of information between the Treasury Department, States, and the IRS, to ensure taxpayers do not receive both grants and credits.

¹⁷ Audit # 200910033 *Acquisition Risks Identified During a Decade of Audit Coverage*. This is work in process audit.

Controls Over Erroneous Claims of the Plug-In Electric Vehicle Credit (2010 – New Start - 201040131)

Audit Objective: Determine whether the IRS's controls identify erroneous claims for the Plug-In Electric Vehicle Credit and prevent fraudulent claims of the Credit. Also assess whether forms, instructions, and taxpayer education efforts are adequate.

Efficiency and Effectiveness of the Health Coverage Tax Credit (2010 – New Start - 201040106)

Audit Objective: Evaluate the efficiency and effectiveness of the Health Care Tax Credit payment processing.

Deductions Associated with the Purchase of Qualified Motor Vehicles (2010 – New Start - 201040108)

Audit Objective: Assess the effectiveness of the IRS's process to identify erroneous Qualified Motor Vehicle deductions.

Residential Energy Credits (2010 – New Start - 201040109)

Audit Objective: Assess the effectiveness of the IRS's process to identify erroneous Residential Energy Credits.

Use of External Data to Validate Earned Income Tax Credit Claims (2010 – New Start - 201040111)

Audit Objective: Assess the IRS's efforts to use third party information to validate Earned Income Tax Credit Claims.

Survey and Report on Enhanced Health Coverage Tax Credit Program (2010 – New Start - 20104112)

Audit Objective: Assess the methodology used to conduct the IRS's Health Coverage Tax Credit study to ensure results are accurately reported.

Program Controls to Effectively Process the American Recovery and Reinvestment Act of 2009 Build America Bonds, Recovery Zone Bonds, and Qualified Energy Conservation Bonds (2010 – New Start – 201030133)

Audit Objective: Determine whether the IRS has adequately planned for the processing of three Recovery Act bonds for the bond holders to ensure they provide accurate reporting.

The Health Coverage Tax Credit Expansion Effort (2009 – Work in Process - 200920130)

Audit Objective: Determine if controls are in place for administration and expansion of the Health Coverage Tax Credit under Recovery Act.

Observations about State Volume Cap Compliance and the American Recovery and Reinvestment Act of 2009 (2009 – Work in Process - 200910135)

Audit Objective: Report observations identified during the *Review of Private Activity Tax-Exempt Bond Volume Cap Compliance*¹⁸ that relate to the Recovery Act.

The Tax Exempt Bonds Office’s Readiness for the American Recovery and Reinvestment Act of 2009 Bonds (Guidance) (2009 – Work in Process - 200910131)

Audit Objective: Determine whether the Tax Exempt Bonds Office published guidance is complete, accurate, and consistent to allow issuance of tax-exempt and tax credit bonds in accordance with the Recovery Act.

The Tax Exempt Bonds Office’s Readiness for American Recovery and Reinvestment Act of 2009 Bonds (Pre-Payment Compliance) (2009 – Work in Process - 200910136)

Audit Objective: Determine whether the Tax Exempt Bonds Office has developed controls that will timely and accurately issue Build America Bonds interest payments while preventing erroneous payments from being disbursed.

¹⁸ Prior TIGTA Audit *Future Tax Revenues Are at Risk Because Certain Tax-Exempt Bonds May Exceed Annual Dollar Limits Without Detection* (Report Reference Number 2009-10-097, dated September 14, 2009).

Level of Readiness to Procure Goods and Services Under the American Recovery and Reinvestment Act of 2009 (2009 – Work in Process - 200910124)

Audit Objective: Determine the IRS's level of readiness to implement the requirements for planning, awarding, and reporting of Recovery Act funded procurement actions.

Small Business Net Operating Loss Carryback Period Extended to Five Years (2009 – Work in Process - 200940136)

Audit Objective: Determine if the IRS properly implemented the new Recovery Act 5-year Net Operating Loss carryback provision and followup on prior audit¹⁹ recommendations related to carrybacks.

Efforts to Ensure Proper Use of Recovery Funds (2009 – Work in Process - 200940137)

Audit Objective: Assess the IRS's ability to verify the accuracy and eligibility for tax related Recovery Act benefits and credits.

First-Time Home Buyer Credit (Erroneous Claims) (2009 – Work in Process - 200940138)

Audit Objective: Determine whether IRS controls identify and stop erroneous claims for the First-Time Homebuyer Credit.

Implementation and Taxpayer Notification of the Making Work Pay Credit (2009 – Work in Process - 200940139)

Audit Objective: Assess the IRS's efforts to implement the Making Work Pay Credit and evaluate its effect on taxpayers and employers.

¹⁹ Prior TIGTA Audit *Processing of Carryback Loss Claims Needs to Be Improved to Ensure Taxpayers Receive Accurate Refunds* (Report Reference Number 2008-40-062, dated February 21, 2008).

List of Planned Mandatory Audits

Mandatory Audits

List of Planned Audits for Fiscal Year 2010

Each year, TIGTA performs audits on the mandatory coverage imposed by the IRS Restructuring and Reform Act of 1998 (RRA 98)²⁰ and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial audits. Portions of the American Recovery and Reinvestment Act of 2009 (Recovery Act) will also require TIGTA to perform reviews. These mandatory audits are listed here.

FY 2010 Mandatory Review of Liens (2010 – New Start - 201030001)

Audit Objective: Determine if liens issued by the IRS comply with legal guidelines set forth in the IRC and related guidance in the Federal Tax Lien Handbook.

FY 2010 Mandatory Review of Seizures (2010 – New Start - 201030002)

Audit Objective: Determine whether seizures conducted by the IRS complied with legal provisions set forth in I.R.C. Sections (§§) 6330 through 6344 (1994 & Supp. IV 1998) and with the IRS's own internal procedures.

FY 2010 Mandatory Review of Levies (2010 – New Start - 201030003)

Audit Objective: Determine whether the IRS has complied with 26 U.S.C. Section (§) 6330, Notice and Opportunity for Hearing Before Levy.

FY 2010 Mandatory Review of Disclosure of Collection Activities on Joint Returns (2010 – New Start – 201030009)

Audit Objective: Determine if the IRS is complying with the provisions of the I.R.C. Section (§) 6103(e)(8) as related to the disclosure of collection activities to joint filers.

²⁰ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

FY 2010 Mandatory Review of Assessment Statute Extension

Dates (2010 – New Start – 201030010)

Audit Objective: Determine whether the IRS is complying with the I.R.C. 6501(c)(4)(B), which requires the IRS to provide notice to taxpayers of their right to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues.

FY 2010 Mandatory Review of Compliance with Restrictions on the Use of Enforcement Statistics (2010 – New Start - 201030006)

Audit Objective: Determine whether the IRS is complying with restrictions on the use of enforcement statistics to evaluate employees.

FY 2010 Mandatory Review of Collection Due Process (2010 – New Start - 201010004)

Audit Objective: Determine whether the IRS complied with the provisions of 26 United States Code § 6320 (b) and (c) and § 6330 (b) and (c) when taxpayers exercised their right to appeal the filing of a Notice of Federal Tax Lien or the issuance of a notice of intent to levy.

FY 2009 Mandatory Review of Fair Tax Collection Practices Act Violations (2010 – New Start - 201010007)

Audit Objective: Obtain information on any IRS administrative or civil actions resulting from violations of Fair Tax Collection Practices Act.

FY 2010 Mandatory Review of Illegal Tax Protesters and Similar Designations (2009 – Work in Process - 200930042)

Audit Objective: Determine whether the IRS complied with IRS Restructuring and Reform Act of 1998 (RRA 98)²¹ Section 3707 and internal IRS guidelines that prohibit IRS officers and employees from referring to taxpayers as Illegal Tax Protesters or any similar designations.

²¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

FY 2010 Mandatory Review of Restrictions on Directly Contacting Taxpayers (2009 – Work in Process - 200930043)

Audit Objective: Determine if the IRS is in compliance with legal guidelines addressing the direct contact of taxpayers and their representatives set forth in the IRC Section 7521(b)(2) and (c).

FY 2010 Assessment of the Business Systems Modernization Program (2010 – New Start - 201020002)

Audit Objective: Assess the progress of the IRS's Business Systems Modernization Program for Fiscal Year 2010.

2010 Federal Information Security Management Act (Unclassified Systems) (2010 – New Start - 201020010)

Audit Objective: Determine the progress made by the IRS in meeting the responsibilities established by the National Institute of Standards and Technology and the Office of Management and Budget (OMB) during the 2010 Federal Information Security Management Act (FISMA) mandatory review of the IRS's Unclassified information technology system security program.

2010 Federal Information Security Management Act (National Security Systems-Non Intelligence) (2010 – New Start - 201020011)

Audit Objective: Determine the progress made by the IRS in meeting the responsibilities established by the National Institute of Standards and Technology and the OMB during the 2010 FISMA mandatory review of the IRS's National Security Systems (Non-Intelligence) program.

FY 2010 Review of the Closure of the Computer Security Material Weakness (2010 – New Start - 201020012)

Audit Objective: At the suggestion of the Treasury Department, determine whether the IRS has effectively resolved the vulnerabilities relating to its computer security material weaknesses and implemented repeatable processes to ensure that the weaknesses do not reoccur.

FY 2009 Review of the ‘Roles and Responsibilities’ Closure of Computer Security Material Weaknesses (2009 – Work in Process - 200920016)

Audit Objective: At the suggestion of the Department of the Treasury, determine whether the IRS has effectively resolved the vulnerabilities relating to its computer security material weaknesses and implemented repeatable processes to ensure the weaknesses do not reoccur.

Controls over Governance of Information Technology Projects - Followup (2010 – New Start – 201020003)

Audit Objective: Determine whether the Modernization and Information Technology Services organization has taken actions to enhance its governance process over Information Technology (IT) projects, including establishing reasonable and relevant Modernization performance measures. Determine the effectiveness of Executive Steering Committees on overseeing IT projects and programs.²²

Development of the Modernized Taxpayer Account Program (2010 – New Start - 201020004)

Audit Objective: At the request of the IRS Oversight Board, determine whether 1) sound system development practices are being used to reengineer the IRS’s tax account management process to meet future needs; 2) Customer Account Data Engine (CADE) design flaws will be adequately addressed by the new approach selected to manage tax accounts and returns; 3) Master File²³ financial material weaknesses will be adequately addressed by the selected approach; and 4) the selected approach will include capabilities that were originally planned for CADE.

Return Review Program Development (2010 – New Start - 201020005)

Audit Objective: Determine whether the IRS and its contractors are using sound systems development practices in developing the Return Review Program (formerly Web-Based Electronic Fraud Detection System).

²² Prior TIGTA Audit *The Information Technology Enterprise Governance Structure Needs Further Process Improvements to Ensure Adequate Oversight* (Report Reference Number 2008-20-134, dated July 31, 2008).

²³ The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

Service Delivery Management Command Center (2010 – New Start - 201020006)

Audit Objective: Determine whether the Service Delivery Management Command Center organization has implemented and is following Information Technology Infrastructure Library best practices to ensure service delivery management for Enterprise Operations products and services.

Integrated Financial System Upgrades (2010 – New Start - 201020007)

Audit Objective: At the suggestion of the IRS, determine whether the IRS has sufficiently planned for the upgrade or replacement of the Integrated Financial System.

Capacity to Effectively Analyze Increased Tax Return Information (2010 – New Start - 201020008)

Audit Objective: At the request of the IRS Oversight Board, determine whether the IRS has the computer systems capacity necessary to effectively process and analyze the additional tax return information made available from e-filed returns, including third party information returns. Also, determine whether the IRS has sufficient downstream systems and infrastructure available to take advantage of the additional data.

Modernized e-File Release 6 Post-Implementation (2010 – New Start - 201020009)

Audit Objective: At the request of the IRS Oversight Board, determine if Modernized e-File Release 6 is working as intended to process electronically-filed U.S. Individual Income Tax Returns (Form 1040).

Enterprise-wide E-Authentication Solution (2010 – New Start - 201020013)

Audit Objective: Determine whether the IRS has developed and implemented an effective enterprise-wide e-authentication solution for outward facing applications.

Database Security - Followup (2010 – New Start - 201020014)

Audit Objective: Determine whether the IRS has taken effective corrective actions to address previously identified security weaknesses with databases, and databases are adequately configured to secure and account for accesses to taxpayer data.²⁴

²⁴ Prior TIGTA Audit *Standard Database Security Configurations Are Adequate, Although Much Work Is Needed to Ensure Proper Implementation* (Report Reference Number 2007-20-129, dated August 22, 2007).

Modernized Audit Trails - Followup (2010 – New Start - 201020015)

Audit Objective: Determine whether the IRS has taken effective corrective actions to address previously identified security weaknesses with modernized audit trails and evaluate the future solutions on audit trail capabilities of modernized systems.²⁵

Windows Server Security (2010 – New Start - 201020016)

Audit Objective: Determine whether servers with the Windows operating system are configured to provide adequate security over access privileges and auditing capabilities.

Adequacy of Security Tests and Evaluations (2010 – New Start - 201020017)

Audit Objective: Determine the adequacy of the Security Tests and Evaluations as part of the system authorization process on computer systems.

Enterprise Configuration Management (2010 – New Start – 201020018)

Audit Objective: Evaluate the efforts on ensuring consistent configuration management practices on an enterprise-wide basis. This review will focus on the adequacy of data integrity controls in IRS systems and the patch management process.

Password Compliance (2010 – New Start - 201020019)

Audit Objective: Determine whether IRS employees are complying with password rules and regulations.

Security of Wireless Technology (2010 – New Start - 201020020)

Audit Objective: Determine whether the IRS properly secured the wireless devices on laptop computers and wireless networks. We will focus on security configuration of the devices/network, monitoring the wireless networks, and staff training on wireless security.

Security of Electronic Mail (2010 – New Start - 201020021)

Audit Objective: At the suggestion of the Department of the Treasury, determine whether the implementation of email technological controls maintains compliance with security policies and procedures.

²⁵ Prior TIGTA Audit *Improvements Are Needed to Ensure the Use of Modernization Applications Is Effectively Audited* (Report Reference Number 2006-20-177, dated September 29, 2006).

Access Controls over the Automated Insolvency System (2010 – New Start - 201020022)

Audit Objective: At the suggestion of the IRS, determine whether access controls have been implemented on the Automated Insolvency Systems to ensure only authorized employees can access system resources for official business.

Federal Student Aid-Datashare Project (2009 – Work in Process - 200920031)

Audit Objective: At the request of the IRS, determine whether the IRS has properly developed and placed adequate security controls on the Federal Student Aid-Datashare Project.

Efficiency of Desktop Computer Equipment (2009 – Work in Process - 200920032)

Audit Objective: Determine whether the IRS has policies in place to reduce energy usage by desktop computer equipment.

Modernization and Information Technology Services Organization's Capital Planning and Investment Control (2009 – Work in Process - 200920033)

Audit Objective: Determine the effectiveness of Modernization and Information Technology Services organization's Capital Planning and Investment Control processes, timelines, and earned value management policies; classification of investments; and governance requirements in conjunction with the guidance provided in Office of Management and Budget Circulars A-11 and A-94.

Enterprise Audit Log Use (2009 – Work in Process - 200920003)

Audit Objective: Determine whether current and planned IRS actions are adequate to detect unauthorized security events.

Security Controls on Contractor Managed Systems (2009 – Work in Process - 200920005)

Audit Objective: Determine whether security controls on IRS systems managed by contractors comply with National Institute of Standards and Technology requirements.

Enterprise Governance - Security Weaknesses (2009 – Work in Process - 200920006)

Audit Objective: Determine whether the IRS is providing sufficient enterprise governance over computer security to ensure the IRS is becoming a security conscious organization and is adequately addressing existing security weaknesses.

General Support System Security Controls (2009 – Work in Process - 200920007)

Audit Objective: Determine whether general support system security controls are being effectively implemented and whether owners of major applications that rely on them for certain key controls are kept apprised of the general support system security posture.

Privacy Assessment (2009 – Work in Process - 200920011)

Audit Objective: Determine the progress the IRS has made in ensuring the security and privacy of personally identifiable information it maintains.

Automated Collection System Application Review (2009 – Work in Process - 200920012)

Audit Objective: At request of the Department of the Treasury, determine whether the IRS implemented access controls, maintains and reviews audit logs, and maintains adequate configuration management controls for the systems reviewed.

Access Controls for the Registered User Portal (2009 – Work in Process - 200920014)

Audit Objective: Assess the adequacy and effectiveness of user access controls in place to allow outsiders (employees working away from the office, external business partners, and taxpayers) access to the IRS network and computer systems.

Taxpayer Data Provided to State Governments (2009 – Work in Process - 200920015)

Audit Objective: At the suggestion of the IRS, determine whether IRS actions are adequate to ensure that State governments provide adequate security over Federal taxpayer data provided to them.

Data Center Energy Efficiency (2009 – Work in Process - 200920025)

Audit Objective: Determine whether the IRS is building/planning to build toward a more energy-efficient data center environment.

Modernization and Information Technology Services

Organization's Sustaining Infrastructure (2009 – Work in Process - 200920026)

Audit Objective: At the suggestion of the IRS, determine the effectiveness of IRS's efforts to address the critical issue of sustaining the IRS Information Technology infrastructure.

Modernization and Information Technology Services

Organization Program Integration Office Start-Up (2009 – Work in Process - 200920029)

Audit Objective: Assess the adequacy of the Modernization and Information Technology Services organization Program Integration Office start-up activities to manage the migration of taxpayer account processing to a modernized environment.

Enterprise Operations Triplex Implementation (2008 – Work in Process - 200820031)

Audit Objective: At the request of the IRS, review the efficiency and effectiveness of implementing the Enterprise Operations Triplex Initiative in the three IRS data centers.

Controls Over the Use of Non-Modernization Systems in the Business Systems Modernization Program (2009 – Work in Process - 200920019)

Audit Objective: Determine whether system development and/or enhancement of non-modernization systems for inclusion in the Business Systems Modernization Program are properly controlled as included in Modernization guidance. Also, determine whether the implementation of the unified work request process has improved IRS configuration management processes and has resulted in better control of change requests.

Modernized e-File Project Release 6 Development (2009 – Work in Process - 200920023)

Audit Objective: Determine whether the IRS and its contractors are using sound systems development practices in developing the current Modernized e-File release and follow up on prior audit recommendations. Also, ascertain whether the Excise Tax e-File and Compliance Project is performing as planned.

Acquisition Risks Identified During a Decade of Audit Coverage

(2009 – Work in Process - 200910033)

Audit Objective: Identify and categorize acquisition issues that were identified during the past decade of TIGTA, Defense Contract Audit Agency, and Government Accountability Office audits in an effort to ensure that historical problematic issues will not recur in IRS acquisitions.

The Tax Exempt Bonds Office’s Readiness for American Recovery and Reinvestment Act of 2009 (Post-Issuance

Compliance - Workload Selection) *(2010 – New Start - 201010111)*

Audit Objective: Assess the Tax Exempt Bonds Office progress in developing a workload selection process to identify Recovery Act bonds with a potential for noncompliance.

Post-Award Compliance of FY 2009 Procurement Actions with the American Recovery and Reinvestment Act of 2009

(2010 – New Start - 201010114)

Audit Objective: Determine whether the IRS’s Recovery Act funded procurement actions were compliant with the Recovery Act and all implementing guidance.

Observations About Contractor Officer’s Technical Representative Effectiveness and the American Recovery and Reinvestment Act of 2009

(2010 – New Start - 201010115)

Audit Objective: Report observations identified during the *Review of the Effectiveness of the IRS Contracting Officer’s Technical Representatives (COTR)* audit²⁶ that relate to Recovery Act.

American Recovery and Reinvestment Act Observations on a Decade of Procurement Audit Coverage

(2010 – New Start - 201010116)

Audit Objective: Report observations identified during the *Acquisition Risks Identified During a Decade of IRS Procurement Audit Coverage*²⁷ audit that relate to the Recovery Act.

²⁶ Prior TIGTA Audit, *Controls Over the Contracting Officer’s Technical Representatives Workforce Were Ineffective, Resulting in Significant Risks to the Government* (Report Reference Number 2009-10-139, dated September 30, 2009).

²⁷ Audit # 200910033 *Acquisition Risks Identified During a Decade of Audit Coverage*. This is a work in process audit.

Health Coverage Tax Credit System Upgrades for Fiscal Year 2010 (2010 – New Start - 201020101)

Audit Objective: Determine if the IRS is properly accounting for Recovery Act funds as part of system upgrades to the Health Coverage Tax Credit system.

2010 Interim Filing Season (2010 – New Start - 201040105)

Audit Objective: Provide selected information relating to the progress of the 2010 Filing Season.

2010 Filing Season Implementation (2010 – New Start - 201040102)

Audit Objective: Evaluate whether the IRS timely and accurately processes individual paper and electronically filed tax returns during the 2010 Filing Season.

Process to Administer the First-Time Homebuyer Credit (2010 – New Start - 201040101)

Audit Objective: Determine the effectiveness of the IRS's efforts to distinguish between filers claiming the credit for a purchase in 2008 versus those claiming the credit for a purchase in 2009.

Process to Ensure Repayment of the First-Time Homebuyer Credit (2010 – New Start - 201040107)

Audit Objective: Assess the IRS's efforts to ensure accurate and timely repayment of the First-Time Homebuyer Credit.

Low Income Housing and Energy Grants in Lieu of Tax Credits (2010 – New Start - 201040130)

Audit Objective: Evaluate controls, including sharing of information between the Treasury Department, States, and the IRS, to ensure taxpayers do not receive both grants and credits.

Controls Over Erroneous Claims of the Plug-In Electric Vehicle Credit (2010 – New Start - 201040131)

Audit Objective: Determine whether the IRS's controls identify erroneous claims for the Plug-In Electric Vehicle Credit and prevent fraudulent claims of the Credit. Also assess whether forms, instructions, and taxpayer education efforts are adequate.

Efficiency and Effectiveness of the Health Coverage Tax Credit
(2010 – New Start - 201040106)

Audit Objective: Evaluate the efficiency and effectiveness of the Health Care Tax Credit payment processing.

Deductions Associated with the Purchase of Qualified Motor Vehicles (2010 – New Start - 201040108)

Audit Objective: Assess the effectiveness of the IRS's process to identify erroneous Qualified Motor Vehicle deductions.

Residential Energy Credits (2010 – New Start - 201040109)

Audit Objective: Assess the effectiveness of the IRS's process to identify erroneous Residential Energy Credits.

Use of External Data to Validate Earned Income Tax Credit Claims (2010 – New Start - 201040111)

Audit Objective: Assess the IRS's efforts to use third party information to validate Earned Income Tax Credit Claims.

Survey and Report on Enhanced Health Coverage Tax Credit Program (2010 – New Start - 201040112)

Audit Objective: Assess the methodology used to conduct the IRS's Health Coverage Tax Credit study to ensure results are accurately reported.

Program Controls to Effectively Process the American Recovery and Reinvestment Act of 2009 Build America Bonds, Recovery Zone Bonds, and Qualified Energy Conservation Bonds (2010 – New Start – 201030133)

Audit Objective: Determine whether the IRS has adequately planned for the processing of three Recovery Act bonds for the bond holders to ensure they provide accurate reporting.

Observations about State Volume Cap Compliance and the American Recovery and Reinvestment Act of 2009 (2009 – Work in Process - 200910135)

Audit Objective: Report observations identified during the *Review of Private Activity Tax-Exempt Bond Volume Cap Compliance*²⁸ that relate to the American Recovery and Reinvestment Act of 2009.

The Tax Exempt Bonds Office’s Readiness for the American Recovery and Reinvestment Act of 2009 Bonds (Guidance) (2009 – Work in Process - 200910131)

Audit Objective: Determine whether the Tax Exempt Bonds Office published guidance is complete, accurate, and consistent to allow issuance of tax-exempt and tax credit bonds in accordance with Recovery Act.

The Tax Exempt Bonds Office’s Readiness for American Recovery and Reinvestment Act of 2009 Bonds (Pre-Payment Compliance) (2009 – Work in Process - 200910136)

Audit Objective: Determine whether the Tax Exempt Bonds Office has developed controls that will timely and accurately issue Build America Bonds interest payments while preventing erroneous payments from being disbursed.

Level of Readiness to Procure Goods and Services Under the American Recovery and Reinvestment Act of 2009 (2009 – Work in Process - 200910124)

Audit Objective: Determine the IRS’s level of readiness to implement the requirements for planning, awarding, and reporting of Recovery Act funded procurement actions.

Small Business Net Operating Loss Carryback Period Extended to Five Years (2009 – Work in Process - 200940136)

Audit Objective: Determine if the IRS properly implemented the new Recovery Act 5-year Net Operating Loss carryback provision and follow up on prior audit²⁹ recommendations related to carrybacks.

²⁸ Prior TIGTA Audit *Future Tax Revenues Are at Risk Because Certain Tax-Exempt Bonds May Exceed Annual Dollar Limits Without Detection* (Report Reference Number 2009-10-097, dated September 14, 2009).

²⁹ Prior TIGTA Audit *Processing of Carryback Loss Claims Needs to Be Improved to Ensure Taxpayers Receive Accurate Refunds* (Reference Number 2008-40-062, dated February 21, 2008).

Efforts to Ensure Proper Use of Recovery Funds (2009 – Work in Process - 200940137)

Audit Objective: Assess the IRS's ability to verify the accuracy and eligibility for tax related Recovery Act benefits and credits.

First-Time Home Buyer Credit (Erroneous Claims) (2009 – Work in Process - 200940138)

Audit Objective: Determine whether IRS controls identify and stop erroneous claims for the First-Time Homebuyer Credit.

Implementation and Taxpayer Notification of the Making Work Pay Credit (2009 – Work in Process - 200940139)

Audit Objective: Assess the IRS's efforts to implement the Making Work Pay Credit and evaluate its effect on taxpayers and employers.

The Health Coverage Tax Credit Expansion Effort (2009 – Work in Process - 200920130)

Audit Objective: Determine if controls are in place for administration and expansion of the Health Coverage Tax Credit under the Recovery Act.

Assessment of Prisoner Fraud (2010 – New Start - 201040010)

Audit Objective: Assess the IRS's efforts to reduce prisoner fraud including an assessment of the IRS's compliance with the Inmate Tax Fraud Prevention Act.³⁰

Compliance with the Freedom of Information Act (2010 – New Start – 201030023)

Audit Objective: Determine whether the IRS has adequate and effective policies and procedures to ensure compliance with Freedom of Information Act laws and regulations.³¹

³⁰ Pub L. 110-428, 122 Stat. 4839

³¹ Freedom of Information Act (FOIA), 5 U.S.C.A. § 552 (West 2007).

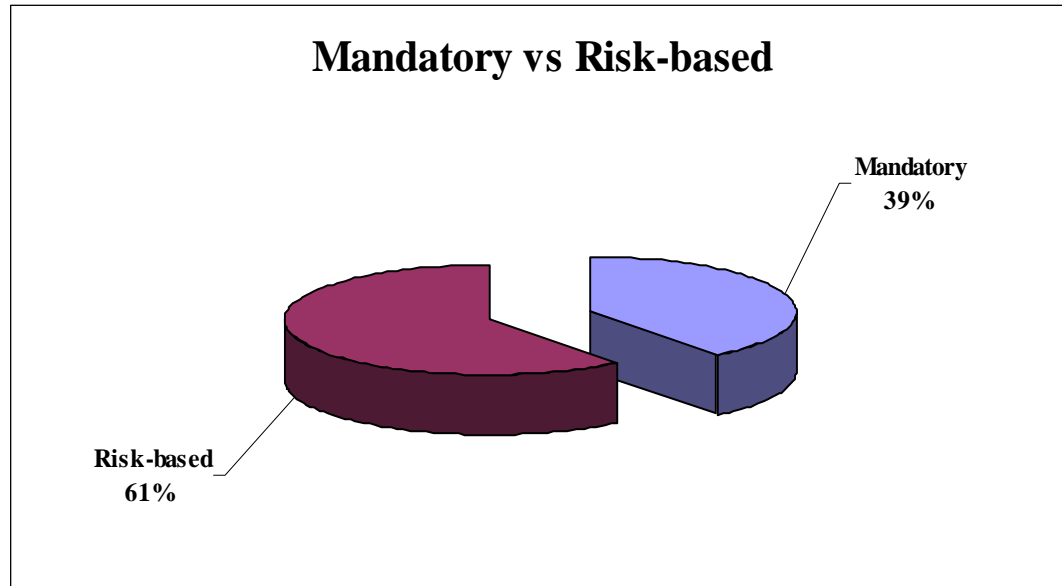
Office of National Drug Control Policy Attestation Review (2009 – Work in Process - 200910025)

Audit Objective: Perform an attestation review of the IRS's reporting of FY 2009 Office of National Drug Control Policy Expenditures and Related Performance for the purpose of expressing a conclusion about the reliability of each assertion made in the Detailed Accounting Submission and Accounting Summary Report.

Federal Financial Management Improvement Act 2009 Rollup (2009 – Work in Process - 200910027)

Audit Objective: Perform sufficient audit work to report to Congress as required by the Federal Financial Management Improvement Act (FFMIA), any instances and reasons for missed intermediate target dates established in the IRS's remediation plan for FY 2009. In addition, we will evaluate the effectiveness of the remedial actions taken by the IRS during the period 2005 – 2009 in resolving the material weaknesses reported in the FFMIA remediation plans and assess the challenges associated with resolving the remaining material weaknesses.

Office of Audit's Fiscal Year 2010 Staff Day Allocation by Mandatory versus Risk- based Audits



Note: Fiscal Year (FY) 2010 staff days are included for audits that were started in FY 2009 with planned completion dates in FY 2010. Totals might not equal 100 percent due to rounding.

DEPARTMENT OF THE TREASURY

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