



Fiscal Year 2017

Annual Audit Plan

Treasury

Inspector General

for Tax

Administration

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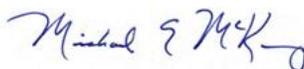
Fiscal Year 2017 Annual Audit Plan

The Office of Audit FY 2017 Annual Audit Plan communicates TIGTA’s audit priorities to the 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. The FY 2017 Annual Audit Plan includes 168 new audits or in-process audits.

Each year, TIGTA identifies and addresses the major management and performance challenges and key cross-cutting issues confronting the IRS. This Annual Audit Plan is organized by its list of the major challenges facing the IRS for FY 2017. The Plan includes mandatory coverage imposed by the RRA 98 and other statutory authorities involving computer security and taxpayer rights and privacy issues. Approximately 18 percent of our FY 2017 audits are mandated by law or at the specific request of Congress, the IRS, and other stakeholders.

TIGTA’s audit work is concentrated on high-risk areas and the IRS’s progress in achieving its strategic goals. To identify FY 2017 high-risk areas for audit coverage, TIGTA uses a risk-assessment strategy within its core business areas and identifies the highest priority audits to address each of the top 10 IRS major management challenges. The factors considered during the risk assessment process include stakeholders’ concerns; significant changes; potential waste, fraud, and abuse; internal controls; taxpayer impact; and size of the program. In addition, to keep apprised of operating conditions and emerging issues, the Office of Audit maintains liaison and working contact with applicable stakeholders such as IRS executives, the Department of the Treasury, Government Accountability Office officials, and Congress.

We are committed to delivering our mission of ensuring an effective and efficient tax administration system and preventing, detecting, and deterring waste, fraud, and abuse.



Michael E. McKenney
Deputy Inspector General for Audit

The Mission and the Organization

TIGTA was established in January 1999, in accordance with the IRS Restructuring and Reform Act of 1998 (RRA 98),¹ with the powers and authorities given to other Inspectors General under the Inspector General Act.² TIGTA provides independent oversight of Department of the Treasury matters involving IRS activities, 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 the IRS's programs and activities. TIGTA is organizationally placed within the Department of the Treasury, but is independent of the Department and all other offices and agencies within it. TIGTA is committed to providing timely, useful, and reliable information to IRS officials (including its Chief Counsel), 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.
- Prevent, detect, and deter fraud, waste, and abuse.

The Office of Audit program consists 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. It provides recommendations to improve IRS systems and operations, while ensuring the fair and equitable treatment of taxpayers.

Under the leadership of the Inspector General, the Deputy Inspector General for Audit is responsible for the Office of Audit. Five Assistant Inspectors General for Audit report to the Deputy Inspector General for Audit. They cover:

- (1) Management Services and Exempt Organizations;
- (2) Security and Information Technology Services;
- (3) Compliance and Enforcement Operations;
- (4) Returns Processing and Account Services; and
- (5) Management Planning and Workforce Development.

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 Inspector General Act of 1978, 5 U.S.C. app. 3 (amended 2008).

Office of Audit's Program Areas

The following narratives briefly describe the alignment of Office of Audit's business units and the areas within the IRS that these units will review during FY 2017.

Management Services and Exempt Organizations

The Management Services and Exempt Organizations unit reviews several IRS programs and offices, including Financial Management, the Tax Exempt and Government Entities Division, the Agency-Wide Shared Services function, the IRS Human Capital Office, 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, Applied Analytics, and Statistics.

Security and Information Technology Services

The Security and Information Technology Services unit assesses the IRS's information technology programs by implementing audit strategies that evaluate: (1) cybersecurity, including reviews of the Federal Information Security Management Act of 2002³ and its amendment called the Federal Information Security Modernization Act of 2014,⁴ audit trails, privacy, security monitoring and reporting, and incident management; (2) systems development, including reviews of the Key Modernization Investments, computer applications supporting the Affordable Care Act, and other high-priority projects and applications; and (3) information technology operations, including reviews of Computing Center operations, asset and data management controls, disaster recovery capabilities, and information technology procurement practices.

Compliance and Enforcement Operations

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

³ Pub. L. No. 107-347, Title III, 116 Stat. 2899, (2002) (codified as amended in 44 U.S.C. §§ 3541-3549).

⁴ Pub. L. No. 113-283. This bill amends chapter 35 of title 44 of the United States Code (U.S.C.) to provide for reform to Federal information security.

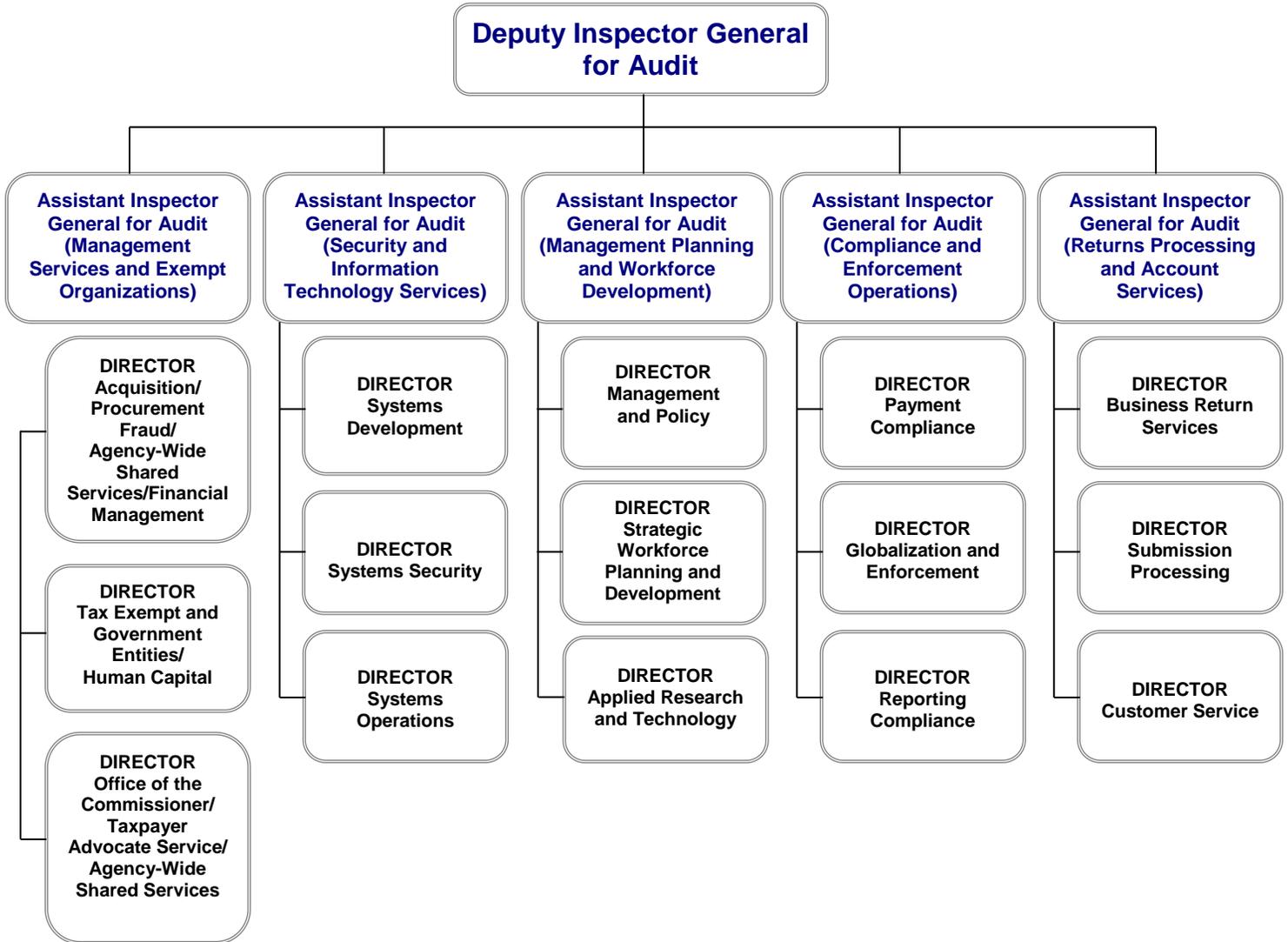
Returns Processing and Account Services

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 Taxpayer Assurance 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 filing providers.

Management Planning and Workforce Development

The Management Planning and Workforce Development unit provides both mission-critical support and assistance to the entire Office of Audit organization. Key audit management responsibilities include guidance and direction for strategic and annual planning; quality assurance and oversight; recruiting, training, and professional developmental activities; and performance budgeting. Specifically, this unit ensures direction and collaborative support needed to assist the Office of Audit in meeting its plans to address the major management and performance challenges and key cross-cutting issues confronting the IRS.

Organization Chart
*Treasury Inspector General for Tax Administration
Office of Audit*



Major Management and Performance Challenges Facing the Internal Revenue Service

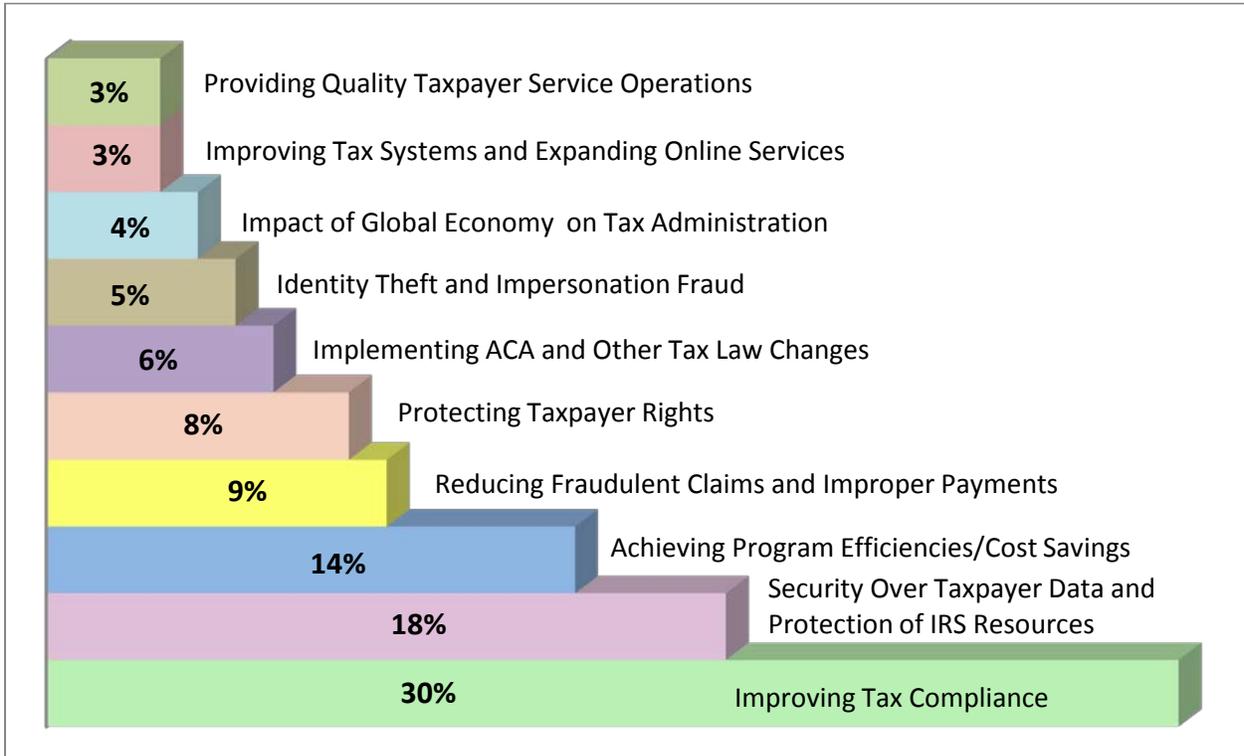
TIGTA has identified the following risk areas as the major management and performance challenges facing the IRS in FY 2017:

- ❖ Security Over Taxpayer Data and Protection of IRS Resources
- ❖ Identity Theft and Impersonation Fraud
- ❖ Implementing the Affordable Care Act and Other Tax Law Changes
- ❖ Improving Tax Compliance
- ❖ Reducing Fraudulent Claims and Improper Payments
- ❖ Improving Tax Systems and Expanding Online Services
- ❖ Providing Quality Taxpayer Service Operations
- ❖ Impact of Global Economy on Tax Administration
- ❖ Protecting Taxpayer Rights
- ❖ Achieving Program Efficiencies and Cost Savings

TIGTA's FY 2017 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:

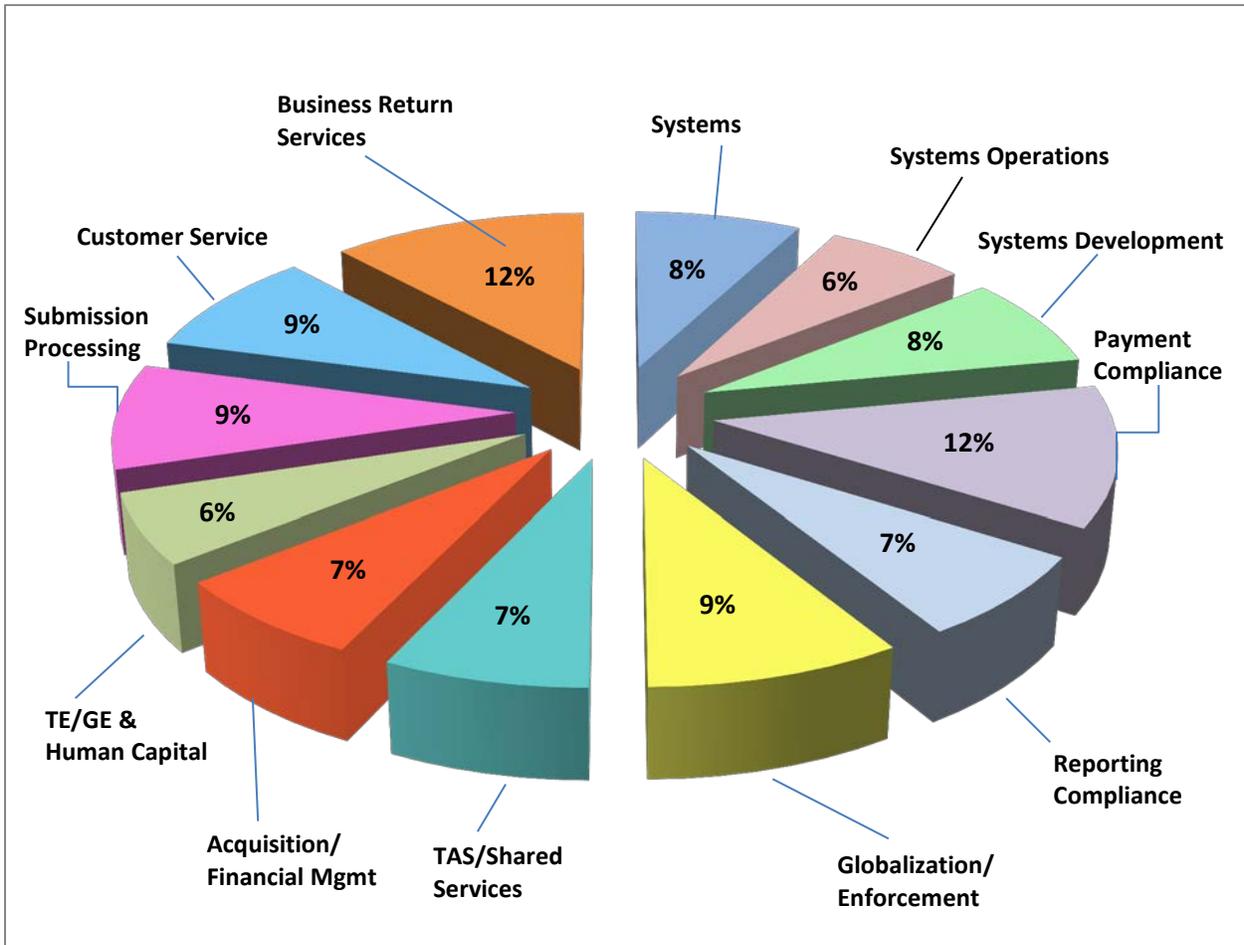
http://www.treas.gov/tigta/oa_management.shtml

*Office of Audit's Fiscal Year 2017
Percentage of Audits
By Major Challenges Facing Internal Revenue Service Management*



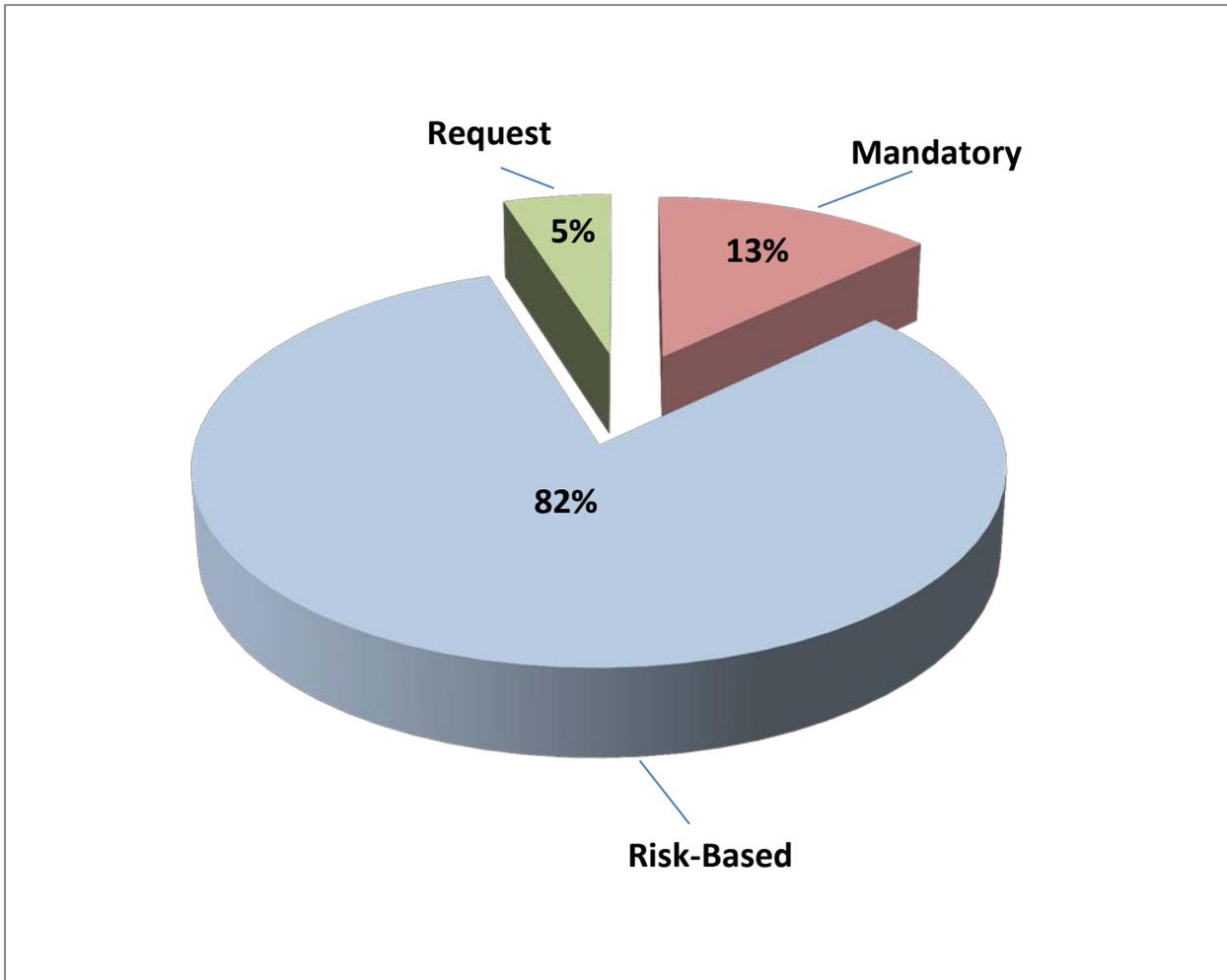
Note: The percentage of audits includes both new starts for FY 2017 and carryover audits that were started in prior fiscal years.

*Office of Audit's Fiscal Year 2017
Percentage of Audits
By Audit Focus Areas*



Note: The percentage of audits includes both new starts for FY 2017 and carryover audits that were started in prior fiscal years. TE/GE = Tax Exempt and Government Entities; TAS = Taxpayer Advocate Service.

*Office of Audit's Fiscal Year 2017
Percentage of Audits
By Mandatory, Risk-Based, and Requested Audits*



Note: The percentage of audits includes both new starts for FY 2017 and carryover audits that were started in prior fiscal years.

List of Planned Audits for Fiscal Year 2017 by Major Management and Performance Challenges

Fiscal Year 2017 Planned Audits for CHALLENGE 1: **Security Over Taxpayer Data and Protection of IRS Resources**

The increasing number of data breaches in the private and public sectors means more personal information than ever before is available to unscrupulous individuals. Much of the data is detailed enough to enable circumvention of most authentication processes. Therefore, it is critical that the methods the IRS uses to authenticate individuals' identities provide a high level of confidence that tax information and services are provided only to individuals who are entitled to receive them. As a result, protecting the confidentiality of taxpayer information continues to be a top concern facing the IRS. We have 31 new or in-process audits for this major management and performance challenge.

Follow-Up Review of Recommendations Made to Agency-Wide Shared Services (FY 2017 – New Start – Audit Number: 201710008)

Audit Objective: Determine whether closed corrective actions reported by the Agency-Wide Shared Services to TIGTA in prior audits have been fully implemented and documented.

Cash Deposits at Taxpayer Assistance Centers (FY 2017 – New Start – Audit Number: 201710010)

Audit Objective: Determine whether cash tax deposits at taxpayer assistance centers pose a security risk.

Physical Security Incident Reporting (FY 2017 – New Start – Audit Number: 201710011)

Audit Objective: Determine whether proper and timely incident reporting and recording is occurring at IRS facilities in order to protect IRS facilities, employees, and taxpayers.

Internal Revenue Service's Backlog of Moderate Risk Background Investigations (FY 2017 – New Start – Audit Number: 201710016)

Audit Objective: Assess the potential risks associated with the IRS's backlog of approximately 28,000 moderate risk reinvestigations due to strict budgetary constraints and pending changes in Office of Personnel Management regulations.

Fiscal Year 2017 Review of the Federal Information Security Modernization Act on Internal Revenue Service Unclassified Systems

(FY 2017 – New Start – Audit Number: 201720001)

Audit Objective: Determine the progress made by the IRS in meeting the requirements of the 2017 Federal Information Security Modernization Act¹ mandatory review of its unclassified information technology system security program.

Compliance With Privacy Laws and Regulations

(FY 2017 – New Start – Audit Number: 201720002)

Audit Objective: Determine whether the IRS is complying with privacy laws and regulations.

Annual Assessment of the Internal Revenue Service’s Information Technology Program

(FY 2017 – New Start – Audit Number: 201720003)

Audit Objective: Assess the adequacy and security of the IRS’s information technology program.

E-Authentication to Internal Revenue Service Online Services

(FY 2017 – New Start – Audit Number: 201720004)

Audit Objective: Determine whether the IRS has properly implemented secure authentication in accordance with Federal standards for remote access to IRS systems that are accessible to the public.

Effectiveness of Controls to Prevent Data Loss and Exfiltration

(FY 2017 – New Start – Audit Number: 201720005)

Audit Objective: Determine the effectiveness of controls to prevent data loss, including any large scale data exfiltration, of sensitive information.

Information Sharing and Assessment Center

(FY 2017 – New Start – Audit Number: 201720006)

Audit Objective: Determine whether the IRS is developing the Information Sharing and Assessment Center in accordance with Federal security standards to ensure that sensitive fraud data is protected against unauthorized access.

Software Version Control Management

(FY 2017 – New Start – Audit Number: 201720007)

Audit Objective: Determine whether the Information Technology organization is adequately managing software versions and timely updating outdated software versions used on its systems.

¹ Pub. L. No. 113-283. This bill amends chapter 35 of title 44 of the U.S.C. to provide for reform to Federal Information security.

Activity Logs on the Mainframe zSeries/Operating System

(FY 2017 – New Start – Audit Number: 201720008)

Audit Objective: Determine whether activity logging on the Mainframe zSeries/Operating System is properly capturing data and being timely reviewed to ensure that policy violations, including failures and successes, are identified and resolved.

Private Debt Collection Data Protection

(FY 2017 – New Start – Audit Number: 201720010)

Audit Objective: Evaluate data protection measures proposed during the planning and implementation of the Private Debt Collection program.

Security Practices and Controls for High Value Assets

(FY 2017 – New Start – Audit Number: 201720016)

Audit Objective: Evaluate the sufficiency of IRS corrective actions and compensating controls, specifically for high value assets and information, related to addressing its organizational Risk Based Decision on the Information System Component Inventory.

Return Review Program Disaster Recovery Capability

(FY 2017 – New Start – Audit Number: 201720018)

Audit Objective: Evaluate the Return Review Program disaster recovery capability.

Active Directory Controls

(FY 2017 – New Start – Audit Number: 201720019)

Audit Objective: Evaluate the security policies and procedures over Active Directory accounts.

Foreign Account Tax Compliance Act Intergovernmental Agreement of Host Country Tax Authority Information Systems

(FY 2017 – New Start – Audit Objective: 201720023)

Audit Objective: Review the IRS's evaluation and certification of Foreign Account Tax Compliance Act Intergovernmental Agreement of Host Country Tax Authority Information systems.

Requirements for Tax Return Preparers to Safeguard Taxpayer Data

(FY 2017 – New Start – Audit Number: 201740010)

Audit Objective: Assess the IRS's process to research and mitigate the effects of a security breach reported by a tax return preparer and complete required monitoring visits of preparers participating in the E-File program.

Disaster Recovery Plans and Testing Practices for Computing Centers

(FY 2015 – Work in Process – Audit Number: 201520014)

Audit Objective: Determine whether the IRS has a complete and adequate disaster recovery planning and testing capability that allows the IRS to successfully recover major computer system/applications from its Enterprise Computing Centers and securely transport necessary assets to its alternate site processing facilities in a time frame that satisfies established business needs and priorities.

Safeguarding Tax Return Information/Personally Identifiable Information in Small Business/Self-Employed Division Employee E-Mail Correspondence

(FY 2015 – Work in Process – Audit Number: 201530035)

Audit Objective: Determine if Small Business/Self-Employed (SB/SE) Division employees are following e-mail policies and properly safeguarding tax return information and other personally identifiable information contained in e-mail correspondence.

Background Investigations Completed by United States Investigations Services for Current Internal Revenue Service Employees and Appointees

(FY 2016 – Work in Process – Audit Number: 201610009)

Audit Objective: Identify additional information or disparities not identified in the Office of Personnel Management background investigations conducted by the support contractor United States Investigations Services on IRS employees or appointees that could impact the IRS's suitability determinations.

Continuity of Operations Follow Up Audit

(FY 2016 – Work in Process – Audit Number: 201610015)

Audit Objective: Determine if the IRS has effectively addressed the eight recommendations identified in TIGTA's previous audit² on IRS continuity planning and emergency preparedness program.

Employee Exit Procedures – Contractor Access

(FY 2016 – Work in Process – Audit Number: 201610020)

Audit Objective: Determine if IRS management implemented policies and procedures designed to provide reasonable assurance that Smart identification cards are returned when contractor employees separate from the IRS.

² TIGTA, Ref. No. 2013-10-102, *Improvements Are Needed to Ensure Timely Resumption of Critical Business Processes After an Emergency* (Sept. 2013).

Criminal Investigation’s Separating Employee Clearance Procedures

(FY 2016 – Work in Process – Audit Number: 201610021)

Audit Objective: Determine if IRS management implemented policies and procedures to provide reasonable assurance that Government resources and taxpayer information are protected when Criminal Investigation employees separate.

Computer Security Incident Response Center

(FY 2016 – Work in Process – Audit Number: 201620003)

Audit Objective: Evaluate the effectiveness of the Computer Security Incident Response Center at preventing, detecting, reporting, and responding to computer security incidents targeting IRS computers and data.

Network Perimeter Security

(FY 2016 – Work in Process – Audit Number: 201620004)

Audit Objective: Evaluate the effectiveness of the network perimeter security controls to protect the IRS against external threats and cyberattacks.

Patch and Vulnerability Management at the Registered User Portal

(FY 2016 – Work in Process – Audit Number: 201620007)

Audit Objective: Determine whether the IRS’s Registered User Portal within the Integrated Enterprise Portal has deployed effective and timely patch and vulnerability management.

Database Security

(FY 2016 – Work in Process – Audit Number: 201620008)

Audit Objective: Determine whether the IRS adequately configured databases operating in its non-mainframe production environment to properly secure taxpayer data.

Internal Revenue Service Operational Data Security for Large Information Technology Programs

(FY 2016 – Work in Process – Audit Number: 201620012)

Audit Objective: Evaluate the operational data security controls in support of requirements for IRS Information Technology Large Programs maintained by Enterprise Operations including the Return Review Program, Customer Account Data Engine 2, and Modernized E-File.

Security Review of the Integrated Production Model System

(FY 2016 – Work in Process – Audit Number: 201620022)

Audit Objective: Determine whether the IRS conducted and documented risk and security assessments prior to transitioning the Integrated Production Model system to Greenplum appliances and evaluate whether controls are in place to detect and prevent unauthorized access to this system.

Cybersecurity Fiscal Year 2016 Appropriations

(FY 2016 – Work in Process – Audit Number: 201620024)

Audit Objective: Determine whether the FY 2016 \$290 million in appropriated funds specifically designated for Cybersecurity enhancements and identity theft prevention was tracked, monitored, and effectively spent on marked investments.

Fiscal Year 2017 Planned Audits for CHALLENGE 2:
Identity Theft and Impersonation Fraud

Identity theft is a serious and growing problem which has a significant impact on tax administration. Identity theft for the purpose of tax fraud occurs when an individual uses another person's name and Taxpayer Identification Number (generally a Social Security Number) to file a fraudulent tax return to obtain a fraudulent tax refund. Unscrupulous individuals are stealing identities at an alarming rate for this purpose. We have eight new or in-process audits for this major management and performance challenge.

Criminal Investigation's Identity Theft Strategy

(FY 2017 – New Start – Audit Number: 201730026)

Audit Objective: Evaluate Criminal Investigation's efforts in investigating and prosecuting identity theft tax refund fraud.

Effectiveness of the Internal Revenue Service's Efforts to Detect and Prevent Identity Theft

(FY 2017 – New Start – Audit Number: 201740007)

Audit Objective: Determine the effectiveness of the IRS's ongoing efforts to detect and prevent identity theft.

Assistance to Innocent Victims Affected by the Taxpayer Protection Program Identity Theft Filters

(FY 2017 – New Start – Audit Number: 201740013)

Audit Objective: Assess efforts to reduce the burden of innocent taxpayers affected by the Taxpayer Protection Program's identity theft filters.

Effectiveness of the Internal Revenue Service's Efforts to Detect and Prevent Identity Theft

(FY 2015 – Work in Process – Audit Number: 201540001)

Audit Objective: Determine the effectiveness of the IRS's ongoing efforts to detect and prevent identity theft.

Identity Theft Victim Assistance Directorate

(FY 2016 – Work in Process – Audit Number: 201640015)

Audit Objective: Determine if the IRS’s centralization of identity theft functions improved assistance to victims.

Follow-Up Review of Identity Protection Personal Identification Numbers

(FY 2016 – Work in Process – Audit Number: 201640017)

Audit Objective: Assess corrective actions to address weaknesses in the Identity Protection Personal Identification Number program.

Assessment of the Internal Revenue Service’s Processing of Requests for Copies of Fraudulent Tax Returns

(FY 2016 – Work in Process – Audit Number: 201640027)

Audit Objective: Assess the effectiveness of the IRS’s processes related to identity theft victims’ requests for copies of fraudulent tax returns identified by the IRS.

Employment Related Identity Theft – Returns Processing

(FY 2016 – Work in Process – Audit Number: 201640028)

Audit Objective: Assess IRS processes to identify and assist victims of employment related identity theft.

Fiscal Year 2017 Planned Audits for CHALLENGE 3:
Implementing the Affordable Care Act and Other Tax Law Changes

The Patient Protection and Affordable Care Act (Affordable Care Act)³ provides incentives and tax breaks to individuals and small businesses to offset health care expenses, and imposes penalties for individuals and businesses that do not obtain health care coverage for themselves or their employees. Implementing these provisions presented numerous challenges for the IRS during the 2016 Filing Season. The annual tax return filing season⁴ is already a critical time for the IRS because this is when most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures. We have 10 new or in-process audits for this major management and performance challenge.

³ Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the Internal Revenue Code and 42 U.S.C.), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.

⁴ The period from January 1 through mid-April when most individual income tax returns are filed.

Affordable Care Act: Assessment of the Employer Shared Responsibility Payment

(FY 2017 – New Start – Audit Number: 201730310)

Audit Objective: Determine if the IRS is properly administering the Affordable Care Act provisions related to applicable large employers.

Affordable Care Act: Accuracy of the Internal Revenue Service’s Verification of Individuals’ Compliance With the Minimum Essential Coverage Requirement and Assessment of the Shared Responsibility Payment

(FY 2017 – New Start – Audit Number: 201740303)

Audit Objective: Evaluate the effectiveness of the IRS’s verification of individuals’ compliance with minimum essential coverage requirements including the verification of request for exemption and the assessment of the shared responsibility payment.

2017 Interim Filing Season

(FY 2017 – New Start – Audit Number: 201740004)

Audit Objective: Provide select information relating to the IRS’s 2017 Filing Season.

2017 Filing Season

(FY 2017 – New Start – Audit Number: 201740005)

Audit Objective: Evaluate whether the IRS timely and accurately processes individual paper and electronically filed tax returns during the 2017 filing season.

Affordable Care Act: Accuracy of the Internal Revenue Service’s Verification of Employers’ Compliance With Offering Health Insurance Coverage and the Assessment of the Shared Responsibility Payment

(FY 2017 – New Start – Audit Number: 201740317)

Audit Objective: Evaluate the effectiveness of the IRS’s verification of employers’ compliance with minimum essential coverage requirements and the assessment of the shared responsibility payment.

Affordable Care Act: Verification of Applicable Large Employers’ Compliance With Reporting Requirements

(FY 2017 – New Start – Audit Number: 201740318)

Audit Objective: Evaluate the IRS’s identification of nonfilers and calculation of the associated assessment of the shared responsibility payment.

Affordable Care Act Small Business Tax Credit

(FY 2015 – Work in Process – Audit Number: 201530336)

Audit Objective: Determine whether the IRS’s controls are effective in identifying and examining returns with erroneous Small Business Health Care Tax Credits.

Affordable Care Act: Preparations for the Employer Mandate

(FY 2015 – Work in Process – Audit Number: 201540333)

Audit Objective: Assess the status of the IRS’s preparations for ensuring compliance with the employer mandate and the related reporting requirements.

Implementation of Advance Health Coverage Tax Credit Payments

(FY 2016 – Work in Process – Audit Number: 201640034)

Audit Objective: Assess the effectiveness of the IRS’s implementation of Advanced Health Coverage Tax Credit payments.

Affordable Care Act: Verification of Premium Tax Credit Claims

(FY 2016 – Work in Process – Audit Number: 201640309)

Audit Objective: Evaluate the effectiveness of the IRS’s continued efforts to improve the verification of Premium Tax Credit claims.

Fiscal Year 2017 Planned Audits for CHALLENGE 4:

[Improving Tax Compliance](#)

Despite IRS efforts to reduce it, the Tax Gap⁵ remains a serious and persistent challenge. In FY 2016, the IRS issued Tax Gap estimates for Tax Years 2008 through 2010 that suggested compliance was substantially unchanged since the last estimates for Tax Year 2006. The Tax Gap for Tax Years 2008 through 2010 is estimated to be \$458 billion annually, compared to the \$450 billion estimated for Tax Year 2006. In an effort to lower the Tax Gap, the IRS identifies questionable tax returns to determine if any adjustments to the information reported on the tax returns are needed. In addition, the IRS issues notices and contacts taxpayers to collect delinquent taxes. If necessary, the IRS takes enforcement action, such as filing liens and seizing assets, to collect the taxes. We have 50 new or in-process audits planned for this major management and performance challenge.

Internal Revenue Service’s Actions to Identify and Address Retirement Plan Funding Deficiencies

(FY 2017 – New Start – Audit Number: 201710019)

Audit Objective: Determine whether the Employee Plans function is consistently assessing funding issues as part of examinations to identify pension plans and other retirement plans subject to an excise tax for not adequately funding the plan.

⁵ The Tax Gap is defined as the difference between the estimated amount taxpayers owe and the amount they voluntarily and timely pay for a tax year.

Foreign Account Tax Compliance Act System Release 4.1

(FY 2017 – New Start – Audit Number: 201720022)

Audit Objective: Review the development and implementation of the Foreign Account Tax Compliance Act⁶ System release 4.1.

Internal Revenue Service’s Efforts to Implement an Enterprise-Wide Case Management Solution

(FY2017 – New Start – Audit Number: 201720025)

Audit Objective: Review the IRS’s efforts to implement an enterprise-wide case management solution.

Impact of the Early Interaction Initiative

(FY 2017 – New Start – Audit Number: 201730011)

Audit Objective: Evaluate the Early Interaction Initiative program results to determine if the program helped employers stay in compliance with their Federal tax deposits, avoided future interest and penalty charges, and if collections of Federal Tax Deposit delinquencies improved.

Implementation of the Passport Revocation or Denial Program

(FY 2017 – New Start – Audit Number: 201730012)

Audit Objective: Evaluate the IRS’s progress and effectiveness in implementing Internal Revenue Code (I.R.C.) Section (§) 7345, revocation or denial of passports in cases of certain unpaid taxes.

Implementation of the Private Debt Collection Program (Phase II)

(FY 2017 – New Start – Audit Number: 201730013)

Audit Objective: Evaluate the IRS’s continued planning and implementation of the Private Debt Collection program.

The Small Business/Self Employed Division Examination Function’s Administration of Self-Employment Taxes

(FY 2017 – New Start – Audit Number: 201730014)

Audit Objective: Assess the SB/SE Division Examination function’s processes and controls to identify noncompliance of self-employment tax.

Trends in Compliance Activities Through Fiscal Year 2016

(FY 2017 – New Start – Audit Number: 201730015)

Audit Objective: Provide various statistical information and data trends related to Collection and Examination function activities.

⁶ Pub. L. No. 111-147, Subtitle A, 124 Stat 97 (2010) (codified in scattered sections of 26 U.S.C.).

Overview of the Worker Classification Program

(FY 2017 – New Start – Audit Number: 201730016)

Audit Objective: Determine if the SB/SE Division Examination function effectively administers the Worker Classification program.

Tax Equity and Fiscal Responsibility Act of 1982⁷ Rule Changes

(FY 2017 – New Start – Audit Number: 201730017)

Audit Objective: Determine whether the IRS has effectively planned for and implemented the partnership audit rule changes of the Budget Act of 2015.⁸

Use of Currency Transaction Reports in Examinations

(FY 2017 – New Start – Audit Number: 201730018)

Audit Objective: Determine how effectively the IRS uses Currency Transaction Report information to select and examine returns.

Examining Cases With Imminent Statute Dates

(FY 2017 – New Start – Audit Number: 201730019)

Audit Objective: Determine whether the SB/SE Division Examination function is meeting its objective of timely and accurately examining cases where the assessment statute date is imminent.

Schedule K-1 Matching Program

(FY 2017 – New Start – Audit Number: 201730020)

Audit Objective: Determine whether the processing of cases involving Schedule K-1, *Partner's Share of Income, Deductions, Credits, etc.*, income in the IRS Underreporter matching program is effectively identifying noncompliant taxpayers and minimizing unnecessary notices to taxpayers.

Internal Revenue Service Fed/State Programs

(FY 2017 – New Start – Audit Number: 201730021)

Audit Objective: Determine whether the IRS effectively uses data provided under its Fed/State Program to identify and pursue nonfilers and underreporters.

Reversals of Transfer Pricing Proposed Adjustments

(FY 2017 – New Start – Audit Number: 201730022)

Audit Objective: Assess the causes for reversals of transfer pricing adjustments by the Office of Appeals on proposed transfer pricing adjustments on corporations made by the Large Business and International Division.

⁷ Pub. L. No. 97-248, 96 Stat. 324 (codified as amended in scattered sections of 26. U.S.C.).

⁸ Pub. L. No. 114-74.

Trends in the Criminal Investigation’s Enforcement Activities

(FY 2017 – New Start – Audit Number: 201730025)

Audit Objective: Provide various statistical information and data trends related to Criminal Investigation’s enforcement activities.

Corporate Charitable Contributions

(FY 2017 – New Start – Audit Number: 201730027)

Audit Objective: Determine whether the IRS is adequately monitoring corporate charitable deductions to ensure that they have not been overstated by corporate donors.

Use of Schedule UTP, Uncertain Tax Position Statement

(FY 2017 – New Start – Audit Number: 201730028)

Audit Objective: Determine whether taxpayers are complying with the requirements to file Schedule UTP, *Uncertain Tax Position Statement*, and how the IRS is using the information provided by taxpayers.

Accuracy of Actions Taken to Resolve Frivolous Returns

(FY 2017 – New Start – Audit Number: 201740006)

Audit Objective: Evaluate the accuracy of actions taken to resolve tax returns claiming frivolous tax arguments.

Accuracy and Reliability of the Information Reporting Returns Strategy

(FY 2017 – New Start – Audit Number: 201740019)

Audit Objective: Determine the accuracy and reliability of the development of and estimates made by the IRS as part of its Information Reporting Returns strategy.

Missing/Invalid Tax Identification Numbers on Information Documents

(FY 2017 – New Start – Audit Number: 201740020)

Audit Objective: Determine the effectiveness of the IRS’s Tax Identification Number validation process.

Follow-Up of Large Business and International Document Matching

(FY 2017 – New Start – Audit Number: 201740021)

Audit Objective: Assess the IRS’s actions to improve reporting and payment compliance by withholding agents for foreign persons subject to withholding.

Withholding Reported on Form 945, Annual Return of Withheld Federal Income Tax

(FY 2017 – New Start – Audit Number: 201740022)

Audit Objective: Determine if the IRS has controls in place to ensure that withholding reported on information returns is accurately reflected on Forms 945, *Annual Return of Withheld Federal Income Tax*.

Accuracy of Carryforward Credits

(FY 2017 – New Start – Audit Number: 201740023)

Audit Objective: Determine if controls exist to ensure that taxpayers are properly claiming prior year carryover credits.

Effectiveness of the Internal Revenue Service’s Processes and Procedures to Work Combined Annual Wage Reporting Cases

(FY 2017 – New Start – Audit Number: 201740024)

Audit Objective: Determine whether the IRS is correctly working IRS Combined Annual Wage Reporting discrepancy cases and their associated late replies and accurately assessing penalties when due.

S Corporation Elections

(FY 2017 – New Start – Audit Number: 201740025)

Audit Objective: Determine if controls exist to ensure that corporations are properly classified by the IRS.

Processing of Forms 851, Affiliations Schedule

(FY 2017 – New Start – Audit Number: 201740026)

Audit Objective: Assess the effectiveness of the IRS’s processes to ensure that the Master File is accurately updated to reflect the appropriate parent/subsidiary relationships.

Effectiveness of Bulk Requests for Employer Identification Numbers

(FY 2017 – New Start – Audit Number: 201740027)

Audit Objective: Evaluate the effectiveness of the IRS’s controls for processing and assigning Employer Identification Numbers requested in bulk or by banks.

Selected Criteria for Identifying Tax-Exempt Applications for Further Review

(FY 2013 – Work in Process – Audit Number: 201310034)

Audit Objective: Provide a historical account of the IRS’s development and use of 17 select criteria from more than 250 criteria to identify tax-exempt applications for review.

Hiring or Retention of Contractor Employees With Finally Determined and Assessed Tax Debt

(FY 2016 – Work in Process – Audit Number: 201610018)

Audit Objective: Determine whether the IRS has implemented TIGTA recommendations from a prior report, and review the IRS Human Capital Officer Personnel Security internal methodology to detect and prevent the hiring or retention of contractors with finally determined and assessed Federal tax debt.

Referrals of Tax-Exempt Organizations Alleging Impermissible Political Activity

(FY 2016 – Work in Process – Audit Number: 201610025)

Audit Objective: Assess the effectiveness of IRS efforts to evaluate allegations of impermissible political activity by tax-exempt organizations.

Return Review Program

(FY 2016 – Work in Process – Audit Number: 201620019)

Audit Objective: Review the Return Review Program to determine if the system can identify all fraud currently identified by other existing fraud detection systems, and assess the Electronic Fraud Detection System retirement plans.

Offers in Compromise

(FY 2015 – Work in Process – 201530016)

Audit Objective: Determine whether offers in compromise were timely and appropriately processed.

Processing of Queue and Shelved Cases

(FY 2015 – Work in Process – Audit Number: 201530032)

Audit Objective: Determine whether the IRS takes effective actions on cases in the Queue and in shelved status.

Unreported and Underreported Self-Employment Income by Residents of Puerto Rico

(FY 2015 – Work in Process – Audit Number: 201530038)

Audit Objective: Determine how effectively the Large Business and International Division identifies and pursues residents of Puerto Rico who have self-employment income but fail to report or underreport their self-employment income to the U.S. Government.

Efforts to Detect and Prevent the Avoidance of Tax by Filing Frivolous Form 1099-OID, Original Issue Discount

(FY 2015 – Work in Process – Audit Number: 201540022.01)

Audit Objective: Assess the effectiveness of the IRS’s use of the Discoverer system to detect and prevent individuals from avoiding income tax by filing frivolous Forms 1099-OID, *Original Issue Discount*.

Effectiveness of the Internal Revenue Service’s Combined Annual Wage Reporting Program

(FY 2015 – Work in Process – Audit Number: 201540030)

Audit Objective: Evaluate whether the IRS’s Combined Annual Wage Reporting Program document matching process accurately identifies and selects the most productive cases involving employers not reporting the proper amounts of wages, employment taxes, and Federal income tax withheld so that the proper amount of tax can be collected.

Evaluation of the Automated Substitute for Return Program

(FY 2016 – Work in Process – Audit Number: 201630012)

Audit Objective: Evaluate the effect of the Automated Substitute for Return Program on enforcement yield and nonfiler compliance and determine whether the Program effectively processes its workload. Also, determine the impact of using Form 1099-B, *Proceeds From Broker and Barter Exchange Transactions*, information for Substitute for Return assessments.

Estate and Gift Tax

(FY 2016 – Work in Process – Audit Number: 201630013)

Audit Objective: Determine whether the Estate and Gift Tax Program’s mission to increase compliance with estate and gift tax laws through enforcement, education, and service to taxpayers is being administered within the tax laws, and with integrity and fairness to each taxpayer.

Thrift Savings Plan and Retirement Account Levies

(FY 2016 – Work in Process – Audit Number: 201630015)

Audit Objective: Evaluate the IRS’s policies, procedures, and internal controls over Thrift Savings Plan levies.

Merchant Card Third-Party Information Reporting

(FY 2016 – Work in Process – Audit Number: 201630017)

Audit Objective: Determine whether the IRS’s merchant card third-party reporting information is being used in an effective manner and is being utilized for the assignment of productive examinations.

Use of Discriminant Index Function and Alternative Case Selection Methods to Identify Cases for Examination

(FY 2016 – Work in Process – Audit Number: 201630024)

Audit Objective: Assess the impact on tax compliance of the IRS's use of discriminant index function and alternative case selection methods to identify productive cases for examination.

Implementation of the Private Debt Collection Program

(FY 2016 – Work in Process – Audit Number: 201630029)

Audit Objective: Evaluate the IRS's planning and implementation of the Private Debt Collection Program.

Paid Preparer Misconduct

(FY 2016 – Work in Process – Audit Number: 201630030)

Audit Objective: Evaluate whether the IRS's procedures, guidelines, and policies pertaining to paid preparer misconduct are being effectively administered.

Levies of Federal Contractors

(FY 2016 – Work in Process – Audit Number: 201630032)

Audit Objective: Determine whether the IRS is taking appropriate and effective levy actions for delinquent Federal contractors.

Bank Secrecy Act

(FY 2016 – Work in Process – Audit Number: 201630034)

Audit Objective: Evaluate the IRS's compliance efforts related to its delegated authority under the Bank Secrecy Act.

Return Preparer Outreach Strategy

(FY 2016 – Work in Process – Audit Number: 201640010)

Audit Objective: Assess the IRS's processes to ensure return preparer compliance with due diligence requirements for refundable credits such as the Earned Income Tax Credit and the American Opportunity Tax Credit.

Accuracy of Employment Tax Refunds

(FY 2016 – Work in Process – Audit Number: 201640018)

Audit Objective: Determine whether IRS controls are effective to ensure the accuracy of employment tax returns.

Professional Employer Organizations Certification Process

(FY 2016 – Work in Process – Audit Number: 201640019)

Audit Objective: Assess the IRS’s actions to establish processes for certifying professional employer organizations authorized for filing and payment of employment taxes and providing dual address change notices to all employers with employment tax filing requirements.

Accuracy and Reliability of Employer Identification Number Processing

(FY 2016 – Work in Process – Audit Number: 201640035)

Audit Objective: Evaluate the accuracy and reliability of Employer Identification Numbers posted on the IRS’s Master File.

Fiscal Year 2017 Planned Audits for CHALLENGE 5:

Reducing Fraudulent Claims and Improper Payments

The Office of Management and Budget describes an improper payment as any payment that should not have been made, was made in an incorrect amount, or was made to an ineligible recipient. The Improper Payment Information Act of 2002⁹ requires Federal agencies, including the IRS, to estimate the amount of improper payments and report to Congress annually on the causes of and the steps taken to reduce improper payments. The Improper Payment Elimination and Recovery Act of 2010¹⁰ amended the 2002 Act by strengthening agency reporting requirements and redefining significant improper payments. We have 15 new or in-process audits for this major management and performance challenge.

Government Charge Card Abuse Prevention Act of 2012 Semiannual Mandatory Review Covering the Period April 1, 2016, Through September 30, 2016

(FY 2017 – New Start – Audit Number: 201710003)

Audit Objective: Assess the IRS’s implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012¹¹ requirements for the period April 2016 through September 2016 and determine the status of any outstanding audit recommendations.

Government Charge Card Abuse Prevention Act of 2012 Semiannual Mandatory Review Covering the Period October 1, 2016, Through March 31, 2017

(FY 2017 – New Start – Audit Number: 201710004)

Audit Objective: Assess the IRS’s implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012 requirements for the period October 2016 through March 2017.

⁹ Pub. L. No. 107-300, 116 Stat. 2350.

¹⁰ Pub. L. No. 111-204, 124 Stat. 2224.

¹¹ Pub. L. No. 112-194 (Oct. 2012).

Public Transportation Subsidy Program

(FY 2017 – New Start – Audit Number: 201710009)

Audit Objective: Evaluate controls in place to prevent, detect, and deter employee misuse of the Public Transportation Subsidy Program.

Compliance With the Improper Payment Reporting Requirements in Fiscal Year 2016

(FY 2017 – New Start – Audit Number: 201740001)

Audit Objective: Determine whether the IRS complied with annual improper payment reporting requirements for FY 2016.

Internal Revenue Service Assignment of Individual Tax Identification Numbers

(FY 2017 – New Start – Audit Number: 201740002)

Audit Objective: Determine whether the IRS has established effective processes to ensure that only individuals with a tax need are assigned an Individual Tax Identification Number.

Accuracy of Error Resolution System Processing

(FY 2017 – New Start – Audit Number: 201740008)

Audit Objective: Evaluate the accuracy of actions taken to address potentially erroneous individual tax returns identified by the Error Resolution System.

Detection and Prevention of Erroneous or Fraudulent Amended Tax Returns

(FY 2017 – New Start – Audit Number: 201740009)

Audit Objective: Evaluate the effectiveness of the IRS's efforts to detect and prevent erroneous or fraudulent claims on amended tax returns.

Unidentified Remittance File

(FY 2017 – New Start – Audit Number: 201740028)

Audit Objective: Determine whether the IRS is properly managing the Unidentified Remittance File (receiving remittances, researching the cases, transferring out).

Internal Revenue Service's Resolution of Defense Contract Audit Agency Findings of Disallowed Costs

(FY 2015 – Work in Process – Audit Number: 201510015)

Audit Objective: Determine whether the IRS has an effective process in place to utilize the results of Defense Contract Audit Agency reports to recover disallowed costs.

Follow-Up Review of Prisoner Fraud

(FY 2016 – Work in Process – Audit Number: 201640007)

Audit Objective: Evaluate the effectiveness of the IRS's corrective actions to identify and reduce prisoner fraud.

Follow-Up Review of Controls Over Electronic Filing Identification Numbers

(FY 2016 – Work in Process – Audit Number: 201640011)

Audit Objective: Evaluate controls to prevent the unauthorized use of electronic filing identification numbers.

Implementation of Refundable Credit Integrity Provisions

(FY 2016 – Work in Process – Audit Number: 201640031)

Audit Objective: Evaluate the effectiveness of the IRS's efforts to implement refundable credit integrity provisions including those in the Protecting Americans From Tax Hikes Act of 2015.¹²

Transcript Delivery System

(FY 2016 – Work in Process – Audit Number: 201640032)

Audit Objective: Evaluate the accuracy of processes and procedures of the IRS's Transcript Delivery System to ensure that only authorized users get access to taxpayer information.

Deactivation of the Individual Tax Identification Numbers

(FY 2016 – Work in Process – Audit Number: 201640023)

Audit Objective: Determine whether the IRS is effectively administering the Individual Tax Identification Number program to ensure proper use and deactivation of Individual Tax Identification Numbers.

Integrity and Verification Operation Inventory Controls

(FY 2016 – Work in Process – Audit Number: 201640036)

Audit Objective: Evaluate the integrity and verification operations' controls to ensure that tax returns are properly screened and verified and employees work only assigned cases.

Fiscal Year 2017 Planned Audits for CHALLENGE 6:

Improving Tax Systems and Expanding Online Services

Successful modernization of IRS systems and the development and implementation of new information technology applications are critical to meet the IRS's evolving business needs and to enhance services provided to taxpayers. A primary focus for the IRS over the past two decades has been to migrate taxpayers to electronic filing. Outside of filing activities, taxpayers also use the Internet to download forms, view content, and check the status of their refund. These types of online activities will increase as the IRS implements its Future State initiative. The IRS's modernization effort continues to focus on core tax administration systems designed to provide more sophisticated tools to taxpayers and IRS employees. We have five new or in-process audits for this major management and performance challenge.

¹² Pub. L. No. 114-113 (H.R. 2029).

Requirements Engineering Program Office

(FY 2017 – New Start – Audit Number: 201720021)

Audit Objective: Evaluate the effectiveness and efficiency of the Requirements Engineering Program Office including the use of the International Business Machine’s Rational suite of requirements management products.

Follow-Up Review of Taxpayer Online Account Access

(FY 2017 – New Start – Audit Number: 201740012)

Audit Objective: Assess the IRS’s efforts to identify taxpayers’ needs for online access capabilities.

Internal Revenue Service’s Online Services Web Application Release 1.0 Development

(FY 2016 – Work in Process – Audit Number: 201620020)

Audit Objective: Review the development and implementation of the Web Applications system release 1.0, including the Online Account system.

Internal Revenue Service’s Cloud Strategy

(FY 2016 – Work in Process – Audit Number: 201620021)

Audit Objective: Review the IRS’s implementation and use of Cloud/Commodity services (*i.e.*, cloud strategies).

2017 Filing Season Readiness – Protecting Americans From Tax Hikes Legislation and File Information Returns Electronically Transition

(FY 2016 – Work in Process – Audit Number: 201620025)

Audit Objective: Determine the IRS’s readiness to incorporate (*i.e.*, identify, test, and implement) tax system modifications caused by the change in filing date requirements specified in the Protecting Americans From Tax Hikes Act of 2015, and to address changes required by the File Information Returns Electronically system retirement.

Fiscal Year 2017 Planned Audits for CHALLENGE 7:
[Providing Quality Taxpayer Service Operations](#)

Providing taxpayers with quality customer service is a key component in the IRS’s mission. Ensuring that taxpayers understand and meet their tax responsibilities is crucial for the IRS in its effort to encourage voluntary compliance with the tax laws. Resolving taxpayer questions before tax returns are filed helps avoid unintentional errors and also reduces taxpayer burden that results from the issuance of post-filing notices and correspondence. Further, successfully addressing and resolving taxpayer inquiries through a quality customer service process allows

the IRS to direct its limited resources more efficiently. We have five new or in-process audits for this major management and performance challenge.

Follow-Up Review of the Telephone Level of Service Performance Measure

(FY 2017 – New Start – Audit Number: 201740014)

Audit Objective: Evaluate the IRS’s toll-free telephone level of service performance measure to determine if it provides a sufficient assessment of taxpayer service.

Appointment Process at Taxpayer Assistance Centers

(FY 2017 – New Start – Audit Number: 201740015)

Audit Objective: Determine whether taxpayers receive quality customer service when calling the IRS to schedule appointments at Taxpayer Assistance Centers.

Appeals International Cases

(FY 2016 – Work in Process – Audit Number: 201610022)

Audit Objective: Determine whether Appeals is effective when processing international cases.

Processing Tax Returns on the Non Master File

(FY 2016 – Work in Process – Audit Number: 201640008)

Audit Objective: Evaluate the accuracy of the processing on Non Master File tax accounts.

Follow-Up Review of the Oversight of the Volunteer Income Tax Assistance Grant Program

(FY 2016 – Work in Process – Audit Number: 201440014)

Audit Objective: Evaluate the oversight of the Volunteer Income Tax Assistance Grant Program to determine if program objectives are met and if awarded funds are used as directed.

Fiscal Year 2017 Planned Audits for CHALLENGE 8:
[Impact of Global Economy on Tax Administration](#)

The scope, complexity, and magnitude of the international financial system present significant enforcement challenges for the IRS. As the IRS noted in its most recent strategic plan, the evolution and proliferation of virtual commerce has expanded the exchange of goods, services, and currencies – real and virtual – across jurisdictions, further complicating tax administration. We have six new or in-process audits for this major management and performance challenge.

Qualified Intermediary Program

(FY 2017 – New Start – Audit Number: 201730023)

Audit Objective: Assess how the IRS is managing the Qualified Intermediary Program and its efforts to properly collect taxes.

Treaty Based Income Tax Exemptions

(FY 2017 – New Start – Audit Number: 201730024)

Audit Objective: Evaluate the IRS’s efforts to ensure the accuracy of treaty based income tax exemptions claimed by nonresident alien individuals and foreign multinational corporations.

Internal Revenue Service’s Compliance Activities for the Foreign Account Tax Compliance Act

(FY 2017 – New Start – Audit Number: 201730029)

Audit Objective: Evaluate the IRS’s compliance activities for the Foreign Account Tax Compliance Act.¹³

Exchange of Information With Foreign Countries

(FY 2015 – Work in Process – Audit Number: 201530021)

Audit Objective: Evaluate the IRS’s efforts to improve tax compliance by using information obtained through the Exchange of Information Program agreements with foreign countries.

Reporting of Rental Income on United States Residential Property Owned by Nonresident Alien Individuals

(FY 2015 – Work in Process – Audit Number: 201530026)

Audit Objective: Evaluate the IRS’s efforts in identifying and addressing nonresident alien individuals who should be paying tax on rental income of United States residential real property.

Foreign Tax Credit (Corporations)

(FY 2016 – Work in Process – Audit Number: 201630027)

Audit Objective: Determine whether IRS controls ensure that the Foreign Tax Credit is accurately claimed on a corporation’s tax return when foreign government taxes are used to offset Federal taxes.

¹³ Congress passed the Foreign Account Tax Compliance Act in March 2010 as part of the Hiring Incentives to Restore Employment Act of 2010 (Pub. L. No. 111-147, 124 Stat. 71 (2010)).

Fiscal Year 2017 Planned Audits for CHALLENGE 9:
Protecting Taxpayer Rights

The IRS must balance tax compliance activities against the rights of taxpayers to receive fair and equitable treatment. The IRS provides taxpayers with Publication 1, Your Rights as a Taxpayer, in many notices and during in-person interviews involving the collection and examination processes. The IRS continues to dedicate significant resources and attention to implementing the taxpayer rights provisions of the IRS RRA98. We have 14 new or in-process audits for this major management and performance challenge.

Fiscal Year 2017 Mandatory Review of Collection Due Process

(FY 2017 – New Start – Audit Number: 201710001)

Audit Objective: Determine whether the Office of Appeals complied with 26 United States Code (U.S.C.) §§ 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 a Notice of Intent to Levy.

Fiscal Year 2017 Mandatory Review of Fair Tax Collection Practices Act Violations for Fiscal Year 2016

(FY 2017 – New Start – Audit Number: 201710006)

Audit Objective: Obtain information on any IRS administrative or civil actions resulting from violations of the Fair Tax Collection Practices Act, I.R.C. § 6304.

Fiscal Year 2017 Mandatory Review of Liens

(FY 2017 – New Start – Audit Number: 201730001)

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

Fiscal Year 2017 Mandatory Review of Seizures

(FY 2017 – New Start – Audit Number: 201730002)

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

Fiscal Year 2017 Mandatory Review of Levies

(FY 2017 – New Start – Audit Number: 201730003)

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

Fiscal Year 2017 Mandatory Review of Disclosure of Collection Activity With Respect to Joint Returns

(FY 2017 – New Start – Audit Number: 201730004)

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

Fiscal Year 2017 Mandatory Review of Illegal Tax Protestors and Similar Designations

(FY 2017 – New Start – Audit Number: 201730005)

Audit Objective: Determine whether the IRS complied with RRA 98 § 3707 and internal IRS guidelines that prohibit IRS officers and employees from referring to taxpayers as Illegal Tax Protesters or any similar designations.

Fiscal Year 2017 Mandatory Review of Assessment Statute Extension Dates

(FY 2017 – New Start – Audit Number: 201730006)

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.

Fiscal Year 2017 Mandatory Review of Internal Revenue Service Compliance With Restrictions on the Use of Enforcement Statistics

(FY 2017 – New Start – Audit Number: 201730007)

Audit Objective: Determine whether the IRS is complying with restrictions on the use of enforcement statistics to evaluate employees as set forth in RRA 98 § 1204.

Fiscal Year 2017 Mandatory Review of the Compliance With the Freedom of Information Act

(FY 2017 – New Start – Audit Number: 201730008)

Audit Objective: Determine whether the IRS improperly withheld information requested by taxpayers in writing based on the Freedom of Information Act¹⁴ exemption 5 U.S.C. § 552(b)(7) or I.R.C. § 6103 or by replying that responsive records were not available or did not exist.

Fiscal Year 2017 Mandatory Review of Restrictions on Directly Contacting Taxpayers

(FY 2017 – New Start – Audit Number: 201730009)

Audit Objective: Determine whether the IRS complied with legal guidelines addressing the direct contact of taxpayers and their representatives set forth in the I.R.C. §§ 7521(b)(2) and (c).

¹⁴ 5 U.S.C. § 552.

Follow-Up Review of the Office of Professional Responsibility’s Process to Resolve Complaints Against Tax Return Preparers

(FY 2017 – New Start – Audit Number: 201740016)

Audit Objective: Assess the Office of Professional Responsibility’s processes to resolve complaints against tax return preparers and take appropriate actions.

Use of Civil Forfeiture Authority in Structuring Cases

(FY 2015 – Work in Process – Audit Number: 201530030)

Audit Objective: Evaluate IRS policies, procedures, and guidance, as well as the legal requirements for transaction structuring seizures conducted by Criminal Investigation, and determine the impact of transaction structuring seizures on taxpayers.

Internal Revenue Service Record Retention Policies

(FY 2016 – Work in Process – Audit Number: 201610016)

Audit Objective: Determine whether the IRS has policies and procedures in place that meet Federal guidelines for retaining and producing records responsive to information requests.

Fiscal Year 2017 Planned Audits for CHALLENGE 10:
[Achieving Program Efficiencies and Cost Savings](#)

Continuing to identify and achieve greater program efficiencies and cost savings is imperative for the IRS as it strives to successfully accomplish its mission in a period of declining budgets and resources. Implementing cost saving strategies is particularly critical as the IRS is tasked with additional responsibilities, often without additional budgetary funding. We have 24 in-process audits for this major management and performance challenge.

Annual Mandatory Review of the Internal Revenue Service’s Federal Financial Management Improvement Act Fiscal Year 2016 Remediation Plan

(FY 2017 – New Start – Audit Number: 201710002)

Audit Objective: Determine IRS compliance with Federal Financial Management Improvement Act requirements.

Internal Revenue Service’s Implementation of the Digital Accountability and Transparency Act of 2014 – Phase II

(FY 2017 – New Start – Audit Number: 201710005)

Audit Objective: Evaluate the IRS’s implementation of the Digital Accountability and Transparency Act of 2014.¹⁵

¹⁵ Pub. L. No. 113 -101 - DATA Act of 2014.

***Internal Revenue Service Office of Research, Applied Analytics, and Statistics
Performance Measures***

(FY 2017 – New Start – Audit Number: 201710012)

Audit Objective: Determine whether the Office of Research, Applied Analytics, and Statistics implemented corrective actions responsive to TIGTA’s previous recommendations and determine whether it has the ability to measure performance and track costs of its research efforts.

Follow-Up Review of Internal Revenue Service Awards

(FY 2017 – New Start – Audit Number: 201710013)

Audit Objective: Evaluate whether the IRS has policies and procedures in place that consider employee conduct and tax compliance when providing awards, bonuses, or other recognition.

Internal Revenue Service’s International Travel Program

(FY 2017 – New Start – Audit Number: 201710014)

Audit Objective: Evaluate the IRS’s International Travel Program for compliance with policies and procedures for travel administration and expenditures on employee travel.

***Controls Over Costs Related to Direct Medical Care Provided to Internal
Revenue Service Employees***

(FY 2017 – New Start – Audit Number: 201710015)

Audit Objective: Evaluate financial controls over costs associated with medical care provided to IRS employees at Federal health units.

***Internal Revenue Service Information Technology Skills Assessments and
Action Plans to Address Mission-Critical Occupation Skill Gaps***

(FY 2017 – New Start – Audit Number: 201720011)

Audit Objective: Determine whether information technology skill assessments and action plans are sufficient to identify and address information technology skills needed to accomplish mission-critical functions.

Internal Revenue Service Enterprise Data Strategy and Management

(FY 2017 – New Start – Audit Number: 201720013)

Audit Objective: Evaluate how enterprise data management processes and practices support the IRS enterprise architecture including key operational business requirements.

Federal Information Technology Acquisition Reform Act of 2014

(FY 2017 – New Start – Audit Number: 201720014)

Audit Objective: Determine the IRS’s effectiveness in implementing requirements of the Federal Information Technology Acquisition Reform Act of 2014.¹⁶

Assessment of Key Controls for Virtual Machine Infrastructure and Operations

(FY 2017 – New Start – Audit Number: 201720015)

Audit Objective: Assess key risk management controls needed for server virtualization across IRS enterprise data centers.

Follow-Up Review of Internal Revenue Service Software Licenses

(FY 2017 – New Start – Audit Number: 201720017)

Audit Objective: Follow up on previous audits which assessed the IRS’s management of software licenses.

Operational Controls for Event, Incident, and Problem Reporting for the Internal Revenue Service’s Tax Administration Systems

(FY 2017 – New Start – Audit Number: 201720026)

Audit Objective: Assess the effectiveness of Enterprise Operations processes and practices for resolving event, incident, and reported problems for IRS’s tax administration systems.

Follow-Up Review of Reducing Undeliverable Mail

(FY 2017 – New Start – Audit Number: 201740011)

Audit Objective: Assess the IRS’s efforts to reduce undeliverable mail.

Accountability, Tracking, and Revenue Projections for Chief Counsel User Fees

(FY 2016 – Work in Process – Audit Number: 201610006)

Audit Objective: Determine whether Chief Counsel appropriately calculates, tracks, and reports user fees received for services provided to individual taxpayers and taxpayer entities.

Internal Revenue Service’s Efforts to Reduce Real Estate Costs

(FY 2016 – Work in Process – Audit Number: 201610008)

Audit Objective: Determine the current space utilization of IRS work spaces and evaluate the reliability of the real estate information the IRS uses to manage this effort.

¹⁶ Pub. L. No. 113-291, Title VIII, Subtitle D (H.R. 3979).

Employee Debts Attributable to Salary Overpayments

(FY 2016 – Work in Process – Audit Number: 201610010)

Audit Objective: Determine whether existing processes provide reasonable assurance that erroneous salary overpayments or underpayments are prevented and detected when employees move into and within IRS paybands.

Worker’s Compensation Claims

(FY 2016 – Work in Process – Audit Number: 201610011)

Audit Objective: Assess the IRS’s oversight of workers’ compensation claim initiation, monitoring, and cost.

Assessment of the Internal Revenue Service’s Readiness to Implement the Requirements of the Digital Accountability and Transparency Act of 2014 – Phase I

(FY 2016 – Work in Process – Audit Number: 201610012)

Audit Objective: Evaluate the IRS’s readiness to implement the requirements of the Digital Accountability and Transparency Act of 2014.

Follow-Up Review of Processes for Rehiring Employees With Prior Performance or Conduct Issues

(FY 2016 – Work in Process – Audit Number: 201610017)

Audit Objective: Determine if the IRS has updated hiring policies to fully consider past substantiated conduct and performance issues prior to hiring former employees.

Attestation Review of the Internal Revenue Service’s Fiscal Year 2016 Annual Accounting of Drug Control Funds

(FY 2016 – Work in Process – Audit Number: 201610019)

Audit Objective: Perform an attestation review of the IRS’s reporting of FY 2016 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 Performance Summary Report.

Non-Tax Employee Debt Collection

(FY 2016 – Work in Process – Audit Number: 201610024)

Audit Objective: Assess the IRS’s management of the collection of non-tax employee debt.

Implementation of the Information Technology Infrastructure Library Framework

(FY 2016 – Work in Process – Audit Number: 201620011)

Audit Objective: Evaluate the IRS’s Information Technology Infrastructure Library processes and practices in support of Enterprise Operations efforts to provide efficient, cost effective, and highly reliable computing services for all IRS business entities and taxpayers.

Internal Revenue Service Information Technology Aging Computing Hardware Infrastructure

(FY 2016 – Work in Process – Audit Number: 201620014)

Audit Objective: Determine and measure the impact of inefficiencies of aging computing infrastructure on IRS information technology operations.

Electronic Records Management

(FY 2016 – Work in Process – Audit Number: 201620015)

Audit Objective: Evaluate the readiness of the IRS to establish the information technology capabilities to manage temporary and permanent electronic e-mail records to comply with Office of Management and Budget Memorandum M-12-18, *Managing Government Records Directive*, for e-mail by December 31, 2016.

List of Planned Mandatory Audits for Fiscal Year 2017

Each year, TIGTA performs audits on the mandatory coverage imposed by the RRA 98 and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial audits. These mandatory audits are listed here. We have 22 new or in-process mandatory audits in this Plan.

Fiscal Year 2017 Mandatory Review of Collection Due Process

(FY 2017 – New Start – Audit Number: 201710001)

Audit Objective: Determine whether the Office of Appeals complied with 26 U.S.C. §§ 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 a Notice of Intent to Levy.

Annual Mandatory Review of the Internal Revenue Service’s Federal Financial Management Improvement Act Fiscal Year 2016 Remediation Plan

(FY 2017 – New Start – Audit Number: 201710002)

Audit Objective: Determine IRS compliance with Federal Financial Management Improvement Act requirements.

Government Charge Card Abuse Prevention Act of 2012 Semiannual Mandatory Review Covering the Period April 1, 2016, Through September 30, 2016

(FY 2017 – New Start – Audit Number: 201710003)

Audit Objective: Assess the IRS’s implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012 requirements for the period April 2016 through September 2016 and determine the status of any outstanding audit recommendations.

Government Charge Card Abuse Prevention Act of 2012 Semiannual Mandatory Review Covering the Period October 1, 2016, Through March 31, 2017

(FY 2017 – New Start – Audit Number: 201710004)

Audit Objective: Assess the IRS’s implementation of and compliance with the Government Charge Card Abuse Prevention Act of 2012 requirements for the period October 2016 through March 2017.

Internal Revenue Service’s Implementation of the Digital Accountability and Transparency Act of 2014 – Phase II

(FY 2017 – New Start – Audit Number: 201710005)

Audit Objective: Evaluate the IRS’s implementation of the Digital Accountability and Transparency Act of 2014.

Fiscal Year 2017 Mandatory Review of Fair Tax Collection Practices Act Violations for Fiscal Year 2016

(FY 2017 – New Start – Audit Number: 201710006)

Audit Objective: Obtain information on any IRS administrative or civil actions resulting from violations of the Fair Tax Collection Practices Act, I.R.C. § 6304.

Fiscal Year 2017 Review of the Federal Information Security Modernization Act on Internal Revenue Service Unclassified Systems

(FY 2017 – New Start – Audit Number: 201720001)

Audit Objective: Determine the progress made by the IRS in meeting the requirements of the Federal Information Security Modernization Act mandatory review of the IRS's unclassified information technology system security program.

Compliance With Privacy Laws and Regulations

(FY 2017 – New Start – Audit Number: 201720002)

Audit Objective: Determine whether the IRS is complying with privacy laws and regulations.

Annual Assessment of the Internal Revenue Service's Information Technology Program

(FY 2017 – New Start – Audit Number: 201720003)

Audit Objective: Assess the adequacy and security of the IRS's information technology program.

Fiscal Year 2017 Mandatory Review of Liens

(FY 2017 – New Start – Audit Number: 201730001)

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

Fiscal Year 2017 Mandatory Review of Seizures

(FY 2017 – New Start – Audit Number: 201730002)

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

Fiscal Year 2017 Mandatory Review of Levies

(FY 2017 – New Start – Audit Number: 201730003)

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

Fiscal Year 2017 Mandatory Review of Disclosure of Collection Activity With Respect to Joint Returns

(FY 2017 – New Start – Audit Number: 201730004)

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

Fiscal Year 2017 Mandatory Review of Illegal Tax Protestors and Similar Designations

(FY 2017 – New Start – Audit Number: 201730005)

Audit Objective: Determine whether the IRS complied with RRA 98 § 3707 and internal IRS guidelines that prohibit IRS officers and employees from referring to taxpayers as Illegal Tax Protesters or any similar designations.

Fiscal Year 2017 Mandatory Review of Assessment Statute Extension Dates

(FY 2017 – New Start – Audit Number: 201730006)

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.

Fiscal Year 2017 Mandatory Review of Internal Revenue Service Compliance With Restrictions on the Use of Enforcement Statistics

(FY 2017 – New Start – Audit Number: 201730007)

Audit Objective: Determine whether the IRS is complying with restrictions on the use of enforcement statistics to evaluate employees as set forth in RRA 98 § 1204.

Fiscal Year 2017 Mandatory Review of the Compliance With the Freedom of Information Act

(FY 2017 – New Start – Audit Number: 201730008)

Audit Objective: Determine whether the IRS improperly withheld information requested by taxpayers in writing based on the Freedom of Information Act exemption 5 U.S.C. § 552(b)(7) or I.R.C. § 6103 or by replying that responsive records were not available or did not exist.

Fiscal Year 2017 Mandatory Review of Restrictions on Directly Contacting Taxpayers

(FY 2017 – New Start – Audit Number: 201730009)

Audit Objective: Determine whether the IRS complied with legal guidelines addressing the direct contact of taxpayers and their representatives set forth in the I.R.C. §§ 7521(b)(2) and (c).

Compliance With the Improper Payment Reporting Requirements in Fiscal Year 2016

(FY 2017 – New Start – Audit Number: 201740001)

Audit Objective: Determine whether the IRS complied with annual improper payment reporting requirements for FY 2016.

Internal Revenue Service Assignment of Individual Tax Identification Numbers

(FY 2017 – New Start – Audit Number: 201740002)

Audit Objective: Determine whether the IRS has established effective processes to ensure that only individuals with a tax need are assigned an Individual Tax Identification Number.

Assessment of the Internal Revenue Service’s Readiness to Implement the Requirements of the Digital Accountability and Transparency Act of 2014 – Phase I

(FY 2016 – Work in Process – Audit Number: 201610012)

Audit Objective: Evaluate the IRS’s readiness to implement the requirements of the Digital Accountability and Transparency Act of 2014.

Attestation Review of the Internal Revenue Service’s Fiscal Year 2016 Annual Accounting of Drug Control Funds

(FY 2016 – Work in Process – Audit Number: 201610019)

Audit Objective: Perform an attestation review of the IRS’s reporting of FY 2016 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 Performance Summary Report.

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