



Treasury Inspector General for Tax Administration Office of Audit

CASE PROCESSING DELAYS AND TAX ACCOUNT ERRORS INCREASED HARDSHIP FOR VICTIMS OF IDENTITY THEFT

Issued on September 26, 2013

Highlights

Highlights of Reference Number: 2013-40-129 to the Internal Revenue Service Deputy Commissioner for Operations Support and the Commissioner, Wage and Investment Division.

IMPACT ON TAXPAYERS

The Federal Trade Commission reported that identity theft was the number one complaint in Calendar Year 2012, and government documents and benefits fraud was the most common form of reported identity theft. The IRS reported that this crime affected 1.2 million taxpayers in Calendar Year 2012, and an additional 1.6 million were affected in Calendar Year 2013 as of June 29, 2013. Case processing delays and tax account errors increased hardship for victims of identity theft.

WHY TIGTA DID THE AUDIT

This audit was initiated to follow up on concerns raised in a prior audit that the IRS was not providing quality customer service to identity theft victims. Our overall objective was to determine whether the IRS improved its assistance to victims of identity theft.

WHAT TIGTA FOUND

Our review of a statistical sample of 100 identity theft cases closed August 1, 2011, through July 31, 2012, found that the IRS correctly determined the rightful owner of the Social Security Number in all cases. However, taxpayers continued to face delays, with some cases having significant inactivity during case processing. In addition, tax accounts were not always correctly resolved before the cases were closed.

For the 100 sample cases reviewed, case resolution averaged 312 days and cases had significant periods of inactivity (*i.e.*, no work was being performed to resolve the case). Inactivity on these 100 identity theft cases averaged 277 days. In addition, tax accounts were not correctly resolved for 25 cases, resulting in delayed refunds and/or incorrect refunds.

Finally, processes to ensure the accuracy of identity theft management information need to be developed. In the Calendar Year 2012 *Refund Fraud and Identity Theft*

Global Report (Global Report), the Accounts Management function's open case inventory was overstated by 95,429 cases. In addition, documentation was not maintained supporting the inventory provided by the Accounts Management function.

The Global Report is the IRS's authoritative source for identity theft management information. It provides key statistics on the number of identity theft open and closed cases, incidents, and affected taxpayers and on the amount of fraudulent refunds the IRS identified.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) ensure that assistors assigned to identity theft cases work these cases exclusively and are provided with ongoing training and the ability to perform actions to work these cases to conclusion; 2) develop clear and consistent processes and procedures to ensure that taxpayer accounts are correctly updated when cases are resolved; 3) develop a standard format for information provided for inclusion in the Global Report; 4) develop validation processes and procedures to ensure the accuracy of information included in the Global Report; and 5) develop retention requirements for the documentation supporting information included in the Global Report.

The IRS agreed with the recommendations and plans to continue to ensure that there are sufficient resources assigned to identity theft inventory and phones and that processes and procedures will be developed to ensure that all appropriate actions are taken on identity theft victims' accounts. The IRS also plans to develop a template for functional areas to use when reporting inventory for the Global Report and to use a certification process for each function to verify the data it provided. Lastly, the IRS plans to ensure that each function maintains documentation in accordance with existing retention standards.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2013reports/201340129fr.pdf>

E-mail Address: TIGTACommunications@tigta.treas.gov

Phone Number: 202-622-6500

Website: <http://www.treasury.gov/tigta>