

TAXLETTER

Recent Development Concerning The IRS

Recently, there was no major tax legislation from Washington. However, certain important development deserving our attention, the following are just two of them:

1) IRS is going to conduct co-ordinate Civil and Criminal Investigations of fraudulent Tax Preparation

Based on recent TIGTA (Treasury Inspector General for Tax Administration) reports, the IRS failed to conduct coordinated investigation when they become aware of abusive and fraudulent tax preparation by paid preparers. Instead, they usually failed to communicate with each other and conduct civil and criminal investigative actions parallel to each other.

According to TIGTA, if communication and coordination are not thorough and consistent, the full range of civil and criminal actions available, usually, not being explored, resulting in failure to seek injunctions against fraudulent Preparers and Promoters to prevent any further damage to either the Government or the Taxpayers, or both.

IRS's own SOP (standard operating procedures) required that at least quarterly coordination meetings be held between the Civil and Criminal functions for any ongoing parallel investigations. However, there is no consistent requirement to document these meetings. Thus, there is no assurance that the meetings actually took place and all required attendees were present.

2) IRS lacked full compliance with FISMA - Taxpayer Data and Identity Most Vulnerable

Under the Federal Information Security Management Act (FISMA), the Offices of Inspectors General are required to perform an annual independent evaluation of each federal agency's information security programs and practices. The report released last Monday (Nov. 04) by TIGTA presents the results of its FISMA evaluation of the IRS's information security program for fiscal year 2013. According to TIGTA, although the IRS is in compliance with the Federal Information Security Management Act (FISMA), yet it cautioned that the IRS failed to fully implement all 11 security program areas covered by FISMA. Thus taxpayer data and identity remain vulnerable.

Based on the evaluation, TIGTA found that 9 out of 11 security areas the IRS were generally compliant with the FISMA requirements. In addition, six of the nine security areas included all of the program attributes specified by the Department of Homeland Security's (DHS's) fiscal year 2013 FISMA Reporting Metrics, including continuous monitoring, risk management, plan of action and milestones, contingency planning, contractor systems and security capital planning.

However, 3 of the above 9 security areas, while generally in compliant, were not fully effective due to one key program attribute that was missing or not working as intended. These 3 areas were incident response and reporting, security training, and remote access management.

Further, 2 of the 11 security areas were not in compliant with FISMA and did not meet the level of performance specified by the DHS's FY 2013 FISMA Reporting Metrics due to majority of DHS specified attributes being missing or not working as required. These areas are configuration management, access management, and identity protection.

Sincerely,

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