

## FY 2020 OMB Supplemental Data Call

### Treasury

#### American Opportunity Tax Credit

##### Question 1: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

*Please describe the steps the program has taken and plans to take (including timeline) to ensure that agency managers (including the agency head), accountable officers, program official/owner, and States and localities (where appropriate) are held accountable for reducing and recapturing IPs through annual performance appraisal criteria for each of the following:*

- Meeting applicable improper payments reduction targets;*
- Preventing improper payments from being made; and*
- Promptly detecting and recovering improper payments that are made.*

Performance Appraisal Criteria
promptly detect and recover improper payments that are made
prevent improper payments from being made
meeting applicable improper payments reduction targets

##### Question 1 Free Text: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

The IRS is currently implementing this PIIA requirement. As discussed further in Question 15 below, the root causes of the IRS's Refundable Tax Credit (RTC) overclaims are not the result of inadequately designed or implemented internal controls. Rather, the root cause of these overclaims is the legal structure of these programs and IRS reliance on taxpayer self-certification of information, including RTCs, on their returns. The IRS is currently analyzing legislative fixes to address these issues. However, the IRS will review mitigating actions within its purview designed to reduce RTC overclaims and incorporate these actions into the performance management plans of key personnel as appropriate.

##### Question 2: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

*Please describe the steps the agency has taken to detect and recover improper payments.*

Indicate root cause	Indicate mitigation strategy/corrective action(s) taken	Provide any additional detail (optional free text)	Select the actual completion date for action(s) taken
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)	See below.	FY2020 Q3
2. Inability to Authenticate Eligibility: Inability to Access Data	Other (free text)	other agency data access SSA, etc.	FY2020 Q3
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	2-Behavioral/Psych Influence (nudge for honesty when data hard to pre-check)	See below.	FY2020 Q3

## Question 2 Free Text: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

The following programs contributed to the IRS's strategy of identifying and reducing Earned Income Tax Credit (EITC), Additional Child Tax Credit (ACTC), and American Opportunity Tax Credit (AOTC) improper refund claims in FY 20:

Base Enforcement Efforts - Delivered key compliance activities including 179,160 audits, 242,639 misreported income cases, and an estimated 488,243 math error adjustments, protecting revenue of nearly \$2.4 billion.

Two and 10-Year Bans -Imposed 1,233 two-year bans and 214 10-year bans for cases where the IRS determined during an audit that the taxpayer intentionally disregarded the rules and regulations or committed fraud.

Identity Theft and Fraud - Detected and stopped over 617,949 fraudulent returns from being processed through our fraud detection filters, preventing over \$3.1 billion in erroneous refunds.

Return Preparer Initiatives- As a part of the FY 2020 Refundable Credits Return Preparer Strategy, IRS completed activities associated with a suite of progressive preparer treatments, addressing 18,514 EITC, ACTC, and AOTC preparers selected through our risk-based scoring model, before and during the filing season.

- The IRS closed 687 pre-filing season Due Diligence Visits (DDVs) with a penalty rate of 93 percent and over \$34 million in proposed penalties. Criminal Investigation and revenue agents completed 95 educational Knock-and-Talk Visits (KTV) visits. The IRS also mailed 28,861 educational letters before the FY 2020 filing season.

- The IRS closed 296 correspondence DDVs with a penalty rate of 97 percent and over \$18 million in proposed penalties. The IRS also mailed 10,436 educational letters and successfully made 505 calls to preparers during the 2020 filing season.

- The analysis of the FY 2020 Refundable Credits Return Preparer Strategy revealed that, in addition to the penalties proposed above, the preparer treatments protected approximately \$403 million (\$288 million in EITC, \$81 million in ACTC, and \$34 million in AOTC).

### **Question 3: Recovery Audits (PIIA Section: 3352)**

*Please describe the steps the agency has taken to recover improper payments identified in recovery audits. Please note there is a 3000 character limit.*

Treasury considers both pre- and post-reviews to identify payment errors a sound management practice that should be included among basic payment controls. All of our components have a process in place to identify improper payments during pre- and post-reviews. When applicable, our components may use the results of the Treasury Inspectors General and GAO reviews to help identify payment anomalies and target areas for improvement. However, we apply extensive payment controls at the time each payment is processed to minimize recapture activity.

The improper payments identified through the payment recapture audit are recouped either by payment off-set (i.e., the outstanding improper payment amount is offset by a future payment) or by establishing an accounts receivable. When an accounts receivable is established for the improper payment, the accounts receivable is carried forward until payment is received or a decision is made to write-off the outstanding receivable. We also require all bureaus to report Overpayments identified and recovered outside of payment recapture audits.

### **Question 4: Excluded Programs (PIIA Section: 3352(e) (7))**

*Please list any programs the agency excluded from review under its payment recapture audit program because a payment recovery audit program was determined to not be cost-effective and provide a summary of the justification used to make that determination. Please note there is a 3000 character limit.*

The following bureaus have approved cost-effective justifications for FY 20:

Bureau of Engraving and Printing (BEP) Program

Departmental Franchise Fund (DFF) Programs

Fiscal Services Administration (FSA) Programs

Fiscal Service Debt (FSD) Programs

Funds Management Branch (FSM) Programs

Fiscal Service Umbrella (FSU) Programs

Internal Revenue Services Administration Fund Programs

Office of International Assistance (OAS) Programs

Office of the Comptroller of the Currency (OCC)

Treasury Executive Office for Asset Forfeiture/Treasury Forfeiture Fund (TEOAF/TFF)

The justification that performing a payment recapture audit would not be cost-effective consists of the following reasons:

The BEP program is a low risk level program, with little to no improper payments identified in the past five years.

The DFF programs reflect a low level of risk for all payment type categories assessed.

The Fiscal Service's FSA, FSD, FSM, and FSU programs continued to reflect a low level of risk in nearly every group and payment type category assessed, with no audit findings or material weaknesses identified.

The IRS's Administrative Fund Programs are low risk level programs, with no GAO or TIGTA identified deficiencies and no prior payment recapture audit identified improper payments.

The Treasury International Programs disburse non-federal payments to the Multilateral Development Banks. Payments are made via payment vouchers on a letter of credit administered by the Federal Reserve Bank of New York, or direct cash payments through the Secure Payment System. The International Programs also disburse federal payments for Debt Restructuring via Intra-Governmental Payment and Collection or Standard Form 1081. Management has determined that performing a formal recovery audit on these programs would not be cost-effective. Internal reviews are performed before all payments are issued.

The OCC programs reflect a low level of risk for all payment type categories assessed, and annual internal reviews are conducted for all payment types. In addition, OCC reported that the cost to perform the most recent payment recapture audit exceeded the amount of improper payments identified.

The TEOAF/TFF program is a low risk level program, with no identified prior improper payment issues. In addition, program payments are made to state and local law enforcement agencies, reducing the risk of improper payments

All justifications were submitted to and approved by OMB prior to FY 20.

### Question 5: Financial and Administrative Controls (PIIA Section: 3357(d))

*Please describe your agency's progress:*

- *Implementing the financial and administrative controls established by OMB in OMB Circular A-123 to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments; the fraud risk principle in the Standards for Internal Control in the Federal Government published by the Government Accountability Office (commonly known as the "Green Book"); and Office of Management and Budget Circular A-123, with respect to the leading practices for managing fraud risk;*
- *Identifying risk and vulnerabilities to fraud, and*
- *Establishing strategies, procedures, and other steps to curb fraud.*

<b>Implementation of OMB Circular A-123</b>	<b>Implementation of GAO Green Book</b>	<b>Identifying Risk and Vulnerabilities</b>	<b>Establishing Strategies, Procedures and Other steps</b>
3 – Fully Operational	3 – Fully Operational	3 – Fully Operational	3 – Fully Operational

### Question 5 Free Text: Financial and Administrative Controls (PIIA Section: 3357(d))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

All of Treasury's bureaus and offices (or components) have a shared responsibility in preventing, detecting, and responding to potential fraud, including improper payments. Treasury's components have ownership and responsibility for managing fraud risk. The Office of Risk Management is responsible for providing expertise and guiding principles to assist Treasury's components in the management of fraud risk. The Office of the Deputy Chief Financial Officer establishes Treasury-wide guidance designed to ensure that financial, programmatic, and administrative internal controls provide an appropriate level of assurance towards operational and fiscal effectiveness and efficiency. The OIG Office of Investigation (OI) is responsible for receiving and assessing complaints and investigating potential fraud cases. The Treasury bureaus are the risk owners for their programs and have responsibility for mitigating fraud risk and enhancing program integrity, by designing and implementing processes and controls that effectively prevent and detect potential fraud, both internal and external to Treasury. Components must establish policies, procedures, techniques, and mechanisms to comply with risk management; and internal control requirements to manage and respond to fraud risk. Employees who encounter incidents of fraud, waste and abuse have a responsibility to report the incidents to their respective OIGs. Mechanisms used by individual components to manage fraud risk include ensuring key duties and responsibilities are effectively segregated among different people to reduce the risk of error, waste, or fraud, and systems have controls to limit access and ensure no one individual can control all aspects of a transaction; establishing

enterprise fraud risk management programs; conducting risk assessments, reviewing fraud trends and patterns to inform fraud prevention techniques as well as using predictive and forensic analytics to detect and prevent fraudulent activity.

The Treasury Implementation Guide for OMB Circular A-123, Appendix A incorporates GAO's Green Book Principle 8, Assess Fraud Risk. Each year components evaluate their adherence to this principle during their assessments of internal control.

Fraud risk is also addressed in the course of the Office of Risk Management's (ORM's) general risk advisory work. Treasury's leadership team has the opportunity to discuss potential fraud and other types of risks during regular meetings led by the Chief Risk Officer or Deputy Chief Risk Officer. The ORM conducts regular Enterprise Risk Management Council meetings with the bureau-level risk management contacts to discuss various risk topics, including fraud risk. Fraud risk is considered when Treasury's components develop and update their annual risk profiles, or top risk lists, to share with the ORM.

### **Question 6: Statutory Thresholds and Risk Assessments (PIIA Section: 3352(a)(3) (C))**

*Please indicate the following:*

- *Any programs not listed in this collection which were recently assessed to determine susceptibility of improper payments.*
  - *Whether it was likely to be above or below the statutory threshold.*
- *The FY for any programs not listed in this collection which were most recently assessed to determine whether it was likely to be above or below the statutory threshold.*
- *If they had substantial changes to RA methodology.*

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Fiscal Service, Salaries and Expenses, Fiscal Service (0520)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Reimbursements to Federal Reserve Banks (0562)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Federal Reserve Bank Reimbursement Fund (1884)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Debt Collection Special Fund (5445)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Interest on the Public	Likely to be	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Debt (Indefinite) (0550)	Below Statutory Threshold		
Fiscal Service, Restitution of Foregone Interest (1875)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Corporation for Public Broadcasting (0151)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Payment to Legal Services Corp (0501)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Fed. Pay. Resident Tuition Sup (1736)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Judgements, Court of Claims (1740)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Claims for Damages (1742)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Fed. Pay- Emerg. Pl & Sec (1771)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Refund Money Erroneously Rec'd (1807)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Fed. Pay- School Improvement (1817)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Payment to Resolution Fd Corp (1851)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Interest on Uninvested Fds (1860)	Likely to be Below Statutory Threshold	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Fiscal Service, D.C. Water & Sewage (4446)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Travel Promotion Fund, Corp for Travel Promotion (5585)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Gulf Coast Restoration Trust Fund (8625)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service, Refund Collection- Interest (0904)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service, Payment Health Care Credit Exceeds (0923)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service, Refund-Corporations (0931)	Likely to be Below Statutory Threshold	Other	NO
Community Development Financial Institutions Fund- CDFI Equity Investment Dividen. (1881)	Likely to be Below Statutory Threshold	Other	NO
Community Development Financial Institutions Fund- CDFI BGP Financing Fund (4366)	Likely to be Below Statutory Threshold	Other	NO
Community Development Financial Institutions Fund- Capital Magnet Fund (8524)	Likely to be Below Statutory Threshold	Other	NO
Office of DC Pensions- District of Columbia Federal Pension Fund (5511)	Likely to be Below Statutory Threshold	Other	NO
Office of DC Pensions- DC Judicial Retirement and Survivor's Annuity Fund (8212)	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- Salaries and Expenses, DO (0101)	Likely to be Below Statutory Threshold	Other	NO



<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Departmental Offices- TFI	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- Cybersecurity Enhancement Account (1855)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Global Environment Facility, Funds Appropriated to (0066)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contribution to the Asian Development Fund, Funds (0067)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contrib Intl Develop Assoc (0073)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contrib to African Develop BK (0082)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contrib to African Develop FD (0079)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Int'l Fund for Agric. Develop (1039)	Likely to be Below Statutory Threshold	Other	NO
Office of Financial Stability- Salaries and Expenses (0128)	Likely to be Below Statutory Threshold	Other	NO
Office of Financial Stability- Home Affordable Modification Program (0136)	Likely to be Below Statutory Threshold	Other	NO
Office of the Inspector General- Salaries and Expenses, OIG (0106)	Likely to be Below Statutory Threshold	Other	NO
Special Inspector General for Troubled Asset Relief Program- Office of the Special Inspector	Likely to be Below Statutory Threshold	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
General TARP (0133)			
Departmental Offices- IA Technical Assistance Prog (1045)	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- Treasury Forfeiture Fund (5697)	Likely to be Below Statutory Threshold	Other	NO
Treasury Inspector General for Tax Administration- Treasury IG for Tax Admin. (0119)	Likely to be Below Statutory Threshold	Other	NO
Bureau of Engraving and Printing- Bureau of Engraving and Printing Fund (4502)	Likely to be Below Statutory Threshold	Other	NO
Treasury Franchise Fund- Treasury Franchise Fund (4560)	Likely to be Below Statutory Threshold	Other	NO
Financial Crimes Enforcement Network- Salaries and Expenses, FinCEN (0173)	Likely to be Below Statutory Threshold	Other	NO
Office of Financial Research- Financial Research Fund (5590)	Likely to be Below Statutory Threshold	Other	NO
The Mint- United States Mint Public Enterprise Fund (4159)	Likely to be Below Statutory Threshold	Other	NO
Office of the Comptroller of the Currency- Assessment Funds, OCC (8413)	Likely to be Below Statutory Threshold	Other	NO
Alcohol, Tobacco, and Trade Bureau- Salaries and Expenses, TTB (1008)	Likely to be Below Statutory Threshold	Other	NO
Alcohol, Tobacco, and Trade Bureau- Internal Revenue, Collections for Puerto Rico (5737)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Build	Likely to be	FY2019 Q4	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
America Bond Payments, Recovery Act (0935)	Below Statutory Threshold		
Internal Revenue Service - Pymt. to Issuer of Qualified Zone Academy Bonds (0945)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt. to Issuer of Qualified School Const. Bonds (0946)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt. to Issuer of New Clean Renewable Eng Bonds (0947)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt to Issuer of Qualified Engy Conservation Bond (0948)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Refundable Premium Assistance Tax Credit (0949)	Likely to be Above Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Payments to USVI and PR for Disaster Tax Relief (0159)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Private Collection Agent Program (5510)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Special Compliance Personnel Program Account (5622)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Informant Reimbursement (5433)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Taxpayer Services (0912)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Tax Law Enforcement (0913)	Likely to be Below Statutory Threshold	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Internal Revenue Service - Operations Support (0919)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Business Systems Modernization (0921)	Likely to be Below Statutory Threshold	Other	NO

**Question 6 Free Text: Statutory Thresholds and Risk Assessments (PIIA Section: 3352(a) (3) (C))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

With the exception of the five programs below, and the programs otherwise noted above, all other risk assessments were completed in FY 20, 4th Quarter. All programs/activities that were required to complete a FY 20 risk assessment, completed a qualitative risk assessment, with exception of Fiscal Services-Interest on the Public Debt (Indefinite) (0550), which completed a quantitative risk assessment. All FY 20 risk assessments yielded a determination of non-susceptibility to improper payments.

The Internal Revenue Services- Refundable Premium Assistance Tax Credit (0949) was found to be susceptible to improper payments in FY 19. Treasury notified OMB that it will delay the annual reporting within Treasury's Agency Financial Report for fiscal year 2020, of improper payment estimates for the net Premium Tax Credits program pursuant to the Affordable Care Act. The notification was made pursuant to the Office of Management and Budget's (OMB) June 17, 2020 memorandum, *Risk Based Financial Audits and Reporting Activities in Response to COVID-19*, which OMB issued in response to the significant new demands placed upon agencies in connection with implementing the CARES Act and other COVID-19 related programs.

The following risk assessments were completed in the 4th quarter of FY 18 and were found to be non-susceptible to improper payments.:

Internal Revenue Service - Informant Reimbursement (5433)  
Internal Revenue Service - Taxpayer Services (0912)  
Internal Revenue Service - Tax Law Enforcement (0913)  
Internal Revenue Service - Operations Support (0919)  
Internal Revenue Service - Business Systems Modernization (0921)

### Question 7: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

*Please indicate whether lowering the improper payment rate beyond the current level would be cost prohibitive because applying additional mitigation strategies or corrective actions for improper payment prevention would cost more to implement than the amount that would be saved.*

Cost Prohibitive (Yes/No)	Indicate Root Cause if known	Indicate which corrective action
N/A	1. Program Design or Structural Issue	6-Audit (improve IC)
N/A	3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	6-Audit (improve IC)

### Question 7 Free Text: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Costs of compliance with PIIA and OMB Circular A-123, Appendix C outweigh the benefits that would be derived. Enforcement actions needed to reduce overclaim rates to less than 10 percent would require additional or reallocated resources of \$2.5 billion, which (a) equates to nearly half the IRS's current total enforcement budget, (b) places substantial burden on low income taxpayers who are audited at three times the overall rate already, (c) would require the IRS to audit 4.2 million additional returns claiming RTCs in the pre-refund stage, and (d) violates the IRS requirement of enforcing the tax law with integrity and fairness to all through increased audits and delayed refunds among low income taxpayers.

### Question 8: Tolerable Rate

*Do you believe the program has reached a tolerable rate of improper payments?*

Indicate Yes or No
YES

### Question 8 Free Text: Tolerable Rate

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Costs of compliance with PIIA and OMB Circular A-123, Appendix C outweigh the benefits that would be derived. Enforcement actions needed to reduce overclaim rates to less than 10 percent would require additional or reallocated resources of \$2.5 billion, which (a) equates to nearly half the IRS's current total enforcement budget, (b) places substantial burden on low income taxpayers who are audited at three times the overall rate already, (c) would require the IRS to

audit 4.2 million additional returns claiming RTCs in the pre-refund stage, and (d) violates the IRS requirement of enforcing the tax law with integrity and fairness to all through increased audits and delayed refunds among low income taxpayers.

**Question 9: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))**

*Does the program have the internal controls, human capital, and information systems and other infrastructure it needs to reduce IPs to the levels the agency has targeted? Please indicate additional program needs to reduce IPs to the levels the program has targeted.*

Indicate 'yes' or 'no'	Indicate program needs
YES	1. Internal Controls
YES	2. Human Capital
YES	3. Information Systems
YES	4. Resources
NO	5. Other: Explain

**Question 9 Free Text: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

IRS improper payments are not the result of internal control weaknesses that the IRS might remediate but rather are the result of root cause factors beyond IRS control, such as the statutory design of the refundable tax credits, the complexity of the eligibility requirements, the reliance on taxpayers' self-certification to the accuracy of their returns, and the lack of third-party data for verification. To address program needs the IRS works with Treasury to develop legislative proposals that will improve refundable credit compliance and reduce erroneous payments. For the past several years, the Administration has included the following proposals in its Budget submission:

- Provide the IRS with greater flexibility to address correctable errors by directly improving tax compliance and reducing EITC and other RTC overclaims, while freeing up IRS resources for other enforcement activities. This proposal would expand the instances in which the IRS could correct a taxpayer's return before issuing a refund, including cases where:
- The information provided by the taxpayer does not match the information contained in government databases or Form W-2, or other third-party databases as the Secretary of the Treasury determines by regulation; or
- The taxpayer has exceeded the lifetime limit for claiming a deduction or credit; or

- The taxpayer has failed to include with his or her return certain required documentation.
- Increased oversight of paid preparers. To promote high quality services from paid preparers, this proposal would explicitly provide that the Secretary of the Treasury has the authority to regulate all paid tax return preparers.
- Provide discretionary funding for an IRS program integrity cap adjustment. The proposal establishes a new adjustment to the discretionary caps for IRS program integrity activities. The additional cap adjustment would fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's tax enforcement program.

### Question 10: Corrective Actions Taken (PIIA Section: 3352(d) (1))

*Please indicate which corrective action(s) the program HAS TAKEN to prevent improper payments.*

Indicate identified root cause	Indicate corrective action(s) taken	Select the actual completion date for action(s) taken	If other completion date, please indicate
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)	FY2020 Q3	
1. Program Design or Structural Issue	3-Training (how to complete contracts)	FY2020 Q3	
1. Program Design or Structural Issue	6-Audit (improve IC)	FY2020 Q3	
1. Program Design or Structural Issue	Other (free text)	FY2020 Q3	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	4-Change Process (instructions, checklist, policy)	FY2020 Q3	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	3-Training (how to complete contracts)	FY2020 Q3	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	6-Audit (improve IC)	FY2020 Q3	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	Other (free text)	FY2020 Q3	

Indicate identified root cause	Indicate corrective action(s) taken	Select the actual completion date for action(s) taken	If other completion date, please indicate
Exist			

### Question 10 Free Text: Corrective Actions Taken (PIIA Section: 3352(d) (1))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Return Preparer Initiatives - As a part of the FY 2020 Refundable Credits Return Preparer Strategy, IRS completed activities associated with a suite of progressive preparer treatments, addressing 18,514 EITC, ACTC, and AOTC preparers selected through our risk-based scoring model, before and during the filing season.

- The IRS closed 687 pre-filing season Due Diligence Visits (DDVs) with a penalty rate of 93 percent and over \$34 million in proposed penalties. Criminal Investigation and revenue agents completed 95 educational Knock-and-Talk Visits (KTV) visits. The IRS also mailed 28,861 educational letters before the FY 2020 filing season.

- The IRS closed 296 correspondence DDVs with a penalty rate of 97 percent and over \$18 million in proposed penalties. The IRS also mailed 10,436 educational letters and successfully made 505 calls to preparers during the 2020 filing season.

- The analysis of the FY 2020 Refundable Credits Return Preparer Strategy revealed that, in addition to the penalties proposed above, the preparer treatments protected approximately \$403 million (\$288 million in EITC, \$81 million in ACTC, and \$34 million in AOTC).

Return Preparer Penalties- The IRS sent 99 warning letters and 1,950 electronic alerts to warn preparers who did not attach Form 8867, Paid Preparer's Due Diligence Checklist, to TY 2019 taxpayer returns. IRS subsequently proposed over \$850,000 in penalties to 23 EITC, ACTC and AOTC return preparers for failure to exercise due diligence by attaching the form, as authorized by IRC §6695(g) and Treas. Reg. §1.6695-2.

Return Preparer Outreach and Education - The IRS focused its outreach and education efforts on return preparers to educate them on refundable credits and due diligence requirements. Over 12,400 preparers received a certificate of completion for the English and Spanish interactive Due Diligence Training module. Additionally, over 8,550 preparers attended a webinar entitled Understanding Paid Preparer Due Diligence prior to filing season; and nearly 15,000 preparers attended virtual seminars 'Be Tax Ready – Understanding Eligibility Rules for EITC, CTC, ODC, AOTC and Head of Household' and 'Keys to Mastering Due Diligence Requirements and Audits' at the 2020 National Tax Forums.

Refundable Credit Summit - The IRS hosted its annual summit attended by over fifty stakeholders including representatives from various tax professional industries, federal agencies,



consumer advocacy groups, and non-governmental organizations. The objective was to share information on IRS current compliance and outreach activities and to solicit input on ways to increase participation, improve administration and reduce overclaims with respect to refundable credits. The FY 2020 Summit focused primarily on the Refundable Credits Return Preparer Strategy and paid preparer due diligence requirements.

### Question 11: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

*Please indicate which corrective action(s) the program WILL TAKE to prevent improper payments.*

Indicate identified root cause	Indicate planned corrective action(s)	Select the planned completion date for action(s) program will take	Other planned completion date
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)	FY2021	
1. Program Design or Structural Issue	5-Cross Enterprise Sharing	FY2021	
1. Program Design or Structural Issue	Other (free text)	FY2021	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	4-Change Process (instructions, checklist, policy)	FY2021	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	5-Cross Enterprise Sharing	FY2021	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	Other (free text)	FY2021	

### Question 11 Free Text: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Legislative Proposals: The FY 2021 budget request included the following legislative proposals that may improve compliance and reduce erroneous payments:

- Provide greater flexibility to address correctable errors to help IRS deny certain erroneous EITC, ACTC, and AOTC claims before refunds are paid.
- Increase oversight of paid tax return preparers to help promote high quality services and improve voluntary compliance.
- Require a social security number (SSN) that is valid for work to claim EITC, CTC, and Credit for Other Dependents (ODC).

Enterprise Research: The IRS assessed the results of the FY 2020 enterprise research strategy and developed the FY 2021 strategy in partnership with internal organizations to better focus compliance and outreach activities using research data.

**Question 12: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Please indicate which of the six (6) criteria (if any) were determined to be non-compliant in the most recent IG compliance review.*

Indicate compliant or non-compliant	Compliance criteria
Non-Compliant	6. Report a gross Improper Payment Rate of Less than 10%
Compliant	1. Publish an AFR or PAR
Compliant	2. Conduct Program-Specific Risk Assessment
Compliant	3. Publish Improper Payment Estimates
Compliant	4. Publish Programmatic Corrective Action Plans
Compliant	5. Publish and Meet Annual Reduction Targets

**Question 12 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Treasury's OIG found that Treasury did not comply with IPERA for fiscal year 2019 because the IRS did not report an overall improper payment rate of less than 10 percent for the EITC, ACTC, and AOTC programs. Treasury did comply with the other IPERA requirements.

**Question 13: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Please indicate how many consecutive years this program was deemed non-compliant as of the most recent IG compliance review (regardless of which of the six (6) criteria were determined non-compliant).*

<b>Indicate consecutive years</b>
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1
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**Question 13 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Letters were sent to Congress to address Treasury's non-compliance in June 2020.

**Question 14: Bringing the program into compliance (PIIA Section: 3353(b) (5))**

*If deemed to be non-compliant in the most recent fiscal year, please briefly describe the plan the executive agency will take to bring the program into compliance.*

Indicate root cause	Indicate planned corrective actions
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)
1. Program Design or Structural Issue	3-Training (how to complete contracts)
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	3-Training (how to complete contracts)
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	4-Change Process (instructions, checklist, policy)

**Question 14 Free Text: Bringing the program into compliance (PIIA Section: 3353(b) (5))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

The following efforts were outlined in Treasury's IPERA non-compliance letter to Congress:

The IRS has held several tax credit summits that include participants from the tax industry, state and federal agencies, consumer advocates, research institutions, volunteer site coordinators, Low-Income Tax Clinic directors, and other organizations. These summits improve communication and foster dialog on reducing errors, as well as improve participation in tax credits and tax credit administration.

In the pre-refund environment, the IRS takes an active approach by applying identity theft and related fraud filters to intercept tax returns before they are processed and refunds are paid out.

In the post-refund environment, IRS conducts audits and criminal investigations to stop and recoup fraudulent refund claims.

The Refundable Credits Return Preparer Strategy is designed to increase the accuracy of all RTC claims by focusing on those tax return preparers who are not exercising due diligence when preparing taxpayers' returns claiming the refundable credits.

Pursuant to I.R.C. § 6695(g), the IRS requires tax return preparers to complete and submit Form 8867, Paid Preparer's Due Diligence Checklist, along with a client's return or face a monetary penalty.

The IRS requests the Department of Justice to obtain district court injunctions against tax return preparers who persist in failing to meet their due diligence requirements.

The IRS continues to work with Treasury to explore new approaches to reduce improper payments related to refundable tax credits. In the meantime, the IRS also continues its preventative and post-filing compliance efforts to limit overclaims. These efforts will ultimately be limited by the fundamental nature of the problem of overclaims, which is that key eligibility requirements of the credit cannot be verified by the IRS at the time of filing. These challenges do not deter us from continuing our efforts.

### **Question 15: Creating accountability to achieve compliance (PIIA Section: 3353(b) (1) (B))**

*For any program or activity deemed to be non-compliant in the most recent fiscal year please briefly describe and identify the following:*

- The measurable milestones to be accomplished*
- The senior executive agency official responsible*
- Establishment of an accountability mechanism*
- Incentives*
- Consequences*

<b>Measurable milestones</b>	<b>Target Date</b>	<b>If other date, please specify</b>	<b>Senior Executive Agency Official</b>	<b>Accountability Mechanism</b>	<b>Incentives</b>	<b>Consequences</b>
Evaluate the ROI of the Mitigation Strategy	FY2021		Director Refundable Credits Program Management	N/A	N/A	N/A

Measurable milestones	Target Date	If other date, please specify	Senior Executive Agency Official	Accountability Mechanism	Incentives	Consequences
			(RCPM), W&I RICS			
Determine which strategies have the best ROI to prevent cash loss	FY2021		Director Refundable Credits Program Management (RCPM), W&I RICS	N/A	N/A	N/A
Analyze the results of implementing new strategies	FY2021		Director Refundable Credits Program Management (RCPM), W&I RICS	N/A	N/A	N/A

**Question 15 Free Text: Creating accountability to achieve compliance (PIIA Section: 3353(b) (1) (B))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

As the GAO and TIGTA have reported, the root causes of refundable tax credit overclaims (erroneous claims) are not due to weak internal controls. The root causes are the result of program design or structural issues and the inability to authenticate eligibility due to nonexistent data. Therefore, direct accountability is not assigned to program management in the form of incentives or consequences. Management activities are concentrated on the strategic and enforcement activities listed above (question 14) to bring the programs into compliance.

**Question 16: Do Not Pay Initiative (PIIA Section: 3354(b) (5))**

*Please indicate whether the program uses the DNP (yes/no) and whether the Do Not Pay Initiative has reduced/prevented improper payments (yes/no). Additionally, please provide the frequency of corrections (week/month range) or identification of incorrect information (range of false hits?).*

Does the program use the Do Not Pay Initiative (DNP) (yes/no)	Has the DNP reduced/prevented improper payments (yes/no)	How frequently are corrections made?	How frequently is incorrect information identified?
YES	NO	Weekly	Weekly

### Question 16 Free Text: Do Not Pay Initiative (PIIA Section: 3354(b) (5))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

All Treasury components have incorporated pre-payment and pre-award reviews through established internal control processes and procedures that require reviews against the databases consolidated within the DNP Business Center, or through their own established databases. In FY 2020, none of the Treasury components reported significant reductions in improper payments attributable to the DNP Initiative. Treasury components continue to utilize the DNP portal to review vendor files prior to disbursement to identify any improper payments.

### Additional Child Tax Credit

### Question 1: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

*Please describe the steps the program has taken and plans to take (including timeline) to ensure that agency managers (including the agency head), accountable officers, program official/owner, and States and localities (where appropriate) are held accountable for reducing and recapturing IPs through annual performance appraisal criteria for each of the following:*

- Meeting applicable improper payments reduction targets;*
- Preventing improper payments from being made; and*
- Promptly detecting and recovering improper payments that are made.*

Performance Appraisal Criteria
meeting applicable improper payments reduction targets
prevent improper payments from being made
promptly detect and recover improper payments that are made

### Question 1 Free Text: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

The IRS is currently implementing this PIIA requirement. As discussed further in Question 15 below, the root causes of the IRS's Refundable Tax Credit (RTC) overclaims are not the result of

inadequately designed or implemented internal controls. Rather, the root cause of these overclaims is the legal structure of these programs and IRS reliance on taxpayer self-certification of information, including RTCs, on their returns. The IRS is currently analyzing legislative fixes to address these issues. However, the IRS will review mitigating actions within its purview designed to reduce RTC overclaims and incorporate these actions into the performance management plans of key personnel as appropriate.

**Question 2: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))**

*Please describe the steps the agency has taken to detect and recover improper payments.*

Indicate root cause	Indicate mitigation strategy/corrective action(s) taken	Provide any additional detail (optional free text)	Select the actual completion date for action(s) taken
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)		FY2020 Q3
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	2-Behavioral/Psych Influence (nudge for honesty when data hard to pre-check)		FY2020 Q3
2. Inability to Authenticate Eligibility: Inability to Access Data	Other (free text)	Other agency data access SSA, etc	FY2020 Q3

**Question 2 Free Text: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

The following programs contributed to the IRS's strategy of identifying and reducing Earned Income Tax Credit (EITC), Additional Child Tax Credit (ACTC), and American Opportunity Tax Credit (AOTC) improper refund claims in FY 20:

Base Enforcement Efforts - Delivered key compliance activities including 179,160 audits, 242,639 misreported income cases, and an estimated 488,243 math error adjustments, protecting revenue of nearly \$2.4 billion.

Two and 10-Year Bans -Imposed 1,233 two-year bans and 214 10-year bans for cases where the IRS determined during an audit that the taxpayer intentionally disregarded the rules and regulations or committed fraud.

Identity Theft and Fraud - Detected and stopped over 617,949 fraudulent returns from being processed through our fraud detection filters, preventing over \$3.1 billion in erroneous refunds.

Return Preparer Initiatives- As a part of the FY 2020 Refundable Credits Return Preparer Strategy, IRS completed activities associated with a suite of progressive preparer treatments, addressing 18,514 EITC, ACTC, and AOTC preparers selected through our risk-based scoring model, before and during the filing season.

- The IRS closed 687 pre-filing season Due Diligence Visits (DDVs) with a penalty rate of 93 percent and over \$34 million in proposed penalties. Criminal Investigation and revenue agents completed 95 educational Knock-and-Talk Visits (KTV) visits. The IRS also mailed 28,861 educational letters before the FY 2020 filing season.

- The IRS closed 296 correspondence DDVs with a penalty rate of 97 percent and over \$18 million in proposed penalties. The IRS also mailed 10,436 educational letters and successfully made 505 calls to preparers during the 2020 filing season.

- The analysis of the FY 2020 Refundable Credits Return Preparer Strategy revealed that, in addition to the penalties proposed above, the preparer treatments protected approximately \$403 million (\$288 million in EITC, \$81 million in ACTC, and \$34 million in AOTC).

### **Question 3: Recovery Audits (PIIA Section: 3352)**

*Please describe the steps the agency has taken to recover improper payments identified in recovery audits. Please note there is a 3000 character limit.*

Treasury considers both pre-and post-reviews to identify payment errors a sound management practice that should be included among basic payment controls. All of our components have a process in place to identify improper payments during pre- and post-reviews. When applicable, our components may use the results of the Treasury Inspectors General and GAO reviews to help identify payment anomalies and target areas for improvement. However, we apply extensive payment controls at the time each payment is processed to minimize recapture activity.

The improper payments identified through the payment recapture audit are recouped either by payment off-set (i.e., the outstanding improper payment amount is offset by a future payment) or by establishing an accounts receivable. When an accounts receivable is established for the improper payment, the accounts receivable is carried forward until payment is received or a decision is made to write-off the outstanding receivable. We also require all bureaus to report Overpayments identified and recovered outside of payment recapture audits.

### **Question 4: Excluded Programs (PIIA Section: 3352(e) (7))**



*Please list any programs the agency excluded from review under its payment recapture audit program because a payment recovery audit program was determined to not be cost-effective and provide a summary of the justification used to make that determination. Please note there is a 3000 character limit.*

The following bureaus have approved cost-effective justifications for FY 20:

Bureau of Engraving and Printing (BEP) Program

Departmental Franchise Fund (DFF) Programs

Fiscal Services Administration (FSA) Programs

Fiscal Service Debt (FSD) Programs

Funds Management Branch (FSM) Programs

Fiscal Service Umbrella (FSU) Programs

Internal Revenue Services Administration Fund Programs

Office of International Assistance (OAS) Programs

Office of the Comptroller of the Currency (OCC)

Treasury Executive Office for Asset Forfeiture/Treasury Forfeiture Fund (TEOAF/TFF)

The justification that performing a payment recapture audit would not be cost-effective consists of the following reasons:

The BEP program is a low risk level program, with little to no improper payments identified in the past five years.

The DFF programs reflect a low level of risk for all payment type categories assessed.

The Fiscal Service's FSA, FSD, FSM, and FSU programs continued to reflect a low level of risk in nearly every group and payment type category assessed, with no audit findings or material weaknesses identified.

The IRS's Administrative Fund Programs are low risk level programs, with no GAO or TIGTA identified deficiencies and no prior payment recapture audit identified improper payments.

The Treasury International Programs disburse non-federal payments to the Multilateral Development Banks. Payments are made via payment vouchers on a letter of credit administered by the Federal Reserve Bank of New York, or direct cash payments through the Secure Payment System. The International Programs also disburse federal payments for Debt Restructuring via Intra-Governmental Payment and Collection or Standard Form 1081. Management has

determined it would not be cost-effective to perform formal recovery audits on these programs. Internal reviews are performed before all payments are issued.

The OCC programs reflect a low level of risk for all payment type categories assessed, and annual internal reviews are conducted for all payment types. In addition, OCC reported that the cost to perform the most recent payment recapture audit exceeded the amount of improper payments identified.

The TEOAF/TFF program is a low risk level program, with no identified prior improper payment issues. In addition, program payments are made to state and local law enforcement agencies, reducing the risk of improper payments

All justifications were submitted to and approved by OMB prior to FY 20.

### **Question 5: Financial and Administrative Controls (PIIA Section: 3357(d))**

*Please describe your agency's progress:*

- *Implementing the financial and administrative controls established by OMB in OMB Circular A-123 to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments; the fraud risk principle in the Standards for Internal Control in the Federal Government published by the Government Accountability Office (commonly known as the "Green Book"); and Office of Management and Budget Circular A-123, with respect to the leading practices for managing fraud risk;*
- *Identifying risk and vulnerabilities to fraud, and*
- *Establishing strategies, procedures, and other steps to curb fraud.*

<b>Implementation of OMB Circular A-123</b>	<b>Implementation of GAO Green Book</b>	<b>Identifying Risk and Vulnerabilities</b>	<b>Establishing Strategies, Procedures and Other steps</b>
3 – Fully Operational	3 – Fully Operational	3 – Fully Operational	3 – Fully Operational

### **Question 5 Free Text: Financial and Administrative Controls (PIIA Section: 3357(d))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

All of Treasury's bureaus and offices (or components) have a shared responsibility in preventing, detecting, and responding to potential fraud, including improper payments. Treasury's components have ownership and responsibility for managing fraud risk. The Office of Risk Management is responsible for providing expertise and guiding principles to assist Treasury's components in the management of fraud risk. The Office of the Deputy Chief Financial Officer establishes Treasury-wide guidance designed to ensure that financial, programmatic, and administrative internal controls provide an appropriate level of assurance towards operational

and fiscal effectiveness and efficiency. The OIG Office of Investigation (OI) is responsible for receiving and assessing complaints and investigating potential fraud cases. The Treasury bureaus are the risk owners for their programs and have responsibility for mitigating fraud risk and enhancing program integrity, by designing and implementing processes and controls that effectively prevent and detect potential fraud, both internal and external to Treasury. Components must establish policies, procedures, techniques, and mechanisms to comply with risk management; and internal control requirements to manage and respond to fraud risk. Employees who encounter incidents of fraud, waste and abuse have a responsibility to report the incidents to their respective OIGs. Mechanisms used by individual components to manage fraud risk include ensuring key duties and responsibilities are effectively segregated among different people to reduce the risk of error, waste, or fraud, and systems have controls to limit access and ensure no one individual can control all aspects of a transaction; establishing enterprise fraud risk management programs; conducting risk assessments, reviewing fraud trends and patterns to inform fraud prevention techniques as well as using predictive and forensic analytics to detect and prevent fraudulent activity.

The Treasury Implementation Guide for OMB Circular A-123, Appendix A incorporates GAO's Green Book Principle 8, Assess Fraud Risk. Each year components evaluate their adherence to this principle during their assessments of internal control.

Fraud risk is also addressed in the course of the Office of Risk Management's (ORM's) general risk advisory work. Treasury's leadership team has the opportunity to discuss potential fraud and other types of risks during regular meetings led by the Chief Risk Officer or Deputy Chief Risk Officer. The ORM conducts regular Enterprise Risk Management Council meetings with the bureau-level risk management contacts to discuss various risk topics, including fraud risk. Fraud risk is considered when Treasury's components develop and update their annual risk profiles, or top risk lists, to share with the ORM.

## Question 6: Statutory Thresholds and Risk Assessments (PIIA Section: 3352(a)(3) (C))

*Please indicate the following:*

- *Any programs not listed in this collection which were recently assessed to determine susceptibility of improper payments.*
  - *Whether it was likely to be above or below the statutory threshold.*
- *The FY for any programs not listed in this collection which were most recently assessed to determine whether it was likely to be above or below the statutory threshold.*
- *If they had substantial changes to RA methodology.*

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Fiscal Service, Salaries and Expenses, Fiscal Service (0520)	Likely to be Below Statutory Threshold	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Fiscal Service, Reimbursements to Federal Reserve Banks (0562)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Federal Reserve Bank Reimbursement Fund (1884)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Debt Collection Special Fund (5445)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Interest on the Public Debt (Indefinite) (0550)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Restitution of Foregone Interest (1875)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Corporation for Public Broadcasting (0151)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Payment to Legal Services Corp (0501)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Fed. Pay. Resident Tuition Sup (1736)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Judgements, Court of Claims (1740)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Claims for Damages (1742)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Fed. Pay- Emerg. Pl & Sec (1771)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Refund Money Erroneously Rec'd (1807)	Likely to be Below Statutory Threshold	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Fiscal Service, Fed. Pay- School Improvement (1817)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Payment to Resolution Fd Corp (1851)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Interest on Uninvested Fds (1860)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, D.C. Water & Sewage (4446)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Travel Promotion Fund, Corp for Travel Promotion (5585)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Gulf Coast Restoration Trust Fund (8625)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service, Refund Collection- Interest (0904)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service, Payment Health Care Credit Exceeds (0923)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service, Refund- Corporations (0931)	Likely to be Below Statutory Threshold	Other	NO
Community Development Financial Institutions Fund- CDFI Equity Investment Dividen. (1881)	Likely to be Below Statutory Threshold	Other	NO
Community Development Financial Institutions Fund- CDFI BGP Financing Fund (4366)	Likely to be Below Statutory Threshold	Other	NO
Community Development Financial Institutions Fund- Capital Magnet Fund (8524)	Likely to be Below Statutory Threshold	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Office of DC Pensions- District of Columbia Federal Pension Fund (5511)	Likely to be Below Statutory Threshold	Other	NO
Office of DC Pensions- DC Judicial Retirement and Survivor's Annuity Fund (8212)	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- Salaries and Expenses, DO (0101)	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- TFI	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- Cybersecurity Enhancement Account (1855)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Global Environment Facility, Funds Appropriated to (0066)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contribution to the Asian Development Fund, Funds (0067)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contrib Intl Develop Assoc (0073)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contrib to African Develop BK (0082)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contrib to African Develop FD (0079)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Int'l Fund for Agric. Develop (1039)	Likely to be Below Statutory Threshold	Other	NO
Office of Financial Stability- Salaries and Expenses (0128)	Likely to be Below Statutory Threshold	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Office of Financial Stability- Home Affordable Modification Program (0136)	Likely to be Below Statutory Threshold	Other	NO
Office of the Inspector General- Salaries and Expenses, OIG (0106)	Likely to be Below Statutory Threshold	Other	NO
Special Inspector General for Troubled Asset Relief Program- Office of the Special Inspector General TARP (0133)	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- IA Technical Assistance Prog (1045)	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- Treasury Forfeiture Fund (5697)	Likely to be Below Statutory Threshold	Other	NO
Treasury Inspector General for Tax Administration- Treasury IG for Tax Admin. (0119)	Likely to be Below Statutory Threshold	Other	NO
Bureau of Engraving and Printing- Bureau of Engraving and Printing Fund (4502)	Likely to be Below Statutory Threshold	Other	NO
Treasury Franchise Fund- Treasury Franchise Fund (4560)	Likely to be Below Statutory Threshold	Other	NO
Financial Crimes Enforcement Network- Salaries and Expenses, FinCEN (0173)	Likely to be Below Statutory Threshold	Other	NO
Office of Financial Research- Financial Research Fund (5590)	Likely to be Below Statutory Threshold	Other	NO
The Mint- United States Mint Public Enterprise Fund (4159)	Likely to be Below Statutory Threshold	Other	NO
Office of the Comptroller of the Currency- Assessment Funds, OCC	Likely to be Below Statutory	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
(8413)	Threshold		
Alcohol, Tobacco, and Trade Bureau-Salaries and Expenses, TTB (1008)	Likely to be Below Statutory Threshold	Other	NO
Alcohol, Tobacco, and Trade Bureau-Internal Revenue, Collections for Puerto Rico (5737)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Build America Bond Payments, Recovery Act (0935)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt. to Issuer of Qualified Zone Academy Bonds (0945)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt. to Issuer of Qualified School Const. Bonds (0946)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt. to Issuer of New Clean Renewable Eng Bonds (0947)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt to Issuer of Qualified Engy Conservation Bond (0948)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Refundable Premium Assistance Tax Credit (0949)	Likely to be Above Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Payments to USVI and PR for Disaster Tax Relief (0159)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Private Collection Agent Program (5510)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Special Compliance Personnel Program Account (5622)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Informant	Likely to be	Other	NO



<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Reimbursement (5433)	Below Statutory Threshold		
Internal Revenue Service - Taxpayer Services (0912)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Tax Law Enforcement (0913)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Operations Support (0919)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Business Systems Modernization (0921)	Likely to be Below Statutory Threshold	Other	NO

**Question 6 Free Text: Statutory Thresholds and Risk Assessments (PIIA Section: 3352(a) (3) (C))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

With the exception of the five programs below, and the programs otherwise noted above, all other risk assessments were completed in FY 20, 4th Quarter. All programs/activities that were required to complete a FY 20 risk assessment, completed a qualitative risk assessment, with exception of Fiscal Services-Interest on the Public Debt (Indefinite) (0550), which completed a quantitative risk assessment. All FY 20 risk assessments yielded a determination of non-susceptibility to improper payments.

The Internal Revenue Services- Refundable Premium Assistance Tax Credit (0949) was found to be susceptible to improper payments in FY 19. Treasury notified OMB that it will delay the annual reporting within Treasury's Agency Financial Report for fiscal year 2020, of improper payment estimates for the net Premium Tax Credits program pursuant to the Affordable Care Act. The notification was made pursuant to the Office of Management and Budget's (OMB) June 17, 2020 memorandum, *Risk Based Financial Audits and Reporting Activities in Response to COVID-19*, which OMB issued in response to the significant new demands placed upon agencies in connection with implementing the CARES Act and other COVID-19 related programs.

The following risk assessments were completed in the 4th quarter of FY 18 and were found to be non-susceptible to improper payments.:

Internal Revenue Service - Informant Reimbursement (5433)  
Internal Revenue Service - Taxpayer Services (0912)  
Internal Revenue Service - Tax Law Enforcement (0913)  
Internal Revenue Service - Operations Support (0919)  
Internal Revenue Service - Business Systems Modernization (0921)

### Question 7: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

*Please indicate whether lowering the improper payment rate beyond the current level would be cost prohibitive because applying additional mitigation strategies or corrective actions for improper payment prevention would cost more to implement than the amount that would be saved.*

Cost Prohibitive (Yes/No)	Indicate Root Cause if known	Indicate which corrective action
N/A	1. Program Design or Structural Issue	6-Audit (improve IC)
N/A	3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	6-Audit (improve IC)

### Question 7 Free Text: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Costs of compliance with PIIA and OMB Circular A-123, Appendix C outweigh the benefits that would be derived. Enforcement actions needed to reduce overclaim rates to less than 10 percent would require additional or reallocated resources of \$2.5 billion, which (a) equates to nearly half the IRS's current total enforcement budget, (b) places substantial burden on low income taxpayers who are audited at three times the overall rate already, (c) would require the IRS to audit 4.2 million additional returns claiming RTCs in the pre-refund stage, and (d) violates the IRS requirement of enforcing the tax law with integrity and fairness to all through increased audits and delayed refunds among low income taxpayers.

### Question 8: Tolerable Rate

*Do you believe the program has reached a tolerable rate of improper payments?*

Indicate Yes or No
YES

### Question 8 Free Text: Tolerable Rate

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Costs of compliance with PIIA and OMB Circular A-123, Appendix C outweigh the benefits that would be derived. Enforcement actions needed to reduce overclaim rates to less than 10 percent would require additional or reallocated resources of \$2.5 billion, which (a) equates to nearly half the IRS's current total enforcement budget, (b) places substantial burden on low income taxpayers who are audited at three times the overall rate already, (c) would require the IRS to audit 4.2 million additional returns claiming RTCs in the pre-refund stage, and (d) violates the IRS requirement of enforcing the tax law with integrity and fairness to all through increased audits and delayed refunds among low income taxpayers.

**Question 9: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))**

*Does the program have the internal controls, human capital, and information systems and other infrastructure it needs to reduce IPs to the levels the agency has targeted? Please indicate additional program needs to reduce IPs to the levels the program has targeted.*

Indicate 'yes' or 'no'	Indicate program needs
YES	1. Internal Controls
YES	2. Human Capital
YES	3. Information Systems
YES	4. Resources
NO	5. Other: Explain

**Question 9 Free Text: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

IRS improper payments are not the result of internal control weaknesses that the IRS might remediate but rather are the result of root cause factors beyond IRS control, such as the statutory design of the refundable tax credits, the complexity of the eligibility requirements, the reliance on taxpayers' self-certification to the accuracy of their returns, and the lack of third-party data for verification. To address program needs the IRS works with Treasury to develop legislative proposals that will improve refundable credit compliance and reduce erroneous payments. For the past several years, the Administration has included the following proposals in its Budget submission:

-Provide the IRS with greater flexibility to address correctable errors by directly improving tax compliance and reducing EITC and other RTC overclaims, while freeing up IRS resources for other enforcement activities. This proposal would expand the instances in which the IRS could correct a taxpayer's return before issuing a refund, including cases where:

-The information provided by the taxpayer does not match the information contained in government databases or Form W-2, or other third-party databases as the Secretary of the Treasury determines by regulation; or

-The taxpayer has exceeded the lifetime limit for claiming a deduction or credit; or

-The taxpayer has failed to include with his or her return certain required documentation.

-Increased oversight of paid preparers. To promote high quality services from paid preparers, this proposal would explicitly provide that the Secretary of the Treasury has the authority to regulate all paid tax return preparers.

-Provide discretionary funding for an IRS program integrity cap adjustment. The proposal establishes a new adjustment to the discretionary caps for IRS program integrity activities. The additional cap adjustment would fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's tax enforcement program.

## Question 10: Corrective Actions Taken (PIIA Section: 3352(d) (1))

*Please indicate which corrective action(s) the program HAS TAKEN to prevent improper payments.*

Indicate identified root cause	Indicate corrective action(s) taken	Select the actual completion date for action(s) taken	If other completion date, please indicate
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)	FY2020 Q3	
1. Program Design or Structural Issue	3-Training (how to complete contracts)	FY2020 Q3	
1. Program Design or Structural Issue	6-Audit (improve IC)	FY2020 Q3	
1. Program Design or Structural Issue	Other (free text)	FY2020 Q3	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	4-Change Process (instructions, checklist, policy)	FY2020 Q3	
3. Inability to Authenticate Eligibility: Data Needed Does Not	3-Training (how to complete contracts)	FY2020 Q3	

Indicate identified root cause	Indicate corrective action(s) taken	Select the actual completion date for action(s) taken	If other completion date, please indicate
Exist			
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	6-Audit (improve IC)	FY2020 Q3	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	Other (free text)	FY2020 Q3	

### Question 10 Free Text: Corrective Actions Taken (PIIA Section: 3352(d) (1))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Return Preparer Initiatives - As a part of the FY 2020 Refundable Credits Return Preparer Strategy, IRS completed activities associated with a suite of progressive preparer treatments, addressing 18,514 EITC, ACTC, and AOTC preparers selected through our risk-based scoring model, before and during the filing season.

- The IRS closed 687 pre-filing season Due Diligence Visits (DDVs) with a penalty rate of 93 percent and over \$34 million in proposed penalties. Criminal Investigation and revenue agents completed 95 educational Knock-and-Talk Visits (KTV) visits. The IRS also mailed 28,861 educational letters before the FY 2020 filing season.

- The IRS closed 296 correspondence DDVs with a penalty rate of 97 percent and over \$18 million in proposed penalties. The IRS also mailed 10,436 educational letters and successfully made 505 calls to preparers during the 2020 filing season.

- The analysis of the FY 2020 Refundable Credits Return Preparer Strategy revealed that, in addition to the penalties proposed above, the preparer treatments protected approximately \$403 million (\$288 million in EITC, \$81 million in ACTC, and \$34 million in AOTC).

Return Preparer Penalties- The IRS sent 99 warning letters and 1,950 electronic alerts to warn preparers who did not attach Form 8867, Paid Preparer's Due Diligence Checklist, to TY 2019 taxpayer returns. IRS subsequently proposed over \$850,000 in penalties to 23 EITC, ACTC and AOTC return preparers for failure to exercise due diligence by attaching the form, as authorized by IRC §6695(g) and Treas. Reg. §1.6695-2.

Return Preparer Outreach and Education - The IRS focused its outreach and education efforts on return preparers to educate them on refundable credits and due diligence requirements. Over

12,400 preparers received a certificate of completion for the English and Spanish interactive Due Diligence Training module. Additionally, over 8,550 preparers attended a webinar entitled Understanding Paid Preparer Due Diligence prior to filing season; and nearly 15,000 preparers attended virtual seminars ‘Be Tax Ready – Understanding Eligibility Rules for EITC, CTC, ODC, AOTC and Head of Household’ and ‘Keys to Mastering Due Diligence Requirements and Audits’ at the 2020 National Tax Forums.

Refundable Credit Summit - The IRS hosted its annual summit attended by over fifty stakeholders including representatives from various tax professional industries, federal agencies, consumer advocacy groups, and non-governmental organizations. The objective was to share information on IRS current compliance and outreach activities and to solicit input on ways to increase participation, improve administration and reduce overclaims with respect to refundable credits. The FY 2020 Summit focused primarily on the Refundable Credits Return Preparer Strategy and paid preparer due diligence requirements.

### **Question 11: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))**

*Please indicate which corrective action(s) the program WILL TAKE to prevent improper payments.*

<b>Indicate identified root cause</b>	<b>Indicate planned corrective action(s)</b>	<b>Select the planned completion date for action(s) program will take</b>	<b>Other planned completion date</b>
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)	FY2021	
1. Program Design or Structural Issue	5-Cross Enterprise Sharing	FY2021	
1. Program Design or Structural Issue	Other (free text)	FY2021	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	4-Change Process (instructions, checklist, policy)	FY2021	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	5-Cross Enterprise Sharing	FY2021	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	Other (free text)	FY2021	

**Question 11 Free Text: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Legislative Proposals: The FY 2021 budget request included the following legislative proposals that may improve compliance and reduce erroneous payments:

- Provide greater flexibility to address correctable errors to help IRS deny certain erroneous EITC, AOTC, and ACTC claims before refunds are paid.
- Increase oversight of paid tax return preparers to help promote high quality services and improve voluntary compliance.
- Require a social security number (SSN) that is valid for work to claim EITC, CTC, and Credit for Other Dependents (ODC).

Enterprise Research: The IRS assessed the results of the FY 2020 enterprise research strategy and developed the FY 2021 strategy in partnership with internal organizations to better focus compliance and outreach activities using research data.

**Question 12: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Please indicate which of the six (6) criteria (if any) were determined to be non-compliant in the most recent IG compliance review.*

Indicate compliant or non-compliant	Compliance criteria
Compliant	1. Publish an AFR or PAR
Compliant	2. Conduct Program-Specific Risk Assessment
Compliant	3. Publish Improper Payment Estimates
Compliant	4. Publish Programmatic Corrective Action Plans
Compliant	5. Publish and Meet Annual Reduction Targets
Non-Compliant	6. Report a gross Improper Payment Rate of Less than 10%

**Question 12 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Treasury's OIG found that Treasury did not comply with IPERA for fiscal year 2019 because the IRS did not report an overall improper payment rate of less than 10 percent for the EITC, ACTC, and AOTC programs. Treasury did comply with the other IPERA requirements.

**Question 13: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Please indicate how many consecutive years this program was deemed non-compliant as of the most recent IG compliance review (regardless of which of the six (6) criteria were determined non-compliant).*

Indicate consecutive years
1

**Question 13 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Letters were sent to Congress to address Treasury's non-compliance in June 2020.

**Question 14: Bringing the program into compliance (PIIA Section: 3353(b) (5))**

*If deemed to be non-compliant in the most recent fiscal year, please briefly describe the plan the executive agency will take to bring the program into compliance.*

Indicate root cause	Indicate planned corrective actions
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)
1. Program Design or Structural Issue	3-Training (how to complete contracts)
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	3-Training (how to complete contracts)
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	4-Change Process (instructions, checklist, policy)

**Question 14 Free Text: Bringing the program into compliance (PIIA Section: 3353(b) (5))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

The following efforts were outlined in Treasury's IPERA non-compliance letter to Congress:



The IRS has held several tax credit summits that include participants from the tax industry, state and federal agencies, consumer advocates, research institutions, volunteer site coordinators, Low-Income Tax Clinic directors, and other organizations. These summits improve communication and foster dialog on reducing errors, as well as improve participation in tax credits and tax credit administration.

In the pre-refund environment, the IRS takes an active approach by applying identity theft and related fraud filters to intercept tax returns before they are processed and refunds are paid out.

In the post-refund environment, IRS conducts audits and criminal investigations to stop and recoup fraudulent refund claims.

The Refundable Credits Return Preparer Strategy is designed to increase the accuracy of all RTC claims by focusing on those tax return preparers who are not exercising due diligence when preparing taxpayers' returns claiming the refundable credits.

Pursuant to I.R.C. § 6695(g), the IRS requires tax return preparers to complete and submit Form 8867, Paid Preparer's Due Diligence Checklist, along with a client's return or face a monetary penalty.

The IRS requests the Department of Justice to obtain district court injunctions against tax return preparers who persist in failing to meet their due diligence requirements.

The IRS continues to work with Treasury to explore new approaches to reduce improper payments related to refundable tax credits. In the meantime, the IRS also continues its preventative and post-filing compliance efforts to limit overclaims. These efforts will ultimately be limited by the fundamental nature of the problem of overclaims, which is that key eligibility requirements of the credit cannot be verified by the IRS at the time of filing. These challenges do not deter us from continuing our efforts.

### **Question 15: Creating accountability to achieve compliance (PIIA Section: 3353(b) (1) (B))**

*For any program or activity deemed to be non-compliant in the most recent fiscal year please briefly describe and identify the following:*

- The measurable milestones to be accomplished*
- The senior executive agency official responsible*
- Establishment of an accountability mechanism*
- Incentives*
- Consequences*

<b>Measurable milestones</b>	<b>Target Date</b>	<b>If other date, please specify</b>	<b>Senior Executive Agency Official</b>	<b>Accountability Mechanism</b>	<b>Incentives</b>	<b>Consequences</b>

Measurable milestones	Target Date	If other date, please specify	Senior Executive Agency Official	Accountability Mechanism	Incentives	Consequences
Evaluate the ROI of the Mitigation Strategy	FY2021		Director Refundable Credits Program Management (RCPM), W&I RICS	N/A	N/A	N/A
Determine which strategies have the best ROI to prevent cash loss	FY2021		Director Refundable Credits Program Management (RCPM), W&I RICS	N/A	N/A	N/A
Analyze the results of implementing new strategies	FY2021		Director Refundable Credits Program Management (RCPM), W&I RICS	N/A	N/A	N/A

**Question 15 Free Text: Creating accountability to achieve compliance (PIIA Section: 3353(b) (1) (B))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

As the GAO and TIGTA have reported, the root causes of refundable tax credit overclaims (erroneous claims) are not due to weak internal controls. The root causes are the result of program design or structural issues and the inability to authenticate eligibility due to nonexistent data. Therefore, direct accountability is not assigned to program management in the form of incentives or consequences. Management activities are concentrated on the strategic and enforcement activities listed above (question 14) to bring the programs into compliance.

**Question 16: Do Not Pay Initiative (PIIA Section: 3354(b) (5))**

*Please indicate whether the program uses the DNP (yes/no) and whether the Do Not Pay Initiative has reduced/prevented improper payments (yes/no). Additionally, please provide the frequency of corrections (week/month range) or identification of incorrect information (range of false hits?).*

Does the program use the Do Not Pay Initiative (DNP) (yes/no)	Has the DNP reduced/prevented improper payments (yes/no)	How frequently are corrections made?	How frequently is incorrect information identified?
YES	NO	Weekly	Weekly

### Question 16 Free Text: Do Not Pay Initiative (PIIA Section: 3354(b) (5))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

All of our components have incorporated pre-payment and pre-award reviews through established internal control processes and procedures that require reviews against the databases consolidated within the DNP Business Center, or through their own established databases. In FY 2020, none of the Treasury components reported significant reductions in improper payments attributable to the DNP Initiative. Treasury components continue to utilize the DNP portal to review vendor files prior to disbursement to identify any improper payments.

### EITC

### Question 1: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

*Please describe the steps the program has taken and plans to take (including timeline) to ensure that agency managers (including the agency head), accountable officers, program official/owner, and States and localities (where appropriate) are held accountable for reducing and recapturing IPs through annual performance appraisal criteria for each of the following:*

- *Meeting applicable improper payments reduction targets;*
- *Preventing improper payments from being made; and*
- *Promptly detecting and recovering improper payments that are made.*

Performance Appraisal Criteria
meeting applicable improper payments reduction targets
prevent improper payments from being made
promptly detect and recover improper payments that are made

### Question 1 Free Text: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

The IRS is currently implementing this PIIA requirement. As discussed further in Question 15 below, the root causes of the IRS's Refundable Tax Credit (RTC) overclaims are not the result of

inadequately designed or implemented internal controls. Rather, the root cause of these overclaims is the legal structure of these programs and IRS reliance on taxpayer self-certification of information, including RTCs, on their returns. The IRS is currently analyzing legislative fixes to address these issues. However, the IRS will review mitigating actions within its purview designed to reduce RTC overclaims and incorporate these actions into the performance management plans of key personnel as appropriate.

## **Question 2: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))**

*Please describe the steps the agency has taken to detect and recover improper payments.*

<b>Indicate root cause</b>	<b>Indicate mitigation strategy/corrective action(s) taken</b>	<b>Provide any additional detail (optional free text)</b>	<b>Select the actual completion date for action(s) taken</b>
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)		FY2020 Q3
2. Inability to Authenticate Eligibility: Inability to Access Data	Other (free text)	other agency access SSA, etc.	FY2020 Q3
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	2-Behavioral/Psych Influence (nudge for honesty when data hard to pre-check)		FY2020 Q3

## **Question 2 Free Text: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

The following programs contributed to the IRS's strategy of identifying and reducing Earned Income Tax Credit (EITC), Additional Child Tax Credit (ACTC), and American Opportunity Tax Credit (AOTC) improper refund claims in FY 20:

Base Enforcement Efforts - Delivered key compliance activities including 179,160 audits, 242,639 misreported income cases, and an estimated 488,243 math error adjustments, protecting revenue of nearly \$2.4 billion.

Two and 10-Year Bans -Imposed 1,233 two-year bans and 214 10-year bans for cases where the IRS determined during an audit that the taxpayer intentionally disregarded the rules and regulations or committed fraud.

Identity Theft and Fraud - Detected and stopped over 617,949 fraudulent returns from being processed through our fraud detection filters, preventing over \$3.1 billion in erroneous refunds.

Return Preparer Initiatives- As a part of the FY 2020 Refundable Credits Return Preparer Strategy, IRS completed activities associated with a suite of progressive preparer treatments, addressing 18,514 EITC, ACTC, and AOTC preparers selected through our risk-based scoring model, before and during the filing season.

- The IRS closed 687 pre-filing season Due Diligence Visits (DDVs) with a penalty rate of 93 percent and over \$34 million in proposed penalties. Criminal Investigation and revenue agents completed 95 educational Knock-and-Talk Visits (KTV) visits. The IRS also mailed 28,861 educational letters before the FY 2020 filing season.

- The IRS closed 296 correspondence DDVs with a penalty rate of 97 percent and over \$18 million in proposed penalties. The IRS also mailed 10,436 educational letters and successfully made 505 calls to preparers during the 2020 filing season.

- The analysis of the FY 2020 Refundable Credits Return Preparer Strategy revealed that, in addition to the penalties proposed above, the preparer treatments protected approximately \$403 million (\$288 million in EITC, \$81 million in ACTC, and \$34 million in AOTC).

### **Question 3: Recovery Audits (PIIA Section: 3352)**

*Please describe the steps the agency has taken to recover improper payments identified in recovery audits. Please note there is a 3000 character limit.*

Treasury considers both pre- and post-reviews to identify payment errors a sound management practice that should be included among basic payment controls. All of our components have a process in place to identify improper payments during pre- and post-reviews. When applicable, our components may use the results of the Treasury Inspectors General and GAO reviews to help identify payment anomalies and target areas for improvement. However, we apply extensive payment controls at the time each payment is processed to minimize recapture activity.

The improper payments identified through the payment recapture audit are recouped either by payment off-set (i.e., the outstanding improper payment amount is offset by a future payment) or by establishing an accounts receivable. When an accounts receivable is established for the improper payment, the accounts receivable is carried forward until payment is received or a decision is made to write-off the outstanding receivable. We also require all bureaus to report Overpayments identified and recovered outside of payment recapture audits.

### **Question 4: Excluded Programs (PIIA Section: 3352(e) (7))**

*Please list any programs the agency excluded from review under its payment recapture audit program because a payment recovery audit program was determined to not be cost-effective and provide a summary of the justification used to make that determination. Please note there is a 3000 character limit.*

The following bureaus have approved cost-effective justifications for FY 20:

Bureau of Engraving and Printing (BEP) Program

Departmental Franchise Fund (DFF) Programs

Fiscal Services Administration (FSA) Programs

Fiscal Service Debt (FSD) Programs

Funds Management Branch (FSM) Programs

Fiscal Service Umbrella (FSU) Programs

Internal Revenue Services Administration Fund Programs

Office of International Assistance (OAS) Programs

Office of the Comptroller of the Currency (OCC)

Treasury Executive Office for Asset Forfeiture/Treasury Forfeiture Fund (TEOAF/TFF)

The justification that performing a payment recapture audit would not be cost-effective consists of the following reasons:

The BEP program is a low risk level program, with little to no improper payments identified in the past five years.

The DFF programs reflect a low level of risk for all payment type categories assessed.

The Fiscal Service's FSA, FSD, FSM, and FSU programs continued to reflect a low level of risk in nearly every group and payment type category assessed, with no audit findings or material weaknesses identified.

The IRS's Administrative Fund Programs are low risk level programs, with no GAO or TIGTA identified deficiencies and no prior payment recapture audit identified improper payments.

The Treasury International Programs disburse non-federal payments to the Multilateral Development Banks. Payments are made via payment vouchers on a letter of credit administered by the Federal Reserve Bank of New York, or direct cash payments through the Secure Payment System. The International Programs also disburse federal payments for Debt Restructuring via Intra-Governmental Payment and Collection or Standard Form 1081. Management has

determined it would not be cost-effective to perform a formal recovery audit on these programs. Internal reviews are performed before all payments are issued.

The OCC programs reflect a low level of risk for all payment type categories assessed, and annual internal reviews are conducted for all payment types. In addition, OCC reported that the cost to perform the most recent payment recapture audit exceeded the amount of improper payments identified.

The TEOAF/TFF program is a low risk level program, with no identified prior improper payment issues. In addition, program payments are made to state and local law enforcement agencies, reducing the risk of improper payments

All justifications were submitted to and approved by OMB prior to FY 20.

### Question 5: Financial and Administrative Controls (PIIA Section: 3357(d))

*Please describe your agency's progress:*

- Implementing the financial and administrative controls established by OMB in OMB Circular A-123 to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments; the fraud risk principle in the Standards for Internal Control in the Federal Government published by the Government Accountability Office (commonly known as the "Green Book"); and Office of Management and Budget Circular A-123, with respect to the leading practices for managing fraud risk;*
- Identifying risk and vulnerabilities to fraud, and*
- Establishing strategies, procedures, and other steps to curb fraud.*

<b>Implementation of OMB Circular A-123</b>	<b>Implementation of GAO Green Book</b>	<b>Identifying Risk and Vulnerabilities</b>	<b>Establishing Strategies, Procedures and Other steps</b>
3 – Fully Operational	3 – Fully Operational	3 – Fully Operational	3 – Fully Operational

### Question 5 Free Text: Financial and Administrative Controls (PIIA Section: 3357(d))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

All of Treasury's bureaus and offices (or components) have a shared responsibility in preventing, detecting, and responding to potential fraud, including improper payments. Treasury's components have ownership and responsibility for managing fraud risk. The Office of Risk Management is responsible for providing expertise and guiding principles to assist Treasury's components in the management of fraud risk. The Office of the Deputy Chief Financial Officer establishes Treasury-wide guidance designed to ensure that financial, programmatic, and administrative internal controls provide an appropriate level of assurance towards operational

and fiscal effectiveness and efficiency. The OIG Office of Investigation (OI) is responsible for receiving and assessing complaints and investigating potential fraud cases. The Treasury bureaus are the risk owners for their programs and have responsibility for mitigating fraud risk and enhancing program integrity, by designing and implementing processes and controls that effectively prevent and detect potential fraud, both internal and external to Treasury. Components must establish policies, procedures, techniques, and mechanisms to comply with risk management; and internal control requirements to manage and respond to fraud risk. Employees who encounter incidents of fraud, waste and abuse have a responsibility to report the incidents to their respective OIGs. Mechanisms used by individual components to manage fraud risk include ensuring key duties and responsibilities are effectively segregated among different people to reduce the risk of error, waste, or fraud, and systems have controls to limit access and ensure no one individual can control all aspects of a transaction; establishing enterprise fraud risk management programs; conducting risk assessments, reviewing fraud trends and patterns to inform fraud prevention techniques as well as using predictive and forensic analytics to detect and prevent fraudulent activity.

The Treasury Implementation Guide for OMB Circular A-123, Appendix A incorporates GAO's Green Book Principle 8, Assess Fraud Risk. Each year components evaluate their adherence to this principle during their assessments of internal control.

Fraud risk is also addressed in the course of the Office of Risk Management's (ORM's) general risk advisory work. Treasury's leadership team has the opportunity to discuss potential fraud and other types of risks during regular meetings led by the Chief Risk Officer or Deputy Chief Risk Officer. The ORM conducts regular Enterprise Risk Management Council meetings with the bureau-level risk management contacts to discuss various risk topics, including fraud risk. Fraud risk is considered when Treasury's components develop and update their annual risk profiles, or top risk lists, to share with the ORM.

## Question 6: Statutory Thresholds and Risk Assessments (PIIA Section: 3352(a)(3) (C))

*Please indicate the following:*

- *Any programs not listed in this collection which were recently assessed to determine susceptibility of improper payments.*
  - *Whether it was likely to be above or below the statutory threshold.*
- *The FY for any programs not listed in this collection which were most recently assessed to determine whether it was likely to be above or below the statutory threshold.*
- *If they had substantial changes to RA methodology.*

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Fiscal Service, Salaries and Expenses, Fiscal Service (0520)	Likely to be Below Statutory Threshold	Other	NO



<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Fiscal Service, Reimbursements to Federal Reserve Banks (0562)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Federal Reserve Bank Reimbursement Fund (1884)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Debt Collection Special Fund (5445)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Interest on the Public Debt (Indefinite) (0550)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Restitution of Foregone Interest (1875)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Corporation for Public Broadcasting (0151)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Payment to Legal Services Corp (0501)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Fed. Pay. Resident Tuition Sup (1736)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Judgements, Court of Claims (1740)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Claims for Damages (1742)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Fed. Pay- Emerg. Pl & Sec (1771)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Refund Money Erroneously Rec'd (1807)	Likely to be Below Statutory Threshold	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Fiscal Service, Fed. Pay- School Improvement (1817)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Payment to Resolution Fd Corp (1851)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Interest on Uninvested Fds (1860)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, D.C. Water & Sewage (4446)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Travel Promotion Fund, Corp for Travel Promotion (5585)	Likely to be Below Statutory Threshold	Other	NO
Fiscal Service, Gulf Coast Restoration Trust Fund (8625)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service, Refund Collection- Interest (0904)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service, Payment Health Care Credit Exceeds (0923)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service, Refund- Corporations (0931)	Likely to be Below Statutory Threshold	Other	NO
Community Development Financial Institutions Fund- CDFI Equity Investment Dividen. (1881)	Likely to be Below Statutory Threshold	Other	NO
Community Development Financial Institutions Fund- CDFI BGP Financing Fund (4366)	Likely to be Below Statutory Threshold	Other	NO
Community Development Financial Institutions Fund- Capital Magnet Fund (8524)	Likely to be Below Statutory Threshold	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Office of DC Pensions- District of Columbia Federal Pension Fund (5511)	Likely to be Below Statutory Threshold	Other	NO
Office of DC Pensions- DC Judicial Retirement and Survivor's Annuity Fund (8212)	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- Salaries and Expenses, DO (0101)	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- TFI	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- Cybersecurity Enhancement Account (1855)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Global Environment Facility, Funds Appropriated to (0066)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contribution to the Asian Development Fund, Funds (0067)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contrib Intl Develop Assoc (0073)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contrib to African Develop BK (0082)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Contrib to African Develop FD (0079)	Likely to be Below Statutory Threshold	Other	NO
Office of International Assistance- Int'l Fund for Agric. Develop (1039)	Likely to be Below Statutory Threshold	Other	NO
Office of Financial Stability- Salaries and Expenses (0128)	Likely to be Below Statutory Threshold	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Office of Financial Stability- Home Affordable Modification Program (0136)	Likely to be Below Statutory Threshold	Other	NO
Office of the Inspector General- Salaries and Expenses, OIG (0106)	Likely to be Below Statutory Threshold	Other	NO
Special Inspector General for Troubled Asset Relief Program- Office of the Special Inspector General TARP (0133)	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- IA Technical Assistance Prog (1045)	Likely to be Below Statutory Threshold	Other	NO
Departmental Offices- Treasury Forfeiture Fund (5697)	Likely to be Below Statutory Threshold	Other	NO
Treasury Inspector General for Tax Administration- Treasury IG for Tax Admin. (0119)	Likely to be Below Statutory Threshold	Other	NO
Bureau of Engraving and Printing- Bureau of Engraving and Printing Fund (4502)	Likely to be Below Statutory Threshold	Other	NO
Treasury Franchise Fund- Treasury Franchise Fund (4560)	Likely to be Below Statutory Threshold	Other	NO
Financial Crimes Enforcement Network- Salaries and Expenses, FinCEN (0173)	Likely to be Below Statutory Threshold	Other	NO
Office of Financial Research- Financial Research Fund (5590)	Likely to be Below Statutory Threshold	Other	NO
The Mint- United States Mint Public Enterprise Fund (4159)	Likely to be Below Statutory Threshold	Other	NO
Office of the Comptroller of the Currency- Assessment Funds, OCC	Likely to be Below Statutory	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
(8413)	Threshold		
Alcohol, Tobacco, and Trade Bureau-Salaries and Expenses, TTB (1008)	Likely to be Below Statutory Threshold	Other	NO
Alcohol, Tobacco, and Trade Bureau-Internal Revenue, Collections for Puerto Rico (5737)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Build America Bond Payments, Recovery Act (0935)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt. to Issuer of Qualified Zone Academy Bonds (0945)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt. to Issuer of Qualified School Const. Bonds (0946)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt. to Issuer of New Clean Renewable Eng Bonds (0947)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Pymt to Issuer of Qualified Engy Conservation Bond (0948)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Refundable Premium Assistance Tax Credit (0949)	Likely to be Above Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Payments to USVI and PR for Disaster Tax Relief (0159)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Private Collection Agent Program (5510)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Special Compliance Personnel Program Account (5622)	Likely to be Below Statutory Threshold	FY2019 Q4	NO
Internal Revenue Service - Informant	Likely to be	Other	NO

<b>Program not listed</b>	<b>Likely to be above or below threshold?</b>	<b>Assessment Date</b>	<b>Substantial RA methodology changes??</b>
Reimbursement (5433)	Below Statutory Threshold		
Internal Revenue Service - Taxpayer Services (0912)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Tax Law Enforcement (0913)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Operations Support (0919)	Likely to be Below Statutory Threshold	Other	NO
Internal Revenue Service - Business Systems Modernization (0921)	Likely to be Below Statutory Threshold	Other	NO

**Question 6 Free Text: Statutory Thresholds and Risk Assessments (PIIA Section: 3352(a) (3) (C))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

With the exception of the five programs below, and the programs otherwise noted above, all other risk assessments were completed in FY 20, 4th Quarter. All programs/activities that were required to complete a FY 20 risk assessment, completed a qualitative risk assessment, with exception of Fiscal Services-Interest on the Public Debt (Indefinite) (0550), which completed a quantitative risk assessment. All FY 20 risk assessments yielded a determination of non-susceptibility to improper payments.

The Internal Revenue Services- Refundable Premium Assistance Tax Credit (0949) was found to be susceptible to improper payments in FY 19. Treasury notified OMB that it will delay the annual reporting within Treasury's Agency Financial Report for fiscal year 2020, of improper payment estimates for the net Premium Tax Credits program pursuant to the Affordable Care Act. The notification was made pursuant to the Office of Management and Budget's (OMB) June 17, 2020 memorandum, *Risk Based Financial Audits and Reporting Activities in Response to COVID-19*, which OMB issued in response to the significant new demands placed upon agencies in connection with implementing the CARES Act and other COVID-19 related programs.

The following risk assessments were completed in the 4th quarter of FY 18 and were found to be non-susceptible to improper payments.:

Internal Revenue Service - Informant Reimbursement (5433)  
Internal Revenue Service - Taxpayer Services (0912)  
Internal Revenue Service - Tax Law Enforcement (0913)  
Internal Revenue Service - Operations Support (0919)  
Internal Revenue Service - Business Systems Modernization (0921)

### Question 7: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

*Please indicate whether lowering the improper payment rate beyond the current level would be cost prohibitive because applying additional mitigation strategies or corrective actions for improper payment prevention would cost more to implement than the amount that would be saved.*

Cost Prohibitive (Yes/No)	Indicate Root Cause if known	Indicate which corrective action
N/A	1. Program Design or Structural Issue	6-Audit (improve IC)
N/A	3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	6-Audit (improve IC)

### Question 7 Free Text: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Costs of compliance with PIIA and OMB Circular A-123, Appendix C outweigh the benefits that would be derived. Enforcement actions needed to reduce overclaim rates to less than 10 percent would require additional or reallocated resources of \$2.5 billion, which (a) equates to nearly half the IRS's current total enforcement budget, (b) places substantial burden on low income taxpayers who are audited at three times the overall rate already, (c) would require the IRS to audit 4.2 million additional returns claiming RTCs in the pre-refund stage, and (d) violates the IRS requirement of enforcing the tax law with integrity and fairness to all through increased audits and delayed refunds among low income taxpayers.

### Question 8: Tolerable Rate

*Do you believe the program has reached a tolerable rate of improper payments?*

Indicate Yes or No
YES

## Question 8 Free Text: Tolerable Rate

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Costs of compliance with PIIA and OMB Circular A-123, Appendix C outweigh the benefits that would be derived. Enforcement actions needed to reduce overclaim rates to less than 10 percent would require additional or reallocated resources of \$2.5 billion, which (a) equates to nearly half the IRS's current total enforcement budget, (b) places substantial burden on low income taxpayers who are audited at three times the overall rate already, (c) would require the IRS to audit 4.2 million additional returns claiming RTCs in the pre-refund stage, and (d) violates the IRS requirement of enforcing the tax law with integrity and fairness to all through increased audits and delayed refunds among low income taxpayers.

## Question 9: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))

*Does the program have the internal controls, human capital, and information systems and other infrastructure it needs to reduce IPs to the levels the agency has targeted? Please indicate additional program needs to reduce IPs to the levels the program has targeted.*

Indicate 'yes' or 'no'	Indicate program needs
YES	1. Internal Controls
YES	2. Human Capital
YES	3. Information Systems
YES	4. Resources
NO	5. Other: Explain

## Question 9 Free Text: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

IRS improper payments are not the result of internal control weaknesses that the IRS might remediate but rather are the result of root cause factors beyond IRS control, such as the statutory design of the refundable tax credits, the complexity of the eligibility requirements, the reliance on taxpayers' self-certification to the accuracy of their returns, and the lack of third-party data for verification. To address program needs the IRS works with Treasury to develop legislative proposals that will improve refundable credit compliance and reduce erroneous payments. For



the past several years, the Administration has included the following proposals in its Budget submission:

- Provide the IRS with greater flexibility to address correctable errors by directly improving tax compliance and reducing EITC and other RTC overclaims, while freeing up IRS resources for other enforcement activities. This proposal would expand the instances in which the IRS could correct a taxpayer's return before issuing a refund, including cases where:
- The information provided by the taxpayer does not match the information contained in government databases or Form W-2, or other third-party databases as the Secretary of the Treasury determines by regulation; or
- The taxpayer has exceeded the lifetime limit for claiming a deduction or credit; or
- The taxpayer has failed to include with his or her return certain required documentation.
- Increased oversight of paid preparers. To promote high quality services from paid preparers, this proposal would explicitly provide that the Secretary of the Treasury has the authority to regulate all paid tax return preparers.
- Provide discretionary funding for an IRS program integrity cap adjustment. The proposal establishes a new adjustment to the discretionary caps for IRS program integrity activities. The additional cap adjustment would fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's tax enforcement program.

### Question 10: Corrective Actions Taken (PIIA Section: 3352(d) (1))

*Please indicate which corrective action(s) the program HAS TAKEN to prevent improper payments.*

Indicate identified root cause	Indicate corrective action(s) taken	Select the actual completion date for action(s) taken	If other completion date, please indicate
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)	FY2020 Q3	
1. Program Design or Structural Issue	3-Training (how to complete contracts)	FY2020 Q3	
1. Program Design or Structural Issue	6-Audit (improve IC)	FY2020 Q3	
1. Program Design or Structural Issue	Other (free text)	FY2020 Q3	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	4-Change Process (instructions, checklist, policy)	FY2020 Q3	
3. Inability to	3-Training (how to	FY2020 Q3	

Indicate identified root cause	Indicate corrective action(s) taken	Select the actual completion date for action(s) taken	If other completion date, please indicate
Authenticate Eligibility: Data Needed Does Not Exist	complete contracts)		
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	6-Audit (improve IC)	FY2020 Q3	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	Other (free text)	FY2020 Q3	

### Question 10 Free Text: Corrective Actions Taken (PIIA Section: 3352(d) (1))

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

The following actions have been taken to identify and reduce EITC improper refund claims in FY 20:

Base Enforcement Efforts- Delivered key compliance activities including 179,160 audits, 242,639 misreported income cases, and an estimated 488,243 math error adjustments, protecting revenue of nearly \$2.4 billion.

Two and 10-Year Bans- Imposed 1,233 two-year bans and 214 10-year bans for cases where the IRS determined during an audit that the taxpayer intentionally disregarded the rules and regulations or committed fraud.

Identity Theft and Fraud - Detected and stopped over 617,949 fraudulent returns from being processed through our fraud detection filters, preventing over \$3.1 billion in erroneous refunds.

Soft Notices- Sent 66,832 letters to alert taxpayers that a qualifying child for the EITC claimed on their returns had also been claimed by another person.

Return Preparer Initiatives - As a part of the FY 2020 Refundable Credits Return Preparer Strategy, IRS completed activities associated with a suite of progressive preparer treatments, addressing 18,514 EITC, ACTC, and AOTC preparers selected through our risk-based scoring model, before and during the filing season.

- The IRS closed 687 pre-filing season Due Diligence Visits (DDVs) with a penalty rate of 93 percent and over \$34 million in proposed penalties. Criminal Investigation and revenue agents completed 95 educational Knock-and-Talk Visits (KTV) visits. The IRS also mailed 28,861 educational letters before the FY 2020 filing season.

- The IRS closed 296 correspondence DDVs with a penalty rate of 97 percent and over \$18 million in proposed penalties. The IRS also mailed 10,436 educational letters and successfully made 505 calls to preparers during the 2020 filing season.

- The analysis of the FY 2020 Refundable Credits Return Preparer Strategy revealed that, in addition to the penalties proposed above, the preparer treatments protected approximately \$403 million (\$288 million in EITC, \$81 million in ACTC, and \$34 million in AOTC).

Taxpayer Outreach and Education- IRS conducted its EITC outreach campaign, including the fourteenth annual EITC Awareness Day, which centered on EITC underserved populations and included focused compliance messages. Through collaboration with IRS national, state, and local partners as well as Congressional and government officials, the IRS held 240 nationwide events, resulting in media coverage that helped spread the word about EITC. The IRS also issued a news release to over 363,000 and 59,800 subscribers in English and Spanish, respectively, and issued two tax tips to over 749,000 subscribers. Social media outreach continued with Twitter EITC messages reaching over 3.6 million people. Also, for the year, over 642,000 taxpayers visited the EITC Assistant on IRS.GOV, a tool that allows taxpayers to determine whether they qualify for the credit.

## Question 11: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

*Please indicate which corrective action(s) the program WILL TAKE to prevent improper payments.*

Indicate identified root cause	Indicate planned corrective action(s)	Select the planned completion date for action(s) program will take	Other planned completion date
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)	FY2021	
1. Program Design or Structural Issue	5-Cross Enterprise Sharing	FY2021	
1. Program Design or Structural Issue	Other (free text)	FY2021	
3. Inability to Authenticate Eligibility:	4-Change Process (instructions,	FY2021	

Indicate identified root cause	Indicate planned corrective action(s)	Select the planned completion date for action(s) program will take	Other planned completion date
Data Needed Does Not Exist	checklist, policy)		
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	5-Cross Enterprise Sharing	FY2021	
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	Other (free text)	FY2021	

**Question 11 Free Text: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Legislative Proposals: The FY 2021 budget request included the following legislative proposals that may improve compliance and reduce erroneous payments:

- Provide greater flexibility to address correctable errors to help IRS deny certain erroneous EITC, AOTC, and ACTC claims before refunds are paid.
- Increase oversight of paid tax return preparers to help promote high quality services and improve voluntary compliance.
- Require a social security number (SSN) that is valid for work to claim EITC, CTC, and Credit for Other Dependents (ODC).

Enterprise Research: The IRS assessed the results of the FY 2020 enterprise research strategy and developed the FY 2021 strategy in partnership with internal organizations to better focus compliance and outreach activities using research data.

**Question 12: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Please indicate which of the six (6) criteria (if any) were determined to be non-compliant in the most recent IG compliance review.*

Indicate compliant or non-compliant	Compliance criteria
-------------------------------------	---------------------

Indicate compliant or non-compliant	Compliance criteria
Compliant	1. Publish an AFR or PAR
Compliant	2. Conduct Program-Specific Risk Assessment
Compliant	3. Publish Improper Payment Estimates
Compliant	4. Publish Programmatic Corrective Action Plans
Compliant	5. Publish and Meet Annual Reduction Targets
Non-Compliant	6. Report a gross Improper Payment Rate of Less than 10%

**Question 12 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Treasury's OIG found that Treasury did not comply with IPERA for fiscal year 2019 because the IRS did not report an overall improper payment rate of less than 10 percent for the EITC, ACTC, and AOTC programs. Treasury did comply with the other IPERA requirements.

**Question 13: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Please indicate how many consecutive years this program was deemed non-compliant as of the most recent IG compliance review (regardless of which of the six (6) criteria were determined non-compliant).*

Indicate consecutive years
9

**Question 13 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

Letters were sent to Congress to address Treasury's non-compliance in June 2020.

**Question 14: Bringing the program into compliance (PIIA Section: 3353(b) (5))**

*If deemed to be non-compliant in the most recent fiscal year, please briefly describe the plan the executive agency will take to bring the program into compliance.*

Indicate root cause	Indicate planned corrective actions
1. Program Design or Structural Issue	4-Change Process (instructions, checklist, policy)
1. Program Design or Structural Issue	3-Training (how to complete contracts)
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	3-Training (how to complete contracts)
3. Inability to Authenticate Eligibility: Data Needed Does Not Exist	4-Change Process (instructions, checklist, policy)

**Question 14 Free Text: Bringing the program into compliance (PIIA Section: 3353(b) (5))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

The following efforts were outlined in Treasury's IPERA non-compliance letter to Congress:

- Educating and communicating with taxpayers through EITC Awareness Day events, which are annual national efforts by the IRS and its coalition partners to provide information to communities and taxpayers around the nation, on the credit and how to properly claim it. EITC Awareness Day efforts include the use of social media tools to reach a broad audience and hosting accompanying events in numerous locations throughout the country.
- The IRS imposes two-year bans on claiming the EITC for taxpayers who have improperly claimed the EITC in the past due to reckless or intentional disregard of rules or regulations. The IRS imposes 10-year bans on those taxpayers who's previous EITC claims were determined to be fraudulent.
- The IRS has held several tax credit summits that include participants from the tax industry, state and federal agencies, consumer advocates, research institutions, volunteer site coordinators, Low-Income Tax Clinic directors, and other organizations. These summits improve communication and foster dialog on reducing errors, as well as improve participation in tax credits and tax credit administration.
- In the pre-refund environment, the IRS takes an active approach by applying identity theft and related fraud filters to intercept tax returns before they are processed and refunds are paid out.
- In the post-refund environment, IRS conducts audits and criminal investigations to stop and recoup fraudulent refund claims.
- The IRS requests the Department of Justice to obtain district court injunctions against tax return preparers who persist in failing to meet their due diligence requirements.

The IRS continues to work with Treasury to explore new approaches to reduce improper payments related to refundable tax credits. In the meantime, the IRS also continues its preventative and post-filing compliance efforts to limit overclaims. These efforts will ultimately be limited by the fundamental nature of the problem of overclaims, which is that key eligibility requirements of the credit cannot be verified by the IRS at the time of filing. These challenges do not deter us from continuing our efforts.

**Question 15: Creating accountability to achieve compliance (PIIA Section: 3353(b) (1) (B))**

*For any program or activity deemed to be non-compliant in the most recent fiscal year please briefly describe and identify the following:*

- *The measurable milestones to be accomplished*
- *The senior executive agency official responsible*
- *Establishment of an accountability mechanism*
- *Incentives*
- *Consequences*

<b>Measurable milestones</b>	<b>Target Date</b>	<b>If other date, please specify</b>	<b>Senior Executive Agency Official</b>	<b>Accountability Mechanism</b>	<b>Incentives</b>	<b>Consequences</b>
Evaluate the ROI of the Mitigation Strategy	FY2021		Director Refundable Credits Program Management (RCPM), W&I RICS	N/A	N/A	N/A
Determine which strategies have the best ROI to prevent cash loss	FY2021		Director Refundable Credits Program Management (RCPM), W&I RICS	N/A	N/A	N/A
Analyze the results of implementing new strategies	FY2021		Director Refundable Credits Program Management (RCPM), W&I RICS	N/A	N/A	N/A

**Question 15 Free Text: Creating accountability to achieve compliance (PIIA Section: 3353(b) (1) (B))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

As the GAO and TIGTA have reported, the root causes of refundable tax credit overclaims (erroneous claims) are not due to weak internal controls. The root causes are the result of program design or structural issues and the inability to authenticate eligibility due to nonexistent data. Therefore, direct accountability is not assigned to program management in the form of incentives or consequences. Management activities are concentrated on the strategic and enforcement activities listed above (question 14) to bring the programs into compliance.

**Question 16: Do Not Pay Initiative (PIIA Section: 3354(b) (5))**

*Please indicate whether the program uses the DNP (yes/no) and whether the Do Not Pay Initiative has reduced/prevented improper payments (yes/no). Additionally, please provide the frequency of corrections (week/month range) or identification of incorrect information (range of false hits?).*

<b>Does the program use the Do Not Pay Initiative (DNP) (yes/no)</b>	<b>Has the DNP reduced/prevented improper payments (yes/no)</b>	<b>How frequently are corrections made?</b>	<b>How frequently is incorrect information identified?</b>
YES	NO	Weekly	Weekly

**Question 16 Free Text: Do Not Pay Initiative (PIIA Section: 3354(b) (5))**

*Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.*

All of our components have incorporated pre-payment and pre-award reviews through established internal control processes and procedures that require reviews against the databases consolidated within the DNP Business Center, or through their own established databases. In FY 2020, none of the Treasury components reported significant reductions in improper payments attributable to the DNP Initiative. Treasury components continue to utilize the DNP portal to review vendor files prior to disbursement to identify any improper payments.