



# Software Risk Assessment Survey

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# Background

- GAO-09-297 – Tax Administration: *Many Taxpayers Rely on Tax Software and IRS Needs to Assess Associated Risks.*
- GAO's particular areas of interest
  - Return accuracy
  - Security and privacy of taxpayer information
  - Reliability of electronic filing
  - IRS added *burden* as an additional area of interest.
- With growing e-file volume, IRS wants to work closer with Industry to reduce risks.



# Our Scope

## Risk Areas

**Accuracy** – Software correctly applies tax law, correctly represents the taxpayer's tax liability, and correctly formats return.

**Burden** – Tax law, guidance, filing requirements, process, tools, and information presented a challenge to firm in preparing returns.

**Privacy** – Appropriate use and disclosure of personally identifiable information (PII).

**Reliability** – Software and transmission (e-file) systems are available and operating consistently.

**Security** – Reasonable safeguards protecting PII.



# Our Approach

- Obtain industry perspective to help frame survey.
- Prepare questionnaire with help of CERCA, NACTP and ETAAC Security Subcommittee.
- Conduct third party telephone survey with tax software vendors and transmitters.
- Analyze survey results and assess risks.

# Survey Responses

## Software Vendors Survey – 27 of 55 (49%)

- 18 were large software vendors
- 9 were small software vendors
- Combined both large and small software vendors accounted for approximately 64% of all electronically filed returns.

## Transmitters Survey – 323 of 726 (44%)



# Overall Survey Responses

## Software Vendors

- 50% of *Large Vendors* ranked **Security** as highest Risk followed by Burden at 38%.
- 44% of *Small Vendors* ranked **Burden** as their top Risk followed by a tie of Accuracy & Security at 22%.

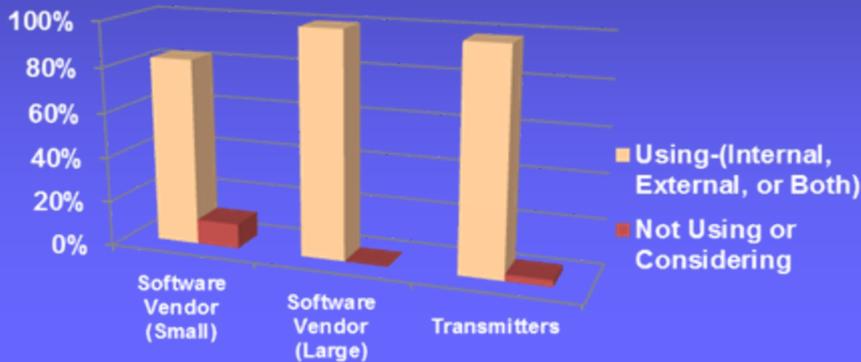
## Transmitters

- 33% of *Transmitters* ranked **Security** as the highest Risk followed by the Risk of Burden at 24%.

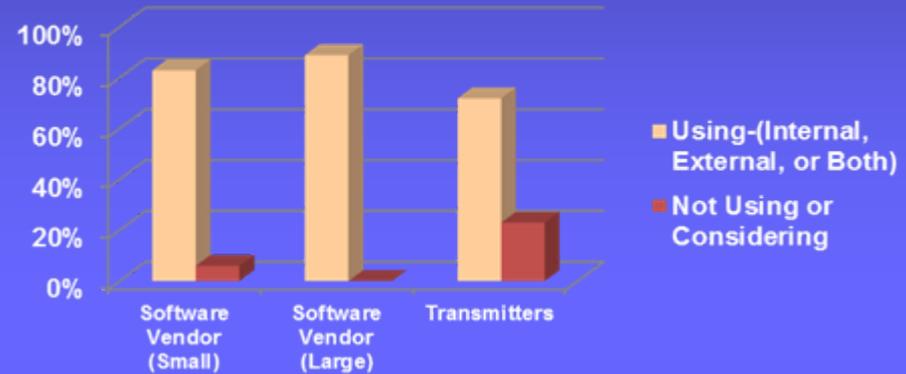


# Sample Security Responses Security Controls

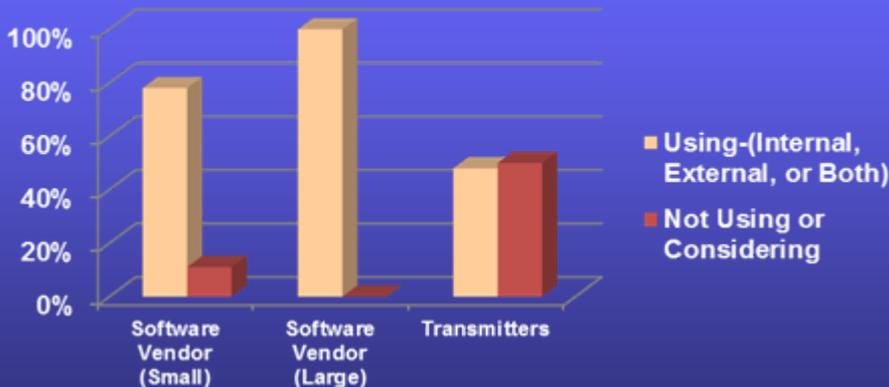
## Destruction and Disposal



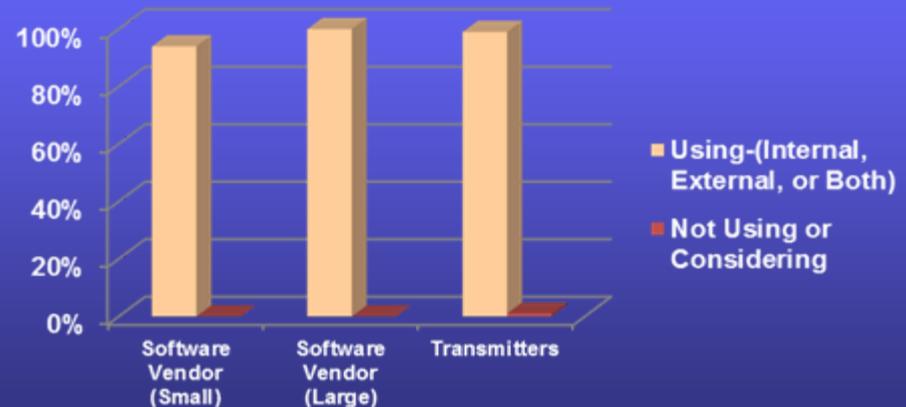
## Audit and Accountability



## Physical Security

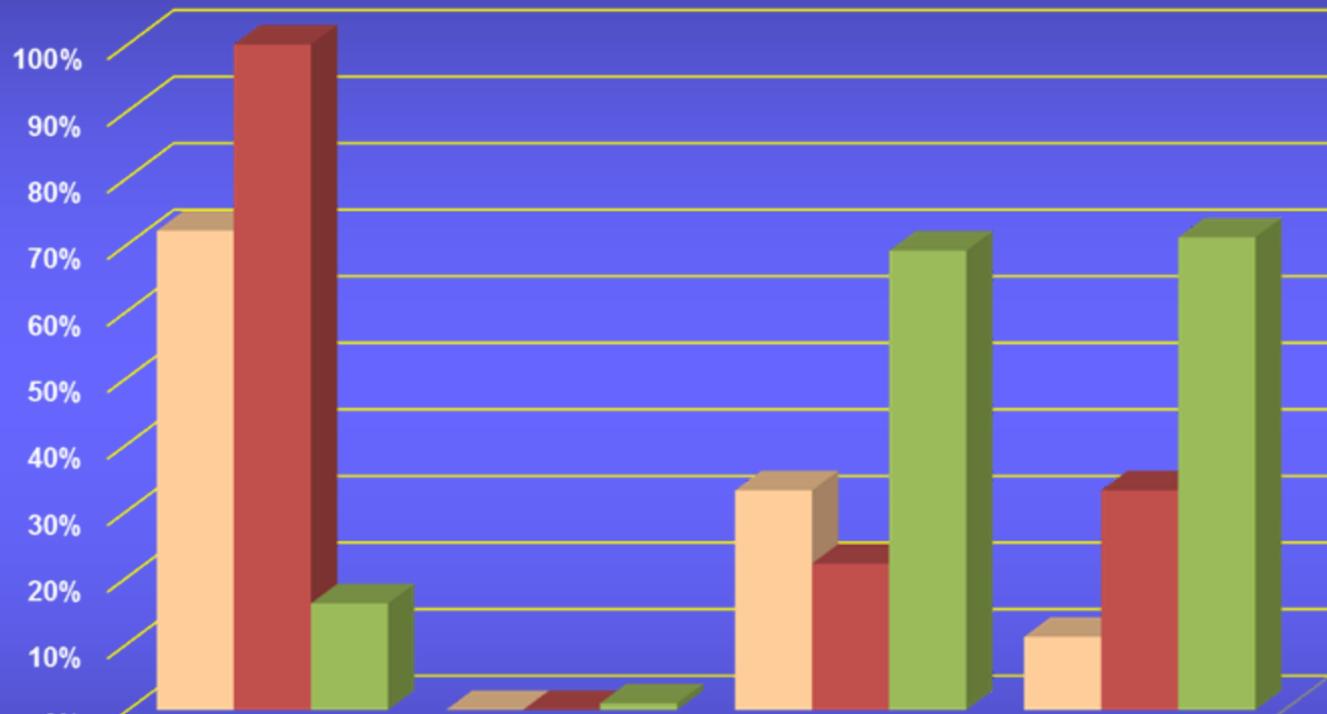


## Network Security





# Sample Privacy Responses Storage of PII Data



	Centralized Server Environment	Decentralized Server Environment	Distributed	Computer Workstations
Software Vendor (Small)	72%	0%	33%	11%
Software Vendor (Large)	100%	0%	22%	33%
Transmitters	16%	1%	69%	71%

■ Software Vendor (Small) ■ Software Vendor (Large) ■ Transmitters



# What Next?

- Survey results and implication of risks are analyzed with IRS.
- IRS will determine if and where mitigation is required.
- Mitigations could include:
  - Modifications to rules (supplementing existing guidance)
  - Changes in IRS processes and procedures
  - Changes in communications with industry
  - IRS and Industry take other action to drive continuous improvements in the accuracy of tax software and of returns prepared using software.



# Comments

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**Thank you!!**