

Preview Of The Survey

Introduction

Thank you for participating in this important survey. Please complete this survey preview in advance of the telephone call from Russell Research and then have it available for that call. It will reduce the amount of time that the call takes. **Keep in mind that all of your responses will be completely confidential.**

Please also keep in mind that this survey is focused only on Federal individual tax returns using the 1040 family of forms. State, business, and information returns are out of scope.

Note: the survey contains ALL-CAP INSTRUCTIONS to guide you in the completion of the survey. Please read each instruction carefully.

General Information

1. First, please estimate the number of tax returns that your firm files by each of the following customer types.

RETURNS

Taxpayers _____

Tax Professionals who are not Franchisees _____

Tax Professionals who are Franchisees _____

White label customers (e.g., for others to brand as their own and resell) _____

Check the box to the right if your firm does not make or sell tax preparation software ☐

IF YOUR FIRM DOES NOT MAKE OR SELL TAX PREPARATION SOFTWARE, NO NEED TO CONTINUE. PLEASE NOTE THIS TO THE RUSSELL INTERVIEWER WHO CALLS TO COLLECT YOUR INFORMATION. THANK YOU FOR YOUR WILLINGNESS TO HELP.

IF YOU ENTERED A "1" OR HIGHER FOR "TAXPAYERS" IN Q1, PLEASE ANSWER Q2. IF NOT, SKIP TO INSTRUCTIONS FOR Q3.

2. How do your taxpayer customers initially install your software? Please estimate the proportion of taxpayer software installed in 2010 by each of the following methods. Do not include subsequent software updates. (THE TOTAL OF ALL OF YOUR RESPONSES MUST EQUAL 100%.)

PERCENT

Online only (e.g., Software-as-a-Service/SaaS, web client) _____

Download and install onto user's computer _____

Install from physical media onto user's computer _____

IF YOU ENTERED A "1" OR HIGHER FOR EITHER OF THE TWO "TAX PROFESSIONAL" ANSWERS IN Q1 ABOVE, PLEASE ANSWER Qs 3 AND 4 BELOW. OTHERWISE, SKIP TO INSTRUCTIONS FOR Q5 ON THE NEXT PAGE.

3. How do your tax professional customers initially install your software? Please estimate the proportion of tax professional software installed in 2010 by each of the following methods. Do not include subsequent software updates. (THE TOTAL OF ALL OF YOUR RESPONSES MUST EQUAL 100%.)

PERCENT

Online only (e.g., Software-as-a-Service/SaaS, web client) _____

Download and install onto user's computer _____

Install from physical media onto user's computer _____

4. In what ways does your firm's tax professional software allow users to transmit (e-file) their clients' returns? Can they...(CHECK OR ENTER ALL THAT APPLY.)

Use your firm's transmission (e-file) capability built into the software ☐

Use another firm's transmission capability and if so, whose? ☐

Use your firm's software to create a return file but transmit it directly to IRS themselves ☐

Other (ENTER & CHECK ANSWER) ☐

REGARDLESS OF YOUR PRECEDING ANSWERS, CONTINUE WITH Q5.

5. Following are some definitions which we would like you to keep in mind when answering subsequent questions. Please carefully review these definitions.

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

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

Security.....Reasonable safeguards protecting personally identifiable information (PII).

Privacy.....Appropriately use and disclosure of personally identifiable information (PII).

Burden.....Tax law, guidance, filing requirements, process, tools, and information present a challenge in bringing software to market.

Based upon the above definitions, how would your firm rank the following risks to tax administration due to the use of tax software, where 1 is the greatest risk and 5 is the least? (RANK ORDER ALL ITEMS.)

RANK

Accuracy _____

Burden _____

Privacy _____

Reliability _____

Security _____

Security

6. How does your firm **manage its security program**? Is it...(CHECK ONLY ONE ANSWER.)

Managed by designated security lead (e.g., Chief Information Security Officer).....☐

Managed by committee (e.g., personnel from security, compliance and legal)☐

No security program☐

Other (ENTER & CHECK ANSWER)☐

7. How often do you review and update your **internal security policies** (e.g., standards, controls)? Do you...(CHECK ONLY ONE ANSWER.)

Update quarterly☐

Update semi-annually.....☐

Update annually☐

Do not update.....☐

Do not have security policies.....☐

8. How does your firm use security controls in its environment? Using the response scale below, please indicate your firm's performance for each of the following. (CHECK ONLY ONE ANSWER ON EACH ROW.)

[illegible]

9. **Where is your customers' personally identifiable information (PII) stored in your firm's environment? Is it stored in...(CHECK ALL THAT APPLY.)**

Centralized server environment(s) ☐

Decentralized server environment(s) ☐

Distributed (e.g., external hard drives, backup tapes and other portable media) ☐

Computer workstation (e.g., desktop, laptop) ☐

10. How does your firm use data security safeguards in its environment? Using the scale below, please indicate your firm's performance for each of the following...(CHECK ONLY ONE ANSWER ON EACH ROW.)

[illegible]

IF YOU ANSWERED "1" OR HIGHER FOR "TAX PROFESSIONALS WHO ARE FRANCHISEES" IN Q1 ON PAGE 1, ANSWER Q11. OTHERWISE, SKIP TO THE INSTRUCTIONS ABOVE Q12.

11. How does your firm use security safeguards at franchisee locations? Using the scale below, please indicate your firm's performance for each of the following. (CHECK ONLY ONE ANSWER ON EACH ROW.)

[illegible]

REGARDLESS OF YOUR PRECEDING ANSWERS, CONTINUE WITH Q12.

12. How does your firm use secure software development practices? Using the scale below, please indicate your firm's performance for each of the following...(CHECK ONLY ONE ANSWER ON EACH ROW.)

[illegible]

Reliability

13. How does your firm ensure business continuity? Using the scale below, please indicate your firm's performance for each of the following...(CHECK ONLY ONE ANSWER ON EACH ROW.)

[illegible]

14. What is the acceptable recovery time for unplanned service outages? Using the time scale below, please indicate the acceptable recovery time for each of the outage types below. (CHECK ONLY ONE ANSWER ON EACH ROW.)

	Less than <u>1 hour</u>	1-8 <u>Hours</u>	9-24 <u>Hours</u>	2-6 <u>Days</u>	1 or more <u>Weeks</u>
Preparation outage (i.e., customers can't use software to complete return).....	☐	☐	☐	☐	☐
Transmission outage (i.e., customers can't e-file completed returns with IRS).....	☐	☐	☐	☐	☐
Download outage (i.e., customers can't download software or updates)	☐	☐	☐	☐	☐
Customer service outage (i.e., customers can't use online or phone help)	☐	☐	☐	☐	☐

Accuracy

15. How many test cases do you run to validate software accuracy (e.g., correctly applies tax law, correctly represents the taxpayer's tax liability) for each of the following types of software? (ENTER A NUMBER FOR EACH ITEM, EVEN IF "0".)

NUMBER

Taxpayer software _____

Tax professional software..... _____

16. For your preparation software, which of the following types of testing do you perform? (CHECK ALL THAT APPLY.)

Integration ☐

Performance ☐

Quality Assurance ☐

Regression..... ☐

System ☐

Unit/application..... ☐

Usability ☐

Other (ENTER & CHECK ANSWER) _____ ☐

Do not perform testing ☐

17. For your transmission (e-file) capability, which of the following types of testing do you perform? (CHECK ALL THAT APPLY.)

Integration ☐

Performance ☐

Quality Assurance ☐

Regression..... ☐

System ☐

Unit/application..... ☐

Usability ☐

Other (ENTER & CHECK ANSWER) _____ ☐

Do not perform testing ☐

18. How do you notify customers of software updates? Do you...(CHECK ALL THAT APPLY.)

- Email instructions on updating the software.....☐
- Post notice on the firm and/or product website☐
- Message through social media (e.g., Twitter).....☐
- Trigger the tax software to automatically install and activate update☐
- Prompt within the software to install and activate update☐
- Distribute software updates for scheduled installation.....☐
- Use remote access to install and activate update☐
- Stop accepting returns from older software products☐
- Other (ENTER & CHECK ANSWER)☐
- Do not notify customers of product updates.....☐

19. From January 15 to April 15, 2010, how many times did you update your software? (ENTER NUMBER BELOW.)

NUMBER

Any reason (total number of updates)

IF YOUR ANSWER TO Q19 WAS "1" OR MORE, PLEASE ANSWER Q20. OTHERWISE, SKIP TO Q21.

20. Given that a software update can be driven by more than one reason, how many of these updates were due to...(ENTER A NUMBER FOR EACH ITEM BELOW – EVEN IF "0". SINCE ONE UPDATE CAN BE DUE TO MULTIPLE REASONS, THE TOTAL OF YOUR RESPONSES MAY EXCEED THE NUMBER IN Q19 – BUT THE NUMBER FOR ANY ONE ITEM SHOULD NOT EXCEED THE TOTAL IN Q19.)

NUMBER

- Final forms/instructions released by IRS.....
- Customer feedback (e.g., user interface design changes)
- New functionality.....
- Bug fixes to existing functionality
- Business rule updates (e.g., calculations)
- Other (ENTER OTHERS HERE AND THEN ANSWER)
- Other (ENTER OTHERS HERE AND THEN ANSWER)
- Other (ENTER OTHERS HERE AND THEN ANSWER)

Privacy

REGARDLESS OF YOUR PRECEDING ANSWERS, PLEASE ANSWER ALL QUESTIONS FROM THIS POINT FORWARD.

21. How does your firm manage its privacy program? Is it...(CHECK ONLY ONE ANSWER.)

- Managed by designated privacy lead (e.g., Chief Privacy Officer)☐
- Managed by designated security lead (e.g., Chief Information Security Officer)☐
- Managed by committee (e.g., personnel from security, compliance and legal).....☐
- No privacy program☐
- Other (ENTER & CHECK ANSWER)☐

22. How often do you review and update your internal privacy policies (e.g., classifying PII, acceptable usage)? (CHECK ONLY ONE ANSWER.)

- Update quarterly☐
- Update semi-annually.....☐
- Update annually☐
- Do not update.....☐
- Do not have policy.....☐

23. How do you provide your customers with your firm's consumer privacy policy? Is the policy...

(CHECK ALL THAT APPLY.)

- Posted on firm website.....☐
- Posted on software website☐
- Displayed at time of software installation.....☐
- Included in retail packaging.....☐
- Emailed to the customer☐
- Mailed to the customer☐
- Provided to the customer in person.....☐
- Do not provide policy to customers☐
- Do not have a privacy policy.....☐

24. How does your firm require training for its personnel? Using the scale below, please indicate how your firm requires the following training. (CHECK ALL THAT APPLY PER ROW.)

	Do Not Require	Require at Time Of Hire	Require Annually	Require More Often than Annually
Development (i.e., secure coding practices).....	☐	☐	☐	☐
Security (e.g., safeguards and IT controls).....	☐	☐	☐	☐
Privacy (e.g., policy compliance).....	☐	☐	☐	☐

25. How does your firm manage customer consent? Using the response scale below, please indicate your firm's performance for each of the following...(CHECK ONLY ONE ANSWER PER ROW.)

[illegible]

Risks

The next series of questions is going to focus on future situations. Consider all your software products and all your customers. We are going to ask for your opinion regarding the chance of these potential situations occurring and the proportion of returns that would be affected if they were to occur.

26. Do you think the following may occur to your firm in the next two years? Using the scale below, please rate the chance of occurrence from 1%, 25%, 50%, 75%, and 99%, with 1% being *Extremely Low Chance* and 99% being *Extremely High Chance*. (CHECK ONLY ONE ANSWER PER ROW.)

	Extremely Low Chance 1%	Low Chance 25%	Moderate Chance 50%	High Chance 75%	Extremely High Chance 99%
Software error (e.g., improper tax law application, computation)	☐	☐	☐	☐	☐
Software inconsistency (e.g., identical inputs result in different outputs)	☐	☐	☐	☐	☐
Preparation outage (i.e., customers can't use software to complete return)	☐	☐	☐	☐	☐
Transmission outage (i.e., customers can't e-file completed returns with IRS)	☐	☐	☐	☐	☐
Download outage (i.e., customers can't download software or updates)	☐	☐	☐	☐	☐
Customer service outage (i.e., customers can't use online or phone help)	☐	☐	☐	☐	☐
Improper use or disclosure of PII due to internal cause (e.g., insider theft, destruction)	☐	☐	☐	☐	☐
Improper use or disclosure of PII due to external cause (e.g., hacking and intrusion, malware, lost/stolen laptop)	☐	☐	☐	☐	☐
Lack of notice and consent (e.g., choice to opt in/out)	☐	☐	☐	☐	☐
Lack of transparency (e.g., written privacy policy)	☐	☐	☐	☐	☐

The survey has asked about chance, now let's address effect.

27. If the following were to occur, what proportion of your firm's returns would be affected? Using the scale below, please rate the proportion of returns affected from 1%, 25%, 50%, 75%, and 99%, with 1% being *Extremely Low Proportion* and 99% being *Extremely High Proportion*. (CHECK ONLY ONE ANSWER PER ROW.)

	Extremely Low Proportion 1%	Low Proportion 25%	Moderate Proportion 50%	High Proportion 75%	Extremely High Proportion 99%
Software error (e.g., improper tax law application, computation)	☐	☐	☐	☐	☐
Software inconsistency (e.g., identical inputs result in different outputs)	☐	☐	☐	☐	☐
Preparation outage (i.e., customers can't use software to complete return)	☐	☐	☐	☐	☐
Transmission outage (i.e., customers can't e-file completed returns with IRS)	☐	☐	☐	☐	☐
Download outage (i.e., customers can't download software or updates)	☐	☐	☐	☐	☐
Customer service outage (i.e., customers can't use online or phone help)	☐	☐	☐	☐	☐
Improper use or disclosure of PII due to internal cause (e.g., insider theft, destruction)	☐	☐	☐	☐	☐
Improper use or disclosure of PII due to external cause (e.g., hacking and intrusion, malware, lost/stolen laptop)	☐	☐	☐	☐	☐
Lack of notice and consent (e.g., choice to opt in/out)	☐	☐	☐	☐	☐
Lack of transparency (e.g., written privacy policy)	☐	☐	☐	☐	☐

Incidents

Now the survey will ask about incidents that your firm has actually experienced.

28. In the last two years, how many times has your firm actually experienced each of the following incidents in your production environment, regardless of whether or not you recovered from them? (ENTER A NUMBER FOR EACH ITEM, EVEN IF "0".)

NUMBER

Software error (e.g., improper tax law application, computation error).....

Software inconsistency (e.g., identical inputs resulted in different outputs)

Preparation outage (i.e., customers can't use software to complete return)

Transmission outage (i.e., customers can't e-file completed returns with IRS).....

Download outage (i.e., customers can't download software or updates).....

Customer service outage (i.e., customers can't use online or phone help).....

Improper use or disclosure of PII due to internal cause (e.g., insider theft, destruction)

Improper use or disclosure of PII due to external cause (e.g., hacking and intrusion, malware, lost/stolen laptop) ..

Other (ENTER OTHERS HERE AND THEN ANSWER)

29. In the last two years, how many times has your firm actually experienced each of the following causes of incidents in your production environment, regardless of whether or not you recovered from them? (ENTER A NUMBER FOR EACH ITEM, EVEN IF "0".)

NUMBER

Loss of power or cooling

Loss of network or internet.....

Hardware failure (e.g., server, computer, storage)

Software failure (e.g., crash, error, bug).....

Security breach, cybercrime, or other malicious act

Fire or natural disaster

Other (ENTER OTHERS HERE AND THEN ANSWER) _____

30. How does your firm address incident response? Using the scale below, please indicate your firm's performance for each of the following...(CHECK ONLY ONE ANSWER PER ROW.)

Doing and Internally

Not Doing or Considering	Planning To Do	Doing but Not Validated	Doing and Internally Validated	Doing and Externally Validated	Doing and Externally Validated	Don't Know

Identify appropriate personnel (e.g., contact list, response team) ... ☒ ☐ ☐ ☐ ☐ ☐ ☐

Have feasible plan of action

[illegible]

Have tracking capabilities

[illegible][illegible]

Use forensic techniques

[illegible]

Have physical resources

[illegible][illegible]

Notify proper external agencies (e.g., comply with federal

[illegible][illegible]

Review and update policies after incident.....

Burden

31. How do you anticipate and accommodate the effects of late tax law changes in your software?
Do you....(CHECK ALL THAT APPLY.)

- Code software to account for multiple legislative outcomes☐
- Quickly iterate software changes.....☐
- Consult IRS draft forms or instructions.....☐
- Contact IRS personnel for guidance.....☐
- Use information from industry and professional affiliations (e.g., CERCA, NACTP)☐
- Use in-house legislative analysis.....☐
- Use third party legislative analysis (e.g., CCH, BNA)☐
- Other (ENTER AND CHECK ANSWER)☐

32. Consider the activities in the previous question. On average over the last two years, please estimate the full time equivalent hours directly associated with incorporating late tax law changes in your software. (CHECK ONLY ONE ANSWER.)

- Less than 520 hours.....☐
- 520 to 1039 hours.....☐
- 1040 to 2079 hours.....☐
- 2080 to 4160 hours.....☐
- More than 4160 hours.....☐
- No hours☐

33. Using the scale provided below, please rate your agreement that the following are sufficient...(CHECK ONLY ONE ANSWER PER ROW.)

	Strongly <u>Disagree</u>	<u>Disagree</u>	<u>Neutral</u>	<u>Agree</u>	Strongly <u>Agree</u>
Bulletins	☐	☐	☐	☐	☐
Tax forms, schedules, and instructions.....	☐	☐	☐	☐	☐
Transmission file requirements.....	☐	☐	☐	☐	☐
E-file acknowledgements.....	☐	☐	☐	☐	☐
Error reject codes.....	☐	☐	☐	☐	☐
E-file privacy and security standards	☐	☐	☐	☐	☐

Additional Feedback

34. Please share any additional comments or concerns.

Closing

Thank you for taking the time to fill out this survey. Please keep your completed survey handy for the telephone call from Russell Research. Having the completed survey available for that call will reduce the amount of time the call takes.