



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

9.4.8

APRIL 5, 2024

EFFECTIVE DATE

(04-05-2024)

PURPOSE

- (1) This transmits revised IRM 9.4.8, Undercover Operations.

MATERIAL CHANGES

- (1) Added Internal Controls to be compliant with IRM 1.1.2.2.4, Address Management and Internal Controls and IRM 1.4.2, Resource Guide for Managers, Monitoring and Improving Internal Control.
- (2) Subsection 9.4.8.3.1(2)(q) is updated to include updated dollar thresholds.
- (3) Subsection 9.4.8.3.2(2) is updated to include additional approvals.
- (4) Subsection 9.4.8.3.2(4) is updated to include updated dollar thresholds.

EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 9.4.8, dated September 3, 2020.

AUDIENCE

Criminal Investigation (CI)

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9.4.8
Undercover Operations

Table of Contents

- 9.4.8.1 Program Scope and Objectives
 - 9.4.8.1.1 Background
 - 9.4.8.1.2 Authority
 - 9.4.8.1.3 Roles and Responsibilities
 - 9.4.8.1.4 Program Management and Review
 - 9.4.8.1.5 Program Controls
 - 9.4.8.1.6 Acronyms
 - 9.4.8.1.7 Related Resources
- 9.4.8.2 General Information
- 9.4.8.3 Classification Of Undercover Operations
 - 9.4.8.3.1 Group I Undercover Operations
 - 9.4.8.3.2 Group II Undercover Operations
- 9.4.8.4 Requests for Undercover Operations
 - 9.4.8.4.1 Undercover Committee
 - 9.4.8.4.2 Approval of the Undercover Request
- 9.4.8.5 Undercover Activity in Multi-Agency Investigations
- 9.4.8.6 Supervision and Evaluation of Undercover Agents
- 9.4.8.7 Constitutional Advice By Undercover Agents
- 9.4.8.8 Reporting By Undercover Agents Violations of the Law
- 9.4.8.9 Dissemination of Information Gathered by Undercover Agents
- 9.4.8.10 Security Cover Agent
 - 9.4.8.10.1 Training for Security Cover Agents and Storefront Cover Agents
 - 9.4.8.10.2 Supervision and Evaluation of Security Cover Agents
 - 9.4.8.10.3 Supervision and Evaluation of Storefront Cover Agents
- 9.4.8.11 Review of Undercover Operation
- 9.4.8.12 Closing the Undercover Operation

9.4.8.1
(04-05-2024)
Program Scope and Objectives

- (1) Purpose: This IRM provides guidance on processes and procedures for all undercover operations.
- (2) Audience: All employees working in Criminal Investigation.
- (3) Policy Owner: Director, Special Investigative Techniques (SIT).
- (4) Program Owner: Director, SIT.
- (5) Primary Stakeholders: Director, SIT.
- (6) Contact Information: N/A.
- (7) Goal:

9.4.8.1.1
(04-05-2024)
Background

- (1) An undercover operation is an investigative technique in which an operative of the IRS, either an undercover agent who assumes a covert identity or purpose, or a cooperating private individual who takes action to gain evidence or information which would be unavailable but for the target's reliance on the operative's covert role.
- (2) The undercover technique may be used in relation to criminal violations enforceable under the investigative jurisdiction of the IRS.
- (3) The use of undercover operations is an essential technique in the detection and investigation of criminal activity involving tax and money laundering offenses.
- (4) Undercover does not include the temporary assumption of a pretext identity for the purpose of protecting the integrity of a surveillance.
- (5) Generally only authorized IRS employees in the GS-1811 series may participate in undercover activity.

9.4.8.1.2
(04-05-2024)
Authority

- (1) See IRM 9.1.2, Authority for the delegated authority relating to IRM 9.4.8, Undercover Operations.

9.4.8.1.3
(04-05-2024)
Roles and Responsibilities

- (1) The Director, SIT is responsible for developing, maintaining, and overseeing this IRM and ensuring compliance with current policies and procedures.

9.4.8.1.4
(04-05-2024)
Program Management and Review

- (1) The Director, SIT will:
 - a. Review the IRM annually.
 - b. Update the IRM when content is no longer accurate and reliable to ensure employees correctly complete their work assignments and for consistent administration of the tax laws.
 - c. Incorporate all permanent interim content into the next revision of the IRM section prior to the expiration date.

9.4.8.1.5
(04-05-2024)
Program Controls

- (1) The Director, SIT will review the instructions and guidelines relating to the investigation of tax returns and other IRS documents for procedural, operational, and editorial changes.

9.4.8.1.6
(09-04-2019)
Acronyms

- (1) The table lists commonly used acronyms and their definitions:

Acronym	Definition
CASE	Communities Accessing and Sharing Information
CI	Criminal Investigation
CIMIS	Criminal Investigation Management Information System
IRM	Internal Revenue Manual
LEM	Law Enforcement Manual
SAC	Special Agent In Charge
SIT	Special Investigative Techniques
SSA	Supervisory Special Agent
UCA	Undercover Agent
USC	United States Code
UPM	Undercover Program Manager

9.4.8.1.7
(04-05-2024)
Related Resources

- (1) IRM 9.4.1, Investigation Initiation.
- (2) IRM 9.4.5, Interviews.
- (3) IRM 9.4.7, Consensual Monitoring.
- (4) IRM 9.9, Criminal Investigation Management Information System (CIMIS)
- (5) LEM 9.14.3, Undercover Operations.

9.4.8.2
(09-04-2019)
General Information

- (1) The use of undercover operations is a lawful technique used in the detection and investigation of tax fraud, political corruption, organized crime, money laundering, narcotics trafficking, questionable return preparers, and other priority areas related to tax crimes.
- (2) Undercover operations may be controversial and potentially dangerous undertakings requiring significant financial and personnel resources. Therefore, judicious decision making must be practiced with regard to the use of undercover techniques.
- (3) The successful use of undercover techniques rests on the prudent and judicious application of the technique. The long term success of this technique is a direct function of the ability, training, and support of our undercover operatives. To ensure that our operations are supported, management must demonstrate unwavering concern for the welfare of our undercover agents.
- (4) When not functioning as undercover agents, special agents with undercover training assigned to field offices, are expected to work a complete range of assignments. Because planned or ongoing undercover operations may require

the services of a particular undercover agent on short notice, field office management officials must ensure that undercover agents are available when needed.

- (5) Field office management officials, especially those with several trained undercover agents may be required to shift or defer completion of assignments so the undercover needs of another field office are met. This spirit of cooperation is essential for the continued success of the undercover program.
- (6) An UPM from Special Investigative Techniques (SIT) will be assigned to each area office and have the following responsibilities:
 - a. Provide advice to the Director, Field Operations, for all special investigative techniques for which the Director, Field Operations, has approval authority.
 - b. Maintain administrative control of undercover agents assigned to the area.
 - c. Monitor and provide support and assistance to all undercover operations in their assigned areas.
 - d. Participate in pre-operational meetings prior to the initiation of undercover activity and post-operational meetings at the conclusion of the undercover operation.
 - e. Conduct reviews of undercover activities within the area.

9.4.8.3
(08-27-2007)
**Classification Of
Undercover Operations**

- (1) Undercover activities are classified as either Group I or Group II. All Group I undercover operations must be approved by the Chief, Criminal Investigation (CI). Group II undercover operations are approved by the Director, Field Operations.

9.4.8.3.1
(04-05-2024)
**Group I Undercover
Operations**

- (1) Group I operations exceed 6 months in duration, and/or exceed the Director, Field Operations level of approval for confidential expenditure, or exceeds \$50,000 in recoverable funds. For tracking purposes, the approval period will be measured in months rather than days. Therefore, an operation beginning on January 1 for 3 months will terminate on March 31 and an operation beginning on September 25 will terminate on December 24, etc.
- (2) Group I approval is also required for any operation that involves a reasonable expectation of one or more of the following factors:
 - a. The undercover operation will result in significant civil claims against the United States either arising in tort, contract, or claims for just compensation for the “taking” of property.
 - b. The undercover operation will require indemnification agreements for losses incurred in aid of the operation.
 - c. The undercover operation will have a significant impact on investigations in more than one area.
 - d. The undercover operation will involve an investigation of possible corrupt action by:
 - A public official or a political candidate (“sensitive investigation” as detailed in IRM 9.4.1, Investigation Initiation);
 - Activities of a foreign government;
 - Activities of religious/political organization who are recognized, current exempt organization under IRC 501(c);

-OR-

•The activities of the news media.

- e. The undercover operation will involve damaging untrue representations by an undercover employee or cooperating private individual concerning the activities or involvement of an innocent person.
 - f. An undercover employee or cooperating private individual will engage in any activity that is proscribed by Federal, state or local law as a felony and does not fall under the jurisdiction of IRS-Criminal Investigation.
 - g. An undercover employee or cooperating private individual will seek to supply an item or service that would be reasonably unavailable to criminal actors but for the participation of the government.
 - h. An undercover employee or cooperating private individual will run a significant risk of being arrested by seeking to continue in an undercover capacity.
 - i. An undercover employee or cooperating private individual will be required to give sworn testimony in any proceeding using a false identity.
 - j. An undercover employee or cooperating private individual will attend a meeting between a subject of the investigation and his/her lawyer that is covered by the attorney-client privilege.
 - k. An undercover employee or cooperating private individual may pose as an attorney, physician, clergyman, or member of the news media. For example, an agent may pose as an attorney in a setting where he/she purports to represent some other identified party, such as another agent or cooperating private individual, or when the impersonation will clearly not involve a setting conducive to the initiation of an attorney-client relationship with any third party. Further, when assuming such roles, agents will not perform professional services associated with these cover occupations or assume such a cover occupation for the purpose of developing a privileged relationship with any third party.
 - l. An undercover employee or cooperating private individual will request information from an attorney, physician, clergyman, or other person who is under the obligation of a legal privilege of confidentiality, and the particular information would ordinarily be privileged.
 - m. An undercover employee or cooperating private individual will request information from a member of the news media concerning any individual with whom the news person is known to have a professional or confidential relationship.
 - n. There is a significant risk of violence or physical injury to individuals or a significant risk of financial loss to an innocent individual.
 - o. The operation will earn income that will be used to offset expenses of the operation, referred to as offset authority (churning). (see LEM 9.14.3, Undercover Operations on CI Connection on the CASE web page)
 - p. The operation will involve face to face undercover activity in a foreign country.
 - q. Any undercover operation which will exceed a cumulative total of \$200,000 in transactions involving recoverable funds or \$100,000 in confidential funds.
 - r. Any undercover pick-up operation.
 - s. Any undercover operation where IRS-Criminal Investigation directs the release of taxpayer's refund.
- (3) The use of covert bank accounts on a Group I Undercover Operation must be approved by the Chief or Deputy Chief, CI. The use of covert bank accounts should be detailed in the narrative to the undercover request. The use of

covert bank accounts will be approved by the Chief or Deputy Chief, CI by signing the Form 8354, Request for Undercover Operation with the box checked for the "Use of Undercover Accounts Approved."

9.4.8.3.2
(04-05-2024)
**Group II Undercover
Operations**

- (1) Group II operations include all other undercover activity not meeting the requirements for Group I.
- (2) Group II operations require the approval of the Director, Field Operations with concurrence by the Director, SIT. The authority to authorize confidential expenditures to fund undercover operations may not be delegated below the level of the Director, Field Operations.
- (3) The Director, Field Operations, may approve an extension of a Group II operation for a cumulative duration of 6 months for the original Group II operation and the extensions.
- (4) Group II operations may not exceed a cumulative total of \$200,000 in transactions involving recoverable funds or \$100,000 in confidential funds.
- (5) A Group II operation must be elevated to Group I when it meets any one of the criteria for a Group I operation. Once it meets this criteria, Chief, CI, approval is required.
- (6) The use of covert bank accounts on a Group II Undercover Operation must be approved by the Director, Field Operations. The use of covert bank accounts should be detailed in the narrative to the undercover request. The use of covert bank accounts will be approved by the Director, Field Operations by signing the Form 8354 with the box checked for the "Use of Undercover Accounts Approved."

9.4.8.4
(04-05-2024)
**Requests for
Undercover Operations**

- (1) Requests for undercover operations, including required funding, will be submitted using Form 8354.
- (2) Targets for undercover operations must be generated from either a numbered general, primary, or subject investigation. Separate funding should be approved for each specific operation.
- (3) An initial undercover request must include sufficient information to evaluate the particular request. In addition to the information required to be provided on Form 8354, each request must include a narrative set forth in the following order:
 - a. Information obtained to date that would lead a reasonable person to believe the target is in violation of the law.
 - b. The narrative section should also include an explanation of why the undercover technique was the investigative method selected by the field office for use in the investigation. This section should also be used to identify other targets of the operation. This does not preclude others, not known at the inception of the operation, from becoming targets as long as a target approval process is established.
 - c. Objectives of the operation will normally be directed to address a particular compliance problem and state what the field office expects to accomplish through the operation.

- d. State the plan of action to reach these objectives. Include specific activities to be performed by the undercover agent or cooperating individual. Stating that the undercover agent will launder money with Mr. Hawk is not sufficient.
 - e. State the specialized need for a certain type of undercover agent or cover. Only trained undercover agents should be used in undercover operations. However, when circumstances preclude using a trained undercover agent, the facts outlining the need for granting a deviation should be included here. All undercover agents will be assigned by SIT with input from the field offices.
 - f. Provide an itemization of all estimated expenses to determine the amount of confidential funds needed for the operation. (see LEM 9.14.3, Undercover Operations)
 - g. If recoverable funds are necessary, the request for the funds will be incorporated in the undercover request in accordance with LEM 9.14.3.
 - h. Explain whether or not there is a reasonable expectation that one or more of the items stated in subsection 9.4.8.3.1 will occur and if so why.
 - i. If one or more of the items is specified in subsection 9.4.8.3.1(j), (k), (l), or (m), enumerate in the request what steps or techniques will be employed to avoid the receipt (by an undercover employee or cooperating private individual) of information that would ordinarily be privileged.
 - j. Provide other pertinent information or specialized needs.
 - k. Criminal Tax Attorneys must be consulted to provide legal advice in preparing requests for all Group I and Group II undercover operations. The request must include a section addressing the Criminal Tax Attorney's evaluation of and concurrence with the undercover operation and the plan of action. In addition, any legal issues cited by the Criminal Tax Attorney articulating his/her support of the operation, concurrence with the plan of action and opinions regarding legal issues must accompany the request.
 - l. For all Group I undercover operations involving grand jury, Title 31, and Title 18 investigations, a letter from the US Attorney supporting the operational plan must accompany the request. This letter should be signed by the US Attorney; however, approval by the First Assistant, but not lower than a Section Chief, will be acceptable. An administrative tax Group I undercover operation does not have this requirement. However, Assistant US Attorney involvement is required concerning consensual monitoring per IRM 9.4.7, Consensual Monitoring.
 - m. Provide a detailed explanation as to the proposed use of any covert bank accounts that will be used to maintain either confidential or recoverable funds. Depending on whether the proposed operation is a Group I or Group II operation, the use of covert bank accounts will be approved by either the Director, Field Operations; Deputy Chief, CI or Chief, CI, by signing the Form 8354 with the box checked for the "Use of Undercover Accounts Approved." (see subsections 9.4.8.3.1, Group I Undercover Operations and 9.4.8.3.2, Group II Undercover Operations)
- (4) When it is determined an operation should be elevated from Group II to Group I, a Form 8354 will be forwarded through the Director, Field Operations, to the Chief, CI, Attention: Director, SIT, for approval. The narrative will include the following:
- a. Synopsis of the results of the operation to date,
 - b. Accounting of expenditures to date,
 - c. Factor(s) that elevated the operation from Group II to Group I (if costs or time, or both, raised the operation to Group I, indicate new projections),

d. Any significant change in the objectives or plan of action or identification of additional targets.

- (5) All other requests relating to undercover operations (i.e., additional funding, extension of time, significant deviations) will be made on Form 8354. The narrative will be attached and contain sufficient details to justify the request. The narrative for significant deviations should stand alone and not refer to sections approved in previous requests or sections pertaining to other approved operations.

9.4.8.4.1
(04-05-2024)
Undercover Committee

- (1) All requests for Group I operations will be reviewed by the Undercover Review Committee.
- (2) Members of the Committee should include the following, or their designees: Director, Global Operations; Division Counsel/Associate Chief Counsel (Criminal Tax); Director, SIT; and Deputy Assistant Attorney General, Department of Justice, Tax Division and/or Criminal Division. Other individuals may be invited as deemed necessary.
- (3) The Committee is advisory in nature and will recommend approval or disapproval to the Chief, CI. The Committee will also review any significant deviations in ongoing Group I operations.
- (4) The Director, Field Operations, may establish an Area Undercover Review Committee which should include Area Counsel (Criminal Tax); the area UPM; and an analyst from the Director, Field Operations' staff.
- (5) The Area Undercover Review Committee is advisory in nature and will recommend approval or disapproval to the Director, Field Operations. The committee may also review any significant deviations in ongoing Group II operations.

9.4.8.4.2
(04-05-2024)
Approval of the Undercover Request

- (1) Once the undercover plan for the operation has been approved by the Director, Field Operations, or Chief, CI, no significant deviation may be made with regard to the stated objectives or the proposed plan of action without the approving official's consent.
- (2) Emergency approvals may be granted telephonically by the Director, Field Operations, for Group II operations and by the Chief, CI, for Group I operations. A Form 8354 must be submitted within 5 working days of telephonic approval.
- (3) Emergency Extensions of Time to enable a field office to perfect a deviation, extension and/or elevation request may be granted. These emergency extensions allow the field office to continue the operation under the existing authorization. Under extenuating circumstances, the Director, Global Operations may grant a maximum emergency extension of 30 days to a Group II undercover which has reached its full duration of six months in order for the field office to perfect an evaluation request. During this 30 day extension period the field office will be authorized to continue the operation under the existing Group II authorization. Unless specifically granted, an emergency extension does not authorize a deviation from the original approval nor does it provide for an operation to be elevated from a Group II to a Group I.
- (4) Approved extensions will be in monthly increments. The time authorized in the emergency authorization will be included as part of the time requested in the

extension request. For example, in a three month old Group I operation involving a requested three month extension, and a 10 day emergency extension (to perfect the extension request), the total time upon approval will be six months.

- (5) The undercover operation will be considered initiated on the date approved, unless another date is specified in the request.
- (6) Upon receipt and classification (e.g., Group I or II) of an undercover request, a seven digit number will be assigned by the Director, SIT. A separate number will be assigned to each operation (not subjects targeted). All numbered investigations related to the undercover operation, or derived from the undercover operation, will reflect the seven digit number and approval date as provided for in IRM Chapter 9.9, Criminal Investigation Management Information System (CIMIS).
- (7) A copy of all Group II requests, both approved and disapproved, should be sent to the Director, SIT, within 10 days after the action is taken.

9.4.8.5

(09-04-2019)

Undercover Activity in Multi-Agency Investigations

- (1) In multi-Federal agency investigations (e.g., a joint grand jury investigation with another agency), IRS approval for participation in an undercover operation is not required if all of the following conditions are met:
 - a. The undercover operative is not a CI employee or confidential informant.
 - b. The IRS is not assuming a prominent role in managing or directing the activities of the undercover operation.
 - c. The controlling Federal agency has obtained authorization for an undercover operation within their established guidelines.
- (2) In multi-Federal agency investigations where the IRS is assuming a prominent role and may be funding part of the operation, IRS approval for participation is required even though the controlling Federal agency has obtained authorization.
- (3) When an undercover agent from another agency performs undercover activities solely to benefit the IRS and is not connected to an investigation with his/her own agency, IRS approval must be obtained before the undercover agent begins the undercover operation.
- (4) An IRS undercover special agent who performs undercover activities on behalf of another agency and is not connected to an IRS-related investigation must be detailed to that agency.

9.4.8.6

(09-04-2019)

Supervision and Evaluation of Undercover Agents

- (1) The SAC in the field office in which the undercover operation occurs is responsible for the supervision of the undercover agent.
- (2) Within 30 days of the close of each undercover operation, or within 30 days of the completion of an undercover agent's assignment, the SSA for the operation will evaluate the performance of the undercover agent. The evaluation should be in a narrative format and address the critical job elements applicable to that operation.
- (3) Generally, the evaluation of the undercover agent is required at the completion of the undercover operation and should accompany the closing report. However, during long-term undercover assignments an intermediate appraisal

may be completed to coincide with the agent's annual appraisal requirements. All appraisals should be forwarded to the agent's SSA through the appropriate UPMs.

- (4) The agent's SSA will consider evaluations of an undercover agent's performance in his/her annual appraisal.
- (5) During long-term undercover assignments, the SAC of the field office where the undercover assignment occurs may temporarily promote the undercover agent after a period of 90 consecutive days. This temporary promotion may not exceed the GS-13 level.
- (6) Agents will be allowed to continue their status as undercover agents, based on a yearly review by the Director, SIT. The review will consider, but is not limited to:
 - a. The undercover agent's desire to continue in the program
 - b. The undercover agent's continual demonstration of good judgement and sound decision-making during all undercover assignments
 - c. The undercover agent's receipt of satisfactory evaluations relating to his/her undercover assignments
 - d. The undercover agent's ability to satisfactorily cope with the emotional, psychological, and physiological stresses associated with being undercover

9.4.8.7
(04-25-2002)
**Constitutional Advice By
Undercover Agents**

- (1) Undercover agents will avoid acts of entrapment and must observe the Constitutional rights of persons they come in contact with during assignments. However, while acting in an undercover capacity, agents are not required to advise a subject of his/her Constitutional rights as contained in IRM 9.4.5, Interviews.

9.4.8.8
(09-04-2019)
**Reporting By
Undercover Agents
Violations of the Law**

- (1) The undercover agent will report to the storefront cover agent and security cover agent illegal activities which come to his/her attention during the course of the operation. The undercover agent will also specify his/her involvement in the criminal activity.

9.4.8.9
(04-25-2002)
**Dissemination of
Information Gathered by
Undercover Agents**

- (1) Information obtained as a result of an undercover operation, which pertains to violations of laws administered by other law enforcement agencies, will be transmitted to the appropriate agencies through channels, provided the dissemination of the information does not jeopardize the undercover operation or agent or violate 26 USC §6103.
- (2) If during the undercover operation significant violations of laws enforced by other Federal law enforcement agencies are uncovered, the SAC should consider alerting those agencies for joint participation in the operation. In all instances 26 USC §6103 and the disclosure guidelines will be followed.

9.4.8.10
(09-04-2019)
Security Cover Agent

- (1) The SAC at the field office location of the undercover operation will assign a trained security cover agent.
- (2) The principal security cover agent duties and guidelines are outlined in LEM 9.14.3.

- (3) The duties of the security cover agent will not be assigned to the case agent or to the tech agent.
- (4) In addition to the security cover agent, a storefront cover agent will be assigned to assist the field office. The storefront cover agent will work with the security cover agent on all Group I and Group II operations to ensure the safety of the UCA. The storefront cover agent is responsible for all financial aspects of an undercover operation.

9.4.8.10.1
(09-04-2019)

**Training for Security
Cover Agents and
Storefront Cover Agents**

- (1) Uniform training for all security cover agents and storefront cover agents will be provided by SIT.

9.4.8.10.2
(09-04-2019)

**Supervision and
Evaluation of Security
Cover Agents**

- (1) The SAC in the field office in which the undercover operation takes place is responsible for the supervision of the security cover agent.
- (2) The SSA for the operation will evaluate the performance of the security cover agent.
- (3) In situations when the security cover agent is supervised and evaluated by an SSA other than his/her own, the evaluation should be in a format paralleling the special agent critical job elements as listed on Form 6850, Performance Appraisal.
- (4) The evaluation will be completed to coincide with the agent's annual appraisal requirements and forwarded to the agent's SSA. The agent's SSA will consider evaluations of a security cover agent's performance in their annual appraisal.

9.4.8.10.3
(04-05-2024)

**Supervision and
Evaluation of Storefront
Cover Agents**

- (1) The Director, SIT is responsible for the supervision of the storefront cover agent.
- (2) The storefront SSA for the region where the storefront cover agent is located will evaluate the performance of the storefront cover agent.
- (3) The storefront cover agent's SSA will consider evaluations from the field office in the storefront cover agent's annual appraisal.

9.4.8.11
(04-05-2024)

**Review of Undercover
Operation**

- (1) The purpose of the review is to ensure the field office is conducting the operation within the authority of the Plan of Action, there is adequate management involvement, the expenditures are reasonable and necessary, and proper accounting procedures are being followed. In all undercover operations (Group I and II) operational and financial reviews must be conducted upon the conclusion of the first 90 days of the undercover operation and every 90 days thereafter. The financial review should be completed within 30 days of the due date and the operational review should be completed as expeditiously as possible. The specific starting point for the 90 day period when operational and financial reviews are first required to be conducted is the approval date of the undercover operation. The approval date is the date the approving official signs the Form 8354. For example, the specific starting point for a Group I undercover operation is the date that the Chief, CI or designee signs the Form 8354

approving the operation. The specific starting point for a Group II undercover operation is the date that the Director, Field Operations signs the Form 8354 approving the operation.

- (2) Operational reviews are scheduled and conducted by the area Undercover Program Manager or a SIT Senior Analyst. Financial reviews are scheduled and completed by the SAC or designee. The only exception is for non-target specific storefront operations, which will be reviewed after the first three months, then every six months thereafter. The review should take place with the SSA, the case agent, the security cover agent, the storefront cover agent, and the undercover agent, if possible. A summary discussion of the review results must occur with the SAC or his/her designee.
- (3) A summary of the review of both Group I and II operations, prepared by the UPM, should cover the following areas:
 - a. Identification of investigative assignment and assigned operation number
 - b. Background/history of the operation, including approval dates for initiation of the operation and any extensions, deviations or additional funding requests, amounts of confidential and recoverable funds authorized, and anticipated expiration date of the operation
 - c. Overview of the operation, which provides a brief summary of the operation including the objectives and plan of action for each target
 - d. Current undercover activity, highlighting significant events that have occurred since the last review
 - e. Future plans, which describe additional undercover activities, including any anticipated extensions or deviations that will lead to meeting the operational objectives
 - f. operational review, identifying significant issues that have occurred during the operation to date, including concerns that require additional management oversight or commendable activities that should be highlighted
 - g. Financial review, examination of financial records of the operation including both confidential and recoverable funds; comments regarding results of the review of all expenditures made during the operation to date, the operation's accounting records, the agents' daily reports, and the reasonableness of the expenses incurred in the undercover operation; and comments regarding the accounting and movement of recoverable funds including the appropriate documentation
 - h. Review of CIMIS reports should be performed to ensure the undercover operation number is entered properly for all targets related to the operation
- (4) A review summary will be forwarded to the Director, Field Operations, by the Director, SIT. If a review is not conducted, a brief memorandum stating why it was not conducted will be substituted for the review summary.
- (5) A Year End Account Report will be prepared by October 31 only for each undercover operation which had approved offset authority (churning) during the previous fiscal year only. (see LEM 9.14.3)

9.4.8.12
(04-05-2024)
**Closing the Undercover
Operation**

- (1) When the SAC determines the objectives of the undercover operation have been accomplished, or cannot be accomplished, or cannot be accomplished without expending an unreasonable amount of resources, he/she should terminate the operation.

- (2) Within 30 days after each operation, the SAC will prepare a closing report. The issuance of the operational closing report should not be delayed by expenditures still being made to terminate the operation. The closing report should include the following:
- a. Identification of investigative assignment (taxpayer/project name), operation number, and date the undercover activity terminated
 - b. Results of the operation and whether objectives were accomplished
 - c. Amounts of civil assessments including jeopardies, terminations, and/or seizures of assets
 - d. Cost of the operation
 - e. Inventory of all capital and other reusable items acquired during the operation and available for future use (include storage location of all items)
 - f. Significant or unusual events or problems that occurred during the operation including legal, policy, or procedural issues
 - g. Suggestions to help improve future operations
 - h. Any other pertinent information relating to the operation
 - i. Performance evaluation of the undercover agent should accompany this report as a separate attachment (see subsection 9.4.8.6)
 - j. Whether a tax return was prepared on behalf of the undercover agent's cover identity (see LEM 9.14.3)
- (3) The SAC will forward the closing report through the Director, Field Operations, to the Director, SIT. This report is to be received by SIT no later than 60 days after the close of the operation.
- (4) Costs of the operation include:
- a. Total disbursed from the imprest fund
 - b. Gross receipts
 - c. Total expenses paid from receipts generated
 - d. Net income earned excluding interest income
 - e. Interest income earned
 - f. Net income earned sent to the general fund
 - g. Interest income sent to the general fund
 - h. Description and itemization of other monies sent to the general fund
 - i. Costs of capital acquisitions
 - j. Estimated remaining costs related to the operation
 - k. Itemized comparison of proposed operational costs to actual operational costs by expense category as set forth in the following example:

Expense Category	Authorized Expenses	Actual Expenses
Rent	\$XX	\$XX
Travel	\$XX	\$XX

- l. Statement as to whether operational expenses were deemed reasonable and necessary by the SAC
 - m. If recoverable funds were authorized, state the amount and date the recoverable funds were returned to SIT
- (5) After operational aspects are closed down, the field office may continue to make expenditures from the approved imprest fund authorization necessary to terminate the operation. These additional expenditures will be reported via a

memorandum from the SAC, through the Director, Field Operations, to SIT. This report is to be received by SIT no later than 30 days after the final expenditure. A final closing financial review should be conducted when the imprest fund is closed. (see LEM 9.14.3)

- (6) At the discretion of the Director, SIT, a post operational meeting may be conducted, especially involving long term or complex undercover operations. Participants should include the area UPM; the SAC; the SSA; the case agent; the security cover agent; the storefront cover agent; and the undercover agent. Counsel should also be invited to attend this meeting. The Director, Field Operations, and the Director, SIT, may also attend. A formal debriefing should be completed prior to the submission of the closing report. The purpose of this meeting is to assess the operation and evaluate the positive and negative events that occurred.

