

PURPOSE

- (1) This transmits Chapter 10, Quality Assurance, Section 3, High Risk Accounts Review, in IRM 21 Customer Account Services

NATURE OF CHANGES

- (1) None

EFFECT ON OTHER DOCUMENTS

IRM 21.10.3 dated October 1, 2008 superseded.

AUDIENCE

These procedures are intended only for Non Bargaining Unit (NBU) employees who are charged with the responsibility of conducting the review of adjusted tax accounts that meet the criteria of the High Risk Accounts Review Program.

EFFECTIVE DATE

These procedures are effective October 1, 2009

Jane E. Looney
Director, Accounts Management
Wage and Investment Division

21.10.3

High Risk Accounts Review

Table of Contents

21.10.3.1 Overview

21.10.3.2 Definition

21.10.3.3 Actions

21.10.3.3.1 Who Performs Review?

21.10.3.3.2 Taxpayer Privacy

21.10.3.3.3 Security

21.10.3.4 Criteria

21.10.3.4.1 Procedures for Handling

21.10.3.4.2 Screening

21.10.3.4.3 Reviewing

21.10.3.4.4 Reasonable Substantiation of Account Data

21.10.3.4.5 Unsubstantiated Account Data

21.10.3.4.6 Taxpayer Contact

21.10.3.4.7 Transcript Referrals

21.10.3.4.8 Treasury Inspector General Tax Administration (TIGTA) Referrals

21.10.3.4.9 Reports

21.10.3.4.10 Summary Sheet

21.10.3.4.11 Work Sheet

Exhibits

21.10.3-1 HIGH RISK SUMMARY SHEET

21.10.3-2 IDRS PRIVACY AND SECURITY LETTER 2865(P)

21.10.3-3 HIGH RISK WORK SHEET

21.10.3.1
(10-01-2007)
Overview

- (1) The Treasury Inspector General Tax Administration (TIGTA) conducted a review of entity/tax/payment adjustments and transfers to tax accounts. At that time, there were no controls for preventing and detecting employee fraud. As a result, specific criteria were developed to review various DIAGNOSTIC (DIAG) Q, Types X & Y transcripts, to identify and select certain accounts, with pending adjustments and refunds, for the purpose of a high level review.

21.10.3.2
(10-01-2007)
Definition

- (1) The High Risk Accounts Review --- The review of certain transcripts of adjusted accounts, is conducted to detect/reveal and ultimately prevent fraud and/or other improper actions on accounts by IRS employees.
- (2) Management officials (Non Bargaining Unit - NBU) review and verify each account adjustment or refund transaction that is selected per the DIAGNOSTIC (DIAG) Q, Types X and Y pre-programmed criteria. If an indication of employee fraud is found, the adjustment is deleted and/or the refund is stopped. The account transcript is forwarded to Treasury Inspector General Tax Administration (TIGTA) for further review. This review may not be delegated to Bargaining Unit (BU) employees.

21.10.3.3
(10-01-2007)
Actions

- (1) The actions of the High Risk Accounts Review are to:
 - a. identify transactions, which may result in the issuance of refund checks (e.g., abatements of tax, penalties, interest, and/or credit transfers), that meet the criteria for in depth review
 - b. substantiate credit transactions and refund activity
 - c. delete the transaction and/or stop the refund, if the account activity cannot be substantiated
 - d. verify the transaction with the taxpayer as soon as possible, and
 - e. if needed, forward the case to Treasury Inspector General Tax Administration (TIGTA), e.g., if the taxpayer does not substantiate the account activity.
- (2) This process is intended to reduce fraud and abuse by Internal Revenue Service (IRS) employees who have access to Integrated Data Retrieval System (IDRS) and/or use IDRS to make changes/adjustments to taxpayer accounts.

21.10.3.3.1
(10-01-2007)
Who Performs Review?

- (1) This review of Diagnostic (DIAG) Q, Types X & Y transcripts is limited to Non-Bargaining Unit (NBU) employees on the Planning & Analysis (P&A) Staffs, who have a high degree of Integrated Data Retrieval System (IDRS) Adjustments experience. This review may not be delegated to Bargaining Unit (BU) employees.

21.10.3.3.2
(10-01-2007)
Taxpayer Privacy

- (1) Access only the tax modules absolutely necessary to accomplish official duties. Federal law prohibits Internal Revenue Service (IRS) employees from accessing tax account information to satisfy personal curiosity (browsing) or for fraudulent reasons.
- (2) When conducting research on Integrated Data Retrieval System (IDRS), if you see that an account belongs to a friend or relative, immediately refer the case to your manager for re-assignment. Do not access any case records if involvement could cause possible financial conflict of interest, or, if a personal or outside business relationship could raise questions about your impartiality in handling the tax matter.

Note: It is the Law: Unauthorized browsing of tax account information is a criminal offense. Title 18 United States Code, Section 1030 (a) (2), Fraud and related activity in connection with computers, makes it a criminal offense to electronically browse tax account information.

21.10.3.3.3
(10-01-2007)
Security

- (1) Follow Unauthorized Access (UNAX) procedures when reviewing transcripts and discussing information with taxpayers. For additional information, refer to UNAX Employee Guide, Document 10281.
- (2) As an Internal Revenue Service (IRS) employee, you are responsible for protecting the confidentiality of all tax returns and all tax information. This includes safeguarding taxpayer addresses.
- (3) Securely lock away confidential material before leaving for the day. Do not leave sensitive information on desk or cabinet tops while away from the work area.
- (4) Refrain from talking about confidential matters to anyone, unless it is to another employee who has a "need to know. Conversations must not be in public venues where unauthorized individuals could overhear; e.g., in elevators, cafeterias, etc."
- (5) When contacting a "third party" about a taxpayer account, do not disclose information unless a disclosure authorization (e.g., Power of Attorney (POA), Form 8821, Tax Information Authorization (TIA), oral TIA, or Designee (designated on return or by Oral Authorization) is on file for the third party.

21.10.3.4
(10-01-2007)
Criteria

- (1) High Risk Accounts Program criteria generate the Diagnostic (DIAG) Q, Type X & Y transcripts which identify:
 - a. Credit transactions made within pre-determined cycles from the current cycle.
 - b. Pending Individual Master File/Individual Retirement Account File and Business Master File (IMF/IRAF and BMF) credit transactions for a pre-determined amount.

21.10.3.4.1
(10-01-2007)
Procedures for Handling

- (1) When you receive Diagnostic (DIAG) Q, Type X & Y transcripts:
 - a. Review transcripts using predetermined High Risk Accounts Program review criteria.
 - b. Identify and screen out transcripts that do not contain High Risk Accounts Program criteria.
 - c. For accounts meeting High Risk Accounts Program criteria, review and substantiate account activities.
 - d. Refer unsubstantiated cases to the Treasury Inspector General Tax Administration (TIGTA). See IRM 21.10.3.4.5., Unsubstantiated Account Data, below.
 - e. Record High Risk Accounts Program activity for the month. See Exhibit 21.10.3-1, High Risk Summary Sheet.

21.10.3.4.2
(10-01-2007)
Screening

- (1) Screen Diagnostic (DIAG) Q, Type X & Y transcripts not meeting High Risk Accounts Program review criteria:

IF	THEN
Original return refund	Close case.
Entity only transaction	Close case.
Balance due or non- refund issue	Close case.
Processing error	1. Transfer case with transcript to the originating Function/Unit (Do <u>not</u> transfer to Submission Processing (SP.) 2. Keep a copy of the High Risk (HR) transcript for one year. 3. Record as "Other Referral" on line 3 of the HR Summary Sheet.
Payment (s)	Close case.
Credit Transfer to same Tax Identification Number (TIN)	Close case.
Credit Elect to same TIN	Close case.
Internal Revenue Code (IRC) 6020b (Substitute for Return (SFR) and Automated Substitute for Return (ASFR))	Close case.
Form 1040X Return	Review case.

Note: Destroy, as Classified Waste (CW), transcripts that are "screened." out.

21.10.3.4.3
(10-01-2007)
Reviewing

- (1) Review Diagnostic (DIAG) Q, Type X & Y transcripts to identify questionable pending credit transactions and/or refund activity that may suggest potential employee fraud.
- (2) Refer transcripts, that cannot be substantiated with existing documentation (transcript and/or Integrated Data Retrieval System (IDRS) prints), to the Treasury Inspector General Tax Administration (TIGTA) for resolution.
- (3) Some questionable account actions may be:
 - a. Input of both a recent entity adjustment (eight or fewer cycles) to change the address and a credit transaction (within same eight or fewer cycles), creating a credit condition that may result in a refund.
 - b. A previously dormant account module with no prior significant account activity, but with both an entity change and a credit transaction, within eight or fewer cycles, which now creates an overpayment condition that may result in a refund.
 - c. A credit transaction or refund activity without documentation and the taxpayer does not substantiate the action.
- (4) Regard transcripts with questionable account actions as potential High Risk Accounts transactions. Research further on IDRS or order the transaction documents to provide reasonable substantiation.
- (5) Reviewers must rely on judgement gained from previous adjustment experience to decide if the credit transaction and/or refund activity appear valid.

21.10.3.4.4
(10-01-2007)

**Reasonable
Substantiation of
Account Data**

- (1) Reasonable substantiation of transcript data exists:

If	Then
Account transaction appears valid with or without review of transaction document(s)	1. Close the case and place in suspended/closed file for 1 year from the date of closure. 2. Record as "closed" on line ten of the High Risk (HR) Summary Sheet.
Account transaction appears not to be reasonably substantiated by review of transcript or Integrated Data Retrieval System (IDRS)	1. Order transaction document. Use normal procedures to do so. 2. Keep case in open suspended case file until document(s) arrives.

- (2) While waiting for documents from Files, do not record transcripts as "unsubstantiated" on line 5b of the HR Summary Sheet. Keep transcripts in a separate file until the documents are received.

Reminder: Request transaction documents only after review of transcripts and/or IDRS, and reasonable substantiation cannot be made.

- (3) If you can reasonably substantiate the transaction, close the transcript case and place in the suspended/closed file for one year from the date of closure. Record the transcript as "closed" on line 10 of the HR Summary Report Sheet.

21.10.3.4.5
(10-01-2007)

**Unsubstantiated
Account Data**

- (1) When transcripts are unsubstantiated:

If	Then
Documentation to support transaction is nonexistent, insufficient or suspicious	1. Suspend the credit transaction and/or refund activity. 2. Contact the taxpayer to verify the account activity.
After review of documents and contact with the taxpayer, the transcript remains unsubstantiated	1. Refer the transcript case, work sheet, copy of documents and a statement of events to Treasury Inspector General Tax Administration (TIGTA). 2. Keep a copy of all TIGTA referrals for one (1) year. 3. Record as "Referral to TIGTA" on line 7a of the High Risk (HR) Summary Sheet.

21.10.3.4.6
(10-01-2007)

Taxpayer Contact

- (1) **Do not routinely contact taxpayers!** The following table provides guidelines for appropriate times to contact the taxpayer:

If	Then
Documentation to support transaction(s) is non-existent, insufficient or suspicious	1. Contact the taxpayer (t/p), by telephone or FAX, to verify the account activity. If t/p is unavailable, send Letter 2865(P), IDRS Privacy and Security Letter. See Exhibit 21.10.3-2. IDRS Privacy and Security Letter 2865P.
An obvious processing error and fraud is not evident	1. Do <u>not</u> contact the t/p. 2. Refer the error to the appropriate Function(s)/ Unit(s). 3. Close the case and complete a High Risk (HR) Work Sheet. See Exhibit 21.10.3-3, High Risk Work Sheet. 4. Keep a copy of the transcript for one (1) year. 5. Record as "Processing Error" on line 3d (Other), on HR Summary Sheet.

Caution: Unnecessary contacts cause additional taxpayer burden and may result in additional costs for a taxpayer if he/she refers Internal Revenue Service (IRS) inquiries to his/her accountants/attorneys. Reviewers must exercise judgment when deciding that account activity appears valid or invalid.

(2) When it becomes necessary to contact a taxpayer (t/p):

And	Then
t/p agrees with account activity	1. Indicate "No Change" on the HR Work Sheet. 2. Do not destroy the transcript as Classified Waste (CW). 3. Keep transcript in the suspended/closed file for one (1) year from date of closure.
t/p does not agree with the account activity nor did t/p (or authorized third party) request IRS to make the change	1. Refer the case with the transcript, work sheet, copy of documents and a statement of events to Treasury Inspector General Tax Administration (TIGTA). 2. Keep a copy of the transcript, work sheet, t/p's response, other documents and a statement of events in the suspended/closed file for one (1) year from date of closure.
t/p does not respond within thirty (30) days of mailing date of Letter 2865(P), IDRS Privacy and Security Letter.	1. Do not follow-up with another letter. 2. Close the transcript case and file in the suspended/ closed file for one (1) year from date of closure.

21.10.3.4.7
(10-01-2007)

Transcript Referrals

(1) Refer a transcript to other functions:

If	Then
Transcript has processing errors or needs additional adjustments to correct transaction(s)	<ol style="list-style-type: none"> 1. Forward to Function(s)/Unit(s) initiating the transaction(s) but, not Submission Processing (SP). 2. Close case. Keep copy of transcript for one (1) year. Notate the Function(s)/Unit(s), (e.g., Examination., Collection., etc.) to which transcript is sent. 3. Record as "Referral" on lines <i>Indicate 7b, c, d</i> on the High Risk (HR) Summary Sheet.

21.10.3.4.8 (1) Refer a transcript to TIGTA:

(10-01-2007)

**Treasury Inspector
General Tax
Administration (TIGTA)
Referrals**

If	Then
Unable to substantiate an activity (adjustment or refund) that meets the High Risk (HR) criteria	<ol style="list-style-type: none"> 1. Review Integrated Data Retrieval System (IDRS) Documents and transaction documents. 2. Verify account activity with taxpayer(s).
Account activity remains unsubstantiated	<ol style="list-style-type: none"> 1. Forward transcript, copy of work sheet, copy of document(s), and brief summary of events to TIGTA. 2. File copies of items sent to TIGTA in the suspended/closed file for one (1) year from date of referral.

Reminder: Before referring a transcript case(s) to TIGTA, the Non Bargaining Unit (NBU) employee must attempt to contact the taxpayer to verify the account activity.

21.10.3.4.9
(10-01-2007)

Reports

- (1) Use the High Risk (HR) Summary Sheet to report actions taken on the Diagnostic (DIAG) Q, Type X & Y transcripts. See Exhibit 21.10.3-1, High Risk Summary Sheet.
- (2) Document volumes, referrals, and/or other actions taken on the transcripts.
- (3) Prepare a Summary Sheet at the end of each month to document cumulative activity in the High Risk Program. Reviewers may decide the cut-off date for review and reporting transcripts actions.

Example: Diagnostic (DIAG) Q, Type X & Y transcripts generate at least four cycles every month. Occasionally, a cycle reflects actions from the preceding month and is then counted in the previous month.

- (4) Forward the High Risk Summary Sheet, by the tenth day of the month following cut-off date, via:

1. FAX to 978-474-1322, ATTN: High Risk Coordinator, or,

2. Mail to:

Internal Revenue Service
ATTN: IDRS/High Risk Coordinator
310 Lowell Street -- Room 0908 Stop 200
SE:W:CAS:AM:PPG:A
Andover, MA, 05501

3. E-mail to: *WI High Risk Accounts --- *wi.high.risk.accounts@irs.gov.

21.10.3.4.10
(10-01-2007)
Summary Sheet

- (1) This section provides instructions for completion of the High Risk (HR) Summary Sheet. See Exhibit 21.10.3-1, High Risk Summary Sheet.
- (2) **Line 1** — Transcripts, from the previous month, not reviewed or screened by reviewers.
- (3) **Line 2** — Total number of transcripts received for the current month. Record types of transcripts received in *a* through *e*.
- (4) **Line 3** — Transcripts screened and not reviewed.

Reminder: The High Risk Accounts Program reviews only credit transactions and refund activities. Items not reviewed in this program are:

- Substitute for Return (SFR) documents prepared under Internal Revenue Code (IRC) Sec. 6020b [includes Automated Substitute For Return (ASFR) Program. documents.]
- Credit offsets to same Tax Identification Number (TIN),
- Credit elects to same TIN,

- (5) **Line 4** — Remaining transcripts to review after subtracting line 2 from line 3.
- (6) **Line 5** — Transcripts reviewed, add: *a*. Substantiated or *b*. Not substantiated.
- (7) **Line 6** — Document actions taken on the transcript cases. Document any action(s) not listed.

Note: All transcripts are reviewed and closed in the month received.

- (8) **Line 7** — Transcripts referred to other Function(s)/Unit(s) for resolution. This includes "processing errors".
- (9) **Line 8** — Taxpayers contacted by FAX, telephone number or letter 2865(P) IDRS Privacy and Security Letter..
- (10) **Line 9** — Taxpayer's responses to FAX, telephone contact or Letter 2865(P), IDRS Privacy and Security Letter.
- (11) **Line 10** — Transcripts substantiated and closed for the current month.

Note: This does not include transcripts not reviewed and closed in the current month.

- (12) **Line 11** — Staff hours used to:
 - Review
 - Screen

- Contact taxpayers
- Prepare the High Risk Summary Sheet

21.10.3.4.11
(10-01-2007)

Work Sheet

- (1) The High Risk (HR) Work Sheet documents the account history of each transcript case. The Reviewer completes a High Risk Work Sheet for each Diagnostic (DIAG) Q, Type X & Y transcript case. See Exhibit 21.10.3-3, High Risk Work Sheet.
- (2) Do not complete a High Risk Work Sheet for screened transcripts.
- (3) Each transcript case must contain a High Risk Work Sheet, hat is retained with the transcript case at all times.

Exhibit 21.10.3-1 (10-01-2007)
HIGH RISK SUMMARY SHEET

HIGH RISK ACCOUNTS PROGRAM ACTIVITY REPORT
DIAG Q - TYPE X AND Y TRANSCRIPTS SUMMARY SHEET

CAMPUS: _____ MONTH REPORT COVERS: _____
PREPARED BY: _____ DATE _____

1. TRANSCRIPTS NOT WORKED FROM PREVIOUS MONTH _____
(Do not include closed cases)
2. TRANSCRIPTS RECEIVED FOR CURRENT MONTH (a + b + c + d + e)
PENDING ADJUSTMENTS:
 - a. ENTITY CHANGE & ADJUSTMENT & REFUND _____
 - b. ADJUSTMENT ONLY _____
 - c. REFUND ONLY _____
 - d. ENTITY ONLY, BALANCE DUE, NON-REFUND ISSUES _____
 - e. OTHER (Describe) _____
3. TRANSCRIPTS SCREENED OUT BEFORE REVIEW (a + b + c + d + e)
 - a. ORIGINAL RETURN REFUNDS _____
 - b. ENTITY ONLY _____
 - c. BALANCE DUE - NON REFUND ISSUES _____
 - d. PROCESSING ERRORS _____
 - e. OTHER (Describe) _____
4. TRANSCRIPTS ON HAND FOR ANALYSIS: (2 + 3 + ???)
5. TRANSCRIPTS REVIEWED (a + b)
 - a. Substantiated _____
 - b. Unsubstantiated _____
6. ACTIONS TAKEN ON TRANSCRIPTS (???? above)
 - a. CONTACTED TAXPAYER _____
 - b. REFUND INTERCEPTED _____
 - c. ADJUSTMENT DELETED _____
 - d. FORWARDED TO TIGTA _____
 - e. CLOSED - NO ACTION TAKEN _____
 - f. REFERRED TO ANOTHER FUNCTION _____
7. REFERRALS TO:
 - a. TIGTA _____
 - b. EXAMINATION _____
 - c. COLLECTION _____
 - d. OTHER (Describe) _____
8. LETTER 2865(P) Mailed/FAXed to TP:
 - a. AWAITING RESPONSE: _____
 - b. NO RESPONSE: _____
 - c. UNDELIVERED MAIL _____
9. RESPONSE RECEIVED FROM T/P BY LETTER/FAX: _____
10. CLOSED TRANSCRIPTS HELD IN SUSPENDED FILE
(hold for one year from closed date) _____
11. STAFF HOURS TO:

SCREEN _____	REVIEW _____
CONTACT T/Ps _____	PREPARE REPORT _____

Exhibit 21.10.3-2 (10-01-2007)

IDRS PRIVACY AND SECURITY LETTER 2865(P)

IDRS PRIVACY and SECURITY
LETTER 2865(P)Date: _____
Taxpayer ID Number

Dear _____:

We recently adjusted your account under the taxpayer identification number above. We want to verify that the adjustment is correct.

The statement checked below explains the adjustment we made:

- ☐ We transferred payments totaling \$ _____ to you Form _____ account for the tax period ending _____.
- ☐ We decreased the tax on your Form _____ account for the tax period ending _____ by \$ _____.
- ☐ We removed penalties totaling \$ _____ from your Form _____ account for the tax period ending _____.
- ☐ We applied a carryback of a net operating loss to your Form _____ account for the tax period ending _____ which resulted in a tax decrease of \$ _____.
- ☐ We changed your address on our files to:
- ☐ Other:

If this adjustment is correct, please let us know by checking the Statement at the bottom of this letter and returning it in the enclosed envelope.

If this is not the adjustment you (or your representative) requested, please contact _____ at _____ as soon as possible. Since this is not a toll-free number, you may prefer to write to us. If you do, please use the enclosed envelope and attach a copy of this letter to your response.

Exhibit 21.10.3-3 (10-01-2007)

HIGH RISK WORK SHEET

HIGH RISK ACCOUNT ADJUSTMENT ACTIVITY WORKSHEET						
DIAG Q TYPE X AND Y TRANSCRIPTS						
ADJUSTMENT		REFUND		PURGE DATE		
ADDRESS CHG		OTHER				
PART I TAXPAYER DATA/DISCLOSURE CHECK						
Name on Return				SSN/EIN		
Spouse's Name or DBA				Spouse's SSN		
Current Address				Address on IDRS/ENMOD/NAMES		
TXFR	TXPD	FS	Refund Amt.\$	Adjustment Amt.\$	Transaction Code	
QAMS Reviewer:				POA: No or Yes #		Third Party Name
Telephone #				Stop#:		
Fax#				Work#		
Home#				POA Phone #		
PART II SUBSTANTIATED/UNSUBSTANTIATED ACCOUNT ACTIVITY						
Refund/Adjustment Substantiated				Refund/Adjustment Unsubstantiated		
Pending Refund Intercepted				Pending Adjustment Deleted		
PART III TAXPAYER RESPONSE						
Fax/Telephone Contact				OR LTR 2865(P) sent		
DATE				DATE		
No response to LTR 2865(P):				DATE CLOSED		
NO CHANGE: Taxpayer agrees with adjustment activity. (Keep worksheet and transcripts in a locked file for one (1) year from closed date.) DATE CLOSED:						
Taxpayer disagrees with adjustment activity. Dis not request refund/adjustment. Indicate taxpayers comments below, if needed. Make copy of ??? File before forwarding to Internal Security. Keep in locked file for one (1) year from closed date. DATE CLOSED:						
PART IV CASE REFERRALS						
TIGTA		DATE		CONTACT:		
OTHER REFERRAL		FUNCTION		DATE		
PROCESSING ERROR		FUNCTION		DATE		
RETURNED		DATE		REFERRAL REVIEWER:		

