IRS Nationwide Tax Forum 2022

Treasury Inspector General for Tax Administration
Helping You and Your Clients Steer Clear of Fraud and Scams

Tuesday, August 2nd, 2022

Start Time: 11:00am Eastern / 10:00am Central
9:00am Mountain / 8:00am Pacific

Note: You should be hearing music while waiting for webinar to start.

Having Technical Issues?
View the "Technical Issues" troubleshooting guide in the Materials drop-down menu on the left side of this page

IRS Nationwide Tax Forum 2022

Today our webinar will:

- Define TIGTA's role in protecting the integrity of tax administration;
- Explain TIGTA's organizational components;
- Discuss preparer ethics and misconduct issues; and
- Discuss scams and cyber-fraud activity targeting tax professionals.

What is TIGTA?

- Provides independent oversight of the IRS;
- Protects the integrity of Federal tax administration;
- Detects and prevents waste, fraud, and abuse at the IRS;
- Has three primary operating divisions:
  - Office of Audit;
  - Office of Inspections and Evaluations; and
  - Office of Investigations.

Office of Audit

- Promotes the economy, efficiency, and effectiveness of tax administration;
- Provides recommendations to improve IRS systems and operations and to ensure the fair and equitable treatment of taxpayers; and
- Audit recommendations result in:
  - Cost Savings;
  - Increased or protected revenue;
  - Protection of taxpayers' rights and entitlements; and
  - More efficient use of resources.

IRS Nationwide Tax Forum 2022

Examples of Recent Audits

- *American Rescue Plan Act: Implementation of Advance Recovery Rebate Credit Payments (March 2022)*
- *The Administration of Partial Payment Installment Agreements Needs Improvement (March 2022)*
- *Plans to Close the Austin Tax Processing Center Should Be Halted Until Hiring Challenges and Substantial Backlogs at Remaining Centers Are Addressed (February 2022)*

Inspections and Evaluations

- Provides factual and analytical information, assess the effectiveness and efficiency of programs and operations, and inquire into allegations of fraud, waste, abuse and mismanagement.
- Often result in recommendations to streamline operations, enhance data quality, and minimize inefficient and ineffective procedures.

Examples of Recent Inspections

- *Inspection of Health and Safety Measures at Select IRS Taxpayer Assistance Centers During the COVID-19 Pandemic (September 2021)*
- *IRS Employees Continue to Meet Select Telework Requirements, but Additional Actions Can Further Improve the Level of Compliance (March 2022)*

Office of Investigations

- Identifies and investigates IRS employee misconduct;
- Protects the IRS from external threats and corruption;
- Protects the integrity of IRS programs, operations, critical infrastructure; and
- Detects and prevents waste, fraud, and abuse.

OI Performance Model

- The Office of Investigations (OI) accomplishes its mission through the hard work of its employees, whose efforts are guided by a performance model that focuses on three primary areas of investigative responsibility:

Employee integrity;
Employee and infrastructure security; and
External attempts to corrupt tax administration.

Disclosure Restrictions

- As a component of the Treasury Department with tax administration duties, TIGTA is bound by Title 26, United States Code, § 6103 (Section 6103), the tax information confidentiality law; and
- Section 6103 prohibits the disclosure of tax returns or return information, except as authorized by an exception contained in the statute, or as made public record in a tax administration proceeding.

Circular 230

- Circular 230, also known as Subtitle A, Part 10 of Title 31 of the Code of Federal Regulations (CFR);
- Sets forth rules under which tax preparers can represent clients before the IRS; and
- IRS Office of Professional Responsibility (OPR) oversees most preparer conduct.

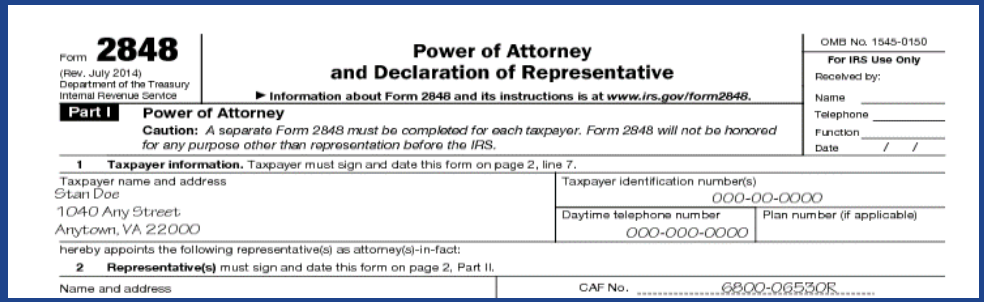
Ethics & Integrity

- Ethics[1]: A set of moral principles. A theory or system of moral values.
- Integrity[2]: Firm adherence to a code of especially moral or artistic values. Incorruptibility.
- MEANING always doing the right thing, even when no one is watching.

[1]Ethics. 2022. In Merriam-Webster.com, Retrieved May 4, 2022, from https://www.merriam-webster.com/dictionary/ethics
[2]Integrity. 2022. In Merriam-Webster.com, Retrieved May 4, 2022, from https://www.merriam-webster.com/dictionary/integrity

Examples of Preparer Misconduct

- False statements on IRS Form 2848, Power of Attorney and Declaration of Representative; and



Form **2848** (Rev. July 2014)
Department of the Treasury
Internal Revenue Service

Power of Attorney and Declaration of Representative

▶ **Information about Form 2848 and its instructions is at *www.irs.gov/form2848*.**

OMB No. 1545-0150

For IRS Use Only
Received by:
Name
Telephone
Function
Date / /

Part I **Power of Attorney**

Caution: *A separate Form 2848 must be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.*

1 **Taxpayer information.** Taxpayer must sign and date this form on page 2, line 7.

Taxpayer name and address	Taxpayer identification number(s)	
Stan Doe 1040 Any Street Anytown, VA 22000	000-00-0000	
	Daytime telephone number 000-000-0000	Plan number (if applicable)

hereby appoints the following representative(s) as attorney(s)-in-fact:

2 **Representative(s)** must sign and date this form on page 2, Part II.

Name and address	CAF No.
	6800-06530R

- Failure to disclose that preparer is disbarred or otherwise unauthorized to appear before the IRS;

Examples of Preparer Misconduct

- Sending e-mails or fabricating documents purporting to be from the IRS;
- Fraudulent levy releases; and
- Unauthorized disclosure of protected tax information.

IRS Nationwide Tax Forum 2022

Tax Preparer Sentenced for Defrauding Clients Out of Approximately $4,000,000

- On May 3, 2021, a tax preparer was sentenced to seven years' imprisonment, three years' of supervised release, and ordered to pay $4,710,400 in restitution for conspiracy to commit wire fraud.
- Presented himself as an accountant and tax preparer and instructed his clients to invest in a nonexistent Federal grant program.
- Advised his clients that if they paid him in cash the amount of taxes their dormant companies owed, the Federal Government would issue to them grants many times larger.
- Used counterfeit U.S. Treasury checks as props to entice and obtain cash from his clients, defrauding them out of approximately $4,000,000.

IRS Nationwide Tax Forum 2022

Florida Tax Intermediary Sentenced for Wire Fraud

- On September 21, 2021, a tax intermediary was sentenced to 63 months' imprisonment, three years of supervised release, and ordered to pay $867,593 in restitution for wire fraud in connection with a scheme to steal IRS tax payments.
- Promoted herself as a tax intermediary who could help clients settle outstanding tax debt owed to the IRS.
- Assisted her clients by completing IRS forms falsely representing that she negotiated an offer in compromise with the IRS on their behalf.
- Instructed her clients to deposit payments intended for the IRS into her personal bank account and falsely represented that she would forward the payments to the IRS.
- In total, she received approximately $363,994 in payments from her clients.

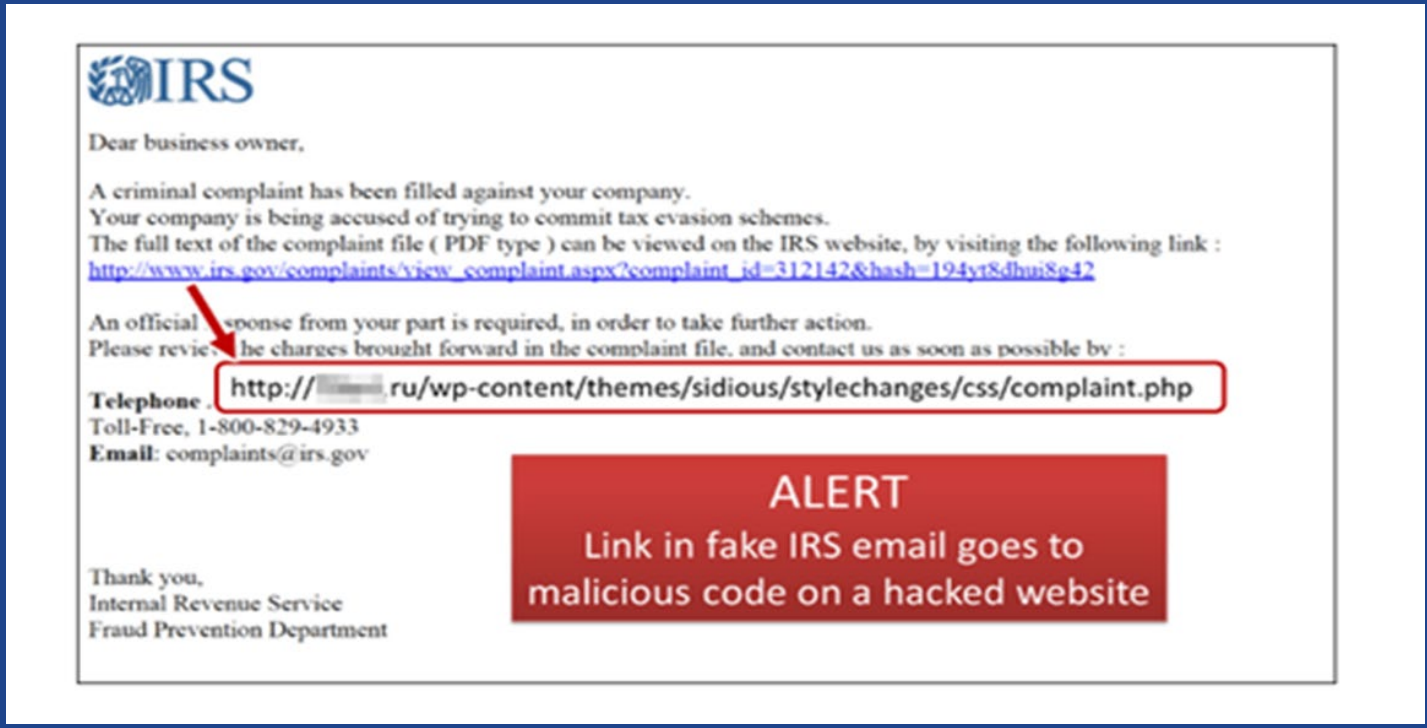
Kentucky Man Pled Guilty to Making False Statements

- On December 7, 2021, a former CPA pled guilty to one count of making and using a false document, knowing the same to contain a materially false statement or entry.
- Licensed to practice as a CPA by the State of Kentucky in 1989.
- License permanently revoked by Kentucky State Board of Accountancy in 2015 by an Agreed Order that prohibited him from ever holding himself as a CPA to the public in any capacity, including to the IRS.
- Completed IRS Form 2848, *Power of Attorney and Declaration of Representative*, multiple times between 2015-2019 on behalf of his clients. Each time he indicated he was a licensed CPA and utilized his son's CPA license number. He finalized the forms by forging his son's signature.

IRS Impersonation Scam

- Thousands of people have lost millions of dollars and their personal information to tax scams.
- Scammers use the regular mail, telephone, or email to contact individuals, businesses, and tax professionals.
- The IRS does not initiate contact with taxpayers by email, text messages, or social media channels to request personal or financial information.

IRS Impersonation Scam



IRS Nationwide Tax Forum 2022

IRS Impersonation Scam

Internal Revenue Service Inbox - Taxgirl February 21, 2020 at 12:42 AM

IS

Tax Exemption Status

To: Kelly Erb,

Reply-To: [redacted]

IRS

Attention,
Our records indicate that you are a Non-Resident Alien and sometime in the past submitted a form W-8BEN for your Tax exemption status and withholding, your form may have exceeded its succeeding calendar year and therefore has expired.

As a result you are to complete the attached revised W-8BEN form and send back to us as soon as possible. Attach a copy of your identification (passports,driver's license etc) when returning your filled form.

Send form to : irsupdate@[redacted]

Thank you for your co-operation
Sincerely.
Carolina Arazo
Department Of The treasury
Internal Revenue Service
Austin, TX 73301-0015

IRS Nationwide Tax Forum 2022

Telemarketing Call Center Owner Sentenced in Transnational Fraud Scheme

- On December 17, 2021, a telemarketing call center owner and director was sentenced to 78 months' imprisonment, 2 years of supervised release, and ordered to pay over $3 million in restitution for conspiracy to commit wire fraud.
- Telemarketing company targeted victims in the United States and falsely claimed to represent the IRS and other Federal agencies.
- Victims were informed they owed a sum of money to the U.S. Government and they would be arrested if the debts were not promptly paid.
- After the victims wired payments to bank accounts opened for the purposes of the scheme, the funds were withdrawn and laundered through additional bank accounts.

IRS Nationwide Tax Forum 2022

Man Pleads Guilty to Internal Revenue Service Impersonation Scheme

- On April 6, 2021, an individual pled guilty to conspiracy to commit wire fraud for his involvement with an IRS impersonation scheme.
- Conspired with others to automatically forward calls to Voice over Internet Protocol phone numbers.
- Calls were routed to IRS impersonators who left voicemails instructing victims to contact the IRS at specific phone numbers.
- Victims were directed to wire money or purchase prepaid gift cards to pay their alleged tax debt.
- Defrauded victims of approximately $89,000.

IRS Nationwide Tax Forum 2022

Pandemic Relief Scams

Pandemic Relief Scams

- On January 4, 2022, an individual pled guilty to wire fraud and money laundering in connection with a fraudulent scheme to obtain over $3.8 million in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding through the Paycheck Protection Program (PPP).
- Completed and submitted fraudulent PPP application forms and fabricated IRS Forms 941, *Employer's Quarterly Federal Tax Return*, on behalf of himself and others.
- Received a percentage of the funded loan amount as a "success fee" from each purported business owner.

Pandemic Relief Scams

- On February 2, 2022, an individual pled guilty to nine counts of fraud related to the Families First Coronavirus Response Act and CARES Act.
- Completed and submitted fraudulent applications for various forms of Federal funding.
- Submitted IRS Form 7200, *Advance Payment of Employer Credits Due to COVID-19*, to the IRS.
- Filed fraudulent IRS Forms 941, *Employer's Quarterly Federal Tax Return*, with loan applications.

Pandemic Relief Scams

- If you or your client's receive calls, emails, or other communications claiming to be from the Treasury Department and offering COVID-19 related grants or stimulus payments in exchange for personal financial information, or an advance fee, or charge of any kind, including the purchase of gift cards, please do not respond.

IRS Nationwide Tax Forum 2022

Telltale Signs of a Scam

- Common tactics used by IRS impersonators:
  - Demand immediate payment using a specific payment method such as a prepaid debit card, gift card, or wire transfer.
  - Demand that you pay taxes without the opportunity to question or appeal the amount they say you owe.
  - Threaten to bring in local police, immigration officers, or other law enforcement to have you arrested for not paying.

TIGTA's Approach

- TIGTA is dedicated to educating the public to prevent fraud against the IRS and to protect taxpayers and tax professionals;
- PSAs are available on YouTube in English and Spanish; and
- "Advise and Disrupt" strategy created to help combat the impersonation scam.

IRS Nationwide Tax Forum 2022

Cyber-Fraud Targeting Tax Professionals

- "Latest Spear phishing Scams Target Tax Professionals"

  - IRS News Release IR-2022-36, February 16, 2022

- "IRS, Summit partners issue urgent EFIN scam alert to tax professionals"

  - IRS News Release IR-2021-34, February 10, 2021

2021 Internet Crime Complaint Report

By Victim Loss			
Crime Type	*Loss*	*Crime Type*	*Loss*
BEC/EAC	$2,395,953,296	Lottery/Sweepstakes/Inheritance	$71,289,089
Investment	$1,455,943,193	Extortion	$60,577,741
Confidence Fraud/Romance	$956,039,740	Ransomware	*$49,207,908
Personal Data Breach	$517,021,289	Employment	$47,231,023
Real Estate/Rental	$350,328,166	Phishing/Vishing/Smishing/Pharming	$44,213,707
Tech Support	$347,657,432	Overpayment	$33,407,671
Non-Payment/Non-Delivery	$337,493,071	Computer Intrusion	$19,603,037
Identity Theft	$278,267,918	IPR/Copyright/Counterfeit	$16,365,011
Credit Card Fraud	$172,998,385	Health Care Related	$7,042,942
Corporate Data Breach	$151,568,225	Malware/Scareware/Virus	$5,596,889
Government Impersonation	$142,643,253	Terrorism/Threats of Violence	$4,390,720
Advanced Fee	$98,694,137	Gambling	$1,940,237
Civil Matter	$85,049,939	Re-shipping	$631,466
Spoofing	$82,169,806	Denial of Service/TDos	$217,981
Other	$75,837,524	Crimes Against Children	$198,950

Source: 2021 Federal Bureau of Investigation, Internet Crime Complaint Report (Internet Crime Complaint Center – IC3)

Common Tactics of Cyber-Fraud

- Phishing email scams to harvest user account information;
  - "Unlock" tax software accounts
  - Posing as state accounting or professional associations
- Malicious software designed to steal financial and network account passwords;
- Advanced cyber attacks against poorly secured networks;
- Ransomware designed to encrypt network devices.
  - Attacker offers to send key to unencrypt for a fee

Primary Targets of Cyber Scams

- Financial and personal information:
  - On tax professional's local computer network;
  - In preparer software that contains Personally Identifiable Information (PII); and
  - In tax professional's IRS e-Services account.

- Always ensure that the numbers in the IRS system match what you are filing.

Cyber Warning Indicators

- Suspicious activity indicating compromise of local network or computer;
- IRS e-Services shows login history;
  - Report dates showing login activity not made by you
- Unusual Centralized Authorization File activity;
- Take note of unauthorized IRS Form 8821, *Tax Information Authorization*, or IRS Form 2848, *Power of Attorney and Declaration of Representative*, filed in your name;

Cyber Warning Indicators

- Electronic Filer Identification Number (EFIN) or Preparer Tax Identification Number (PTIN) activity higher than the number of returns you submitted;
  - Can be viewed through IRS e-Services
- Clients receiving mailed, unsolicited tax transcripts from previous years;
- Customers receiving notification of the establishment of an IRS online account, which they did not create; and
- Tax software vendor advises a fraudulent IRS document with your EFIN has been submitted as part of a software purchase.

What to Report to TIGTA?

- Suspicious logons or activity on your IRS e-Services account not attributed to you;
- Submission of fraudulent IRS Forms (e.g. Form 8821, *Tax Information Authorization*; Form 2848, *Power of Attorney and Declaration of Representative;* etc.);
- Fraudulent IRS EFIN verification sent to software vendors; and
- Clients who receive unsolicited transcripts or notices for IRS online accounts they did not create.

Helpful Publications

- Publication 4557, *Safeguarding Taxpayer Data*
- Publication 5293, *Data Security Resource Guide for Tax Professionals*
- Publication 4524, *Security Awareness for Taxpayers*
- Publication 3112, *IRS e-File Application and Participation*
- Publication 1345, *Handbook for Authorized e-File Providers of Individual Tax Returns*

Suspicious IRS E-mail?

1. Don’t reply;
2. Don’t open any attachments;
3. Don’t click on any hyperlinks;
4. Forward the suspect e-mail to phishing@irs.gov; and
5. Report the incident to TIGTA at www.tigta.gov.

Protecting Tax Administration

- Recognize the telltale signs of a scam.
- Report IRS-related scams at www.tigta.gov.