

NOTE: The following reflects the information entered in the PIAMS website.

A. SYSTEM DESCRIPTION

Authority: Office of Management Budget (OMB) Memorandum (M) 03-22, OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002 & PVR #10- Privacy Accountability and #21-Privacy Risk Management

Date of Approval: May 2, 2014

PIA ID Number: **424**

1. What type of system is this? Legacy

1a. Is this a Federal Information Security Management Act (FISMA) reportable system? Yes

2. Full System Name, Acronym, and Release/Milestone (if appropriate):

Individual Master File, IMF

2a. Has the name of the system changed? No

If yes, please state the previous system name, acronym, and release/milestone (if appropriate):

3. Identify how many individuals the system contains information on

Number of Employees: More than 100,000

Number of Contractors: Under 5,000

Members of the Public: Over 1,000,000

4. Responsible Parties:

NA

5. General Business Purpose of System

Taxpayers submit their tax returns and other tax forms either electronically (e.g. Turbo Tax), or manually. The Individual Master File (IMF) is an application that receives data from an array of sources to aid the IRS with regard to those tax return submissions. The IMF application is a system consisting of a series of batch runs, data records and files. The primary job of IMF is to receive data, and then perform posting and analysis of that data. Once the IMF posts and analyzes the data, the IMF will then send the data to other systems. For example, IMF performs cross checks against tax returns. A married individual may file a return, whereby this individual is claiming dependency of his/her child. If the individual's spouse files a return also claiming the child as a dependent, IMF would identify this discrepancy as part of the posting and analysis. IMF acts as a data store for data relating to individual taxpayers. Any data relating to entities, trusts, etc., are handled by the Business Master File (BMF). IMF is located at the Enterprise Computing Center – Martinsburg (ECC-MTB) and resides on the MITS-21 GSS. IMF is written in Assembler Language Code (ALC). There are no direct users of IMF. IMF receives data from an array of systems and then sends data to several systems as well. IMF contains PII to include Taxpayer Identification Numbers (TINs), names, addresses, tax liability, payments and other credits, balance due amounts, refund checks sent, and other accounting information. IMF has the following functions: IMF Pre-Posting – o Reformats tax forms and transactions, and performs preliminary checks and validations, before passing them to IMF posting and analysis. o Selects those taxpayer accounts with activation activity in the current week, and passes them to the master file account activities. The IMF handles processing for approximately 180 million taxpayers. IMF does not process data for every taxpayer on a daily basis, as this would exhaust the resources of the application. If tax related data is received for a taxpayer, then that taxpayer will be activated so that only those taxpayers that are activated can be processed. IMF Posting & Analysis – o Updates and maintains IMF by analyzing input transactions for posting, unposting, and re-sequencing. For example, if a taxpayer owed \$50 from their tax return, but only paid \$10. In this instance, IMF would identify the discrepancy for that respective taxpayer. o Subsequent analysis of posted transactions results in the computation of penalties, interest, various offsets, the issuance of notices, and merging of accounts. o Output to other areas consists of updated entity and tax modules, unpostables, notices, transcripts, refunds and reports. IMF Discriminant Function (DIF) – DIF identifies high audit potential returns. Returns are placed on inventories and selected by Tax Auditors. IMF DIF is the part of the IMF that contains an algorithm for identifying which taxpayers will be selected for audit. IMF Outputs – o Refunds: formats, edits and generates IMF refunds (electronic, paper, and rebate). o Updates Integrated Data Retrieval System (IDRS): sends updates to various databases. o Recap: maintains weekly balancing of the IMF. Produces reports for post- journalized transactions for service centers. o Unpostables, Notices, and sends data to various systems. Edits and accounts for unpostable transactions going back to the service centers. Due process is provided pursuant to 26 USC.

6. Has a PIA for this system, application, or database been submitted previously to the Office of Privacy Compliance? (If you do not know, please contact *Privacy and request a search) Yes

6a. If **Yes**, please indicate the date the latest PIA was approved: / /

6b. If **Yes**, please indicate which of the following changes occurred to require this update.

- System Change (1 or more of the 9 examples listed in OMB 03-22 applies) (refer to PIA Training Reference Guide for the list of system changes) No
- System is undergoing Security Assessment and Authorization Yes

6c. State any changes that have occurred to the system since the last PIA

Changed cycle processing from weekly to daily. Master files used to be updated every weekend but now it is updated daily. This involved changes to the source code. This affected the data runs based on taxpayer eligibility.

7. If this system has an Exhibit 53 or Exhibit 300 please provide the Unique Project Identifier (UPI) number (XXX-XX-XX-XX-XX-XXXX-XX). Otherwise, enter the word 'none' or 'NA'. 015-45-01-14-01-2565-00

B. DATA CATEGORIZATION

Authority: OMB M 03-22 & PVR #23- PII Management

8. Does this system collect, display, store, maintain or disseminate Personally Identifiable Information (PII)? Yes

9. Indicate the category that best describes the source that provides or originates the PII collected, displayed, stored, maintained or disseminated by this system. Most common categories follow:

Taxpayers/Public/Tax Systems Yes

Employees/Personnel/HR Systems No

Other No

Other Source: _____

10. Indicate all of the types of PII collected, displayed, stored, maintained or disseminated by this system. Then state if the PII collected is on the Public and/or Employees. Most common fields follow:

TYPE OF PII	Collected?	On Public?	On IRS Employees or Contractors?
Name	Yes	Yes	Yes
Social Security Number (SSN)	Yes	Yes	Yes
Tax Payer ID Number (TIN)	Yes	Yes	Yes
Address	Yes	Yes	Yes
Date of Birth	Yes	Yes	Yes

Additional Types of PII: No

PII Name On Public? On Employee?

No No

10a. Briefly describe the PII available in the system referred to in question 10 above.

Name Social Security Number (SSN) Tax Payer ID Number (TIN) Address Date of Birth

If you answered **Yes** to Social Security Number (SSN) in question 10, answer **10b**, **10c**, and **10d**.

10b. Cite the authority that allows this system to contain SSN's? (e.g. specific regulations, statutes, etc.)
26 USC 3402, 3406, 1441 and IRC 6109.

10c. What alternative solution to the use of the SSN has/or will be applied to this system? (e.g. masking, truncation, alternative identifier)
There is no alternative to the use of the SSN. The SSN is the significant part of the data being processed.

10d. Describe the planned mitigation strategy and forecasted implementation date to mitigate or eliminate the use of Social Security Numbers on this system?
There is no plan to eliminate the use of the SSN on the system

11. Describe in detail the system's audit trail. State what data elements and fields are collected. Include employee log-in information. If the system does not have audit capabilities, explain why an audit trail is not needed.

IMF by definition does not have an audit trail. The IMF provides information to other systems that maintain their own audit trails. There is no direct access to IMF data on the mainframe by end users. All access is through batch file processing. The data viewed by authorized IRS employees is a copy of the IMF data loaded into a number of other systems that have a user interface. These systems maintain the authentication and authorization required, including the use of audit trail information. Lastly, the IMF resides on the MITS-21 GSS, where auditing of access to IMF files and programs occurs.

11a. Does the audit trail contain the audit trail elements as required in current IRM 10.8.3 *Audit Logging Security Standards*? No

12. What are the sources of the PII in the system? Please indicate specific sources:

a. IRS files and databases: Yes

If **Yes**, the system(s) are listed below:

System Name	Approval Date
Audit Information Management System Reference (AIMS-R)	08/29/2011
Business Master File (BMF)	03/16/2010
Notice Delivery System (NDS)	03/29/2010
Generalized Unpostable Framework (GUF)	10/11/2011
Integrated Data Retrieval System (IDRS)	07/12/2011
National Account Profile (NAP)	07/11/2011
Audit Information Management System Reference (AIMS-R)	08/29/2011
Business Master File (BMF)	03/16/2010
Notice Delivery System (NDS)	03/29/2010
Generalized Unpostable Framework (GUF)	10/11/2011

Integrated Data Retrieval System (IDRS)	07/12/2011
National Account Profile (NAP)	07/11/2011

b. Other federal agency or agencies: Yes

If **Yes**, please list the agency (or agencies) below:

Social Security Administration United States Department of Agriculture, Census Bureau, and the Treasury Department of Defense

c. State and local agency or agencies: No

d. Third party sources: No

e. Taxpayers (such as the 1040): Yes

f. Employees (such as the I-9): No

g. Other: No If **Yes**, specify:

C. PURPOSE OF COLLECTION

Authorities: OMB M 03-22 & Internal Revenue Manual (IRM) 10.8.8, IT Security, Live Data Protection Policy & PVR #16, Acceptable Use

13. What is the business need for the collection of PII in this system? Be specific.

Taxpayers submit their tax returns and other tax forms either electronically (e.g. Turbo Tax), or manually. The Individual Master File (IMF) is an application that receives data from an array of sources to aid the IRS with regard to those tax return submissions. The IMF application is a system consisting of a series of batch runs, data records and files. The primary job of IMF is to receive data, and then perform posting and analysis of that data. Once the IMF posts and analyzes the data, the IMF will then send the data to other systems. For example, IMF performs cross checks against tax returns. A married individual may file a return, whereby this individual is claiming dependency of his/her child. If the individual's spouse files a return also claiming the child as a dependent, IMF would identify this discrepancy as part of the posting and analysis. IMF acts as a data store for data relating to individual taxpayers. Any data relating to entities, trusts, etc., are handled by the Business Master File (BMF). The PII collected facilitates proper posting and calculations for the respective taxpayers in IMF.

D. PII USAGE

Authority: OMB M 03-22 & PVR #16, Acceptable Use

14. What is the specific use(s) of the PII?

To conduct tax administration	<u>Yes</u>
To provide taxpayer services	<u>No</u>
To collect demographic data	<u>No</u>
For employee purposes	<u>No</u>

If other, what is the use?

Other:	<u>No</u>	_____
--------	-----------	-------

E. INFORMATION DISSEMINATION

Authority: OMB M 03-22 & PVR #14- Privacy Notice and #19- Authorizations

15. Will the information be shared outside the IRS? (for purposes such as computer matching, statistical purposes, etc.) Yes

15a. If yes, with whom will the information be shared? The specific parties are listed below:

	Yes/No	Who?	ISA OR MOU**?
Other federal agency (-ies)	Yes	Social Security Administration, United States Department of Agriculture, Census Bureau, and the Treasury Department	Yes
State and local agency (-ies)	No		
Third party sources	No		
Other:	No		

** Inter-agency agreement (ISA) or Memorandum of Understanding (MOU)

16. Does this system host a website for purposes of interacting with the public? No

17. Does the website use any means to track visitors' activity on the Internet?

If yes, please indicate means:

	YES/NO	AUTHORITY
Persistent Cookies	_____	_____
Web Beacons	_____	_____
Session Cookies	_____	_____
Other:	_____	_____

If other, specify:

F. INDIVIDUAL CONSENT

Authority: OMB M 03-22 & PVR #15- Consent and #18- Individual Rights

18. Do individuals have the opportunity to decline to provide information or to consent to particular uses of the information? Not Applicable

18a. If **Yes**, how is their permission granted?

19. Does the system ensure "due process" by allowing affected parties to respond to any negative determination, prior to final action? Not Applicable

19a. If **Yes**, how does the system ensure "due process"?

20. Did any of the PII provided to this system originate from any IRS issued forms? Yes

20a. If **Yes**, please provide the corresponding form(s) number and name of the form.

No forms found.

20b. If **No**, how was consent granted?

Written consent	_____
Website Opt In or Out option	_____
Published System of Records Notice in the Federal Register	_____
Other:	_____

G. INFORMATION PROTECTIONS

Authority: OMB M 03-22 & PVR #9- Privacy as Part of the Development Life Cycle, #11- Privacy Assurance, #12- Privacy Education and Training, #17- PII Data Quality, #20- Safeguards and #22- Security Measures

21. Identify the owner and operator of the system: IRS Owned and Operated

21a. If Contractor operated, has the business unit provided appropriate notification to execute the annual security review of the contractors, when required?

22. The following people have use of the system with the level of access specified:

	Yes/No	Access Level
IRS Employees:	<u>Yes</u>	
Users		<u>No Access</u>
Managers		<u>No Access</u>
System Administrators		<u>Read Write</u>
Developers		<u>No Access</u>
Contractors:	<u>No</u>	
Contractor Users		<u></u>
Contractor System Administrators		<u></u>
Contractor Developers		<u></u>
Other:	<u>No</u>	<u></u>

If you answered yes to contractors, please answer **22a.** (All contractor/contractor employees must hold at minimum, a "Moderate Risk" Background Investigation if they have access to IRS owned SBU/PII data.)

22a. If the contractors or contractor employees act as System Administrators or have "Root Access", does that person hold a properly adjudicated "High Level" background investigation?

23. How is access to the PII determined and by whom?

Access to IMF for SA purposes are approved and authorized via the OL5081 process, as they oversee and manage the mainframe where the IMF resides. The only access is to execute batch files and receive data extracts; there is no user interface and no direct users. Data access is granted on a need to know basis. Potential System Administrators must submit requests for access through the Online 5081 (OL5081) application which is submitted to their local management for approval consideration. Administrators are not permitted access without a signed OL5081 application from an authorized management official.

24. How will each data element of SBU/PII be verified for accuracy, timeliness, and completeness?

Taxpayers submit their tax returns and other tax forms either electronically (e.g. Turbo Tax), or manually. The Individual Master File (IMF) is an application that receives data from an array of sources to aid the IRS with regard to those tax return submissions. The IMF system receives data from various systems which have their own verification process for data accuracy, timeliness, completeness. However, IMF also verifies the SSN and Name against Social Security records and verifies the address using 3rd party address hygiene software.

25. Are these records covered under the General Records Schedule (GRS), or have a National Archives and Records Administration (NARA) archivist approved a Record Control Schedule (RCS) for the retention and destruction of official agency records stored in this system? Yes

25a. If **Yes**, how long are the records required to be held under the corresponding RCS and how are they disposed of? In your response, please include the complete IRM number 1.15.XX and specific item number and title.

IMF data is approved for deletion/destruction 30 years after end of processing year. These disposition instructions are published in Document 12990 under Records Control Schedule (RCS) 29 for Tax Administration - Wage and Investment Records (Service Center Operations), Item 203. Annual end of year processing (Conversion) updates the IMF. An analysis is performed based on factors such as the current status, the Assessment Expiration Date, Collection Expiration Date entity, and tax modules are removed to the retention register. Media destruction

methodologies are governed by IRM 2.7.4 Magnetic Media Management. The manipulation and sharing of IMF data is governed by IRM 2.7.9 Enterprise Computing Center–Martinsburg (ECC–MTB) Processing Timeliness.

If **No**, how long are you proposing to retain the records? Please note, if you answered no, you must contact the IRS Records and Information Management Program to initiate records retention scheduling before you dispose of any records in this system.

26. Describe how the PII data in this system is secured, including appropriate administrative and technical controls utilized.

The IMF resides on the MITS-21 GSS. There are no users with direct access to the IMF. All administrative and technical controls reside with the mainframe, where IMF resides.

26a. Next, explain how the data is protected in the system at rest, in flight, or in transition.

EDE is a hard disk encryption technology that specifically protects data at rest.

27. Has a risk assessment (e.g., SA&A) been conducted on the system to ensure that appropriate security controls have been identified and implemented to protect against known risks to the confidentiality, integrity and availability of the PII? Yes

28. Describe the monitoring/evaluating activities undertaken on a regular basis to ensure that controls continue to work properly in safeguarding the PII.

IMF data is not directly accessible by users. Data is extracted on a weekly basis and loaded into other IRS systems, which provide read-only access to the data. These other systems provide the authorization, control and monitoring of access and IDRS through command codes

29. Is testing performed, in accordance with Internal Revenue Manual (IRM) 10.8.8 - *IT Security, Live Data Protection Policy*? Yes

29a. Has approval been received from the Office of Privacy Compliance to use Live Data in testing (*if appropriate*)? Yes

29b. If you have received permission from the Office of Privacy Compliance to use Live Data, when was the approval granted?

10/18/2011

H. PRIVACY ACT & SYSTEM OF RECORDS

Under the statute, any employee who knowingly and willfully maintains a system of records without meeting the Privacy Act notice requirements is guilty of a misdemeanor and may be fined up to \$5000.

Authority: OMB M 03-22 & Privacy Act, 5 U.S.C. 552a (e) (4) & PVR #13-Transparency

30. Are 10 or more records containing PII maintained/stored/transmitted through this system? Yes

31. Are records on the system retrieved by any identifier for an individual? (Examples of identifiers include but are not limited to Name, SSN, Photograph, IP Address) Yes

31a. If **YES**, the System of Records Notice(s) (SORN) published in the Federal Register adequately describes the records as required by the Privacy Act? Enter the SORN number and the complete name of the SORN.

SORNS Number

SORNS Name

24.030

CADE Individual Master File

34.037

IRS Audit Trail and Security Records System

Comments

I. ANALYSIS

Authority: OMB M 03-22 & PVR #21- Privacy Risk Management

32. What choices were made or actions taken regarding this IT system or collection of information as a result of preparing the PIA?

- Resulted in the removal of PII from the system (e.g., SSN use reduced/eliminated) No
- Provided viable alternatives to the use of PII within the system No
- New privacy measures have been considered/implemented No
- Other: No

32a. If **Yes** to any of the above, please describe:

NA