

Date of Approval: March 9, 2017

PIA ID Number: **2143**

A. SYSTEM DESCRIPTION

1. Enter the full name and acronym for the system, project, application and/or database. Payer Master File, PMF

2. Is this a new system? No

2a. If **no**, is there a PIA for this system? Yes

If **yes**, enter the full name, acronym, PIA ID Number and milestone of the most recent PIA.

Payer Master File, PMF, PIA #714, MS4b

Next, enter the **date** of the most recent PIA. 3/12/2014

Indicate which of the following changes occurred to require this update (check all that apply).

<u>No</u>	Addition of PII
<u>No</u>	Conversions
<u>No</u>	Anonymous to Non-Anonymous
<u>No</u>	Significant System Management Changes
<u>No</u>	Significant Merging with Another System
<u>No</u>	New Access by IRS employees or Members of the Public
<u>No</u>	Addition of Commercial Data / Sources
<u>No</u>	New Interagency Use
<u>No</u>	Internal Flow or Collection

Were there other system changes not listed above? No

If yes, explain what changes were made.

3. Check the current ELC (Enterprise Life Cycle) Milestones (select all that apply)

<u>No</u>	Vision & Strategy/Milestone 0
<u>No</u>	Project Initiation/Milestone 1
<u>No</u>	Domain Architecture/Milestone 2
<u>No</u>	Preliminary Design/Milestone 3
<u>No</u>	Detailed Design/Milestone 4A
<u>Yes</u>	System Development/Milestone 4B
<u>Yes</u>	System Deployment/Milestone 5
<u>Yes</u>	Operations & Maintenance (i.e., system is currently operational)

4. Is this a Federal Information Security Management Act (FISMA) reportable system? No

A.1 General Business Purpose

5. What is the general business purpose of this system? Provide a clear, concise description of the system, application or database, the reason for the system, and the benefits to the IRS to use the information, and how the information will be used.

The Payer Master File (PMF) is a Virtual Storage Access Method (VSAM) database consisting of a composite of payer interest, partnership/S Corp. distributions, gambling winnings, and miscellaneous other categories of income filed by businesses, corporations, banks, credit unions, and other payers of these types of income. The Payer Master File Processing (PMF) maintains documents covering five tax years of information for all 1096 Forms and all W-3 Forms on a VSAM database. Data is accessed using the PMF maintained CICS command code PMFOL. This database, the primary source for a yearly civil penalty project, is used to determine which payers failed to file the IRP data timely, and on correct media. These are combined with invalid or missing payee TIN conditions identified by the Information Returns Processing Validation & Perfection (IRP VAL) into a Civil Penalty notice addressed to the payer/filer of the information returns. In addition to PMFOL, the functions of PMF include Payer Master File Posting and Validation (PMFVAL), PMF Extracts, IRP Civil Penalty (IRP CIV PEN), Combined Annual Wage Reporting Mainframe (CAWRM), Information Returns Processing Input Processing (IRPIP) IRP Incorrect Information Penalty (IRP IIP), Information Returns Processing Input Processing (IRPIP) Backup Withholding (BWH), Information Returns Master File Research (IRMFRES) Wage Document Input (W2 INPUT), and Information Returns Master File Research (IRMFRES) Backup Penalty Research System-Payer Penalty Research System (BPERS-PPERS).

B. PII DETAIL

6. Does the system use, collect, receive, display, store, maintain, or disseminate IR Code 6103 taxpayer information; or any type of Sensitive but Unclassified (SBU) or Personally Identifiable Information (PII)? Yes

6a. If **yes**, does the system use, collect, receive, display, store, maintain, or disseminate Social Security Numbers (SSN s) or tax identification numbers (i.e. last 4 digits, etc.)? Yes

If **yes**, check who the SSN (or tax identification number) is collected on.

Yes On Primary No On Spouse No On Dependent

If **yes**, check all types SSN s (or tax identification numbers) that apply to this system:

Yes	Social Security Number (SSN)
Yes	Employer Identification Number (EIN)
No	Individual Taxpayer Identification Number (ITIN)
No	Taxpayer Identification Number for Pending U.S. Adoptions (ATIN)
No	Practitioner Tax Identification Number (PTIN)

Describe the planned mitigation strategy and forecasted implementation date to mitigate or eliminate the use of SSN s (or tax identification numbers).

SSNs are only captured when the filer (payer) of information returns submits documents using their SSN as the payer TIN. The SSN/EIN is used to uniquely identify a user's record. There is no planned mitigation strategy or forecasted implementation date to mitigate or eliminate the use of SSNs.

6b. Does this system contain other (non-SSN) PII that it uses, collects, receives, displays, stores, maintains, or disseminates? (i.e. Names, addresses, etc.) Yes

If **yes**, specify the information.

<u>Selected</u>	<u>PII Element</u>	<u>On Primary</u>	<u>On Spouse</u>	<u>On Dependent</u>
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Yes	Name	Yes	No	No
Yes	Mailing address	No	No	No
No	Phone Numbers	No	No	No
No	E-mail Address	No	No	No
No	Date of Birth	No	No	No
No	Place of Birth	No	No	No
No	SEID	No	No	No
No	Mother's Maiden Name	No	No	No
No	Protection Personal Identification Numbers (IP PIN)	No	No	No
No	Internet Protocol Address (IP Address)	No	No	No
No	Criminal History	No	No	No
No	Medical Information	No	No	No
No	Certificate or License Numbers	No	No	No
No	Vehicle Identifiers	No	No	No
No	Passport Number	No	No	No
No	Alien (A-) Number	No	No	No
No	Financial Account Numbers	No	No	No
No	Photographic Identifiers	No	No	No
No	Biometric Identifiers	No	No	No
No	Employment (HR) Information	No	No	No
No	Tax Account Information	No	No	No

6c. Does this system contain SBU information that is not PII, it uses, collects, receives, displays, stores, maintains, or disseminates? No

6d. Are there other types of SBU/PII used in the system? No

6e. Cite the authority for collecting SBU/PII (including SSN if relevant)

Yes	PII for federal tax administration is generally Internal Revenue Code Sections 6001, 6011, 6012e(a)
Yes	SSN for tax returns and return information is Internal Revenue Code Section 6109
No	SSN for personnel administration (IRS Employees) is 5 USC & Executive Order 9397
No	PII for personnel administration is 5 USC
No	PII about individuals for Bank Secrecy Act compliance 31 USC
No	Information by CI for certain money laundering cases may be 18 USC

6f. Has the authority been verified with the system owner? Yes

B.1 BUSINESS NEEDS AND ACCURACY

7. Explain the detailed business needs and uses for the SBU/PII, and how the SBU/PII is limited only to that which is relevant and necessary to meet the mission requirements of the system. If SSNs (or tax identification numbers) are used, explicitly explain why use of SSNs meets this criteria. Be specific.

The PMF is a file consisting of a composite of payer interest, partnership/S Corp. distributions, gambling winnings, and miscellaneous other categories filed by businesses, corporations, banks, credit unions, and other payers of these types of income. This project creates and maintains a database of information for the IRS SB/SE division relating to filers of information returns (1099s, etc.). Information Submission Processing (Forms 1096) and extension and waiver requests are maintained for five tax years. The Payer Penalty Program, including incorrect TIN filings, is

administered from the PMF, notices are generated and sent to the payer's address of record as contained in the Business Master File (BMF) and Individual Master File (IMF). The TIN, name, and address are required to identify the taxpayer's account. After the initial filing of the informational return, any changes or updates (adjustments) to an account, whether initiated by the taxpayer or the IRS, is submitted as a transaction to post to the master file so that the file reflects a continuously updated and current record of each taxpayer's account.

8. How is the SBU/PII verified for accuracy, timeliness, and completeness? Explain how steps are taken to ensure that all information maintained by the system that is used by IRS to make any adverse determination about an individual's rights, benefits, and/or privileges is maintained with such accuracy, relevance, timeliness, and completeness as is reasonably necessary to assure fairness to the individual in the determination

PMF is a read only repository for information. PMF users do not input information into the PMF. All data is received via batch processing. There are several validation procedures to ensure that batches have run properly, and contain properly formatted information. Some of these are: • Daily vouchers are used to verify that all data sent from the service centers has been received; • Control codes are used to verify complete files are transmitted; • The Log Analysis and Reporting Services (LARS) system performs run-to-run balancing for each batch job run to ensure that no data is lost; • Run to run balancing is used to verify that all files are processed through the complete input system and extract system as appropriate; • Unit testing, system acceptability testing, and integration testing are used to ensure runs process data correctly; and • Validity checks are in place using the previously mentioned entity data to insure that if multiple taxpayers have the same first and last name that they are properly distinguished one from the other via the entity check information. Common fields validated in the PMF: • TIN is valid (common program outside the bounds of PMF) • TAX Year is valid/numeric (common program)

C. PRIVACY ACT AND SYSTEM OF RECORDS

9. Are 10 or more records containing SBU/PII maintained, stored, and/or transmitted by or through this system? Yes

9a. If **yes**, are records in the system retrieved by any personal identifier (e.g., name, SSN, Photograph, IP Address) for an individual? Yes

If **yes**, is there a System of Records Notice(s) or SORNs that addresses the PII records in this system? Yes

If **yes**, enter the SORN number(s) and the complete the name of the SORN.

<u>SORNS Number</u>	<u>SORNS Name</u>
Treasury/IRS 24.030	CADE Individual Master File
Treasury/IRS 24.046	CADE Business Master File
Treasury/IRS 34.037	IRS Audit Trail and Security Records

If **yes**, does the System of Records Notice(s) (SORN) published in the Federal Register adequately describe the records as required by the Privacy Act? Yes

D. RESPONSIBLE PARTIES

10. Identify the individuals for the following system roles. ## Official Use Only

E. INCOMING PII INTERFACES

11. Does the system receive SBU/PII from other system or agencies? Yes

11a. If **yes**, does the system receive SBU/PII from IRS files and databases? Yes

If **yes**, enter the files and databases.

<u>System Name</u>	<u>Current PIA?</u>	<u>PIA Approval Date</u>	<u>SA & A?</u>	<u>Authorization Date</u>
Individual Master File	Yes	05/02/2014	Yes	10/02/2015
Business Master File	Yes	04/24/2015	Yes	05/04/2015
Information Returns Processing	Yes	03/12/2014	Yes	10/22/2015
Generalized Unpostable Framework	Yes	01/21/2015	No	10/22/2015

11b. Does the system receive SBU/PII from other federal agency or agencies? Yes

If **yes**, for each federal interface, identify the organization that sends the SBU/PII, how the SBU/PII is transmitted and if there is an Inter-Agency Agreement (ISA)/Memorandum of Understanding (MOU).

<u>Organization Name</u>	<u>Transmission method</u>	<u>ISA/MOU</u>
Social Security Administration	Secure Data Transfer	Yes

11c. Does the system receive SBU/PII from State or local agency (-ies)? No

If **yes**, for each state and local interface identify the organization that sends the SBU/PII, how the SBU/PII is transmitted and if there is an Inter-Agency Agreement (ISA) /Memorandum of Understanding (MOU).

No Organization Records found.

11d. Does the system receive SBU/PII from other sources? No

If **yes**, identify the source that sends the SBU/PII, how the SBU/PII is transmitted and if there is an Inter-Agency Agreement (ISA) /Memorandum of Understanding (MOU).

No Organization Records found.

11e. Does the system receive SBU/PII from **Taxpayer** forms? Yes

If **yes**, identify the forms

<u>Form Number</u>	<u>Form Name</u>
1096	Annual Summary and Transmittal of U.S. Information Returns
1042-T	Annual Summary and Transmittal of Forms 1042-S
W-3	Transmittal of Income and Tax Statements

11f. Does the system receive SBU/PII from **Employee** forms (such as the I-9)? No

F. PII SENT TO EXTERNAL ORGANIZATIONS

12. Does this system disseminate SBU/PII? Yes

12a. Does this system disseminate SBU/PII to other IRS Systems? Yes

If **yes**, identify the full name and acronym of the IRS system(s) that receive SBU/PII from this system.

<u>System Name</u>	<u>Current PIA?</u>	<u>PIA Approval Date</u>	<u>SA & A?</u>	<u>Authorization Date</u>
Individual Master File	Yes	05/02/2014	Yes	10/02/2015
Business Master File	Yes	04/24/2015	Yes	05/04/2015
Information Returns Processing	Yes	03/12/2014	Yes	05/04/2015
Integrated Production Model	Yes	03/30/2016	Yes	06/03/2014
Generalized Unpostable Framework	Yes	01/21/2015	No	06/03/2014
Integrated Data Retrieval System	Yes	07/18/2014	Yes	12/09/2016

Identify the authority and for what purpose? Authority and purpose is pursuant to section 6103(h)(1) of the Internal Revenue Code (IRC). IRC 6103(h)(1) provides for disclosure of returns and return information to officers and employees of the Department of the Treasury (including IRS) whose official duties require access for tax administration.

12b . Does this system disseminate SBU/PII to other Federal agencies? No

12c. Does this system disseminate SBU/PII to State and local agencies? No

12d. Does this system disseminate SBU/PII to IRS or Treasury contractors? No

12e. Does this system disseminate SBU/PII to other Sources? No

G. PRIVACY SENSITIVE TECHNOLOGY

13. Does this system use social media channels? No

14. Does this system use privacy-sensitive technologies such as mobile, cloud, global position system (GPS), biometrics, RFID, etc.? No

15. Does the system use cloud computing? No

16. Does this system/application interact with the public? No

H. INDIVIDUAL NOTICE AND CONSENT

17. Was/is notice provided to the individual prior to collection of information? Yes

17a. If **yes**, how is notice provided? Was the individual notified about the authority to collect the information, whether such is mandatory or voluntary, the purpose for which the information will be used, with whom the information may be shared, and the effects, if any, if they decide not to provide any of the requested information?

The IRS notifies all individuals who file tax returns of such collection via the Privacy Act Notice in tax return instructions which provides the legal right to ask for information under Internal Revenue Code sections 6001, 6011, and 6012(a), and their regulations. Under these sections, response is mandatory. Code section 6109 requires the individual provide an identifying number. When a return is selected for Examination, Collection etc., the taxpayer is sent the Privacy Act Notice, Your Appeals Rights and How to Prepare a Protest and Overview of the Appeals Process.

18. Do individuals have the opportunity to decline from providing information and/or from consenting to particular uses of the information? No

18b. If no, why not? All individuals have the right to decline to provide information. However, they may be subject to Examination or Deficiency procedures, at which time they are provided applicable notices, such as Your Appeals Rights and How to Prepare a Protest.

19. How does the system or business process ensure due process regarding information access, correction and redress?

The PMF System performs analysis on the data to identify potential compliance issues. The information is reviewed by IRS employees in the Small Business/Self Employed, Large Business and International, and Tax Exempt/Government Entities Business Units. The PMF System does not make any adjustments or assessments. Taxpayers who receive notices always have the right to interact with the IRS in order to correct any miss-information to their tax account. No final determinations are made by PMF systems.

I. INFORMATION PROTECTION

20. Identify the owner and operator of the system (could be IRS owned and Operated; IRS owned, contractor operated; contractor owned and operated)

IRS Owned and Operated

21. The following people have access to the system with the specified rights:

IRS Employees? Yes

<u>IRS Employees?</u>	<u>Yes/No</u>	<u>Access Level(Read Only/Read Write/Administrator)</u>
Users	Yes	Read-Only
Managers	Yes	Read-Only
Sys. Administrators	No	
Developers	Yes	Read-Only

Contractor Employees? No

21a. How is access to SBU/PII determined and by whom? Data access to the PMF systems and PMF storage libraries is restricted based on the principles of least privilege and separation of duties; access is granted on a need-to-know basis. PMF personnel are required to apply for access using the Online (OL) 5081 form. The OL5081 enrollment process requires that an authorized manager approve access requests on a case by case basis. Upon approval, PMF users are assigned user accounts based on their role(s) and responsibilities. Access to the PMF mainframe and production/development libraries and tools is restricted by Resource Access Control Facility (RACF) permissions maintained by GSS-21 IBM Mainframe Platform administrators. Each sub-application in PMF requires that a user complete a separate OL5081 request for the component they are requesting access to. Based on the individual's

role(s) and responsibilities, access is either approved or denied, and the appropriate corresponding changes are made to the RACF access control list by EOps IBM Masterfile Security Administrators. The IBM Masterfile Security Administrators provide initial UserID and password access to the Master File. This is managed by placing users into assigned groups. Each group is assigned the minimum user rights and permissions to perform their function. Users are restricted from changing the boundaries of their access. PMF user accounts require annual management recertification. Employees that no longer require access are required to be removed by management. Account revocation is also performed through OL5081. The PMF contains read-only payer information return data. By design, PMF users are restricted from inputting data into the application by Role Based Access Controls (RBAC), and are given the minimum set of privileges required to perform their regular and recurring work assignments.

- 21b. If computer matching occurs, can the business owner certify that it meets requirements of IRM 11.3.39 Disclosure of Official Information, Computer Matching & Privacy Protection Act ? Not Applicable

I.1 RECORDS RETENTION SCHEDULE

22. 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

- 22a. 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.

PMF maintains and updates production data for the current tax year and four prior tax years. A fifth prior tax year is retained on the production system for research purposes, but is not updated. Four additional tax years are maintained in off-site storage. As each new tax year is added, the oldest tax year file is destroyed. This is consistent with the 10-year disposition authority the National Archives already approved for PMF as an input to the Information Returns Processing Underreported Backup Withholding (IRP UBWH) System under Records Control Schedule (RCS) 19 for Enterprise Computing Center - Martinsburg (ECC-MTB), Item 64A; and Incorrect Information Penalty (RCS 28, item 147), (published in Document 12990). The IRS Records Office requests SB/SE assistance in drafting for NARA approval a records control schedule that more fully and uniquely identifies disposition instructions for all PMF system-related records including, system inputs, master data files, outputs, and system documentation to be published in RCS 19, item number to be determined. IRS follows disk sanitization procedures for destruction of discarded media. IRM 2.7.4, Management of Magnetic Media (Purging of SBU Data and Destruction of Computer Media) provides those procedures used for sanitizing electronic media for reuse (e.g., overwriting) and for controlled storage, handling, or destruction of spoiled media or media that cannot be effectively sanitized for reuse (e.g., degaussing).

I.2 SA&A OR ECM-R

23. Has the system been through SA&A (Security Assessment and Authorization) or ECM-R (Enterprise Continuous Monitoring Reauthorization)? Yes

- 23a. If **yes**, what date was it completed? 12/4/2015

23.1 Describe in detail the system s audit trail. Master files by definition do not have an audit trail. They are defined as having interfaces to systems that maintain their own audit trails. There is no direct access to PMF data. All access is through batch files. The data viewed by authorized IRS employees is a copy of the PMF data loaded into any of 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. PMF relies on the Resource Access Control Facility (RACF)/GSS- 21 IBM Masterfile Platform to capture login information for developer access to the PMF systems.

J. PRIVACY TESTING

24. Does the system require a System Test Plan? No

24c. If **no**, please explain why. PMF utilizes the Test Plan (TP), which is a requirement for all testing and may be used as an Enterprise Life Cycle (ELC) functional equivalent for the System Test Plan (STP).

K. SBU Data Use

25. Does this system use, or plan to use SBU Data in Testing? Yes

25a. If **yes**, was permission granted per the requirements of Form 14664, SBU Data Use Questionnaire or Form 14665, SBU Data Use Request?

Yes

If **yes**, provide the date the permission was granted. 10/12/2014 12:00:00 AM
If **no**, explain why not.

25b. If **yes**, was testing performed in conformance with IRM 10.5.8, Sensitive But Unclassified (SBU) Data Policy: Protecting SBU in Non-Production Environments? Yes
If **no**, explain why not.

L. NUMBER AND CATEGORY OF PII RECORDS

26. Identify the number of individual records in the system for each category:

26a. IRS Employees: Not Applicable
26b. Contractors: Not Applicable
26c. Members of the Public: More than 1,000,000
26d. Other: No

M. CIVIL LIBERTIES

27. Does the system maintain any information describing how any individual exercises their rights guaranteed by the First Amendment? No

28. Is the system information used to conduct data-mining as defined in the *Implementing the 9/11 Commission Recommendations Act of 2007, Public Law 110-53, Section 804*? No

29. Will this system have the capability to identify, locate, and monitor individuals or groups of people? No

N. ACCOUNTING OF DISCLOSURES

30. Does the system include or require disclosure of tax or employee information to anyone other than IRS employees in the performance of their duties, or to the person to whom the information pertains or to a 3rd party pursuant to a Power of Attorney, tax or Privacy Act consent? No

End of Report
