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**A. SYSTEM DESCRIPTION**

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1. Enter the full name and acronym for the system, project, application and/or database. Withholding Compliance System, WHCS

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.

Withholding Compliance System (WHCS) 1125

Next, enter the **date** of the most recent PIA. 4/24/2015

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

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

Were there other system changes not listed above? Yes

If yes, explain what changes were made. Adding to WHCS, the Withholding Compliance Case Creation (WHCSCC) - The Withholding Compliance System Case Creation (WHCSCC) utilizes the Form W-2 to identify employees with a potential under-withholding problem that could be causing tax compliance problems. The system enables the Service to determine when employers are complying with the instructions that the IRS provides to them. WHCSCC creates compliance cases by matching W2s to the Individual Master File. It is a component of the Withholding Compliance System (WHCS).

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

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

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

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## A.1 General Business Purpose

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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 mission of the Withholding Compliance Program (WHC) is to ensure that taxpayers who have serious under-withholding problems are brought into compliance with federal income tax withholding requirements. WHC uses Form W-2 Wage and Tax Statement (W-2) information to identify taxpayers with insufficient withholding that result in tax compliance problems. The goal is to correct withholding to ensure that taxpayers have enough income tax withheld to meet their withholding tax obligations. In instances where a serious under-withholding problem exists for a particular taxpayer, IRS may issue a notice, commonly known as a "lock-in letter" to the employer. This notice directs the employer to disregard the taxpayer's Form W-4 and withhold using the marital status and number of allowances specified by the Service. WHC cases are housed in the Withholding Compliance System (WHCS), a database application owned by the Small Business Self Employed (SBSE) Business Unit. The application does not directly interface with any other IRS systems. All input to the WHCS application is obtained via batch processes (WHCSCC) that pull information from the Individual Master File (IMF) and Payer Master File (PMF). WHCS provides a means to monitor and control information related to the WHC case inventory. Records contain case-related personally identifiable information (PII). WHCS users can add, update, query, close, and maintain case information such as case actions, decisions made, and letters issued to taxpayers and/or employers. The Withholding Compliance System Case Creation (WHCSCC) utilizes the Form W-2 to identify employees with a potential under-withholding problem that could be causing tax compliance problems. The system enables the Service to determine when employers are complying with the instructions that the IRS provides to them. WHCSCC creates compliance cases by matching W2s to the Individual Master File. It is a component of the Withholding Compliance System (WHCS).

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## B. PII DETAIL

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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	Yes	On Spouse	No	On Dependent
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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).

The Office of Management and Budget memorandum M-07-16 requires that federal agencies develop a mitigation or elimination strategy for systems that use SSNs. An exception to that requirement is when the SSN is uniquely needed to identify a user's record. The WHCS system requires the use of SSN's because no other identifier can be used to

uniquely identify a taxpayer. SSNs are permissible from Internal Revenue Code (IRC) 6109, which requires individual taxpayers to include their SSNs on their income tax returns.

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>
Yes	Name	Yes	Yes	No
Yes	Mailing address	No	No	No
Yes	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
Yes	Tax Account Information	Yes	No	No

6c. Does this system contain SBU information that is not PII, it uses, collects, receives, displays, stores, maintains, or disseminates? Yes

If **yes**, select the types of SBU

<u>Selected</u>	<u>SBU Name</u>	<u>SBU Description</u>
Yes	Agency Sensitive Information	Information which if improperly used or disclosed could adversely affect the ability of the agency to accomplish its mission
No	Procurement sensitive data	Contract proposals, bids, etc.
No	Official Use Only (OUO) or Limited Official Use (LOU)	Information designated as OUO or LOU is information that: is exempt under one of the statutory Freedom of Information Act exemptions; is prohibited by other laws or regulations; would significantly impede the agency in carrying out a responsibility or function; or would constitute an unwarranted invasion of privacy.
No	Proprietary data	Business information that does not belong to the IRS
Yes	Protected Information	Information which if modified, destroyed or disclosed in an unauthorized manner could cause: loss of life, loss of property or funds by unlawful means, violation of personal privacy or civil rights, gaining of an unfair procurement advantage by contractors bidding on government contracts, or disclosure of proprietary information entrusted to the Government
No	Physical Security Information	Security information containing details of serious weaknesses and vulnerabilities associated with specific systems and facilities
No	Criminal Investigation Information	Information concerning IRS criminal investigations or the agents conducting the investigations.

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

If **yes**, describe the other types of SBU/PII that are applicable to this system.

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

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

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

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### **B.1 BUSINESS NEEDS AND ACCURACY**

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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.

SSN is used to identify the individual taxpayers, address of record is used to send out WHC letters.

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

Data is verified through Masterfile prior to importing into WHCS database. Additionally, any changes or modifications are based on direct contact with the taxpayer.

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### **C. PRIVACY ACT AND SYSTEM OF RECORDS**

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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	Customer Account Data Engine Individual Master File
Treasury/IRS 24.046	Customer Account Data Engine Business Master File
Treasury/IRS 42.021	Compliance Programs and Projects Files
Treasury/IRS 34.037	Audit Trail and Security Records System

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

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#### D. RESPONSIBLE PARTIES

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

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#### E. INCOMING PII INTERFACES

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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 &amp; A?</u>	<u>Authorization Date</u>
Individual Masterfile	Yes	04/24/2015	Yes	03/06/2017
Payor Masterfile	Yes	03/09/2017	Yes	12/04/2015

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	file transfer	Yes

11c. Does the system receive SBU/PII from State or local agencies? No

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

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

If **yes**, identify the forms

<u>Form Number</u>	<u>Form Name</u>
Form 4852 or 1099R	W-2 Form

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

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## F. PII SENT TO EXTERNAL ORGANIZATIONS

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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 &amp; A?</u>	<u>Authorization Date</u>
Correspondex	Yes	08/15/2017	No	

Identify the authority and for what purpose? Letters 2800, 2801 and 2802 are generated under Regulations in 26 CFR Part 31, Employment Taxes and Collection of Income Tax at Source, and provide guidance for implementation of IRC Section 3402.

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

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## G. PRIVACY SENSITIVE TECHNOLOGY

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13. Does this system use social media channels? No

14. Does this system use privacy-sensitive technologies such as mobile, 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

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## H. INDIVIDUAL NOTICE AND CONSENT

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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?

Information comes from Masterfile and Payor Masterfile as well as the Form W-2 file received from the Social Security Administration (SSA). Taxpayers are not provided notice until we actually select them for WHC Lockin Letter. A privacy notice is provided on both the W-2 and W-4 forms.

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? Regulations in 26 CFR Part 31, Employment Taxes and Collection of Income Tax at Source, provide guidance for implementation of IRC Section 3402.

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

Any corrections to the data are based on contact from the taxpayer.

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## I. INFORMATION PROTECTION

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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>	Yes/No	Access Level (Read Only/Read Write/Administrator)
<b>Users</b>	<b>Yes</b>	<b>Read and Write</b>
<b>Managers</b>	<b>Yes</b>	<b>Read and Write</b>
<b>Sys. Administrators</b>	<b>No</b>	
<b>Developers</b>	<b>No</b>	

Contractor Employees? No

21a. How is access to SBU/PII determined and by whom? Data access to the WHCS application is restricted based on the principle of least privilege and separation of duties. Access is granted on a need-to-know basis. WHCS personnel are required to apply for access using the Online 5081 (OL5081) enrollment process which requires that an authorized manager approves access requests on a case by case basis. Upon approval, WHCS users are assigned user accounts based on respective role(s) and responsibilities. Management determines which employees are selected to work these cases.

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?

Yes

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## I.1 RECORDS RETENTION SCHEDULE

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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.

All records housed in the WHCS system will be erased or purged from the system in accordance with approved retention periods. It is the official repository for data and documents and has National Archives approval to affect data disposition. Any records generated and maintained by the system will be managed according to requirements under IRM 1.15.1 and 1.15.6, and will be destroyed using IRS Records Control Schedule (RCS) 29, Item 85 (5) Job N158-07-9 AUTHORIZED DISPOSITION Delete 3 years after lock-in is released or 10 years after lock-in date, whichever is earlier.

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## **I.2 SA&A OR ECM-R**

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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? 8/23/2017

23.1 Describe in detail the system's audit trail. The following is the "audit response" information collected for the WHCS application (including employee log-in info): Audit Trail Number; Audit Trail TIN; Audit Trail EIN; Audit Trail Tax Year; Audit Trail Date; Audit Trail Time; Audit Trail Action; Audit Trail Remarks; Audit Trail Source; Audit Trail User ID; Audit Trail SEID.

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## **J. PRIVACY TESTING**

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24. Does the system require a System Test Plan? Yes

24b. If **yes**, Is the test plan in process or completed: Completed

24.3 If **completed/ or in process**, describe what testing and validation activities have been conducted or are in progress to verify and validate that the applicable Privacy Requirements (listed in header) have been met?

The Moderate baseline of controls from NIST 800-53 Revision 4 was used during this risk assessment. In addition to these minimum baseline controls, the following list of controls was included by the system owner for evaluation:  SI-2 Control Enhancement 1 (IRM 10.8.1.4.17.1.1); SI-2 Control Enhancement 2 (IRM 10.8.1.4.17.1.1); SC-20 Control Enhancement 2 (IRM 10.8.1.4.16.19.1); IA-4 Control Enhancement 1 (IRM 10.8.1.4.7.3.1); IA-4 Control Enhancement 2 (IRM 10.8.1.4.7.3.1); PS-3 Control Enhancement 3 (IRM 10.8.1.4.13.2.1); SC-28 Control Enhancement 1 (IRM 10.8.1.4.16.27.1).

24b.1. If **completed**, where are the test results stored (or documentation that validation has occurred confirming that requirements have been met)? DocIT which is an IRS repository.

24b.2. If **completed**, were all the Privacy Requirements successfully tested? Yes

24.2 If **completed**, are there any residual system privacy, civil liberties, and/or security risks identified that need to be resolved? No

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## **K. SBU Data Use**

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25. Does this system use, or plan to use SBU Data in Testing? No



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**L. NUMBER AND CATEGORY OF PII RECORDS**

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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

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**M. CIVIL LIBERTIES**

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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

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**N. ACCOUNTING OF DISCLOSURES**

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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

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**End of Report**

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