
A. SYSTEM DESCRIPTION

1. Enter the full name and acronym for the system, project, application and/or database. YK1 Readiness, YK1

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.

YK1 Readiness, YK1, 413, SA&A

Next, enter the **date** of the most recent PIA. 4/3/2013

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

- | | |
|------------|--|
| <u>Yes</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

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>No</u> | System Development/Milestone 4B |
| <u>No</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? Yes

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 YK1 Readiness is an application developed by the Office of Research that graphically displays connections between flow-through entities such as partnerships (form 1065), subchapter S corporations (form 1120S), trusts (form 1041), and other taxable owners (e.g., individuals filing 1040, corporations filing 1120, etc.). The connections (or relationships) between entities is based on schedule K-1 and can be deeply nested. Such nested structures can be difficult to understand and analyze based solely on an entity's tax return. Further, such tiered relationships can easily lend themselves to questionable and potentially abusive schemes that can hide, offset or otherwise manipulate taxable income. This application helps examiners and researchers visually understand and analyze the complete structure of an entity. As the primary IRS tool to examine and analyze flow-through entities, this application benefits users from LB&I, SBSE, Chief Counsel, and other IRS divisions.

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 Yes On Spouse Yes 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)
Yes Individual Taxpayer Identification Number (ITIN)
Yes Taxpayer Identification Number for Pending U.S. Adoptions (ATIN)
Yes 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).

There is no alternative to the use of the SSN. The SSN is the significant part of the data being processed. There is no planned mitigation strategy to mitigate or eliminate the use of the SSN on the system.

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	Yes
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.

Examination of flow-through tax entities is the primary goal of users of this application. Because taxpayer data uses SSNs, EINs, ITINs, etc. as the means of identifying and relating entities, it is necessary for the application to use these tax identification numbers. Also these tax identification numbers are used as primary keys in a database from where this information is used for recall and analysis. This application only presents information that is found in tax forms that are filed with the IRS.

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

YK1 does not verify extracts of tax data received for accuracy, timeliness, and completeness. YK1 uses IRS Masterfile extracts and data provided by business units. YK1 relies on data owners to conduct accuracy, timeliness, and completeness checks. Furthermore, yK1 users follow approved procedures as stipulated in their organization's IRM.

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>
IRS 42.021	Compliance Programs and Projects Files

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. N/A

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>
IRMF Extract	Yes	04/08/2014	No	

Masterfile Extract	Yes	04/30/2014	No
PAIR Datamart	No	04/30/2014	No
RICS Database	Yes	06/02/2014	No

11b. Does the system receive SBU/PII from other federal agency or agencies? No

11c. Does the system receive SBU/PII from State or local agency (-ies)? 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>
1040	U.S. Individual Income Tax Return
1120	U.S. Corporation Income Tax Return
1120S	U.S. Income Tax Return for an S Corporation
1065	Return of Partnership Income
1041	U.S. Income Tax Return for Estates and Trusts
990	Return of Organization Exempt From Income Tax
5500	Returns for employee benefit plans

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? No

12b . Does this system disseminate SBU/PII to other Federal agencies? Yes

If **yes** identify the full names of the federal agency(s) that receive SBU/PII from this system, 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>
GAO	Application Access	No

Identify the authority and for what purpose? IRC § 6103(i)(8)(B) permits GAO access to any returns or return information obtained by a federal agency for use in any agency program or activity to the extent necessary in auditing such program or activity. Access is permitted pursuant to IRM 11.2.3.3.

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? Yes

If **yes**, identify the contractor source(s) that receive SBU/PII from this system, and if there is an Inter-Agency Agreement (ISA) /Memorandum of Understanding (MOU).

Organization Name Transmission method ISA/MOU

Any contractor passing valid checks application access No

Identify the authority and for what purpose? IRS contractors working on projects requiring access to yK1 are granted access if all of the following conditions are met: a. A completed background investigation b. Submission of MBI report c. Request from contractor's manager justifying reason(s) for access d. Completion of online 5081 request e. Statement indicating specific term and id of contract under which access is requested

Did the contract include the appropriate 6103(n) clauses for tax return and return information, and Federal Acquisition Regulations privacy clauses?

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? No

17b. If **no**, why not? If information is not collected directly from an individual, please discuss the factors considered in deciding to collect information from third party sources.

The information is not collected directly from individuals. The information collected as part of the application is the information obtained from various IRS databases and files, which in turn are tax form filed by tax entities. Notice, consent and due process are provided in the tax forms instructions, and pursuant to 5 USC.

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? The information is provided voluntarily by entities (individuals and businesses) as part of their tax returns' reporting and filing requirement. Notice, consent and due process are provided in the tax forms instructions, and pursuant to 5 USC.

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

The information is not collected directly from individuals. The information collected as part of the application is the information obtained from various IRS databases and files, which in turn are tax form filed by tax entities. Notice, consent and due process are provided in the tax forms instructions, and pursuant to 5 USC.

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	Yes	Administrator
Developers	Yes	Read-Only

Contractor Employees? Yes

<u>Contractor Employees?</u>	<u>Yes/No</u>	<u>Access Level</u>	<u>Background Invest.</u>
Contractor Users	Yes	Read-Only	Moderate
Contractor Managers	Yes	Read-Only	Moderate
Contractor Sys. Admin.	Yes	Administrator	Moderate
Contractor Developers	Yes	Read and Write	Moderate

21a. How is access to SBU/PII determined and by whom? A potential user will request access via the OL5081 system. This request has to be approved by the potential user's manager based on a user's position and need-to-know. If approved, the request is then forwarded to the administrators of the system for the creation of a new user id and password.

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.

YK1 data is approved for destruction 16 years after processing year or when no longer needed for operational purposes, whichever is later (Job No. N1-58-09-86, approved 4/22/10). These disposition instructions will be included in IRS Document 12990 under Records Control Schedule 27 for Compliance Research, item 53 when next updated/published. Records are retained for this long to capture any recycling of tax evasion strategies for flow through-based tax schemes. Periodically, untoward

actors will recycle schemes and we have found that keeping past evidence assists in new investigations/audits. Often, the same individuals are involved.

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? 6/10/2013

23.1 Describe in detail the system's audit trail. Below are the elements that are collected in the audit record. "SQL_TEXT" is the text of the query that is delivered to the database. Session id, "TIMESTAMP" db_user os_user userhost client_id econtext_id ext_name object_schema object_name policy_name "SCN" SQL_TEXT1 SQL_TEXT2 SQL_TEXT3 SQL_TEXT4 SQL_TEXT5 SQL_TEXT6 SQL_TEXT7 SQL_TEXT8 sql_bind comment\$text statement_type extended_timestamp proxy_sessionid global_uid instance_number os_process transactionid statementid entryid processed_ind

J. PRIVACY TESTING

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

24c. If **no**, please explain why. IRM applies to IT organizations only.

K. SBU Data Use

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

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

If **yes**, provide the date the permission was granted.
If **no**, explain why not.

25b. If **yes**, was testing performed in conformance with IRM 10.8.8 Information Technology (IT) Security, Sensitive But Unclassified (SBU) Data Policy?
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
