

Date of Approval: May 27, 2016

PIA ID Number: **1699**

A. SYSTEM DESCRIPTION

1. Enter the full name and acronym for the system, project, application and/or database. Certified Professional Employer Organization and 501(c)(4) Registration, CPEO & 501(c)(4)

2. Is this a new system? Yes

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

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

Next, enter the **date** of the most recent PIA.

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?

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>Yes</u>	Project Initiation/Milestone 1
<u>Yes</u>	Domain Architecture/Milestone 2
<u>Yes</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>No</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.

Legislative mandates require the IRS to create systems to register, and certify, Professional Employer Organizations (CPEOs) and a streamlined registration process for 501(c)(4) Social Welfare organizations (501(c)(4)). The CPEO program is under the oversight of the Small Business/Self Employed (SBSE) and the 501(c)(4) program is under the oversight of Tax Exempt/Government Entity (TEGE). However, as both programs will utilize the same solution they are being pursued as a single system. Separate levels of access to CPEO or 501(c)(4) applications/registrations and the information relative to each will be granted within the system. The system leverages the existing features of online services, primarily the Tax Professional Preparer Tax Identification Number System, to permit CPEOs and 501(c)(4) entities to submit applications online. Included in this will be the ability of CPEO applicants to upload supplemental documentation. The applications will collect from the applicant and through manual research SBU and PII data necessary to evaluate the application and, when appropriate, register/certify the applicant. This includes, but is not limited to: 1. Business Names 2. Officer/Owner Names 3. Officer/Owner Dates of Birth 4. Addresses 5. TINs 6. Background/Supplemental Information 7. Results of Criminal Background Checks 8. Financial Statements 9. Quarterly CPA Financial Statements 10. Annual CPA Audit Opinions The benefits to the Service are fourfold. First, the utilization of an online, managed service, will permit the Service to automate much of the clerical processing and minimize the impact on FTEs to administer these two new programs. Second, both programs allow us to fulfill Congressional mandates to administer such programs. Third, in the case of the CPEO program, CPEOs will allow businesses to utilize reputable, registered, and certified, Professional Employer Organizations. To the extent the program succeeds, it will reduce employment tax compliance issues and permit resources to focus on other critical areas. Fourth, with respect to the 501(c)(4) registration program, the creation of an online system for registration will address concerns raised by Congress during the hearings held in 2013. Specifically it should reduce the time necessary to handle registration, which was a major focus of the hearings. Additionally, by standardizing applications and better controlling inventory it will allow us to better control perceptions regarding equitable treatment of taxpayers. The information will be used to process applications for certification for CPEOs and registrations for recognition as a 501(c)(4) Social Welfare Organization. It will also be used to notify the public of the applicant's status, if approved, as a CPEO or a 501(c)(4) registered organization.

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).

At this time there would be no planned migration strategy to eliminate the use of SSNs, or EINs. While the system will be using TINs, they will be masked during input. The applicants will be providing this information so that the Service may check their background, tax compliance status, tax compliance history, criminal history, and professional certifications (if any). For CPEO, Internal Revenue Code Section 7705(b)(1) provides that the Secretary shall establish requirements with respect to tax status, background, experience, business location and annual financial audits. The IRS will use TINs to manually research internal systems (Individual Master File, Business Master File, Automated Insolvency System, Automated Trust Fund Recovery, etc.) and external systems (e.g.: Federal Bureau of Investigation National Crime Information Center (NCIC), state licensing agencies, etc.) These requests must be able to run in bulk from disparate systems with the capability of being associated both with the application, as well as with the other results. As such the TIN/SSN/PTIN is the sole unique field for fulfilling this need. Even if we were to track requests (and likely will) through the system by application number or a generated field, in order to insure that we were getting the right record from the FBI, we would need to provide them with the SSN. The same is true of checking the applicant's tax compliance status and tax compliance history.

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	No	No
Yes	Mailing address	No	No	No
Yes	Phone Numbers	No	No	No
Yes	E-mail Address	No	No	No
Yes	Date of Birth	Yes	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
Yes	Criminal History	No	No	No
No	Medical Information	No	No	No
Yes	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	Yes	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>
No	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.
Yes	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.
Yes	Proprietary data	Business information that does not belong to the IRS
No	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? Yes

If **yes**, describe the other types of SBU/PII that are applicable to this system. Financial statements, quarterly attestations from Certified Public Accountants (CPAs), annual audit opinions by CPAs, information concerning closely held/related entities, surety bonds, and background information concerning the business and officers.

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(a)
<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

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.

Congress passed legislation mandating the Service establish a program for the voluntary certification of Professional Employer Organizations (PEOs). The legislation contains a fair degree of specificity with respect to the material to be used in certifying an organization, monitoring and organization, and the maintenance of certification for the organization. For CPEO, Internal Revenue Code Section 7705(b)(1) provides that the Secretary shall establish requirements with respect to tax status, background, experience, business location and annual financial audits. The requirements have been tailored, in conjunction with Counsel, to ensure that we are obtaining only the information necessary to ensure adherence to the Congressional mandate and be capable of communicating with the applicant, its owners, or agents. Information regarding the identity of the business, the principal owners/operators, their tax compliance history, their criminal history, professional associations to which they are members, and other information is necessary to insure that they meet the conditions of a bondable firm that demonstrates the experience and qualification to be relied upon to handle large sums of trust fund monies to be paid over to the Service. The collection of SSN/TINs is critical to this as we have an affirmative requirement to check the compliance history of the applicant, its owner, or principal agents. The only means for accomplishing this is through the collection of SSN/TINs. In the case of the 501(c)(4) registration process, the SBU/PII data elements requested are either a requirement for a user profile (individual Name, Email, Password), specifically named within the Path Act legislation that mandates the notice (Organization Name, Address, EIN, Date Organized, State Organized, Statement of Purpose), or required as a component of implementing the update (Filing Year Month). SSNs are not expected to be collected for the 501(c)(4) notice.

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

In the case of both CPEO and 501(c)(4) registration accuracy, completeness and fairness is assured, in part, by having a computer based system handle the initial acceptance of applications/registrations. Submissions that fail to meet the minimum standards for processing are not passed along to the next step of the process with the applicant receiving immediate notification of the status of their application. That ensures that applications are complete before they are sent for processing and that all similarly conditioned taxpayers are treated the same.

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?

If **other**, explain your answer.

CPEO: One is currently under review by Treasury - Treasury/IRS 10.008 - Certified Professional Employer Organizations

501(c)(4) Registration (Existing): Treasury/IRS 50.222 – Tax Exempt and Government Entities Case Management Records

D. RESPONSIBLE PARTIES

10. Identify the individuals for the following system roles. ## Redacted Information For 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 (IMF)	No		No	
Business Master File (BMF)	No		No	
Automated Insolvency System (AIS)	No		No	
Automated Trust Fund Recovery (ATFR)	No		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? No

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>
Identify Verification System (IVS)	No		No	

Identify the authority and for what purpose? The CPEO system will be using the existing IVS application to verify the identity of those involved in the application to become a CPEO prior to acceptance, and processing, of the application.

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

If **yes**, identify the full names of the state and local agency(s) that receive SBU/PII from this system, and if there is an Inter-Agency Agreement (ISA) /Memorandum of Understanding (MOU).
No Organization Records found.

Identify the authority and for what purpose?

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? Yes

16a. If **yes**, was (or will) an electronic risk assessment (e-RA) conducted on the system/application? No

If **no**, when will the e-RA be conducted? 4/26/2016

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 system will be a series of input screens for which the public will input the required information. Screens will provide required Privacy Act Notifications. Additionally, the submission of information requires an affirmative act on the part of the public to provide the information in both the case of CPEOs and 501(c)(4) organizations. They are not required to be registered in order to function unless they wish to be recognized. From a Privacy Act perspective this is distinguishable from a compulsory demand to the taxpayer for the provisioning of information by the taxpayer.

18. Do individuals have the opportunity to decline from providing information and/or from consenting to particular uses of the information? Yes

18a. If **yes**, describe the mechanism by which individuals indicate their consent choice(s): Yes, with respect to providing the information. They would simply not provide the information or fail to complete the application process. They are under no obligation to provide the information unless they make the affirmative choice to become a CPEO or wish to be recognized as a 501(c)(4) Social Welfare Organization. Registration in both cases is voluntary and only required to obtain legal recognition as one or the other. But the law doesn't require recognition for the organization to exist. No, with respect consenting to a particular use of the data. The instructions and screens will notify them of the purposes for the collection of the data and its usage.

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

There will be an administrative review process for those who are denied certification as a CPEO. Additionally, there is an affirmative requirement that CPEOs update their information when there is a significant change in the information as well as an annual renewal process to maintain their registration. The 501(c)(4) notice is not a process associated with a formal approval or denial. The IRS will conduct a validity check against Masterfile of the organization's entity information before processing an Acceptance. Where there is a mismatch in the information, the Service will send correspondence identifying the issue and requesting clarification. If no response is received, the request will not be accepted and the user fee is returned. The organization remains eligible to come back at any time to resubmit the notice.

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

Contractor Employees? Yes

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

21a. How is access to SBU/PII determined and by whom? Access is granted through the On-Line 5081 (OL5081) system and enforced by roles based access within the system. The O5081 system requires a first level manager to approve access to the system. Access to CPEO and 501(c)(4) information is kept separate. The basic platform is that the CPEO or 501(c)(4) applicant will have to provide certain information to determine their eligibility for recognition/certification. IRS employees, and managers, will require access to the system based on their role to review the documentation; review, and document, the results of any additional research; approve the applicant's registration/certification; and provide notification to the applicant along with any appeal rights in the event of an adverse determination. Employees will only have access to either CPEO or 501(c)(4) information, not both. The product is being developed by a contractor, Accenture, who has developed and managed similar applications (i.e., Return Preparer) for the Service in the past. The distinction being that post development the application will be transferred to IRS Ownership. Accordingly, post transition the contractor access would be terminated.

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

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? No

22b. 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.

All IRS records must have a National Archives and Records Administration (NARA)- approved records disposition authority (must be "scheduled") before they can be destroyed and/or purged from IRS electronic systems. This is required under Title 44 of the United States Code. CPEO Program staff will work with the IRS Records and Information Management (RIM) Program Office to develop and submit to NARA requests for records disposition authorities for new CPEO records (in all formats) as they are identified and/or developed.

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)?

23b. If **in process**, when is the anticipated date of the SA&A or ECM-R completion?

23.1 Describe in detail the system's audit trail. Currently we have just engaged Security to create the SA&A. So we will be undergoing an SA&A but are not yet scheduled.

J. PRIVACY TESTING

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

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

If **in process**, when is the test plan scheduled for completion?

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 system is currently under design. It will be tested, however, we are at MS-2 at the present time. The system testing is an MS-4 activity and will be conducted at that time. The go-live date is July 1, 2016. So the STP will be developed and executed sometime before then.

K. SBU Data Use

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

L. NUMBER AND CATEGORY OF PII RECORDS

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

26a. IRS Employees: N/A
26b. Contractors: N/A
26c. Members of the Public: Under 100,000
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? Yes

End of Report
