Bark and Bite: How the IRS Watchdog Protects You From Fraud & Scams

Learning Objectives

Today our presentation will:

- Define TIGTA's role in protecting the integrity of tax administration;
- Explain our organizational components;
- Discuss areas of oversight in IRS programs & operations;
- Discuss preparer ethics and misconduct issues; and
- Discuss scams and cyber-fraud activity targeting tax professionals.

What is TIGTA?

- We oversee the IRS - the agency’s “watchdog.”
- Established by the IRS Restructuring & Reform Act of 1998.
- We are 1 of more than 70 Offices of Inspectors General (OIGs) across the federal government working to detect fraud, waste, and abuse.
- We conduct audits, investigations, inspections, and evaluations to promote integrity, economy, and efficiency in Federal tax administration.

Office of Audit

- Our audits help improve programs and protect taxpayers.
- Examples of key focus areas:
  - Compliance and Enforcement
  - Taxpayer Service
  - Cybersecurity
- Last Fiscal Year, we completed 76 reports (88% had recommendations) that impacted 6.2M taxpayer accounts.

Office of Audit: Management Services & Exempt Organizations (MSE)

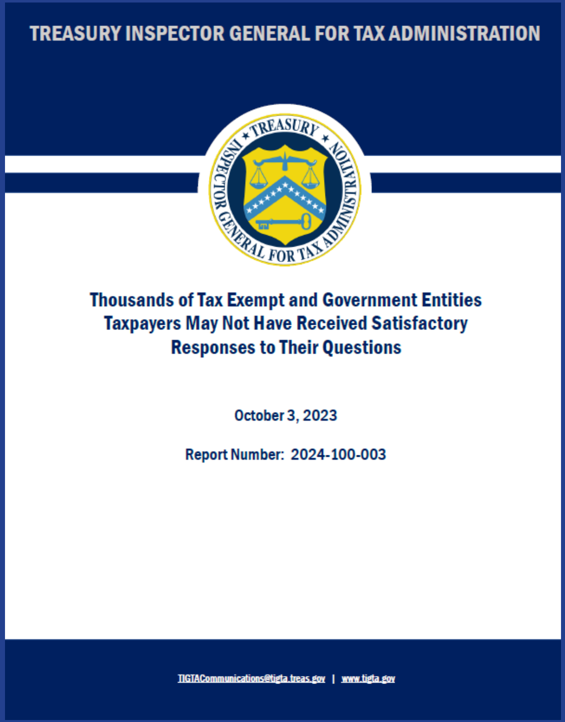
- Reviews IRS procurement, financial management, human capital, facilities management, customer service, and tax-exempt/government entities.

IRS

IRS Nationwide TaxForum 2024

Recent MSE Audit Report

- Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions (October 2023)



TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions

October 3, 2023

Report Number: 2024-100-003

TIGTACommunications@tigta.treas.gov | www.tigta.gov

Office of Audit: Compliance and Enforcement (CEO)

- Reviews tax reporting, filing, and payment compliance across all types of taxpayers (except tax-exempt organizations).
- Also reviews IRS Criminal Investigation

Recent CEO Report

- Additional Actions Need to Be Taken to Identify and Address Noncompliant Biofuel Tax Credit Claims (April 2024)

Office of Audit: Returns Processing & Account Services (RPA)

- Reviews activities related to the preparation and processing of individual and business tax returns.

- Focuses on tax law implementation, taxpayer assistance, and the detection and prevention of improper payments.

Recent RPA Report

- Progress Update on Tax Return Scanning Initiatives (December 2023)

Office of Audit: Security & Information Technology Services (SITS)

- Provides oversight of the IRS's information technology by evaluating areas such as cybersecurity, systems development, and information technology operations.

Recent SITS Report

- The IRS Has Improved Audit Trail Collection; However, Not All Audit Trail Data Are Being Collected and User Account Controls Need Improvement (October 2023)

Office of Inspections & Evaluations (OIE)

- Designed to provide insights faster than an audit.
- Usually a narrower scope of review.
- Inspections involve on-site visits to IRS facilities for observational review.
- Key focus area is oversight of IRS's use of Inflation Reduction Act funds.

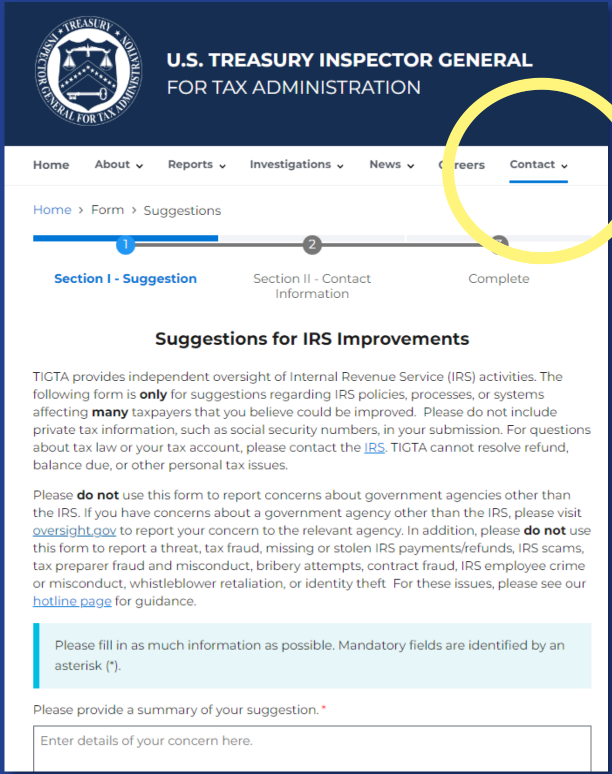
Recent OIE Projects

- Quarterly snapshot of Inflation Reduction Act spending
- Unannounced inspections to Taxpayer Assistance Centers
- Calling IRS customer service lines to determine wait times

IRS Nationwide Tax Forum 2024

YOU can improve the IRS

- Send us your suggestions!
- on the Contact tab



U.S. TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

Home | About | Reports | Investigations | News | Careers | Contact

Home › Form › Suggestions

1 Section I - Suggestion | 2 Section II - Contact Information | 3 Complete

Suggestions for IRS Improvements

TIGTA provides independent oversight of Internal Revenue Service (IRS) activities. The following form is **only** for suggestions regarding IRS policies, processes, or systems affecting **many** taxpayers that you believe could be improved. Please do not include private tax information, such as social security numbers, in your submission. For questions about tax law or your tax account, please contact the IRS. TIGTA cannot resolve refund, balance due, or other personal tax issues.

Please **do not** use this form to report concerns about government agencies other than the IRS. If you have concerns about a government agency other than the IRS, please visit oversight.gov to report your concern to the relevant agency. In addition, please **do not** use this form to report a threat, tax fraud, missing or stolen IRS payments/refunds, IRS scams, tax preparer fraud and misconduct, bribery attempts, contract fraud, IRS employee crime or misconduct, whistleblower retaliation, or identity theft For these issues, please see our hotline page for guidance.

Please fill in as much information as possible. Mandatory fields are identified by an asterisk (*).

Please provide a summary of your suggestion. *

Enter details of your concern here.

Office of Investigations

- Identifies and investigates IRS employee misconduct;
- Protects the IRS from external threats and corruption; and
- Protects the integrity of IRS programs, operations, and critical infrastructure.

Performance Model

- We focus on three primary areas of investigative responsibility.

  1. Employee integrity
  2. Employee and infrastructure security
  3. External attempts to corrupt tax administration

Circular 230

- Circular 230 sets forth rules under which tax preparers can represent clients before the IRS.

- IRS's Office of Professional Responsibility (OPR) oversees most preparer conduct.

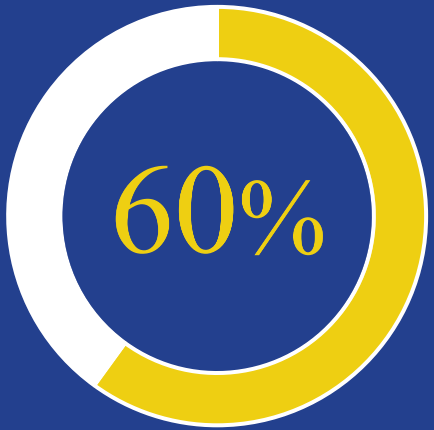
Ethics & Integrity

- Ethics: A set of moral principles. A theory or system of moral values.

- Integrity: Firm adherence to a code of especially moral or artistic values incorruptibility.

Tax Preparers

- Frequent contact with the IRS
- 60% of tax returns are filed by a paid tax preparer
- Preparers can help compliance - or impede it.



Examples of Preparer Misconduct

- False statements on IRS Form 2848, Power of Attorney and Declaration of Representative;

Form **2848**
(Rev. July 2014)
Department of the Treasury
Internal Revenue Service

Power of Attorney
and Declaration of Representative
▶ **Information about Form 2848 and its instructions is at *www.irs.gov/form2848*.**

OMB No. 1545-0150
For IRS Use Only
Received by:
Name ______
Telephone ______
Function ______
Date / /

Part I **Power of Attorney**
Caution: *A separate Form 2848 must be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.*

1 Taxpayer information. Taxpayer must sign and date this form on page 2, line 7.

Taxpayer name and address	Taxpayer identification number(s)	
Stan Doe 1040 Any Street Anytown, VA 22000	000-00-0000	
	Daytime telephone number: 000-000-0000	Plan number (if applicable)

hereby appoints the following representative(s) as attorney(s)-in-fact:

2 Representative(s) must sign and date this form on page 2, Part II.

Name and address | CAF No. 6800-06530R

Examples of Tax Preparer Misconduct

- Failure to disclose that practitioner is disbarred or otherwise unauthorized to appear before the IRS
- Fabricating documents purporting to be from the IRS
- Fraudulent levy releases
- Unauthorized disclosure of protected tax info

Former IRS Employee Sentenced to Prison for Fraud Scheme

- On May 8, 2023, a former IRS employee was sentenced to 54 months of imprisonment, three years' supervised release, and ordered to pay $191,597 in restitution.

- In her role as a tax preparer, she used false information on customers' tax returns and submitted those returns to the IRS.

Attorney Indicted for Stealing From His IRS Offshore Voluntary Disclosure Program Clients

- On January 11, 2023, an attorney was indicted on three counts of wire fraud and four counts of aggravated identity theft.
- He successfully repatriated more than $6 million of clients’ funds but proceeded to falsely advise that the funds remained offshore.

IRS Impersonation Scam

- The IRS doesn't initiate contact with taxpayers by email, text messages, or social media channels to request personal or financial information. But scammers do.

IRS Impersonation Scam

IRS

Dear business owner,

A criminal complaint has been filled against your company.
Your company is being accused of trying to commit tax evasion schemes.
The full text of the complaint file (PDF type) can be viewed on the IRS website, by visiting the following link :
http://www.irs.gov/complaints/view_complaint.aspx?complaint_id=312142&hash=194yt8dhui8g42

An official response from your part is required, in order to take further action.
Please review the charges brought forward in the complaint file, and contact us as soon as possible by :

http://[illegible].ru/wp-content/themes/sidious/stylechanges/css/complaint.php

Telephone :
Toll-Free, 1-800-829-4933
Email: complaints@irs.gov

ALERT

Link in fake IRS email goes to malicious code on a hacked website

Thank you,
Internal Revenue Service
Fraud Prevention Department

IRS Impersonation Scam

Internal Revenue Service — Inbox - Taxgirl — February 21, 2020 at 12:42 AM — IS

Tax Exemption Status

To: Kelly Erb,

Reply-To: [redacted]

IRS

Attention,
Our records indicate that you are a Non-Resident Alien and sometime in the past submitted a form W-8BEN for your Tax exemption status and withholding, your form may have exceeded its succeeding calendar year and therefore has expired.

As a result you are to complete the attached revised W-8BEN form and send back to us as soon as possible.
Attach a copy of your identification (passports,driver's license etc) when returning your filled form.

Send form to : irsupdate@[redacted]

Thank you for your co-operation
Sincerely.
Carolina Arazo
Department Of The treasury
Internal Revenue Service
Austin, TX 73301-0015

Man Sentenced for his Role in IRS Impersonation Scheme

- On January 8, 2024, an individual was sentenced to prison for his role in a scheme directing individuals to call U.S.-based numbers that were forwarded to call centers located in India.
- Activated and programmed cell phones to automatically forward calls to the foreign call centers.

Women Sentenced for Role in IRS Impersonation Scheme

- On November 6, 2023, an individual was sentenced to prison in connection with an IRS impersonation scam where victims were told a Facebook friend died and they were the beneficiary of an inheritance.
- Victims were told to pay taxes to a subject impersonating an IRS employee so they could receive the inheritance.

How to Spot a Scam

- Demand immediate payment through a prepaid debit card, gift card, or wire transfer.
- Demand that you pay taxes without the opportunity to question or appeal.
- Threaten to bring in local police, immigration officers, or other law-enforcement

TIGTA’s Approach

- Educate the public
- Public Service Announcements
- “Advise and disrupt” strategy

Cyber-Fraud Targeting Tax Professionals

- Bogus emails from tax software providers requesting your credentials
- Fake emails from the IRS attempting to steal Electronic Filing Identification Numbers
- Ransomware designed to encrypt network devices (attacker offers to send key to unencrypt for a fee).

Common Tactics of Cyber-Fraud

- Malicious software designed to steal financial and network account passwords;
- Advanced cyber attacks against poorly secured networks; and

Common Tactics of Cyber-Fraud

- Phishing email scams to harvest user account information:
  - "Unlock" tax software accounts.
  - Posing as state accounting or professional associations.

What Do Scammers Want?

- Financial and personal information:
  - On tax professional's local computer network;
  - In preparer software that contains Personally Identifiable Information; and
  - In tax professional's IRS e-Services account.

Warning Signs

- Activity indicating compromise of local network or computer;
- IRS e-Services shows unusual login history - report dates showing login activity not made by you;

Warning Signs

- Unusual Centralized Authorization File activity;
- Take note of unauthorized IRS Form 8821 or IRS Form 2848 filed in your name;

Warning Signs

- Electronic Filing Identification Number (EFIN) or Preparer Tax Identification Number (PTIN) activity higher than the number of returns you submitted;
- Clients receiving mailed, unsolicited tax transcripts from previous years;

Warning Signs

- Customers receiving notification of the establishment of an IRS online account they didn’t create; and
- Tax software vendor says a fraudulent IRS document with your EFIN has been submitted as part of a software purchase.

What to Report to TIGTA?

- Suspicious logons or activity on your IRS e-Services account;
- Submission of fraudulent IRS Forms;
- Fraudulent IRS EFIN verification sent to software vendors; and

What to Report to TIGTA?

- Clients who receive unsolicited transcripts or notices for IRS online accounts they did not create.

Did you get a suspicious IRS email?

- Don’t:
  - reply;
  - open any attachments; or
  - click on any hyperlinks.
- Forward e-mail to phishing@irs.gov; and
- Report it at www.tigta.gov.

Thank you!