



*The Office of Disclosure Continues  
to Improve Compliance With the  
Freedom of Information Act Requirements*

**September 6, 2011**

**Reference Number: 2011-30-093**

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Redaction Legend: 1 = Tax Return/Return Information

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## HIGHLIGHTS

### THE OFFICE OF DISCLOSURE CONTINUES TO IMPROVE COMPLIANCE WITH THE FREEDOM OF INFORMATION ACT REQUIREMENTS

## Highlights

**Final Report issued on September 6,  
2011**

Highlights of Reference Number: 2011-30-093  
to the Internal Revenue Service Commissioner  
for the Small Business/Self-Employed Division.

### IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) must ensure that the provisions of the Freedom of Information Act (FOIA), the Privacy Act of 1974 (Privacy Act), and Internal Revenue Code (I.R.C.) Section (§) 6103 are followed, particularly because errors can violate taxpayer rights and result in improper disclosures of tax information.

### WHY TIGTA DID THE AUDIT

TIGTA is required to conduct periodic audits to determine if the IRS properly denied taxpayers' written requests for tax account information. TIGTA is also required to include the results in one of our Semiannual Reports to Congress. This is TIGTA's twelfth review of denials of FOIA, Privacy Act, and I.R.C. § 6103 requests.

The overall objective of this review was to determine whether the IRS improperly withheld information requested by taxpayers in writing based on FOIA exemption (b)(3), in conjunction with I.R.C. § 6103, and/or FOIA exemption (b)(7) or by replying that responsive records were not available.

### WHAT TIGTA FOUND

The IRS continued to improve the accuracy and completeness of its responses to requests for information covered by the FOIA. IRS Disclosure personnel continued to follow required procedures on all 61 FOIA/Privacy Act requests TIGTA reviewed. The IRS also properly adhered to the legal requirements

under I.R.C. § 6103 in all 65 requests TIGTA reviewed.

Since Fiscal Year 2000, the IRS has made significant improvement in responding timely to FOIA/Privacy Act requests. The increase in responsiveness may, in part, be due to the continued decrease in the numbers of FOIA/Privacy Act requests received since our first review in Fiscal Year 2000.

### WHAT TIGTA RECOMMENDED

Although TIGTA made no recommendations in this report, IRS officials were provided an opportunity to review the draft report. IRS management did not provide any report comments.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

September 6, 2011

**MEMORANDUM FOR** COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED  
DIVISION

*Michael R. Phillips*

**FROM:**

Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:**

Final Audit Report – The Office of Disclosure Continues to Improve  
Compliance With the Freedom of Information Act Requirements  
(Audit #201130010)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) improperly withheld information requested by taxpayers in writing based on the Freedom of Information Act (FOIA)<sup>1</sup> exemption (b)(3), in conjunction with Internal Revenue Code (I.R.C.) Section (§) 6103,<sup>2</sup> and/or FOIA exemption (b)(7) or by replying that responsive records were not available.

The Treasury Inspector General for Tax Administration is required to conduct periodic audits to determine if the IRS properly denied taxpayers' written requests for tax account information. We are also required to include the results in one of our Semiannual Reports to Congress. This is our twelfth review of denials of FOIA, Privacy Act of 1974,<sup>3</sup> and I.R.C. § 6103 requests.

Although we made no recommendations in this report, we did provide IRS officials an opportunity to review the draft report. IRS management did not provide us with any report comments.

Copies of this report are also being sent to the IRS managers affected by the report. Please contact me at (202) 622-6510 if you have questions or Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations), at (202) 622-8510.

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<sup>1</sup> 5 U.S.C.A. § 552 (2010).

<sup>2</sup> I.R.C. § 6103 (2009).

<sup>3</sup> 5 U.S.C. § 552a (2010).



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*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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## *Table of Contents*

<b>Background</b> .....	Page 1
<b>Results of Review</b> .....	Page 4
The Internal Revenue Service Has Taken Steps to Effectively Manage Its Freedom of Information Act Backlog; However, the Fiscal Year 2011 Goal May Not Be Met .....	Page 4
Managerial Controls Effectively Ensured That Disclosure Employees Properly Responded to Freedom of Information Act, Privacy Act, and Internal Revenue Code Section 6103 Requests for Information ....	Page 5
Freedom of Information Act and Privacy Act Requests Were Generally Responded to Timely by the Internal Revenue Service .....	Page 7
<b>Appendices</b>	
Appendix I – Detailed Objective, Scope, and Methodology .....	Page 10
Appendix II – Major Contributors to This Report .....	Page 13
Appendix III – Report Distribution List .....	Page 14
Appendix IV – Outcome Measure .....	Page 15
Appendix V – Prior Treasury Inspector General for Tax Administration Freedom of Information Act Reports .....	Page 16



*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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## *Abbreviations*

AFOIA	Automated Freedom of Information Act
E-DIMS	Electronic-Disclosure Information Management System
FOIA	Freedom of Information Act
FY	Fiscal Year
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
SB/SE	Small Business/Self-Employed
U.S.	United States



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*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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## *Background*

### **Statutory requirements**

The Internal Revenue Service (IRS) Restructuring and Reform Act of 1998<sup>1</sup> requires the Treasury Inspector General for Tax Administration to:

*... conduct periodic audits of a statistically valid sample of the total number of determinations made by the Internal Revenue Service to deny written requests to disclose information to taxpayers on the basis of section 6103<sup>2</sup> of this title<sup>3</sup> or section 552(b)(7) of title 5, United States Code.<sup>4</sup>*

The three primary laws that govern the types of requests for information reviewed in this audit are:

**The Freedom of Information Act (FOIA)** requires Federal Government agencies to make records available to the public upon request unless specifically exempted. Information that is “specifically exempted from disclosure by statute” is one of the exemptions. Internal Revenue Code (I.R.C.) Section (§) 6103 is an example of such a statute; it protects the confidentiality of tax returns and return information. Records or information compiled for law enforcement purposes are also exempt from disclosure under the FOIA.

***The FOIA requires agencies to make records of the Federal Government available to the public upon request unless specifically exempted.***

**The Privacy Act of 1974 (Privacy Act)**<sup>5</sup> prohibits Federal Government agencies from relying on any exemption in the Privacy Act to withhold records that are otherwise available to an individual under the FOIA.

**I.R.C. § 6103**, while protecting the confidentiality of taxpayers’ returns and return information, does allow the taxpayer, or a person designated by the taxpayer, to request and receive the taxpayer’s specific documents and information.

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<sup>1</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.). The requirements for this audit are in § 1102 (d)(3)(A) of the statute.

<sup>2</sup> I.R.C. § 6103 (2009).

<sup>3</sup> 26 U.S.C. (2009).

<sup>4</sup> Freedom of Information Act, 5 U.S.C.A. § 552 (2010).

<sup>5</sup> U.S.C. § 552a (2010).



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*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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### **IRS processing and reporting of FOIA cases**

Within the IRS, the Small Business/Self-Employed (SB/SE) Division Office of Communications, Liaison, and Disclosure (through its Governmental Liaison and Disclosure Branch) is responsible for ensuring compliance with the FOIA, the Privacy Act, and I.R.C. § 6103. The Office of Disclosure within the Governmental Liaison and Disclosure Branch sets policy and issues instructions, guidelines, and procedures to ensure compliance with the disclosure statutes.

The Office of Disclosure within the SB/SE Division processes the FOIA/Privacy Act requests and the I.R.C. § 6103 requests received by the IRS. In the United States (U.S.) Department of the Treasury FOIA Annual Report to the Attorney General for Fiscal Year (FY) 2010, the IRS reported that a total of 12,300 FOIA/Privacy Act cases were processed. This represents a decrease of 15.2 percent from the 14,507 FOIA/Privacy Act cases processed during FY 2009. The IRS attributes this decrease to:

- A decrease in the number of frivolous requests.
- An increase in IRS employee awareness of what types of documents can be released to taxpayers without formal FOIA/Privacy Act requests.
- Taxpayers being able to receive more information from IRS web sites without having to make formal requests.

The U.S. Department of the Treasury FOIA Annual Report for FY 2010 also reported that the IRS denied or partially denied information to requestors in 2,300 (18.7 percent) of the 12,300 FOIA/Privacy Act cases processed in FY 2010. It advised requestors that there were no records responsive to requests in 1,204 (9.8 percent) of the 12,300 cases. The remaining cases were either granted in full or closed for miscellaneous reasons, such as the request was improper or had been previously granted.

### **Audit limitations and standards**

Individual IRS Disclosure offices or other IRS offices having custody of the records processed written requests for information made under I.R.C. § 6103. While the IRS is not required to track all requests made under I.R.C. § 6103, it has elected to do so for requests received by its Office of Disclosure. The Office of Disclosure used the IRS's Electronic-Disclosure Information Management System (E-DIMS)<sup>6</sup> and the Automated Freedom of Information Act (AFOIA) System<sup>7</sup> to track requests made under the FOIA/Privacy Act for FY 2010. Requests made under I.R.C. § 6103 that were received and processed by IRS offices other than the Office of

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<sup>6</sup> The primary automated information system used by Governmental Liaison and Disclosure Branch staff for inventory tracking, work planning, statistical management reports, daily time tracking, etc.

<sup>7</sup> In February 2010, the IRS began implementing the AFOIA System, which will eventually replace the E-DIMS and become the primary automated information system used by the Governmental Liaison and Disclosure Branch.



*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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Disclosure are not controlled on the E-DIMS or the AFOIA System or otherwise inventoried. Consequently, the volume of these requests is not known. As a result, we can statistically sample only the I.R.C. § 6103 requests processed directly by the IRS Office of Disclosure and tracked on the E-DIMS and the AFOIA System.

Beginning in February 2006, the responsibility for processing some requests for I.R.C. § 6103 tax compliance checks and transcripts was transferred from the SB/SE Division Office of Disclosure to the Wage and Investment Division Return and Income Verification Services Units. The SB/SE Division continues to process the FOIA/Privacy Act requests for information. The transfer of responsibility for processing of tax compliance checks and transcripts to the Return and Income Verification Services Units resulted in an increase in our scope limitation for this and future years' audits because the Wage and Investment Division does not record the I.R.C § 6103 cases on the E-DIMS or the AFOIA System. We reviewed only those requests processed by the SB/SE Division Office of Disclosure that were denied during the period October 1, 2009, through September 30, 2010. We determined that the IRS Office of Disclosure processed 12,962 requests made under I.R.C. § 6103 during this 12-month period.

This review was performed at the Governmental Liaison and Disclosure Branch, SB/SE Division, in New Carrollton, Maryland, during the period January through May 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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## *Results of Review*

Based on the sample of cases we reviewed, overall, the IRS continues to improve its service to persons who requested information under the FOIA/Privacy Act. The IRS adhered to FOIA/Privacy Act requirements and properly withheld, when applicable, information from requestors in all 61 sample cases reviewed. Also, except for one FOIA/Privacy Act case, the Office of Disclosure responded timely to the requestors. In addition, the IRS adhered to legal requirements under I.R.C. § 6103 in all 65 sample cases we reviewed.

### ***The Internal Revenue Service Has Taken Steps to Effectively Manage Its Freedom of Information Act Backlog; However, the Fiscal Year 2011 Goal May Not Be Met***

Ultimately, the IRS relies on its disclosure personnel to ensure requests under the FOIA are handled timely and in accordance with laws and regulations. At the top of the agency, a broad policy statement and the Internal Revenue Manual provide guidance nationwide to disclosure personnel. The policy statement, among other things, affirms the IRS's commitment to full compliance with the FOIA and administering it in a manner consistent with "the fundamental values held by our society, including public accountability, safeguarding national security, enhancing the effectiveness of law enforcement agencies and the decision-making processes, protecting sensitive business information, and protecting personal privacy."

Besides providing assurances that FOIA requests are handled timely and in accordance with laws and regulations, the IRS continues in its efforts in carrying out its responsibilities to reduce inventory backlog under the Government-wide "*Improving Agency Disclosure of Information*" initiative. The IRS has taken steps to effectively manage its FOIA backlog. For example, the IRS Data Services produces a weekly inventory monitoring report, which the Office of Disclosure uses to break down the inventory per available caseworker. The Office of Disclosure also has weekly overage reports and monthly Workplan Monitoring reports, both of which include FOIA inventory and backlog information in order to manage their case inventories.

As shown in Figure 1, statistics provided by the Office of Disclosure show that the IRS has continued to improve in its reduction of the backlogs of FOIA requests in the past years. Specifically, there was a 35 percent decrease in the number of cases that were in backlog during FY 2010 (118 cases) as compared to the number in backlog in FY 2009 (182 cases). Reducing the number of cases in backlog is particularly important because it is designed to address the primary reason response time periods are not met under the FOIA.

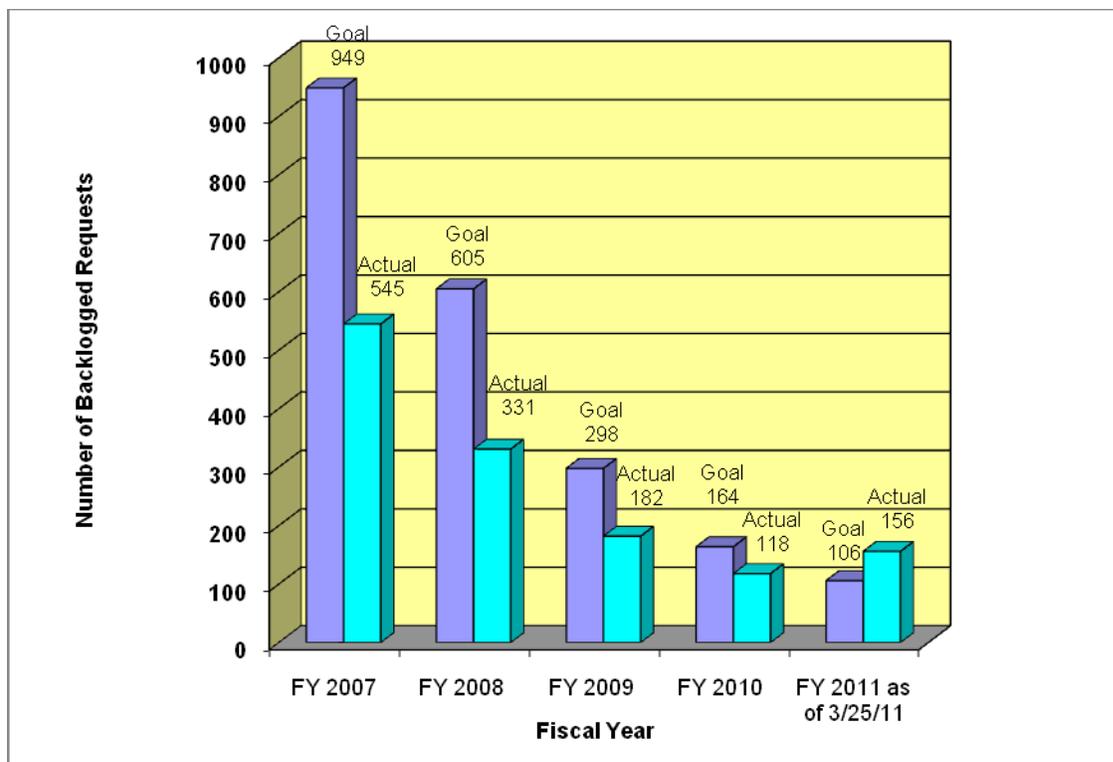
The IRS's FY 2011 backlog goal is to reduce its September 30, 2010, backlog of 118 cases by 10 percent to 106 cases. However, the IRS does not expect to meet this reduction in backlog



*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

goal this year. The primary reason for this is the inability to fill case processing vacancies, which is currently at 32, about 20 percent of the authorized staffing level. Training and implementation issues related to the AFOIA system have also affected the IRS's ability to reduce backlog. On September 30, 2010, 118 cases were in backlog and, as of March 25, 2011, there were 156 cases in backlog. This represents a 32 percent increase in backlog since the beginning of FY 2011. Figure 1 shows the trending of backlogged FOIA requests from FY 2007 through FY 2011, as of March 25, 2011.

**Figure 1: Inventory of Backlogged FOIA Requests**



Source: Unaudited data provided by the IRS Office of Disclosure, U.S. Department of the Treasury Freedom of Information Act Annual Report to the Attorney General, Fiscal Year 2010, and Treasury Inspector General for Tax Administration audit reports issued in FYs 2008–2010.

**Managerial Controls Effectively Ensured That Disclosure Employees Properly Responded to Freedom of Information Act, Privacy Act, and Internal Revenue Code Section 6103 Requests for Information**

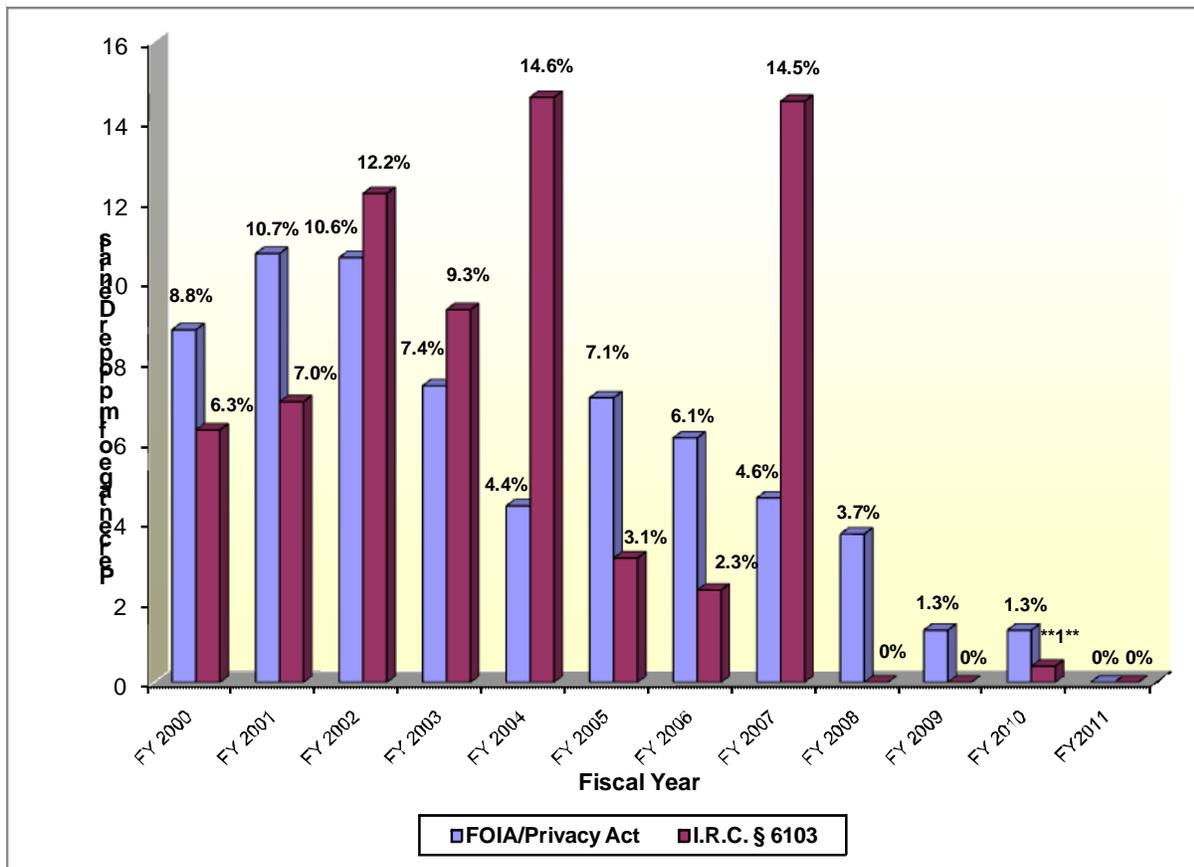
The IRS was consistent in its service to persons who requested information under the FOIA/Privacy Act and I.R.C. § 6103 based on the sample of cases we reviewed. The IRS continued to improve the accuracy and completeness of its responses to requests for information



*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

covered by the FOIA. Specifically, we found that IRS Disclosure personnel continued to follow required procedures on all 61 FOIA/Privacy Act requests reviewed. The IRS also properly adhered to the legal requirements under I.R.C. § 6103 in all 65 requests reviewed. Figure 2 shows the audit results for FYs 2000 through 2011.

**Figure 2: Improper FOIA/Privacy Act and I.R.C. § 6103 Request Withholdings**



Source: Treasury Inspector General for Tax Administration audit reports issued in FYs 2000–2011. Percentages were rounded to the closest tenth.

As previously discussed, the IRS relies on its disclosure personnel to ensure that requests under the FOIA are handled in accordance with laws and regulations. The Internal Revenue Manual provides guidance to disclosure personnel nationwide. Throughout the Internal Revenue Manual, personnel are instructed to properly document in case files all aspects of their work during the receipt, control, research, response, and closing phases of requests. This documentation is important because it provides the principal evidence that procedures were followed, as well as the foundation for other control processes such as management reviews.



*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

Prior to September 2008, the Office of Disclosure used a Balanced Measures Review Process to identify and correct potential problems with responses to FOIA/Privacy Act requests. In January 2008, the final Balanced Measures Review Team report was issued. The Balanced Measures Review Team examined a sample of FOIA/Privacy Act cases twice a year to 1) assess how well personnel were meeting the standards for accuracy, completeness, and timeliness; 2) communicate areas of concern to top management; 3) identify potential training needs; and 4) improve work processes.

During FY 2009, the Office of Disclosure implemented a Disclosure Quality Management System, which is designed to institutionalize a real-time national process for monitoring the quality of all Office of Disclosure work. The Disclosure Quality Management System process reviews all Office of Disclosure work assignments annually whereas the former Disclosure Balanced Measures Review Team reviewed only FOIA/Privacy Act cases biannually. As shown in Figure 3, the percentages of cases meeting each of the standards have remained consistent (around 90 percent) since July 2005.

**Figure 3: Quality Measures Review Results**

Standard	July 2005	January 2006	July 2006	January 2007	July 2007	January 2008	December 2009	December 2010
Accuracy	88%	91%	93%	89%	91%	91%	94%	94%
Completeness	92%	95%	95%	95%	96%	96%	95%	96%
Timeliness	87%	95%	95%	91%	97%	96%	98%	98%

*Source: IRS Office of Disclosure Balanced Measures Review Reports and Disclosure Quality Management System Report.*

Disclosure managers, who are responsible for the quality of work done locally by the personnel they manage, conduct these reviews using the Disclosure Quality Management System. By reviewing ongoing work, managers attempt to identify problems and correct potential problems before they have an adverse effect on taxpayers.

***Freedom of Information Act and Privacy Act Requests Were Generally Responded to Timely by the Internal Revenue Service***

The FOIA requires Federal Government agencies to respond within 20 business days of the receipt of a request or, if the 20 days are not sufficient, to notify the requestor of the reason why the request cannot or will not be filled. If they are unable to respond to a request within the time limit, Federal Government agencies are required to immediately notify the requestor of this fact, of the reasons why they are unable to respond, and of the requestor's right to appeal.

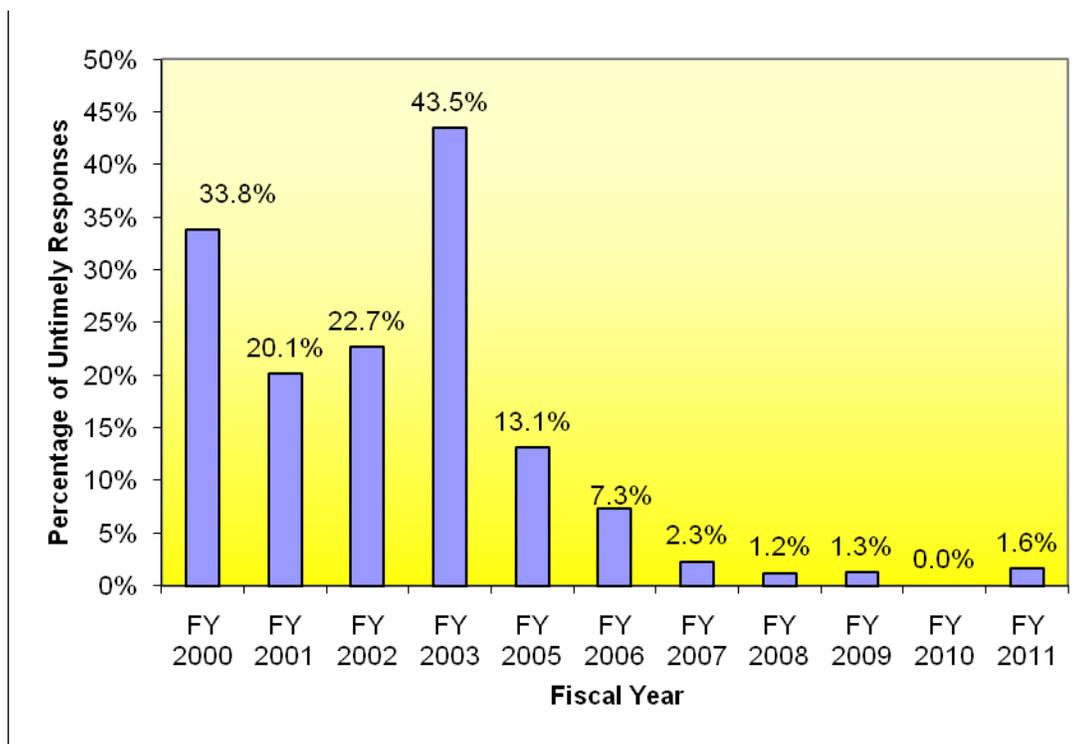


*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

The due date for a FOIA request is revised when the IRS sends a letter to the requestor exercising its right for an automatic 10-day extension and/or requesting a voluntary extension in excess of the initial statutory 20-day period for FOIA requests. The requestor must agree to the voluntary extension, and the IRS must notify the requestor of its ability to respond by the end of the extension period. A case is untimely when the IRS responds to the requestor after the due date. For Privacy Act cases, the IRS must respond within 30 business days of the taxpayer's request.

Since FY 2000, the IRS has made significant improvement in the timeliness of responses to FOIA/Privacy Act requests. In our audits over the previous 11 years,<sup>8</sup> the percentages of untimely responses ranged from zero percent to 43.5 percent. The increase in responsiveness may, in part, be due to the continued decrease in the numbers of FOIA/Privacy Act cases received during FY 2010 compared to FY 2009 and the prior years this review has been conducted. Figure 3 shows the percentages of untimely cases we have reported since FY 2000.

**Figure 3: Comparison of Untimely FOIA/Privacy Act Responses**



Source: Treasury Inspector General for Tax Administration audit reports issued in FYs 2000–2011. Percentages were rounded to the closest tenth.

<sup>8</sup> We did not evaluate the timeliness of responses to FOIA and Privacy Act requests in the FY 2004 audit because the IRS was in the process of implementing our recommendations to improve timeliness.



*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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The results of our last three audits (reports issued FYs 2009, 2010, and 2011) found that the IRS has remained relatively consistent in providing responses to requestors within the statutory time periods. During our review of the FY 2010 FOIA/Privacy Act requests, only 1 (1.64 percent) of the 61 FOIA/Privacy Act cases was found to have an untimely response. According to the IRS, the response was late because the caseworker was delayed in reviewing documents due to attending a training class, and that the requestor was contacted after the statutory deadline date and agreed to accept a late response. When the sample results are projected to our population of 2,741 cases closed during the period October 1, 2009, through September 30, 2010, the results indicate that approximately 45 FOIA/Privacy Act requests were not processed timely. The projection is based on a 90 percent confidence level. We expect the number of requestors who may have received untimely responses to range from 2 to 207 cases.



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*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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## **Appendix I**

### *Detailed Objective, Scope, and Methodology*

The overall objective of this review was to determine whether the IRS improperly withheld information requested by taxpayers in writing based on the FOIA<sup>1</sup> exemption (b)(3), in conjunction with I.R.C. § 6103,<sup>2</sup> and/or FOIA exemption (b)(7) or by replying that responsive records were not available. To accomplish this objective, we:

- I. Identified any changes to the policies, operating procedures, systems, documents/files, risks, laws, and regulations related to the receipt, disposition, and resolution or denials of requests for information under the FOIA that have occurred since last year's review.
- II. Identified the management controls that are in place to ensure the timely and proper receipt, disposition, and resolution or denials of requests for information under the FOIA.
- III. Determined whether the IRS properly adhered to statutory FOIA and Privacy Act of 1974 (Privacy Act)<sup>3</sup> requirements, as well as procedural requirements.
  - A. Obtained an extract from the AFOIA System and the E-DIMS for the period October 1, 2009, through September 30, 2010, and identified 2,741 FOIA/Privacy Act cases closed as denied or partially denied based on FOIA exemption (b)(3), in conjunction with I.R.C. § 6103, or on FOIA exemption (b)(7) or where the IRS replied responsive records did not exist. We validated the data extract by performing specialized queries.
  - B. Designed an attribute sample based on a confidence level of 90 percent, an expected error rate of 6 percent, and an estimated precision of  $\pm 5$  percent. Based on these parameters, a statistically valid sample size was 61 cases. This sampling methodology was chosen so we could project the number of cases with improper withholdings to the universe of cases that were partially or fully denied based on FOIA exemption (b)(3), in conjunction with I.R.C. § 6103, and/or FOIA exemption (b)(7), or for which requestors were told records were not available. We increased the attribute sample size from 61 cases to 81 cases to account for the possibility that some case files would be unavailable. For the 81 randomly selected cases requested, we received 61 case files.

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<sup>1</sup> 5 U.S.C.A. § 552 (2008).

<sup>2</sup> I.R.C. § 6103 (2009).

<sup>3</sup> 5 U.S.C. § 552a (2010).



*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

- C. Reviewed the 61 sampled cases and determined whether the decision to withhold information was appropriate, the record search was adequate, and the determination was made in a timely manner.
  - D. Projected the number of untimely determinations in the range of 2 to 207 (0.08 percent to 7.54 percent) for FOIA/Privacy Act cases that were partially or fully denied based on FOIA exemption (b)(3), in conjunction with I.R.C. § 6103, and/or FOIA exemption (b)(7), or for which requestors were told records were not available. The projection was made using the Exact Binomial method for attribute sampling, with a 90 percent confidence level and an actual error rate of 1.64 percent. As a result, the actual precision factors were -1.56 percent and 5.90 percent. The accuracy of our projection was reviewed and confirmed by our contracted statistician.
  - E. Discussed all exception cases with Office of Disclosure personnel.
  - F. Reviewed the U.S. Department of the Treasury FOIA Annual Report to the Attorney General for FY 2010 showing various statistics for FOIA/Privacy Act cases, including appeals and closures. This information was not independently verified because the accuracy of these statistics did not affect the accomplishment of our audit objective.
- IV. Determined whether the IRS Office of Disclosure is adhering to legal requirements when denying written requests received from taxpayers under I.R.C. § 6103.
- A. From the national extract obtained for Step III. A., identified 12,962 I.R.C. §§ 6103 (c) and (e) requests.
  - B. Designed an attribute sample based on a confidence level of 90 percent, an expected error rate of 6.3 percent, and an estimated precision of  $\pm 5$  percent. Based on these parameters, the size of the statistically valid sample was 65 cases. This sampling methodology was chosen because it would allow us to project the number of cases with improper withholdings to the universe of closed I.R.C. §§ 6103 (c) and (e) requests for which information was partially or fully denied or for which the IRS replied that responsive records did not exist.
  - C. Selected a random sample of 400 of the 12,962 I.R.C. §§ 6103 (c) and (e) closed cases and requested case files for 400 cases from the IRS. We selected a larger sample size to account for the possibility that some case files would be unavailable and/or the cases received would not meet our objective criteria. We reviewed the cases received to identify the necessary 65 cases for our sample that included instances in which information was partially or fully denied or in which the IRS replied that responsive records did not exist.



*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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- D. Reviewed the 65 cases identified and determined whether the decision to withhold the information based on I.R.C. § 6103 was appropriate.

**Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: IRS policies, operating procedures, systems, laws, and regulations related to the receipt, disposition, and resolution or denials of requests for information under the FOIA to evaluate whether the IRS improperly withheld information requested by taxpayers in writing. We evaluated these controls by reviewing source materials, interviewing management, and reviewing a sample of closed FOIA/Privacy Act and I.R.C. § 6103 cases.



*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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## **Appendix II**

### *Major Contributors to This Report*

Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations)

Frank Dunleavy, Director

Michelle Philpott, Audit Manager

Donna Saranchak, Lead Auditor

William Tran, Senior Auditor

Bridgid Shannon, Auditor



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*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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## **Appendix III**

### *Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Commissioner for Services and Enforcement SE  
Deputy Commissioner, Small Business/Self-Employed Division SE:S  
Director, Communications, Liaison, and Disclosure, Small Business/Self-Employed Division  
SE:S:CLD  
Director, Governmental Liaison and Disclosure, Small Business/Self-Employed Division  
SE:S:CLD:GLD  
Chief, Disclosure, Small Business/Self-Employed Division SE:S:CLD:GLD:D  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaison: Commissioner, Small Business/Self-Employed Division SE:S:CLD



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*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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## **Appendix IV**

### *Outcome Measure*

This appendix presents detailed information on the measurable impact that the results of our audit will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

#### **Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; 45 responses to FOIA/Privacy Act requests were not processed within the required statutory time periods during the 12-month period October 1, 2009, through September 30, 2010 (see page 7).

#### **Methodology Used to Measure the Reported Benefit:**

- We reviewed a statistically valid sample of 61 cases from a population 2,741 FOIA/Privacy Act requests closed nationally during the period October 1, 2009, through September 30, 2010, as either a:
  - 1) Full or partial denial with either FOIA exemption (b)(3), in conjunction with I.R.C. § 6103, and/or FOIA exemption (b)(7) cited as one of the reasons for withholding information.
  - 2) Request for which the IRS replied that responsive records did not exist.
- We identified one case where the IRS's response was issued after the statutory due date.
- Based on our sample error rate of 1.64 percent (1/61) and a confidence level of 90 percent, we calculated the number of untimely responses to be 45 [2,741 x 1.64 percent], with a range of 2 to 207. We arrived at the estimate by multiplying the number of requests closed as 1) or 2) as listed in the prior paragraph by the percentage of untimely responses identified in our sample. The projection was made using the Exact Binomial method for attribute sampling, with a confidence level of 90 percent and an actual error rate of 1.64 percent. As a result, the actual precision factors were -1.56 percent and 5.90 percent.



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*The Office of Disclosure Continues to Improve Compliance  
With the Freedom of Information Act Requirements*

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## **Appendix V**

### *Prior Treasury Inspector General for Tax Administration Freedom of Information Act Reports*

*Taxpayers Should Be Provided Timely Service When Appealing Denied Requests Under the Freedom of Information Act* (Reference Number 2000-10-116, dated August 15, 2000).

*The Internal Revenue Service Should Continue Taking Action to Improve Compliance With the Freedom of Information Act and Related Procedures* (Reference Number 2001-10-112, dated July 25, 2001).

*Actions Should Continue to Be Taken to Improve Compliance With the Freedom of Information Act and Related Procedures* (Reference Number 2002-10-093, dated May 20, 2002).

*Opportunity for Improvement Exists for Compliance With the Freedom of Information Act and Related Procedures* (Reference Number 2003-10-164, dated August 22, 2003).

*Improvements Are Needed to Ensure Compliance With the Freedom of Information Act* (Reference Number 2004-40-064, dated March 30, 2004).

*Some Improvements Have Been Made to Better Comply With Freedom of Information Act* (Reference Number 2005-10-089, dated May 26, 2005).

*Compliance With Freedom of Information Act Requirements Has Increased* (Reference Number 2006-10-129, dated August 31 2006).

*The Office of Disclosure Can Improve Compliance With the Freedom of Information Act Requirements* (Reference Number 2007-10-133, dated August 31, 2007).

*The Office of Disclosure Continued to Improve Compliance With the Freedom of Information Act Requirements* (Reference Number 2008-30-164, dated August 29, 2008).

*The Office of Disclosure Continues to Improve Upon Its Response to Taxpayers' Requests Under the Freedom of Information Act* (Reference Number 2009-30-115, dated September 4, 2009).

*The Office of Disclosure Continues to Improve Compliance With the Freedom of Information Act Requirements* (Reference Number 2010-30-090, dated August 3, 2010).