

Welcome!

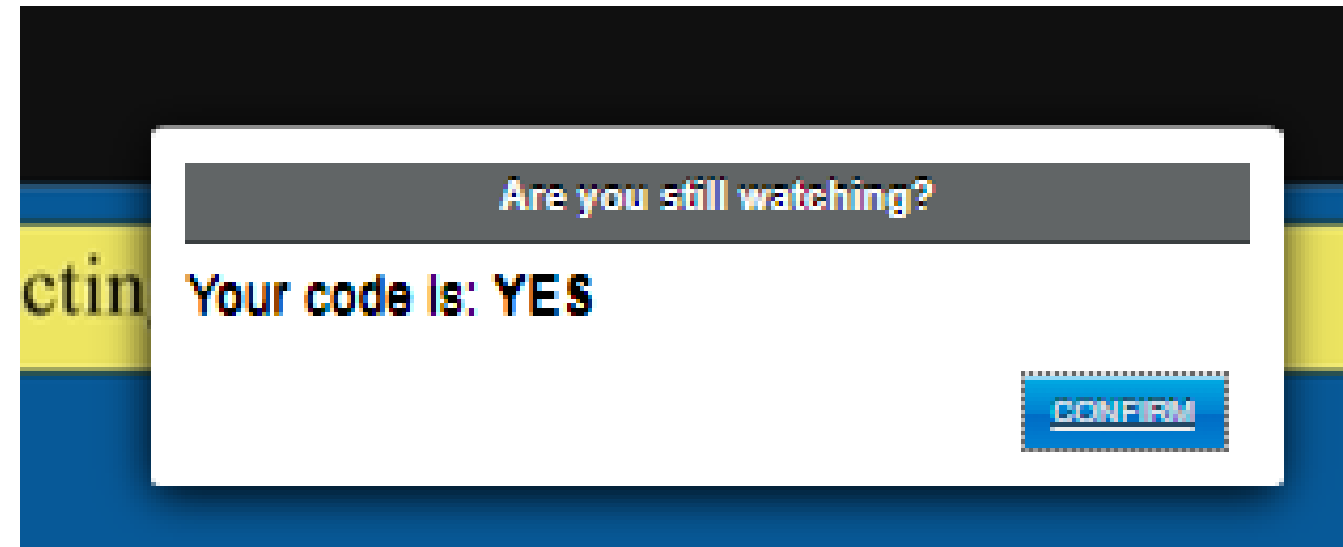
**The 11th Annual IRS
Representation
Conference**

Housekeeping Items

- ▶ CPE Certificates – will be handed out at the end of the program. Online Audience will receive a link if they do the online attendance checks
- ▶ Questions during the program? Please walk up to the Mic stands so the on-line audience can hear you. Online, please use the chat box
- ▶ Government Speakers – will be providing their own opinion and not the formal opinion of the government
- ▶ Facilities immediately outside, online stick to schedule

Housekeeping Items - Webcast

- ▶ On-Screen attendance checks
- ▶ MUST be on a PC or IPAD, **NO PHONES!**
- ▶ Please keep to our schedule
- ▶ Use the chat room for questions
- ▶ Link for certificate will be emailed to you after the on-screen attendance checks are tallied



Webcast – Having Issues?

Customer Care email: Registration@mylawcle.com

Customer Care Phone numbers :
877-406-8636

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EISNERAMPER

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Next Year's Conference...



Agenda

- ▶ 2:00 pm – 2:50 pm: How to Utilize IRS E-Services
- ▶ 2:50 – 3:00 pm: Break
- ▶ 3:00 – 4:00 pm: Data Security and the Fallout From a Data Breach: What Every Tax Pro Needs to Know
- ▶ 4:00 pm – 5:00 pm: The Role of the Forensic Accountant

How to Utilize IRS E-Services

Roger Nemeth, EA, NTPI Fellow

President, Tax Help Software

- Started managing tax franchises in 2006.
- Licensed as an Enrolled Agent in 2012.
- Created Audit Detective Transcript Reports in 2009.
- Worked as a programmer for the largest Tax Resolution Company integrating automated transcript systems into workflow programs.
- In 2022 - 2023 THS users logged 3.0 Billion successful transcript requests.
- Roger's classes have a 4.7 out of 5 approval rating with over 150,000 CE/CPE credit hours granted to CPA Academy attendees.



**Tax Help
Software**TM

Presentation Overview

E-Services are a suite of web-based tools that allow Tax professionals, and others, to conduct online transactions with the IRS including access to taxpayer transcripts. The IRS continues to expand and improve online services, which should accelerate with funding from the Inflation Reduction Act (IRA). Planned improvements include integrations with taxpayer accounts (including some notices), quicker access to transcripts, and more tools for tax pros. Online integrations and services have evolved over the last few years and will bring more change to the industry in the years ahead. This webinar will walk you through e-Services; signing up, accessing tools, and future developments.

ID.me The Gateway To e-Services

ID.me Registration/Validation Options

Self Service (Biometric Data)

75% Success Rate

- Recommended method to verify.
- It takes 5-10 minutes to complete.
- Your selfie and biometric information is automatically deleted within 24 hours of verification.

Video Call (No Biometrics)

- It takes approximately 5-10 minutes to complete, plus the wait time for the next available Video Chat Agent. You can also schedule a video call appointment for a day and time that's convenient for you.
- No biometric information will be collected in this option.

ID.me Self Service Option

Steps:

1. Follow the prompts to upload your US driver's license or state photo ID, OR select Change Document to upload a passport or passport card. You can take a photo of the document with your smartphone or upload one from your computer.
2. Take and submit a video selfie. Your selfie will only be used to confirm that the person in the selfie matches your government ID. Your selfie and biometric data will be deleted within 24 hours of verification, but you may request that ID.me delete your Biometric Data at any time.
3. Enter your Social Security Number. If you don't have a Social Security Number, select I don't have a Social Security number.
4. Review and confirm that all of your information is accurate, then select Yes. After ID.me verifies your identity, you will receive a confirmation message as a way to protect you from fraud.
5. If this process fails, you can opt for the Video Call.

ID.me Video Call

Steps:

1. Enter your personal information including name, SSN, DOB and address.
2. Select and send documents - most state and federal documents are acceptable.
 - a. You will see a complete list of acceptable documents during this process.
3. Review your documents
4. Upload your documents
5. Join the video call

Additional documentation may be needed in some circumstances:

- Proof of Name Change
- Proof of Social Security Number
- Proof of current address

Common ID.me Issues

- Already have an account either retail or IRS
 - Click the “Forgot Password” link on the log in page if you cannot remember your credentials.
- Want to change my email address/username
 - There is a process on ID.me support page that advises to add a new email (username) as a secondary and then change it to your primary. Once this is done you can remove the old email or leave it as your secondary.
- Picture resolution too high
 - If the resolution image of your ID is too high it may be rejected. You will need to Google how to take lower res pics or lower the resolution on an existing image.
- Error Code
 - Google “ID.me” + the error code or go to the ID.me support page

ID.me Started Throttling Logins During the 2023 Tax Season

ID.me

SYSTEM DELAY

We are experiencing a high volume of verification requests. Please hang on and refresh your screen after 10 minutes. We apologize for the delay.


[What is ID.me?](#) | [Terms](#) | [Privacy Policy](#)

Tax Pro Account

Your CAF Number and CAF address can now be viewed under Profile in your Tax Pro Account.

Hopefully in the future we will be able to change or update our address from this interface.

An official website of the United States Government [Here's how you know](#)



Tax Pro Account Home Authorization Requests Taxpayers

[Account Home](#) / Your Profile

Your Profile

Account Email and Password


To change your email address, password, and other account details, [update your sign-in settings](#).

Email Address	nemethrw@auditdetective.com
----------------------	-----------------------------

Centralized Authorization File (CAF) Number

View your CAF numbers and addresses of record. If you got a CAF number by filing Forms 2848 or 8821, you can link it to view taxpayers with active authorizations.

You can request one CAF number online for each address, limited to 5 total. To request more, [submit Forms 2848 or 8821](#).

CAF Number 	Address of Record
0309-12345	123 MAIN ST, HAVANA, FL 32333

[View Taxpayers](#)

[Link a CAF number](#) [Request a CAF number](#)



Welcome ROGER W NEMETH

i What's new

Need a Centralized Authorization File (CAF) number? [Get one now](#). No wait. No forms.

Already have one? [Link your CAF number](#) to view client tax information.

Request a CAF

Link your CAF

Request Authorization

You can send a request for Power of Attorney (POA) or Tax Information Authorization (TIA) to a taxpayer's account. To request POA or TIA, you need a [Centralized Authorization File \(CAF\) number](#) [↗](#). If you don't have one, [request a CAF number](#).

REQUEST POA


REQUEST TIA

Notifications

[📧 Get Notified by Email](#)
Sign up in [your profile](#).

Once you link your CAF Number to your tax pro account you will be able to see any taxpayers you have access CAF for.

An official website of the United States Government [Here's how you know](#) ▾

 ROGER W NEMETH | [Profile](#) | [Logout](#)

[Tax Pro Account Home](#) | [Authorization Requests](#) ▾ | **Taxpayers**

[Account Home](#) / [Taxpayers](#)

Taxpayers

Taxpayers with active authorizations recorded on the Centralized Authorization File (CAF).

Active Authorizations

To view authorization details, select a taxpayer name.

CAF Number: 0309-12345

Taxpayers are listed alphabetically with Taxpayer Identification Number (TIN). [?](#)

Taxpayer Name	TIN
AUDIT DETECTIVE LLC	**.*8713
AUDIT DETECTIVE LLC	**.*7981
NEMETH, REBECCA, REGISTER	***.*-9876
NEMETH, ROGER, WILLIAM	***.*-1234
SUNSHINE TAX SOLUTIONS LLC	**.*4340

Results Per Page: ▾

Page 1 of 1

Jump To:

< PREVIOUS 1 NEXT >

You can withdraw CAF authorizations from inside the tax pro account by clicking on a taxpayer.

We have been asking the IRS to allow bulk withdraw. It is unknown if the IRS will offer the bulk feature.

Authorization Details

NEMETH, REBECCA, REGISTER

TIN: 123-00-6789

Form 8821, Tax Information Authorization

Signature Date: 11/10/2021

Form Details

Tax Form	1040 Series
Periods	Dec 2000 - Dec 2024
Tax Form	1040 Series - Separate Assessment or Request for Innocent Spouse Relief
Periods	Dec 2000 - Dec 2024
Tax Form	Civil Penalty - Forms 8278, 2749, CVPN and TFRP
Periods	Mar 2000 - Dec 2004 Sep 2022 - Dec 2024 Mar 2005 - Jun 2022

Authorization Information

Communications Authorized to receive copies of notices and other written communications

[Back to Taxpayer Details](#)

Withdraw this Authorization

You can withdraw an authorization at any time. Once you withdraw, the authorization is immediately and permanently removed from the CAF database.

To withdraw this authorization, provide your electronic signature.

Electronic Signature

All fields with an asterisk (*) are required.

By checking this box, you are electronically signing your request to withdraw this authorization from the CAF database.*

WITHDRAW



You can view Taxpayer's payment history including Scheduled and Pending Payments.

An official website of the United States Government [Here's how you know](#)

IRS ROGER W NEMETH | Profile | Logout

Tax Pro Account Home | Authorization Requests | **Taxpayers**

[Account Home](#) / [Taxpayers](#) / Taxpayers Details

SMITH, JOHN, WILLIAM

TIN:123-00-6789

CAF number: 0309-12345

To view details for this taxpayer, select a tab.

⚠ Limitations: You can only view taxpayer details for the tax matters, forms and periods under your authorization. Details outside your authorization aren't shown.

Overview | Authorizations | Account Balance | **Payment Activity** | Payment Options

Payment Activity

+ Scheduled Payments

+ Pending Payments

- Processed Payments

View payments made in the past 5 years. Note that check or money order payments may take up to 3 weeks to show here.

This list does not include tax withholding.

* EFT: Electronic Funds Transfer

Date	Tax Year	Type	Payment Method	Amount	EFT Number*
Apr 5, 2024	2023	Balance Payment	Online Account	\$7,665.00	240449681322750
Jan 2, 2024	2023	Estimated Tax Payment	Online Account	\$3,000.00	240440273938889
Oct 10, 2023	2022	Balance Payment	Online Account	\$1,044.00	240368313586581

Depending on your client's outstanding tax debt you may have the option to set up an online Installment agreement.

Payment Options

All fields with an asterisk (*) are required.

Make a Payment

- ✓ No setup fee
- ✓ No additional penalties and interest if paid in full [?](#)

\$1,408.25

Balance Due

Pay other payment types such as:

- Amended Return [?](#)
- Estimated Tax [?](#)
- Extension [?](#)
- Proposed Tax Assessment [?](#)

Make a Payment [↗](#)

Short-Term Plan

- ✓ No setup fee
- \$ Lower penalties and interest [?](#)

Select one term*:

\$1,644.32
within 90 days

\$1,704.74
within 180 days

Apply for a Short-Term Plan

Long-Term Plan

- \$ Setup fee applies [?](#)
- \$ Higher penalties and interest [?](#)

Pay Monthly

View personalized plan terms and monthly amounts after you select a payment method option.

Select one option*:

Pay by Direct Debit
\$22 setup fee
Pay by automatic withdrawal

Pay by Other Method
\$69 setup fee
Pay manually each month via credit card or Make a Payment

Apply for a Long-Term Plan

New Features

The following slides are for new features scheduled for 2025 release.

Secure Messaging

Coming Soon

Welcome ROGER W NEMETH

What's new

Need a Centralized Authorization File (CAF) number? [Get one now](#). No wait. No forms.

Already have one? [Link your CAF number](#) to view client tax information.

Request Authorization

You can send a request for Power of Attorney (POA) or Tax Information Authorization (TIA) to a taxpayer's account. To request POA or TIA, you need a [Centralized Authorization File \(CAF\) number](#). If you don't have one, [request a CAF number](#).

[REQUEST POA](#)

[REQUEST TIA](#)

Your Requests

View authorization requests you sent to taxpayers through Tax Pro Account.


[View Your Requests](#)

Taxpayers

You can view taxpayers with active Authorizations recorded on the Centralized Authorization File (CAF) when you [link your CAF number](#).

[View Taxpayers](#)

Notifications

 [Get Notified by Email](#)
Sign up in [your profile](#).

Forms 2848 and 8821

You can also submit POA and TIA with [secure form upload](#).

Secure Messages

View and exchange messages and files with the IRS.

[ACCESS MESSAGING](#) 

[About Secure Messaging](#) 



Transcript Delivery

What is CAF

- **CAF = Centralized Authorization File** is the IRS database
- **CAF Number** = A CAF number is a unique nine-digit identification number and is assigned the first time you file a third-party authorization with IRS (8821/2848).
- **CAF Authorization** = When the CAF Unit enters the tax pros CAF Number as having authorization for the taxpayer. This authorization is not a blanket authorization it is for each module (Tax Year or Period) and each form (1040, 1120, Separate Assessment, Civil Penalties, etc...) listed on the 8821 or 2848.
- Tax Pros can have more than one CAF Number but the IRS has been trying to consolidate all tax pros to one for security purposes. Best Practice is to have ONE CAF Number for yourself.
 - A business entity can also get a CAF number assigned.

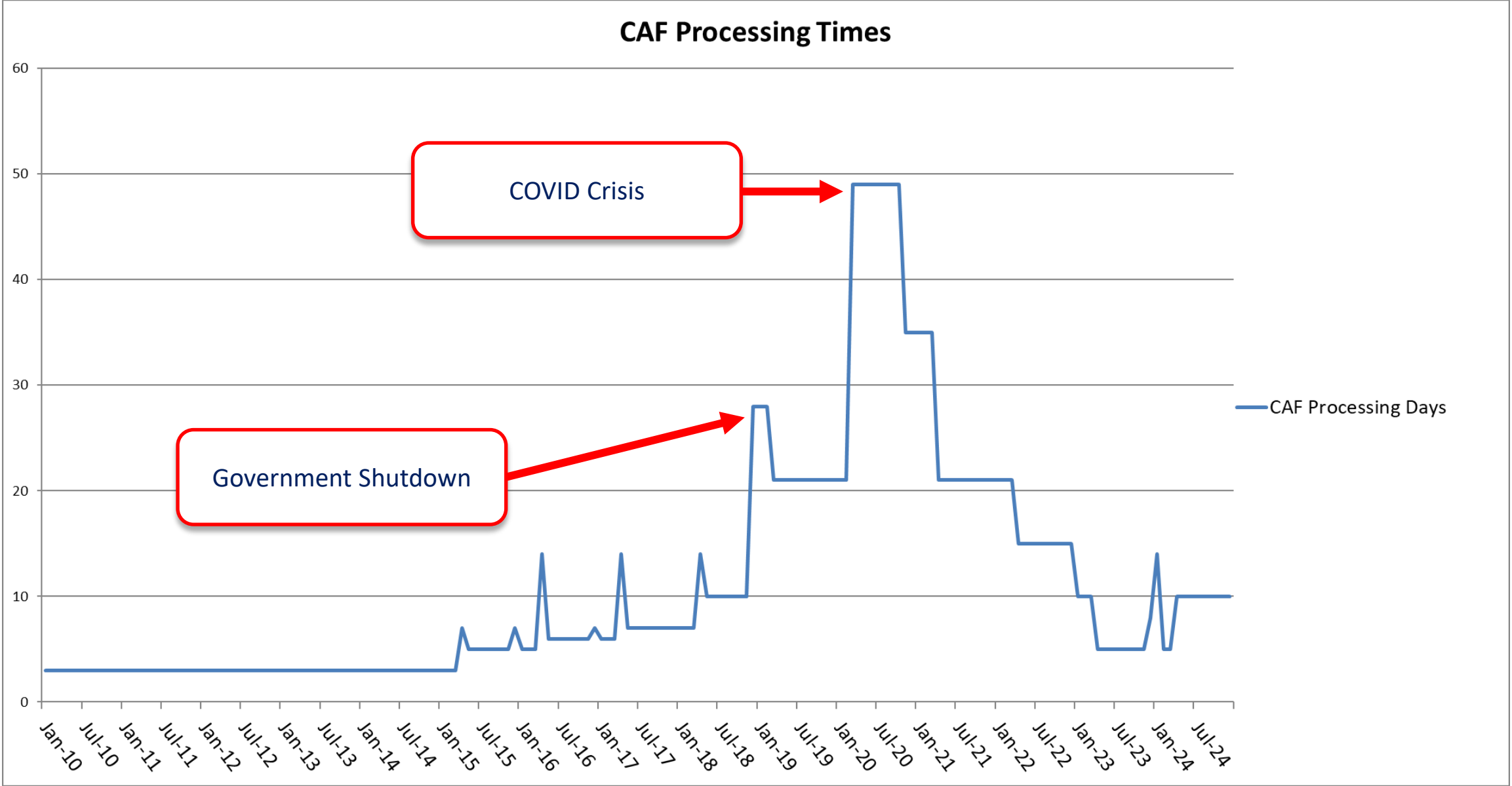
The Bottleneck

- Currently the largest obstacle Tax Professionals face is in getting permission to access their client's records.
- The processing of 8821/2848's by the Central Authorized File (CAF) Unit can take between 4 days and never (never = if the IRS has a fax issue and they don't even know they received the fax).
- Using the proven strategies in this presentation will significantly increase the acceptance rate of these forms.

2848 & 8821 Submission Methods

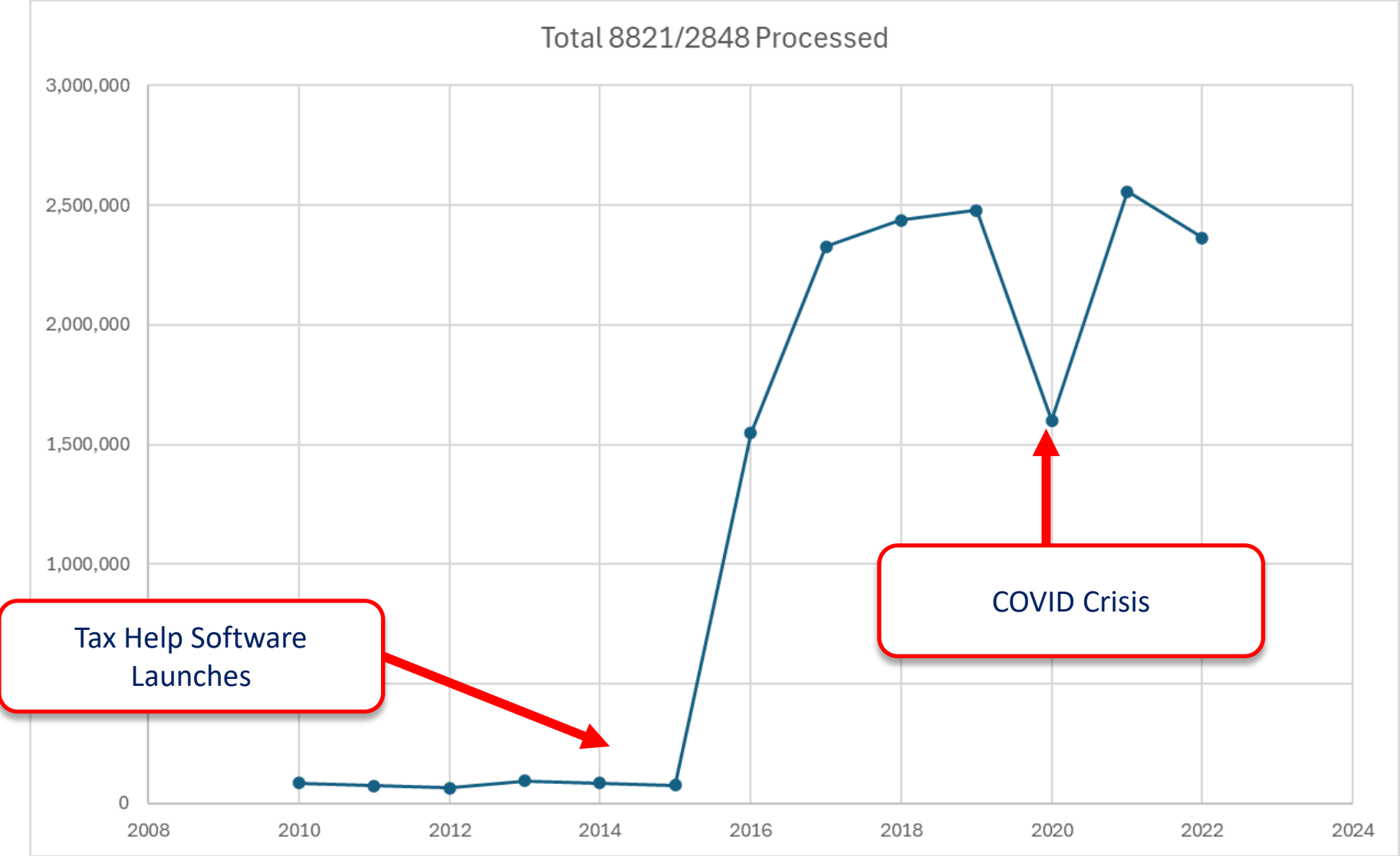
	FAX	MAIL	Digital Upload Portal <i>January 2021</i> <i>(Recommended)</i>	Online POA & TIA TAX PRO Account <i>July 2021</i>
Form(s)	2848 & 8821	2848 & 8821	2848 & 8821	Proprietary online POA/TIA
Signature	Wet Only	Wet Only	Wet or Electronic	None
Taxpayer Authorization	Sign & Date Form	Sign & Date Form	Sign & Date Form	Using IRS Account
Individual Tax Types	YES	YES	YES	YES
Business & Other Tax Types	YES	YES	YES	NO
How far back?	1990	1990	1990	2000

Historical CAF Processing Times



Historical 2848/8821 Processing

Information obtained via FOIA though early 2023

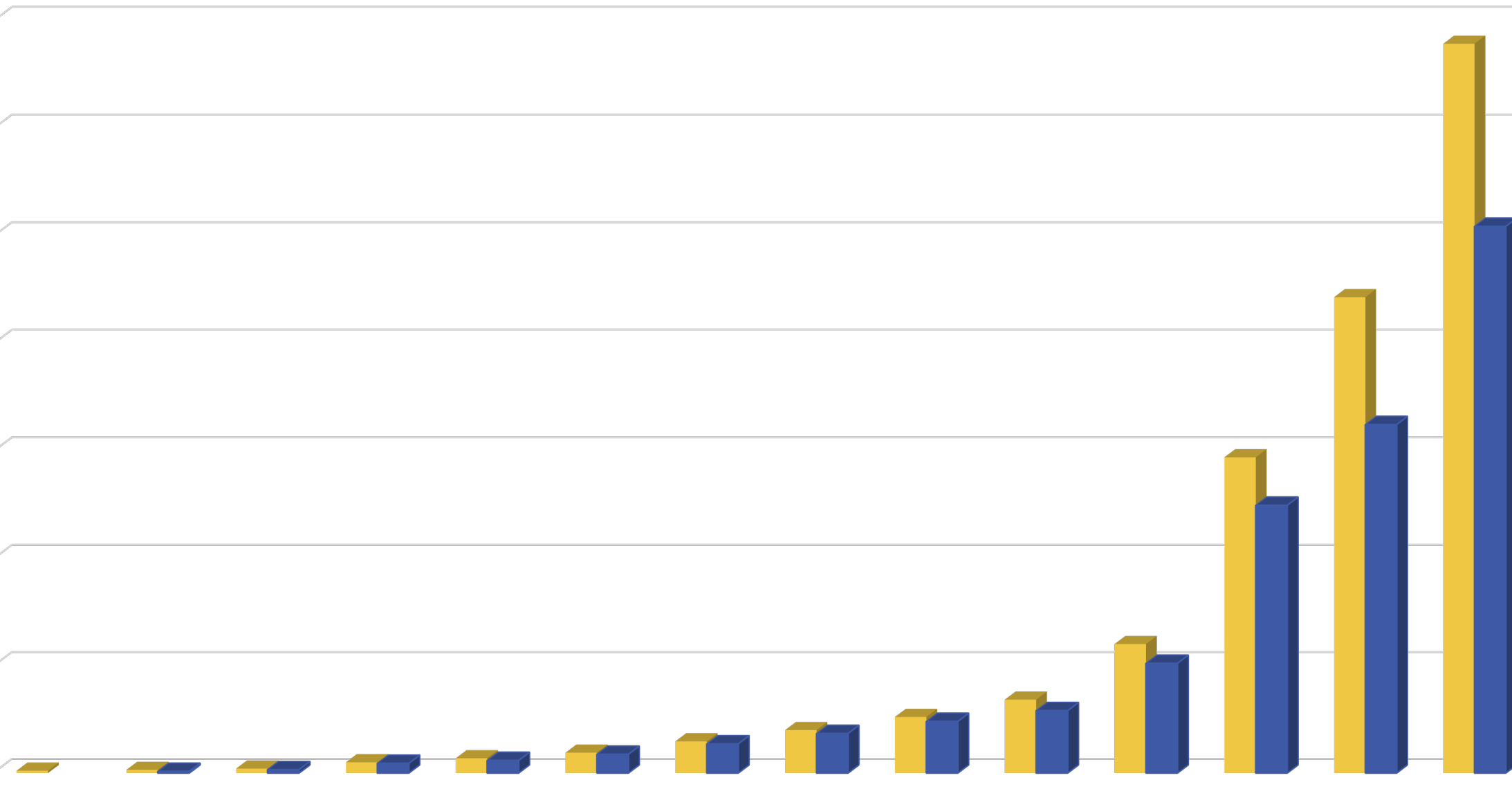


IRS E-Services Transcript Downloads

1,400,000,000
1,200,000,000
1,000,000,000
800,000,000
600,000,000
400,000,000
200,000,000
0

2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

■ E-Services Total ■ Tax Help Software Users



Recommended Upload Portal Process

- Recommendation is to use wet signatures.
 - It is OK for the taxpayer to fax or scan copies back to the tax pro.
- This allows the 2848/8821 to be submitted to both CAF Unit via Upload Portal and faxed to PPS/PPL/ACS for instant access to transcripts and other information requests while awaiting CAF processing (if needed).
- We will cover the e-Signature restrictions on the upcoming slides.

Upload Portal Drawbacks

- Unable to bulk upload multiple forms.
- Several questions must be answered for each form submitted.
 - What type of form?
 - Did taxpayer sign electronically remotely?
 - Attestation that tax pro verified identity?
 - Domestic or international taxpayer?
 - Then add taxpayer SSN, attach form, and submit.
- Confirmation e-Mail does not identify which taxpayer was received.
 - Not even some kind of unique tracking number.

Putting It All Together And Requesting Transcripts

Which method is best for your situation.

Transcript Request Options

Once CAF has been authorized for the tax pro to access taxpayer records

- Option 1: IRS e-Services Transcript Delivery System (**TDS**)
 - Tax pro logs in with e-Services credentials and requests transcripts in bulk for each taxpayer. Requires downloading and saving each individual transcript.
- Option 2: IRS TDS API
 - The API integrates with software like Tax Help Software (THS) that allows bulk transcript request and downloads. Current THS average is between 30,000 and 50,000 per hour.
- Option 3: Call IRS Practitioner Priority Service (**PPS**)
 - The tax pro can call PPS and request transcripts be placed in their e-Services SOR online mailbox.
 - The IRS limits PPS transcript requests to 5 taxpayers per call and 30 transcripts per taxpayer.
 - The Tax Pro can use Tax Help Software to download SOR transcripts in bulk or do it one by one by logging into IRS TDS.

INSTANT ACCESS

- If a tax pro needs transcripts immediately, or if there is not enough time to submit to CAF and wait, the Tax Pro can call PPS and FAX the signed 8821 or 2848 directly to PPS to request transcripts by placed in their e-Services SOR online mailbox. These can be downloaded manually one by one or in bulk with THS.
- The tax pro can also request the 8821 or 2848 be forwarded to CAF. Do not request it be forwarded if you already submitted to the CAF Unit.

IRS Document Upload Tool

<https://apps.irs.gov/app/digital-mailroom/>

How it Works

- The IRS built the capability for taxpayers to digitally submit online all correspondence and responses to notices and letters that **do not have a filing or payment action** via the Document Upload Tool. As a result, the IRS estimates more than 94% of individual taxpayers will no longer have to send mail to the IRS, potentially replacing up to 125 million paper documents per year. For anyone with a smart phone or computer, this means that replying to IRS notices is now often as easy as scanning required documents and uploading them to the tax agency.
- In June, the Document Upload Tool accepted its one millionth taxpayer submission.

How it Works

- Language on the notice informs the taxpayer to, "Send us your documents using the Documentation Upload Tool within 30 days from the date of this notice." It includes the link and a unique access code.
- The taxpayer can open the link in any browser and then input their unique code, their first and last name and their Social Security, Individual Taxpayer Identification or Employee Identification number.
- The taxpayer can then securely upload scans, photos or digital copies of documents (maximum of 15MB per file, up to 40 files).
- The taxpayer receives a confirmation that the IRS received their documents, and the IRS employee assigned the case can manage the transmitted documents.

What Notices Can You Respond to?

- [CP04](#), relating to combat zone status.
- [CP05A](#), information request related to a refund.
- [CP06](#) and [CP06A](#), relating to the Premium Tax Credit.
- [CP08](#), relating to the Child Tax Credit.
- [CP09](#), relating to claiming the Earned Income Tax Credit.
- [CP75](#), relating to the EITC.
- [CP75A](#), relating to the EITC.
- [CP75D](#), relating to the EITC and other credits.
- And More!

Sample CP523:

SB	
Notice	CP523
Tax Period	June 30, 2021
Notice date	August 12, 2024
Taxpayer ID number	XXXXXXXX
Page 3 of 7	


What you need to do immediately—
continued

006475

If you agree but can't pay the past due amount
Call 833-678-7020 to discuss the reason for default and provide us with your updated financial statement (Form 433-F). We may be able to restructure your installment agreement. If we agree, you'll have to pay an additional fee of \$89.

If you disagree with the past due amount
Call us at 833-678-7020 to review your account with a representative. Be sure to have your account information available when you call.

Right to request an appeal
You have the right to request an appeal to the IRS Independent Office of Appeals any proposed termination or termination of your installment agreement under the Collection Appeals Program. You can call 833-678-7020 or send a Collection Appeal Request (Form 9423). For more information about your appeal rights, including the time frame to request an appeal, see Publication 1660 (Collection Appeal Rights).
Send us your documents using the Documentation Upload Tool within 30 days from the date of this notice. To use the tool, scan the QR Code below or visit [IRS.gov/dutreply](https://www.irs.gov/dutreply) and enter access code 123ru-12345.

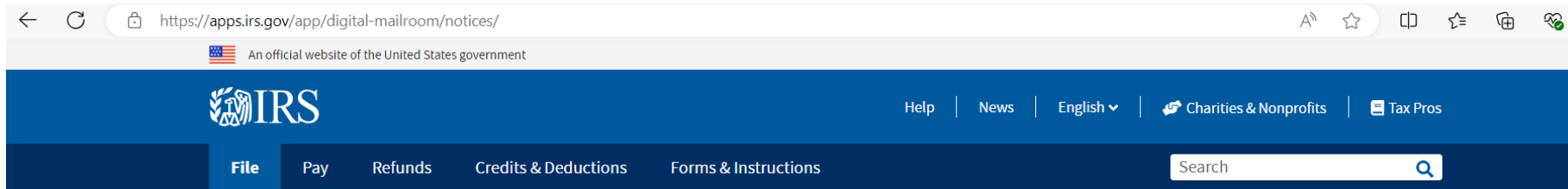


Scan here to reply and upload documentation
If we don't hear from you, we'll assume you agree with the information in this notice.

What you need to know

Notice of Intent to Levy
This notice is your Notice of Intent to Levy (Internal Revenue Code Section 6331 (d)).

What about Letter 11?:



Document Upload Tool

Welcome to the Document Upload Tool, the fastest way to respond to your IRS Notice digitally and securely.

Only submit a response to a notice or letter you have received from the IRS. Enter the requested information to securely upload and submit your documentation.

i Important

Thank you for visiting the Document Upload Tool. Your notice and/or letter requires a form of payment. Please review the instructions on your tax notice and/or letter to complete the requested payment, or visit [Make a Payment](#) to make your payment online.

All fields marked with an asterisk * are required.

Does your Notice (or Letter) have an access code listed? *

Yes No

Notice or Letter Number * [?](#)

LTRL11 - Final Notice -- Notice of inter

NEXT

Questions?

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nemethrw@auditdetective.com

15 Minute Coffee Break



Data Security and the Fallout of a Data Breach: What Every Practitioner Needs to Know!

TRN
TAX REP NETWORK

Speakers

- ▶ Joseph McCarthy, CPA, Internal Revenue Service
- ▶ Eric Green, Esq, Green & Sklarz LLC
- ▶ Dawn Brolin, CPA, CFE, Powerful Accounting LLC
- ▶ Steve Perkins, Invicta Advisors LLC

**According to Deloitte,
what percentage of
cyber attacks start
through email?**

Step 1: “Security Six” protections

Deploy the “Security Six” protections:

1. Anti-virus software
2. Firewalls
3. Two-factor authentication
4. Backup software/services
5. Drive encryption
6. Virtual Private Network (VPN)



“Security Six” # 1 - Anti-virus software

- ▶ Scans computer files for malicious software
 - ❑ Automatic scans
 - ❑ Manual scans of email attachments, web downloads, and portable media
- ▶ Protection against spyware and phishing

“Security Six” # 2 - Firewalls

- ▶ Provide protection against outside attackers
 - ❑ Shield computer or network
- ▶ Firewalls are categorized as:
 - ❑ Hardware – external devices
 - ❑ Software – built-in or purchase



“Security Six” # 3 - Two-factor authentication

- ▶ Adds an extra layer of protection beyond a password
- ▶ User must enter credentials
 - ❑ username and password plus
 - ❑ another step (such as a security code sent via text to a mobile phone)

“Security Six” # 4 – Backup software/services

- ▶ Critical files on computers should routinely be backed up to external sources
- ▶ Backup files may be stored either using an online service or on an external disk
- ▶ Encrypt the back-up data for the safety of the information

“Security Six” # 5 - Drive Encryption



- ▶ Use drive or disk encryption software for full-disk encryption
- ▶ Transforms data on the computer into unreadable files for an unauthorized person

“Security Six” # 6 - Virtual Private Network (VPN)

- ▶ A VPN provides a secure, encrypted tunnel to transmit data between a remote user via the internet and the company network
- ▶ Search for “Best VPNs” to find a legitimate vendor

How to get started with the 'Security Six'

- ▶ Review professional insurance policy
 - Some offer coverage for data thefts
- ▶ Review IRS Publication 4557, Safeguarding Taxpayer Data
- ▶ Small Business information Security – The Fundamentals by NIST

Step 2: Create a Data Security Plan

- ▶ Required under federal law
 - The Gramm-Leach-Bliley (GLB) Act
 - Federal Trade Commission (FTC) Safeguards Rule
- ▶ IRS Revenue Procedure 2007-40 for Authorized IRS e-file Provider
- ▶ Use Publication 4557, Safeguarding Taxpayer Data, to help create plan
- ▶ Use Publication 5709 Creating a Written Information Security Plan for your tax and accounting practice

How many of you have a WISP: Written Information Security Plan?

Query:

How many of you renewed your
PTIN for this year (2024)?

PTIN renewal check box

Data Security Responsibilities – remember checking this box on your renewal?

“As a paid tax return preparer, I am aware of my legal obligation to have a data security plan and to provide data and system security protections for all taxpayer information. Check the box to confirm you are aware of this responsibility.”

Step 3: Educate yourself on phishing scams

- ▶ Many data thefts start with a phishing email
 - ❑ Click on a link to a fake web state
 - ❑ Open an attachment with embedded malware
- ▶ Spear phishing email to pose as a trusted source
 - ❑ Account Takeover
 - ❑ Ransomware

Steps to help protect data

- ▶ Use separate personal and business emails;
 - Protect with strong passwords
 - Two-factor authentication
- ▶ Install anti-phishing tools
- ▶ Use security software



Steps to help protect data (cont.)

- ▶ Never open or download attachments from unknown senders
- ▶ Password-protect and encrypt documents
- ▶ Do not respond to suspicious or unknown emails; if IRS related forward to phishing@irs.gov

Step 4: Recognize the signs of client data theft

- ▶ Tax professionals should learn the signs of a possible data theft
- ▶ Data theft may result in fraudulent tax returns being filed in their clients' names
- ▶ Cybercriminals are tax savvy in their attempts to gain sensitive tax data

Signs of Client Data Theft

- ▶ Client e-filed returns begin to reject;
- ▶ Clients who haven't filed tax returns begin to receive authentication letters (5071C, 4883C, 5747C) from the IRS;
- ▶ Clients who haven't filed tax returns receive refunds;

Signs of client data theft (cont.)

- ▶ Clients/Practitioners receive tax transcripts that they did not request;
- ▶ Clients who created an IRS Online Services account are notified that their account was accessed or disabled
 - Another variation: Clients receive notice that an account was created in their names

Signs of client data theft (cont.)

- ▶ The number of returns filed with tax practitioner's Electronic Filing Identification Number (EFIN) exceeds number of clients;
- ▶ Tax professionals or clients responding to emails that practitioner did not send

Signs of client data theft (cont.)

- ▶ Network computers running slower than normal;
- ▶ Computer cursors moving or changing numbers without touching the keyboard;
- ▶ Network computers locking out tax practitioners.

Tax professionals monitor your accounts

- ▶ EFIN accounts
 - ❑ Too many returns filed with your EFIN
 - ❑ Contact e-Help Desk (866) 255-0654
- ▶ PTIN accounts
 - ❑ Too many returns filed
 - ❑ Complete Form 14157
- ▶ CAF accounts
 - ❑ Signs of identity theft
 - ❑ Contact Practitioner Priority Service

Monitor your EFIN

- ▶ To access “Returns Filed Per EFIN” information, follow these steps:
 - ❑ Go to e-Services
 - ❑ Access e-File Application
 - ❑ Search by name
 - ❑ Select “EFIN Status”

Monitor your PTIN

- ▶ To access “Returns Filed Per PTIN” information, follow these steps:
 - ❑ Log into your PTIN account
 - ❑ From the Main Menu, find “Additional Activities”
 - ❑ Under Additional Activities, select “Summary of Returns Filed.”

Monitor your CAF number

You can obtain a list of your POAs by:

- ▶ Filing a Freedom of Information Act (FOIA) request with the IRS.
- ▶ The filing is called a Centralized Authorization File (CAF) FOIA request letter.
- ▶ Type “CAF FOIA” in the search box at www.irs.gov for a sample FOIA letter.
- ▶ Register for an IRS Tax Pro Account and link the account to your CAF. Using the Tax pro account you can monitor all the 2848s and 8821s under your CAF number.

Step 5: Create a data theft recovery plan

- ▶ An action plan can save valuable time and protect your clients and yourself
- ▶ Make calling the IRS an immediate action item

Data Compromise Action Items – Report immediately

Contact:

- ▶ IRS Stakeholder Liaison. Search “stakeholder liaisons” on IRS.gov
- ▶ Contact experts
 - Insurance company
 - Computer security experts
- ▶ Law enforcement

Data Compromise Action Items – Report immediately (cont.)

Contact state agencies:

- ▶ State revenue agencies - email Federation of Tax Administrators for state agency contacts at StateAlert@taxadmin.org
- ▶ State Attorneys General

Data Compromise Action Items – Report immediately (cont.)

Contact:

- ▶ FTC for guidance for businesses
 - Email: idt-brt@ftc.gov
- ▶ Credit Bureaus
- ▶ Clients

Review guidance at [IRS.gov/identitytheft](https://www.irs.gov/identitytheft)

Did You Know?

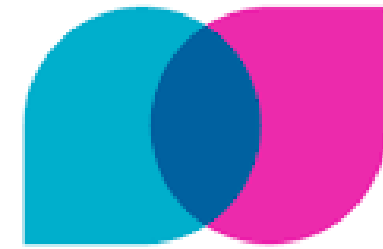
- ▶ As of May 13, 2024, if you have a data breach that impacts 500 or more clients you are **REQUIRED** to inform the FTC no more than 30 days after the discovery of the breach
- ▶ The maximum civil penalty is \$51,444 for 2024 (indexed for inflation)

Have you implemented a software solution for your cyber security?

Solutions We Use



SmartVault



Liscio



Practice Protect

Resources

- ▶ Publication 4557, Safeguarding Taxpayer Data
- ▶ Publication 5293, Data Security Resource Guide for Tax Professionals
- ▶ Small Business Information Security – The Fundamentals at NIST.gov
- ▶ Publication 5709 Creating a Written Information Security Plan for your tax and accounting practice

Resources (cont.)

IRS.gov websites:

- ▶ www.IRS.gov/securitysummit
- ▶ www.IRS.gov/ProtectYourClients
- ▶ www.IRS.gov/IdentityTheft

Resources (cont.)

www.IRS.gov/subscribe

- ▶ E-news for tax professionals
- ▶ E-news for small businesses

Thank You!



- ▶ Joseph McCarthy: joseph.s.mccarthy@irs.gov
- ▶ Eric Green: egreen@gs-lawfirm.com
- ▶ Dawn Brolin: dawn@powerfulaccounting.com
- ▶ Steve Perkins: steve@invictaadvisorsllc.com



***The Role of the Forensic Accountant in
Tax Controversy Cases***

**The 11th Annual New England IRS
Representation Conference**

**Thursday, November 7, 2024 – 4:00-5:00 pm
Mohegan Sun, Uncasville, CT**

Moderator:

Moderator:

- Walter Pagano, CPA, CFE, CFF, Tax Partner and Tax Controversy Forensic Accountant, *Eisner Advisory Group LLC, New York, NY*

Panelists:

- Kathy A. Enstrom, *Director of Investigations, Moore Tax Law Group LLC, Chicago, IL*
- Craig Cafaro, CPA, CFF, Partner, *Citrin Cooperman Advisors LLC, New York, NY*



The Role of the Forensic¹ Accountant in Tax Controversy Cases

- Relies on specialized techniques to uncover and explain financial and accounting anomalies and improper conduct.
- Retained as consultants and testifying experts in a broad range of civil and criminal tax cases.
- Serves as essential components of a legal team's resolution strategy in defending their client in a tax controversy.
- How can the forensic accountant best work with tax practitioners as consultants and testifying experts.

¹ "Of or used in courts of law", *The Concise Oxford Dictionary*, Sixth Edition 1976.



Forensic Accounting and the Forensic Accountant

- Generally, *Forensic Accounting* is the use of professional accounting skills in matters involving potential or actual civil or criminal litigation.²
- Forensic accountants retained in civil and criminal tax cases apply accounting principles and tax knowledge to legal problems to assist counsel in providing legal advice to clients.

² 2024 Association of Certified Fraud Examiners, Inc., Fraud Examiners Manual.



Civil and Criminal Tax Controversies

- Civil tax controversies include sensitive or “eggshell” audits, multi-year audits, unagreed cases, administrative appeals, and representing taxpayers before the IRS.
- Criminal tax controversies include tax fraud and evasion, false and fraudulent returns, failure to file, failure to pay, and conspiracy to defraud the United States.
- Civil v. criminal tax controversies are generally distinguishable between a good faith misunderstanding of the tax law versus a voluntary, intentional violation of a known legal duty to willfully commit tax evasion, file a false or fraudulent tax return, or evade a payment of tax due and owing to the IRS.
- Relevant civil and criminal statutes of limitation.



Honest Mistake v. Firm Indications or “Badges of Fraud”

- More than one set of books
- Fabricating business expenses
- Underreporting income and/or overstating expenses
- Fictitious journal entries or transactions
- Pattern of behavior generally 3 or more years



Roles of the Forensic Accountant in Tax Cases

- Retained as an expert consultant under a *Kovel*³ Agreement, or
- Retained as an expert testifying witness.
- Retained to represent a taxpayer in an eggshell audit.⁴
- May require multiple experts depending on facts and circumstances, privilege issues, and legal strategy in civil and criminal tax controversy cases.

³ *U.S. v. Kovel*, 9 AFTR 2d 366 (296 F.2d 918), (CA2), 12/05/1961

⁴ Generally, an accountant who is not the preparer of the tax return under audit.



Specialized Accounting Knowledge and Techniques

- Specialized accounting knowledge and techniques include performing a parallel audit, analyzing bank deposits and disbursements, examining entries made in general ledgers and journals, determining the accuracy of adjusting journal entries, reviewing accounting and tax reconciliation workpapers, reconciling books and records to tax returns and source documentation, reviewing and determining the accuracy of differences between book and tax methods of accounting in Schedules M-1, M-2, and M-3, and financial statements.



Specialized Accounting Knowledge and Techniques (cont'd)

- Evaluate internal controls, e.g. examine policies and procedures to identify, measure and safeguard business operations and avoid errors on tax returns or material misstatements of financial information.
- Evaluate adequacy and reliability of accounting systems and books and records.
- Perform analytical procedures such as making year to year financial ratios.



Specialized Tax Knowledge and Techniques in Tax Controversy Cases

- Familiarize yourself with relevant parts of the Internal Revenue Manual (IRM)
- Methods of Proof – Direct or Specific Item v. Indirect Methods
- Direct or Specific Item Method includes examining books and records for broad categories of schemes such as (a) understatement of income or (b) overstatement of expenses.
- Net Worth Method of Proof (NWMP) includes examining books and records to determine (a) increases in assets or (b) decreases in liabilities from one period to the next indicating changes in net worth.
- Indirect methods include bank deposit or expenditures analyses.



Specialized Tax Knowledge and Techniques (Cont'd)

- NWMP is generally used in cases where books and records are unavailable or inadequate requiring reconstructing and reconciling of financial transactions.
- Essential to establish a base year when relying on NWMP.
- Consider Large Unusual or Questionable Items (LUQ)
- Conduct a parallel audit, reconstruction, and reconciliation.
- Internal Revenue Manual (IRM) Part 9, Criminal Investigation, Section 9.5.9 Methods of Proof.
- Internal Revenue Manual (IRM) Part 4, Examining Process, Chapter 10, Examination of Returns, Section 4.10.3, Examination Techniques.



Tax Avoidance v. Tax Evasion – Developing Potential Accounting and Tax Return Preparation Defenses to Assist Counsel in Defending Their Client in a Tax Controversy

- No tax deficiency or tax loss (except in false/fraudulent return cases).
- Mistake or misunderstanding – good faith belief.
- Reliance on professional accounting and tax advice.



Essential Component of a Legal Team's Resolution Strategy and How Best to Work with Tax Practitioners as Consultants and Testifying Experts

- Possesses the knowledge, skill, training, education, experience, and expertise.
- Educates tax counsel by explaining accounting and tax issues in plain language.
- Assists counsel in developing defense theory and strategies.
- Becomes familiar with the legal process and language.
- Applies accounting and tax knowledge to legal problems.
- Performs interviews.



Essential Component of a Legal Team's Resolution Strategy and How Best to Work with Tax Practitioners as Consultants and Testifying Experts (cont'd)

- Understands the differences between direct and circumstantial evidence.
- Understands the role of the forensic accountant is more than crunching numbers.
- Is familiar with IRS audit techniques, the IRM, and applicable IRC sections.
- Understands the government's theory of the case, procedural aspects of revenue agents/auditors conducting audits, and procedural aspects of special agents conducting criminal investigations.
- Knows and understands the relevance of applicable enforceable professional standards in IRS Circular 230, AICPA General Standards Rule, and AICPA Statements on Standards for Tax Services.

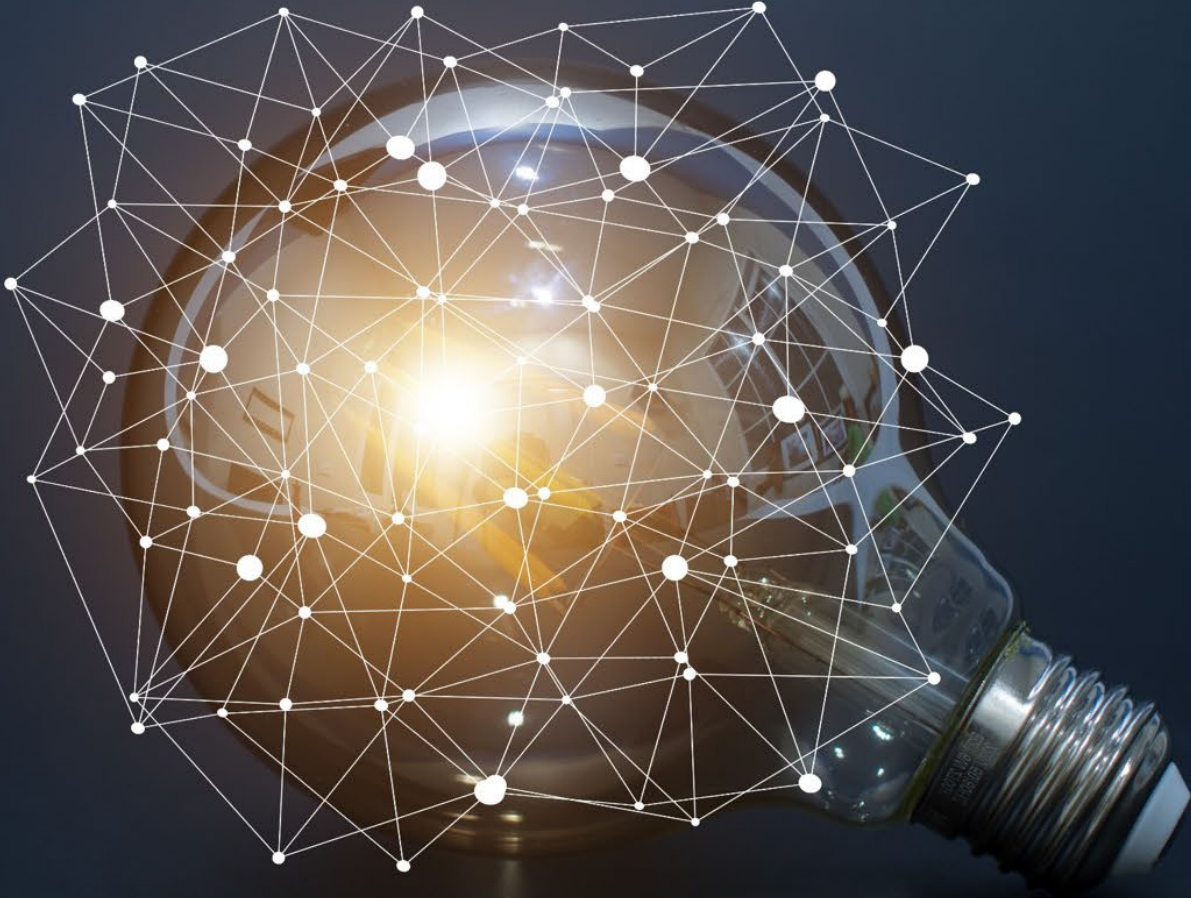


Conclusion

- A forensic accountant knowledgeable in both accounting and tax, IRS practice and procedure, and rules of evidence can be an essential component of a legal team's resolution strategy in developing defenses and legal strategies in civil and criminal tax controversies.



Questions?





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