IRS Using Data Analytics and New Unit to Sift 1 Billion Records

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By Nathan J. Richman

The IRS Criminal Investigation division has 1 billion records and is using data analytics tools and the Nationally Coordinated Investigations Unit (NCIU) to mine them for high-quality leads, according to CI Chief Don Fort.

CI has been collecting data from whistleblowers, the Swiss bank program, voluntary disclosures, the Foreign Account Tax Compliance Act disclosures, and its foreign-posted attachés. Speaking June 22 at the New York University Tax Controversy Forum, Fort said that CI is using data analytics tools and the NCIU to "help try to build models and algorithms to identify potential areas of noncompliance." That should yield leads for analysts to look for potentially meaningful cases, he said.

Fort compared the operation of the NCIU to the concept of the discriminant index function the IRS uses to select tax returns for audit.

Josh O. Ungerman of Meadows, Collier, Reed, Cousins, Crouch & Ungerman LLP warned tax practitioners to treat cases coming out of the NCIU the same as cases in which CI has an informant. "These are going to have a lot to start with; so that means, of course, the initial interview is going to be all the more important," he said.

"Having a really solid enforcement program, not just on the criminal enforcement side but the civil enforcement side, is just critical" for tax administration, Fort said. "There has got to be a message sent for those that will not cooperate with the laws and are going to violate the laws. We have got to get that word out there," he said.

CI has been working closely with other IRS divisions to improve enforcement, Fort said. He noted a recent virtual townhall with revenue officers and said it helps other IRS employees to know that CI is not just working on money laundering and identity theft cases.

Fort said that as part of the IRS's staffing problems, CI is in the process of closing four field offices. "That doesn't mean we are pulling agents out of cities; it just means that with the number of agents we have we can't support the existing structure," he said. "Without some reinforcements, I fear that we are going to have to continue along those lines."

In the "perfect storm" of the last five years, CI has lost 500 special agents to retirement and has had to devote substantially more time than normal to identity theft, Fort said.