

NOTE: The following reflects the information entered in the PIAMS website.

A. SYSTEM DESCRIPTION

Authority: Office of Management Budget (OMB) Memorandum (M) 03-22, OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002 & PVR #10- Privacy Accountability and #21-Privacy Risk Management

Date of Approval: October 29, 2014

PIA ID Number: **1035**

1. What type of system is this? Non-Major System

1a. Is this a Federal Information Security Management Act (FISMA) reportable system? Yes

2. Full System Name, Acronym, and Release/Milestone (if appropriate):

Chapter Three Withholding, CTW

2a. Has the name of the system changed? No

If yes, please state the previous system name, acronym, and release/milestone (if appropriate):

3. Identify how many individuals the system contains information on

Number of Employees: Not Applicable

Number of Contractors: Not Applicable

Members of the Public: Over 1,000,000

4. Responsible Parties:

NA

5. General Business Purpose of System

CTW processes forms that track withholding reported on payments of United States source income to foreign persons (Form 1042S and Form 1042T). Data is reformatted and downloaded to CTW from Filing Information Returns Electronically (FIRE) and Integrated Submissions Remittance Processing (ISRP). CTW will perform validation, consistency and math checks. Valid data posts to either the Payer Master File (PMF) or the Information Returns Master File (IRMF). Valid data is sent to be reconciled with an extract from the Business Master File (BMF). This data is shared with the Department of Treasury for statistical purposes and is used as a negotiation tool with foreign countries in order to obtain information on U.S. persons earning foreign source income. Access to CTW data is given to the IRS Statistics of Income (SOI), the IRS US Competent Authority (International) or US Organization for Economic Cooperative Development (OECD) and the Integrated Production Model (IPM).

6. Has a PIA for this system, application, or database been submitted previously to the Office of Privacy Compliance? (If you do not know, please contact *Privacy and request a search) Yes

6a. If **Yes**, please indicate the date the latest PIA was approved: 12/12/2011 12:00:00 AM

6b. If **Yes**, please indicate which of the following changes occurred to require this update.

- System Change (1 or more of the 9 examples listed in OMB 03-22 applies) (refer to PIA Training Reference Guide for the list of system changes) No

- System is undergoing Security Assessment and Authorization Yes
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6c. State any changes that have occurred to the system since the last PIA

No Changes

7. If this system has an Exhibit 53 or Exhibit 300 please provide the Unique Project Identifier (UPI) number (XXX-XX-XX-XX-XX-XXXX-XX). Otherwise, enter the word 'none' or 'NA'. 015-45-01-12-02-2499-00 or 015-000000224

B. DATA CATEGORIZATION

Authority: OMB M 03-22 & PVR #23- PII Management

8. Does this system collect, display, store, maintain or disseminate Personally Identifiable Information (PII)? Yes
9. Indicate the category that best describes the source that provides or originates the PII collected, displayed, stored, maintained or disseminated by this system. Most common categories follow:

Taxpayers/Public/Tax Systems Yes
 Employees/Personnel/HR Systems No

Other Yes

Other Source:
AuditTrail Information

10. Indicate all of the types of PII collected, displayed, stored, maintained or disseminated by this system. Then state if the PII collected is on the Public and/or Employees. Most common fields follow:

TYPE OF PII	Collected?	On Public?	On IRS Employees or Contractors?
Name	Yes	Yes	No
Social Security Number (SSN)	No	No	No
Tax Payer ID Number (TIN)	Yes	Yes	No
Address	Yes	Yes	No
Date of Birth	Yes	Yes	No

Additional Types of PII: Yes

<u>PII Name</u>	<u>On Public?</u>	<u>On Employee?</u>
Income and Tax Withheld	Yes	No
Audit trail information: SEID and Password	No	No
Audit trail information: SEID and password	No	No

Describe the PII available in the system referred to in question 10 above.

Form 1042-S Foreign Person's U. S. Source Income Subject to Withholding captures recipient and withholding agent data; Form 1042-T Annual Summary and Transmittal of Form 1042-S references several Form 1042-S's and contains aggregate data, not individual taxpayer data; Withholding information about recipients for which monies are withheld may include Recipient TIN (not required), Recipient name, street, city, state, postal code and sometimes province and country code; Qualified Intermediaries (QI) and Non-Qualified Intermediaries (NQI) entity TIN, QI/NQI entity name, street, city, state, postal code and sometimes province and country code; Payer Name and Taxpayer Identification Number (TIN), the TIN is optional; Transmitter data is captured and stored within the CTW application and may be identified by Transmitter Control Code (TCC), Transmitter name, street, city, state and postal code.

11. Describe in detail the system's audit trail. State what data elements and fields are collected. Include employee log-in information. If the system does not have audit capabilities, explain why an audit trail is not needed.

The Modernization and Information Technology Services(MITS)-24 GSS, on which CTW resides, and the CTW database collect the audit information. For audit trail purposes the manager is able to retrieve the SEID of the Tax Examiner involved in error correction for quality control purposes. The data is not maintained beyond the filing season.

11a. Does the audit trail contain the audit trail elements as required in current IRM 10.8.3 *Audit Logging Security Standards*? Yes

12. What are the sources of the PII in the system? Please indicate specific sources:

a. IRS files and databases: Yes

If **Yes**, the system(s) are listed below:

<u>System Name</u>	<u>Current PIA?</u>	<u>PIA Approval Date</u>	<u>SA & A?</u>	<u>Authorization Date</u>
Electronic File Transfer Utility (EFTU)	No		No	
Integrated Submission Remittance Processing (ISRP)	Yes	04/18/2014	Yes	08/06/2014
Filing Information Returns Electronically (FIRE)	Yes	10/25/2011	Yes	05/11/2012

b. Other federal agency or agencies: Yes

If **Yes**, please list the agency (or agencies) below:

These Federal agencies submit data through the FIRE system: Social Security Administration Railroad Retirement Board.

c. State and local agency or agencies: No

d. Third party sources: Yes

If yes, the third party sources that were used are:

Withholding agents supply taxpayer withholding data to CTW via the Internal Revenue Service (IRS) FIRE application. A withholding agent is a U.S. or foreign person that has control, receipt, custody, disposal, or payment of any item of income of a foreign person that is subject to withholding. A withholding agent may be an individual, corporation, partnership, trust, association, or any other entity, including any foreign intermediary, foreign partnership, or United States branch of certain foreign banks and insurance companies.

e. Taxpayers (such as the 1040): No

f. Employees (such as the I-9): No

g. Other: Yes If **Yes**, specify: IT GSS-24

C. PURPOSE OF COLLECTION

Authorities: OMB M 03-22 & Internal Revenue Manual (IRM) 10.8.8, IT Security, Live Data Protection Policy & PVR #16, Acceptable Use

13. What is the business need for the collection of PII in this system? Be specific.

Each data item is required for the business purpose of the system. The data in CTW from the 1042-S and 1042-T forms are required to track withholding reporting on payments of U.S. source income to foreign persons. It is absolutely critical to tax administration in the international area that the IRS be able to effectively process: The information return (Form 1042-S) and The transmittal document for electronic and paper -filed 1042-S information return (Form 1042-T).

20b. If **No**, how was consent granted?

Written consent	<u>Yes</u>
Website Opt In or Out option	<u>No</u>
Published System of Records Notice in the Federal Register	<u>No</u>
Other:	<u>No</u>

G. INFORMATION PROTECTIONS

Authority: OMB M 03-22 & PVR #9- Privacy as Part of the Development Life Cycle, #11- Privacy Assurance, #12- Privacy Education and Training, #17- PII Data Quality, #20- Safeguards and #22- Security Measures

21. Identify the owner and operator of the system: IRS Owned and Operated

21a. If Contractor operated, has the business unit provided appropriate notification to execute the annual security review of the contractors, when required?

22. The following people have use of the system with the level of access specified:

	Yes/No	Access Level
IRS Employees:	<u>Yes</u>	
Users		<u>Read Write</u>
Managers		<u>Read Write</u>
System Administrators		<u>Read Write</u>
Developers		<u>No Access</u>
Contractors:	<u>No</u>	
Contractor Users		<u></u>
Contractor System Administrators		<u></u>
Contractor Developers		<u></u>
Other: <u>Database Administrator (DBA)</u>	<u>Yes</u>	<u>Read Write</u>

If you answered yes to contractors, please answer **22a.** (All contractor/contractor employees must hold at minimum, a "Moderate Risk" Background Investigation if they have access to IRS owned SBU/PII data.)

22a. If the contractors or contractor employees act as System Administrators or have "Root Access", does that person hold a properly adjudicated "High Level" background investigation?

23. How is access to the PII determined and by whom?

Access to the CTW application is determined by their job responsibilities. Access is authorized using an Online Form 5081, Information System User Registration/Change Request. A user's access to the application is terminated when it is no longer required. The Online Form 5081 process requires management approval prior to granting access to the CTW application.

24. How will each data element of SBU/PII be verified for accuracy, timeliness, and completeness?

Data submitted electronically is verified by initial 1042-S and 1042-T processing on the consolidated UNISYS. If fatal error checks are passed, valid data proceeds through the system. If the fatal error tests fail, data will be returned to the filer for correction and resubmission. The CTW-01 program run performs consistency and validity checks on the data. Data submitted on paper is analyzed by the Code and Edit personnel at the service center. Instructions must be followed as stated in the Internal Revenue Manual (IRM) (3.21.111) before data is allowed to enter the CTW application. The CTW-03 and CTW-09 program runs perform consistency, validity and math error checks on the data.

25. Are these records covered under the General Records Schedule (GRS), or have a National Archives and Records Administration (NARA) archivist approved a Record Control Schedule (RCS) for the retention and destruction of official agency records stored in this system? Yes

25a. If **Yes**, how long are the records required to be held under the corresponding RCS and how are they disposed of? In your response, please include the complete IRM number 1.15.XX and specific item number and title.

The National Archives and Records Administration (NARA) approved IRS request for CTW records/data disposition authority under NARA Job No. N1-58-11-20. Disposition instructions for CTW data and related records are published in Records Control Schedule (RCS) Document 12990 under RCS 19 for the Enterprise Computing Center – Martinsburg (ECC - MTB), Item 89. CTW is designed to correct Form 1042-T and 1042-S records that have failed validity, consistency checks, or math error computations. Unresolved electronic 1042-S information records are to be moved to the 1042-S “Junk” Table, and destroyed on or after January 15 of the year after processing. Backup tapes of resolved and corrected 1042-S information records are to be destroyed 6 years after year of processing. The Service Level Agreement Document between Wage and Investment (W&I), as the primary Business Unit responsible for the data collected and TCC, the production site, document the nightly database export procedures, as well as, offline storage/data archiving-backups procedures. The Technical Contingency Planning Document (TCPD) contains information concerning offline storage and the company that is responsible for it. If No, how long are you proposing to retain the records? Please note, if you answered no, you must contact the IRS Records and Information Management Program to initiate records retention scheduling before you dispose of any records in this system.

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26. Describe how the PII data in this system is secured, including appropriate administrative and technical controls utilized.

Oracle Security protects data on the database. Administrative Controls on the users as well as Audit trails. Both the input and the output data files are transferred to CTW via EFTU.

26a. Next, explain how the data is protected in the system at rest, in flight, or in transition.

N/A

27. Has a risk assessment (e.g., SA&A) been conducted on the system to ensure that appropriate security controls have been identified and implemented to protect against known risks to the confidentiality, integrity and availability of the PII? Yes

28. Describe the monitoring/evaluating activities undertaken on a regular basis to ensure that controls continue to work properly in safeguarding the PII.

Audit Trails of the users' activities are available to the managers.

29. Is testing performed, in accordance with Internal Revenue Manual (IRM) 10.8.8 - *IT Security, Live Data Protection Policy*? Not Applicable

H. PRIVACY ACT & SYSTEM OF RECORDS

Under the statute, any employee who knowingly and willfully maintains a system of records without meeting the Privacy Act notice requirements is guilty of a misdemeanor and may be fined up to \$5000.

Authority: OMB M 03-22 & Privacy Act, 5 U.S.C. 552a (e) (4) & PVR #13-Transparency

30. Are 10 or more records containing PII maintained/stored/transmitted through this system? Yes

31. Are records on the system retrieved by any identifier for an individual? (Examples of identifiers include but are not limited to Name, SSN, Photograph, IP Address) Yes

31a. If **YES**, the System of Records Notice(s) (SORN) published in the Federal Register adequately describes the records as required by the Privacy Act? Enter the SORN number and the complete name of the SORN.

No SORN Records found.

I. ANALYSIS

Authority: OMB M 03-22 & PVR #21- Privacy Risk Management

32. What choices were made or actions taken regarding this IT system or collection of information as a result of preparing the PIA?

- Resulted in the removal of PII from the system (e.g., SSN use reduced/eliminated) No
- Provided viable alternatives to the use of PII within the system No
- New privacy measures have been considered/implemented No
- Other: No

32a. If **Yes** to any of the above, please describe:

Not Applicable