



IRS Office of Safeguards

Implementation of Taxpayer First Act (TFA) Section 2004



TFA Section 2004

Background

Effective January 1, 2023, all agencies that redisclose federal tax information (FTI) to contractors must have requirements to ensure all contractors keep federal tax information confidential.

- Per Section 2004 of the Taxpayer First Act (TFA 2004), an agency shall not disclose FTI to any contractor unless the agency ensures proper safeguards are in place to protect the confidentiality of FTI.
 - Conduct on-site reviews to determine compliance.
 - Submit findings from the most recent on-site review to Safeguards annually.
 - Certify that contractors are following Safeguards requirements for the most recent annual period.



TFA Section 2004 (Continued)

- Every three years, all federal, state or local agencies must conduct on-site reviews of all contractors or other agents receiving FTI.
 - The purpose of the review is to assess the contractor's efforts to safeguard FTI.
 - Federal, state and local agencies receiving FTI must submit a report of findings to the IRS and annually certify that contractors and other agents are following requirements to safeguard FTI.
 - If the duration of the contract or agreement is less than three years, the agency must conduct a review at the midpoint of the contract.
 - All contracts and service-level agreements must have the appropriate language, per Publication 1075, Exhibit 7.



TFA Section 2004 Templates

- TFA 2004 Contractor Worksheet used for all state, local and federal agencies **must** provide the following information on all contractors or other agents receiving FTI:
 - Contractor name
 - Contractor address
 - Description of the contract or agreement
 - Duration of the contract
- Use the TFA 2004 On-site Review Template for conducting on-site reviews of all contractors that receive FTI
- Submit both documents with the annual SSR attachments.



Contractor Worksheet TFA 2004

Agency Instructions

As a result of the Taxpayer First Act 2004, agencies are required to provide an annual report for all current contractors. This spreadsheet must be completed and submitted with the agency's annual Safeguard Security Report.

Note: This Contractor worksheet must be updated and submitted every year.

Agencies must use this document when reporting contractor/sub-contractor to the Office of Safeguards. ***(This document does not remove the requirement for a 45D notification for contractors/sub-contractors.)*** The following columns must be completed by the Agency point of contact:

Column B - **Type**: Choose from the drop down menu to select C - Contractor or S - Sub-Contractor

Contractor Worksheet TFA 2004 instructions are located on the Instructions Tab at the bottom.

- Provides step-by-step instructions for inputting contractor data.
- Provides examples for completing required fields.
- Provides the Naming Convention for saving the document.



Contractor Worksheet TFA 2004

Type C/S	Contractor Sub Contractor Name	Service Address	City	State	Zip Code	Description of the Service

Contractor Information

- The Type field is used for identifying contractors (C) and sub-contractors (S). Sub-contractors should always follow the contractor with oversight.
- Contractor and Sub-Contractors Names are used to identify the names of the contractor or sub-contractors.
- The location address should be listed under Service Address, City, State, and Zip Code fields.
- The Description of the Service field is used to explain what the contractor or sub-contractor will do for the agency.



Contractor Worksheet TFA 2004

Comments	# of contractors	Contract Start Date	Contract End Date

Contract Information

- The Comments field is completed when additional information regarding the contract and/or contractors is necessary.
- The Number of Contractors field completed to provide the number of individuals working for the contractor.
- The Contract Start Date is used to provide the start of the contract.
- The Contract End Date is used to provide the end of the contract.



Contractor Worksheet TFA 2004

Scheduled or Completed On-Site Review Date	On-Site Review Conducted Certified	On-site Review due no later than
		N/A
		N/A
		N/A
		N/A
		N/A

On-Site Review Information

- On-Site Review Date field is for the agency to provide the date you conducted or will conduct the on-site review of each contractor.
- The Review Conducted/Certified field is for the agency to identify the status of the on-site review.
 - “Yes” if the on-site review is conducted.
 - “No” if the on-site review has not been conducted or has not been certified.
- The On-Site Review field does not require data to be input. This field automatically calculates when the On-site Review must be completed.



Contractor Worksheet TFA 2004

Naming Convention

- Agency Code – XXXXX (ex. ME000)
- Agency Type – YYY (ex. DOR, SWA, CS, HS, ACA, HS-ACA)
- Document Type – TFAWS
- Date – 01312023

Example: ME000-DOR-TFAWS-01312023



TFA 2004 On-site Review Template

Instructions

IRS Safeguards
Safeguards Disclosure Security Evaluation Matrix (SDSEM)

TFA 2004 On-site Review spreadsheet instructions are located on the Instructions Tab at the bottom.

- Provides instructions for completing the cover page.
- Provides instructions for inputting contractor data.
- Provides examples for completing required fields.
- Provides the Naming Convention for saving the document.

Agency Instructions:

As a result of the Taxpayer First Act 2004, agencies are required to conduct onsite reviews of their contractors and/or sub-contractors who have access to Federal tax information (FTI) every 3 years (or mid-point if the contract is shorter) to assess their compliance in protecting FTI. **This spreadsheet must be completed and submitted with the agency's annual Safeguard Security Report (SSR) to include all contractors and sub-contractors for which on-site reviews were conducted in the SSR reporting period.**

Note: Contractors and sub-contractors may not conduct self-certification on-site reviews.

Agencies must use this document when conducting onsite reviews of contractor/sub-contractor sites housing FTI. A tab should be completed for each contractor onsite review conducted. Please add as many tabs as necessary and change the name/rename the tab from contractor 1 to the name of the contractor. The following columns must be completed by the Agency point of contact(s):

Coverpage: Complete the coverpage to include the following: **Agency Name** - Name of the agency that receives the FTI
Reviewer - Name of agency personnel who completed the review
Date - Date of the on-site review of the contractor facility
Contractor Name - Name of the contractor for which the on-site review was conducted
Contractor Point-of-Contact(s) - Contractor personnel who coordinated/participated in the on-site review

Column E – Assessment Method: Choose from the drop-down box Examine, Interview, Test, Examine/Interview, Examine/Interview/Test. The assessment methods define the nature of the actions that the assessor should take to execute the test case and obtain supporting evidence. The definition of the assessment methods is provided below:

Examine - The assessment results were determined by reviewing, inspecting, observing, studying, or analyzing one or more assessment objects (i.e., specifications, mechanisms, or activities). The purpose of the examine method is to facilitate assessor understanding, achieve clarification, or obtain evidence.

Interview - The assessment results were determined by holding discussions with individuals or groups of individuals within an organization to facilitate assessor understanding, achieve clarification, or obtain evidence.

Test - The process of exercising one or more assessment objects under specified conditions to compare actual with expected behavior, the results of which are used to support the determination of security control existence, functionality, correctness, completeness, and potential for improvement over time. Typical assessment objects for the Test method include: Mechanisms (e.g., hardware, software,



TFA 2004 On-site Review Template

Agency:	<i>[State] [Agency Name]</i>				
Reviewer Name:	<i>[Insert name of agency personnel who completed the review]</i>				
Reviewer Title:	<i>[Insert title of agency personnel who completed the review]</i>				
Contractors Reviewed		Date			Contractor POC
[Name of Contractor]		[MM/DD/YYYY}			[Name of contractor POC]

Cover Page

- Reviewer - Name of agency personnel who completed the review.
- Date - Date of the on-site review of the contractor facility.
- Contractor Name - Name of the contractor for which the on-site review was conducted.
- Contractor Point-of-Contact – Contractor personnel who coordinated/participated in the on-site review.



TFA 2004 On-site Review Template

Reporting Category	NIST Control		Review Questions
Record Keeping		A1	Does the contractor maintain logs for tracking the receipt, movement, and disposal of FTI received electronically?
Record Keeping		A2	Does the contractor maintain logs for tracking the receipt, movement, and disposal of FTI received in paper?
Record Keeping		A3	Does the contractor maintain logs for tracking the creation of new products containing FTI?

Test Controls

- Reporting Category Field lists the security requirements.
 - Physical Security Requirements
 - Cybersecurity Requirements
 - NIST Security Controls
- NIST Control will identify the NIST Control associated with the information technology testing.
- Review Questions is the testing measure to identify if the safeguards pass or fail.



TFA 2004 On-site Review Template

Assessment Method Field

Drop-down box. Assessment actions the assessor should take to execute the test case.

- **Examine** - The assessment results were determined by reviewing, inspecting, observing, studying, or analyzing one or more assessment objects.
- **Interview** - The assessment results were determined by holding discussions with individuals or groups of individuals within an organization.
- **The process of exercising one or more assessment objects under specified conditions to compare actual with expected behavior.**

Assessment Method



TFA 2004 On-site Review Template

Pass / Fail	Justification/Results	Comments
N/A		

Review Results

- Pass/Fail tab is used to document the result. Determine if the interview, examination or observation supports a Pass, Fail, or N/A.
- Justification/Results: Complete if a test passes, fails or is N/A. The agency must provide a description of the condition observed that allowed the test to pass or fail.
- Comments tab is used when it is necessary to provide additional information to support the observation, justification, and/or results.



TFA 2004 On-site Review Template

Naming Convention

- Agency Code – XXXXX (ex. ME000)
- Agency Type – YYY (ex. DOR, SWA, CS, HS, ACA, HS-ACA)
- Document Type – TFAREVIEW
- Date – 01312023

Example: ME000-DOR-TFAREVIEW-01312023



Submission

Electronic Submission

The SSR, SSR attachments, and TFA 2004 attachments must be sent electronically using one of the following two methods:

- SDT, if the agency participates in the SDT program.
- Email to Safeguards mailbox at SafeguardReports@irs.gov. Email transmissions must be sent by an IRS-approved encrypted method.

TFA 2004 documents should be submitted as a separate SecureZip file with the SSR using the following Naming Convention.

- Agency Code – XXXXX (ex. ME000)
- Agency Type – YYY (ex. DOR, SWA, CS, HS, ACA, HS-ACA)
- Attachment Type – TFA
- Date – yyyy (2023)

Example: ME000-DOR-TFA-2023



Safeguards Review of Information

TFA Section 2004 Information

As part of the SSR review process the Office of Safeguards will review the following:

- Section 3 to determine if the agency utilizes contractors.
- TFA 2004 Contractor Worksheet
- TFA 2004 On-site Review Template

The SSR will be rejected by the Mailbox staff for the following reasons:

- The agency does not certify the SSR by using the drop-down certification statement.
- The agency does not include the TFA worksheet or review template



Safeguards Review of Information

Once we have reviewed the artifacts for correctness, Safeguards will document the SSR with the following statements:

- No response necessary.
- Please provide copies of all TFA 2004 contractor worksheets and on-site reviews with future submissions.
- Please ensure all required TFA 2004 on-site reviews are conducted and provide complete information on future submissions.



Safeguards Use of Information

Agency Information Management

The Office of Safeguards will maintain the information for each agency to identify current and former contractors including the reviews conducted by the agency.

Safeguard Reviews

The Office of Safeguards will use this information to determine the scope of future Safeguard Reviews.

- Utilize contractor and sub-contractor information for review preparation.
 - Contractors and sub-contractors with access to FTI
 - Number of contractors
 - Location of contractors with access to FTI
- Identify which contractors should be in scope for the review



Questions



TFA 2004 Questions

Please contact the Office of Safeguards by email at safeguardreports@irs.gov with any additional questions resulting from this change or about the TFA 2004 documents. Use “TFA 2004 Inquiry” in the subject line to make sure the inquiry is forwarded to the correct department.