

# For the IRS, hidden overseas holdings are fair game

With external collaboration made possible by Axway, the Internal Revenue Service recovers \$8.7B in lost tax dollars globally





## Industry

Federal Government

## Challenge

The IRS faced the need to comply with legislation requiring reporting of all foreign financial accounts of U.S. taxpayers and developing a secure data exchange system enveloping hundreds of thousands of global partners, and do so within 6 months

## Solution

Axway Cloud MFT Service on Amazon Web Services

## Results

- Cloud deployment providing security and isolation from the Federal Agency's internal IT network
- Self-service for Government personnel and global partners to on-board and manage their accounts
- Optimized investment using an elastic model to manage processing peaks and valleys is federal budget friendly
- Successful, on-time delivery within an aggressive public project completion schedule
- Recognition by ACT-IAC as a 2015 Excellence.gov award finalist

Axway has a strong history of partnering with government agencies and other public organizations to provide data integration solutions that enable them to meet critical policy initiatives, laws and compliance regulations.

When U.S. congress passed the Federal Account Tax Compliance Act (FATCA) in 2010 to enforce reporting of financial accounts held by U.S. taxpayers in Foreign Financial Institutions (FFIs) and Host Country Tax Authorities (HCTAs), the IRS needed a way to ensure secure data exchange between U.S. tax authorities and financial institutions around the world.

This demanded an unprecedented degree of collaboration among all parties involved as well as a substantial, multi-year planning effort combining the realms of technology, federal budget funding and project management. The IRS looked to a consortium of partners, including Axway, to create the data integration framework needed to make it happen.

In the end, the solution helped FATCA pave the way for better international tax cooperation and data exchange. Initial conservative estimates put recovered tax revenue of about \$8.7 billion over 10 years.



## International Data Exchange Service (IDES)

### A secure framework connecting the IRS to thousands of global partners

With federal funding, the IRS commissioned the International Data Exchange Service (IDES), the technological infrastructure that allows tax authorities and financial institutions across the globe to securely submit account information to the IRS electronically. It's essentially designed to act as a third-party clearinghouse between the IRS, global tax authorities and financial service partners.

To meet deployment benchmarks and deadlines, IT teams needed to transform a complex array of data integration requirements into a streamlined system that's simple to use and securely connects hundreds of thousands of governmental and financial personnel. The project demanded an IT provider with stellar credentials in delivering managed file transfer (MFT) solutions that offer public agencies such as the IRS the highest data security, easy partner on-boarding, broad scalability and reliable performance.

After in-depth analysis, the IRS chose the consortium of Axway, Carahsoft, and Unisys would be better to build their IDES system. The reasons for this were clear:

- Each solution provider is an established and proven partner for the IRS
- Axway's SOC1 and ISO 27001 accreditation bolstered the confidence in security management the federal agency was looking for
- The group promised a unified, complementary offering:
  - **Axway** – Commercial products deployed as a Cloud MFT Service running on Amazon Web Services for continuous solution build and run processes
  - **Carahsoft** – Management of all commercial aspects as the GSA Schedule Holder
  - **Unisys** – Ongoing IRS partner operations support, including on-boarding, helpdesk and certificate management services

### Enabling Collaboration Between International Governments and Partners

#### Cloud-based scalability accommodates more, costs taxpaying citizens less

With the IDES blueprint and solution providers in place, the IRS could move forward with creating a data exchange system that ensures accurate, timely and secure managed file transfer (MFT) between the agency and its global partners. The system's central component is Axway's Cloud MFT Service

running on Amazon Web Services (AWS). Built on the company's SecureTransport software, the service connects more than 145,000 FFIs and HCTAs, allowing the government agency to collect and consolidate data from offshore financial accounts of U.S. taxpayers. Data can be sent via direct file transfer or online through a web application. The solution's scalable gateway will accommodate the 600,000 partners projected to join the IDES network in the coming months and years.

A self-service partner portal is used to enroll and securely manage accounts and encryption certificates, limiting accessibility to intended recipients. The system validates metadata to ensure that the IRS receives and sends only valid data and that partners use a predefined format and file structure.

The AWS platform is a secure, highly scalable architecture consisting of multiple nodes that can be split evenly across two Amazon data centers or "availability zones." It ensures redundancy in case one zone was to go offline and makes a separate disaster recovery environment unnecessary, minimizing cost of ownership. What's more, the platform's elasticity means the system can expand or contract to fit the changing contours of demand over time, optimizing capacity and further reducing costs.

## FATCA and Axway Cloud MFT on Amazon Web Services

### Excellence in innovation. Cost-effective reliability for government agencies

The IDES was implemented and operational in the timeframe the IRS required and provided:

- A secure Virtual Private Cloud architecture
- A new enrollment portal that integrates with internal IRS systems using Axway APIs
- Comprehensive security assessment capability based on NIST 800-53
- A solution resulting from extensive testing by the IRS and international partners

The IDES system factored prominently in making the IRS FATCA program a model of excellence – becoming one of only 30 federal government programs selected as a finalist to receive the 2015 Excellence.gov awards. Presented and managed by the American Council for Technology and Industry Advisory Council (AIT-IAC), the award honors government programs that apply information technology in innovative ways to improve services to citizens and make government operations more efficient, open and transparent.

## Financial Data Exchange for All Governments

### A global model of collaboration and public sector data exchange expertise

The success of the IRS IDES has had a profound effect on international collaboration on tax reporting, and serves as a model for government tax administration authorities in countries outside of the United States. Foreign leaders have adopted similar programs to gather information on financial accounts held by their citizens in countries outside their own in order to ensure tax fairness and recover revenue. Through mutual trust reciprocity agreements initiated by the FACTA program, and as a government agency that has applied data integration in unique ways to build the IDES system, the IRS is laying the groundwork for a more secure and cooperative global community in pursuit of common goals.

**Why does the Federal  
Government partner  
with Axway?**

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