



## Treasury Inspector General for Tax Administration Office of Audit

### THE OFFICE OF APPEALS HAS IMPROVED COMPLIANCE WITHIN ITS COLLECTION DUE PROCESS PROGRAM; HOWEVER, SOME IMPROVEMENT IS STILL NEEDED

Issued on July 15, 2010

## Highlights

Highlights of Report Number: 2010-10-075 to the  
Internal Revenue Service Chief of Appeals.

### IMPACT ON TAXPAYERS

The Office of Appeals (Appeals) continues to show improvement in complying with the statutory requirements for its Collection Due Process (CDP) program. TIGTA determined that Appeals classified most taxpayer requests properly; as a result, these taxpayers received the appropriate type of hearing. Also, in most cases, Appeals personnel input the proper computer coding to identify that taxpayer requests were received and completed.

However, hearing officers did not always document their impartiality as required. As a result, there is a risk of prior involvement in the taxpayer's case and a potential lack of independence. Finally, on some taxpayer accounts, the Collection Statute Expiration Date was extended longer than the length of the CDP hearing, a potential violation of taxpayer rights.

### WHY TIGTA DID THE AUDIT

This audit was initiated because TIGTA is statutorily required to determine whether the Internal Revenue Service complied with the provisions of 26 United States Code Sections 6320 (b) and (c) and 6330 (b) and (c) when taxpayers exercised their rights to appeal the filing of a Notice of Federal Tax Lien or the issuance of a notice of intent to levy.

### WHAT TIGTA FOUND

In response to our previous audit, Appeals developed additional CDP procedures in December 2009 to better ensure that proper documentation is retained in its case files. During the review, Appeals located and provided office case files containing complete documentation for our CDP and Equivalent Hearing samples, an issue that was a concern in prior years.

However, some cases in our samples did not include an impartiality statement. Appeals personnel informed us that on April 29, 2008, a programming enhancement was

implemented on their Appeals Centralized Database System. It assists employees working CDP cases to document prior involvement with taxpayers. However, TIGTA identified some cases that were closed after the enhancement date where hearing officers did not document their impartiality in the case files or in the Decision Letters as required.

Finally, our case reviews identified 10 taxpayer accounts with incorrect Collection Statute Expiration Dates. On five taxpayer accounts, the Collection Statute Expiration Date was extended in error, allowing the Internal Revenue Service additional time to collect any balances owed by these taxpayers, a potential violation of taxpayer rights. Conversely, the Collection Statute Expiration Date on the other five taxpayer accounts was too short, which could cause the Internal Revenue Service a potential loss of revenue.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Appeals, determine whether the Appeals Centralized Database System enhancement, which requires hearing officers to document their impartiality, is functioning properly and cannot be bypassed. TIGTA also recommended that Appeals management review and correct the taxpayer accounts with Collection Statute Expiration Date errors identified by the audit team.

Appeals management agreed with both recommendations. Appeals plans to contact the Modernization and Information Technology Services organization to verify that the coding for the Appeals Centralized Database System enhancement is functioning properly. If any problems are identified, Appeals plans to take actions to correct the error. Appeals also indicated it corrected the erroneous Collection Statute Expiration Dates identified in this review.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2010reports/201010075fr.pdf>.

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