



Treasury Inspector General for Tax Administration Office of Audit

THE OFFICE OF APPEALS CONTINUES TO IMPROVE COMPLIANCE WITH COLLECTION DUE PROCESS REQUIREMENTS

Issued on September 17, 2009

Highlights

Highlights of Report Number: 2009-10-126 to the Internal Revenue Service Chief, Appeals.

IMPACT ON TAXPAYERS

The Office of Appeals continues to improve compliance with Collection Due Process (CDP) requirements and developed additional CDP procedures to better ensure the correct computer coding of taxpayers' accounts. However, TIGTA identified a few instances where the Appeals case files did not include the required documentation, so TIGTA could not determine whether the taxpayers' issues were fully addressed and whether the taxpayers' rights were potentially violated.

WHY TIGTA DID THE AUDIT

This audit was initiated because TIGTA is statutorily required to determine whether the IRS 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 (lien) or the issuance of a notice of intent to levy.

WHAT TIGTA FOUND

Appeals has continued to show improvements in complying with CDP requirements and in developing additional CDP procedures to better ensure the correct computer coding of taxpayers' accounts. In addition, Appeals located and provided all requested files, an issue that was a concern in prior years. Our prior review reported that hearing officers were not consistently including impartiality statements in their case files. Although our current review identified this same condition, previously implemented procedures have either reduced or eliminated the number of occurrences in the CDP and Equivalent Hearing cases reviewed. However, a few instances were identified where case files were incomplete and did not contain necessary documentation. Without the appropriate documentation for each case, TIGTA could not identify the issues raised by the taxpayer or determine whether Appeals adequately addressed all issues in the taxpayer's hearing.

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In addition, taxpayer accounts did not contain required computer coding to identify that the taxpayers had exercised their appeal rights for a CDP hearing or an Equivalent Hearing. As a result, IRS employees who access a taxpayer's account for subsequent actions will not be aware of the taxpayer's appeal. This could result in erroneous collection actions, inappropriate suspension of collection activity, or incorrect information or advice from IRS personnel.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Appeals, develop a process for ensuring that required documentation, such as a taxpayer's hearing request, is included in the Appeals files. In addition, TIGTA recommended that the Chief, Appeals, correct the coding errors identified on 12 taxpayers' Integrated Data Retrieval System accounts.

In their response to the report, Appeals management agreed with our recommendations and plans to change the Internal Revenue Manual to reflect updated requirements for the documentation to be retained in the Appeals CDP and Equivalent Hearing files. Management also plans to update the Internal Revenue Manual to require the use of a check sheet reflecting the documents to be retained in each Appeals file. In addition, Appeals management reviewed and corrected all 12 taxpayers' accounts that were identified as improperly coded on the Integrated Data Retrieval System.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2009reports/200910126fr.pdf>.

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