



*The Compliance Initiative Projects Program
Performed Some Examinations After the
Projects Expired or Were Terminated*

June 23, 2009

Reference Number: 2009-30-085

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Redaction Legend:

3(d) = Identifying Information - Other Identifying Information of an Individual or Individuals



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 23, 2009

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

Michael R. Phillips

FROM:

Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – The Compliance Initiative Projects Program
Performed Some Examinations After the Projects Expired or Were
Terminated (Audit # 200830005)

This report presents the results of our review to determine whether the Small Business/Self-Employed Division is meeting its goal of identifying areas of noncompliance and controlling returns for Compliance Initiative Projects (CIP).¹ This audit was conducted as part of the Treasury Inspector General for Tax Administration's Fiscal Year 2008 Annual Audit Plan under the major management challenge of Tax Compliance Initiatives.

Impact on the Taxpayer

The CIP Program identifies and examines tax returns from a group of taxpayers (e.g., a particular type of occupation, tax issue, or tax return) that may have a specific area of tax noncompliance. However, the CIP Program was not effectively managed or monitored to prevent new examinations from being started after the CIP authority expired or the project was terminated. We identified 134 unique taxpayer accounts that were subjected to examinations after the projects expired or were terminated, which potentially resulted in violations of the taxpayers' rights to privacy and security.

¹ Any activities involving contact with specific taxpayers within a group, using either internal or external data to identify potential areas of noncompliance within the group, for the purpose of correcting the noncompliance. CIPs refer to activities formerly categorized as Return Compliance Programs, Information Gathering Projects, and Compliance 2000 Projects, etc.



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Synopsis

The Small Business/Self-Employed Division Examination function examines tax returns to promote the highest degree of voluntary compliance by taxpayers. The CIP Program is one method used to identify tax returns for such examinations by authorizing examiners to contact individuals within a group of taxpayers for the purpose of identifying and correcting any noncompliance.

Our review showed that two Area Offices² maintained adequate physical security over the CIP tax returns, and CIP authorizations were properly approved. However, [REDACTED] 3(d) [REDACTED] 3(d) did not properly monitor the projects to ensure that examinations were not conducted after the CIP expired or was terminated. In addition, the Internal Revenue Manual does not identify the responsibilities and reporting expectations of the Headquarters CIP Program Analyst, which led to insufficient communication and coordination between the Headquarters CIP Program Analyst and the local coordinators.

We identified 134 taxpayer accounts for 135 tax returns where the examination started after the CIPs expired or after the CIPs were terminated. Examination of taxpayer returns after the CIPs' expiration or termination date could potentially violate taxpayers' rights to privacy and security of their tax returns.

The National CIP Database for the CIP Program was not accurate and did not capture and report examinations started after the expiration or termination date. We identified four projects that were not updated on the Database for new expiration, termination, and/or extension dates. Although the Internal Revenue Service (IRS) was later able to provide us supporting documentation for the extensions of these projects, the Database did not accurately capture the current status of these projects, which involved 517 unique taxpayer accounts and 526 tax returns. We also identified other inaccuracies in the Database such as incorrect dates and untimely data entries. As a result, the Database that the Headquarters CIP Program Analyst and local CIP coordinators use to manage individual projects and the Program contains different and sometimes erroneous information than what is reported to senior management.

Recommendations

We recommended that the Director, Examination Planning and Delivery, 1) update the CIP section of the Internal Revenue Manual to define the specific responsibilities and expectations of the Headquarters CIP Program Analyst and the CIP Program. This update should also describe the purpose of the National CIP Database and provide guidance on how it should be used to

² A geographic organizational level used by IRS business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues.



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monitor the Program. The Director, Examination Planning and Delivery, should also 2) create a report that alerts management about projects with pending expiration and termination dates and a report that lists any examinations that were started after the project expiration or termination dates, and 3) ensure that the National CIP Database is current and accurate and the contents are appropriate for effective monitoring of expiration and termination dates.

Response

IRS management agreed with all of our recommendations. The Director, Examination Planning and Delivery, will 1) ensure that the CIP Handbook is updated to address the Headquarters CIP Program Analyst's responsibilities and provide a description of the National CIP Database and how it should be used to monitor the CIP program, and 2) create reports that alert management about projects with pending expiration and termination dates and list any examinations that were sent to field offices after the project expiration or termination dates. The Internal Revenue Manual will be updated to clearly indicate that additional cases should not be sent to the field offices after the project's expiration or termination date. In addition, the Director, Examination Planning and Delivery, will 3) update the CIP Handbook to require reviews for accuracy and currency of the data in the National CIP Database at least annually. Although IRS management agreed with the recommendations and plans to take corrective actions, they did not agree that starting an examination after a project's expiration or termination date constituted a violation of taxpayers' rights to privacy and security. IRS management acknowledged that submitting timely extensions and terminations is important to the proper administration of the CIP Program, but contended that once an examination has started, they are obligated to complete it even after the expiration or termination date of the project. Management's complete response to the draft report is included as Appendix V.

Office of Audit Comments

At the time of our review, the Internal Revenue Manual prohibited Examination function employees from beginning new examinations after the project had expired when taxpayer contact had not yet been made. The examinations we identified were examinations where no taxpayer contact had been made and the examinations had not yet started prior to the expiration or termination date of the project. Therefore, we did not adjust the outcome measures in this report.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations), at (202) 622-8510.



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Abbreviations

ACIS	Audit Information Management System Centralized Information System
CIP	Compliance Initiative Project
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
PSP	Planning and Special Procedures



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Background

The Small Business/Self-Employed Division Examination function examines tax returns to promote the highest degree of voluntary compliance by taxpayers. The Compliance Initiative Projects (CIP)¹ Program is one method used to identify and examine tax returns from a group of taxpayers (e.g., a particular type of occupation, tax issue, or tax return) that may have a specific area of tax noncompliance. Some CIP examples that have been worked include projects on alimony and projects on the child care credit. However, the CIP Program is just one part of the entire Examination function plan and makes up only about 1 percent of the entire Examination Program.

These areas of possible noncompliance can originate in the field or can be identified by local and national CIP personnel. When an area of possible noncompliance is identified, an authorization must be approved by the appropriate Examination function Planning and Special Procedures (PSP) Manager/Director before compliance contacts with taxpayers are made.

An initial CIP authorization is limited to a maximum of 50 tax returns and must include an expiration date, usually not more than 12 to 18 months from the authorization date. The initial CIP can be terminated before the expiration date if the noncompliance has been addressed, resources are not available, results are not productive, or the project is no longer viable. They may also extend the initial CIP for up to 6 months when additional time is required to complete the examinations of the original 50 tax returns. A productive CIP may be converted to an advanced CIP at any time, for which there is no limit on the number of returns or the amount of time it can remain open. However, the project must still have an expiration date that is agreed upon at the time of expansion.

Local CIP coordinators are responsible for initiating and perfecting² local CIP authorizations; perfecting Midwest Audit Control System³ filters to identify the specific population of tax returns that will be examined under the CIP; assigning Audit Information Management System⁴

¹ Any activities involving contact with specific taxpayers within a group, using either internal or external data to identify potential areas of noncompliance within the group, for the purpose of correcting the noncompliance. CIPs refer to activities formerly categorized as Return Compliance Programs, Information Gathering Projects, and Compliance 2000 Projects, etc.

² Making something as good as possible or bringing to completion.

³ An Examination database that contains tax returns for every taxpayer for the last 3 tax years.

⁴ A computer system that traces examination results through final determination of tax liability including Appeals and the Tax Court.



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and Examination Returns Control System⁵ tracking codes for monitoring purposes; preparing status reports and termination reports to ensure requirements are met; providing guidance, assistance, oversight, and monitoring of all CIP activity to ensure activities are completed timely, procedures are followed, and objectives are met; and ensuring data are returned or disposed of timely. The Headquarters CIP Program Analyst is responsible for monitoring the local projects and the overall status of the CIP Program and helps determine if a local project should be expanded nationwide.

The Examination function controls the tax returns selected for review for both national and local CIPs using the Audit Information Management System and the Audit Information Management System Centralized Information System (ACIS).⁶ The ACIS is a sub-component of the Audit Information Management System and is periodically reconciled and updated by direct interface. The PSP function also uses the National CIP Database to capture information not included in the ACIS.

This review was performed at the Internal Revenue Service (IRS) office in Vernon Hills, Illinois, with site visitations in the Gulf States Area PSP office in Nashville, Tennessee, and in the Central Area PSP office in Philadelphia, Pennsylvania, during the period October 2007 through June 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁵ An automated inventory management system that is used for controlling tax returns and technical time charges from the time returns arrive in the operating division until they are closed on the Audit Information Management System.

⁶ A computer system that tracks project activity and results.



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Results of Review

Area Offices⁷ Received Proper Approval for Authorizations and Maintained Adequate Physical Security for Tax Returns

When the IRS identifies an area of possible tax noncompliance, the appropriate Examination function PSP Manager or Director must approve a CIP before any contact is made with the taxpayers. This is necessary to ensure taxpayer rights to privacy and security are protected and also helps to ensure the IRS' resources are used productively. Failure to obtain approval could result in tax examinations being performed after the expiration or termination date, duplication of effort by IRS employees, and a missed opportunity to improve tax compliance for a larger number of taxpayers. We judgmentally selected 53 of 149 CIP authorizations (dated from October 2005 to July 2008) and determined that the appropriate PSP Manager had properly approved all of the projects. These results suggest the IRS has sufficient controls in place to ensure procedures are being followed prior to contacting taxpayers and initiating the examinations.

In addition, to help protect taxpayers' rights to privacy and security, the Internal Revenue Manual (IRM) requires CIP tax returns to be secured in locked containers and the keys secured in a separate locked container. The tax returns in both Area Offices that we visited were locked in either filing cabinets or a locked storage room. Keys were also maintained by the office manager and in a separate locked desk at each office. Based on this, we believe the IRS followed procedures for securing tax returns at the locations we visited during this review.

Some Examinations Were Conducted After Compliance Initiative Projects Had Expired or Were Terminated

All CIP authorizations have an expiration date to prevent employees from starting new CIP-related examinations for an indefinite period of time. The examination of new tax returns after the expiration or termination date could subject taxpayers to a potential violation of their rights to privacy and security. Consequently, the IRM prohibits Examination function employees from beginning new examinations after the CIP authorization period has expired.

After a project's expiration date, there is a period of time where Examination function employees may continue working on tax examinations that had been started before the expiration date. This period ends when the project's termination report is issued, and the date that the termination

⁷ A geographic organizational level used by IRS business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues.



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report is issued is referred to as the project termination date. Even if a termination report is not issued, the termination date will still be a maximum of 6 months after the expiration date. Examination function employees should not begin any new tax examinations after the expiration date and should not continue any work on tax examinations after the termination date.

However, we identified 20 CIPs⁸ open at some point between October 1, 2005, and July 30, 2007, that potentially violated the IRM restriction on initiating new examinations and potentially resulted in a violation of taxpayers' rights to privacy and security. Specifically, in these 20 projects, new examinations were started after the expiration and termination dates of the project. These examinations involved 134 taxpayers and 135 tax returns, and examinations were started between 9 and 175 days after the expiration date and 1 to 342 days after the termination date.

These examinations occurred, in part, because the roles and responsibilities of the Headquarters CIP Program Analyst were not adequately defined and, therefore, [REDACTED]

3(d)

[REDACTED] In addition, the management information system for the CIP Program was inaccurate. Management should take corrective action to improve the information available from the management information system.

The responsibilities of the Headquarters CIP Program Analyst were not established

The Headquarters CIP Program Analyst has the primary responsibility for monitoring the overall status of the CIP Program and also helps assess the feasibility of expanding local projects to the rest of the nation. However, since the position was established, the IRM has not been updated to describe the specific duties and responsibilities for the Headquarters CIP Program Analyst. As a result, the coordination between the Headquarters CIP Program Analyst and the local CIP coordinator did not prevent examinations from occurring after the expiration or termination date.

When a CIP expires or is terminated, the local CIP coordinators are required to obtain any remaining tax returns or ensure that the tax return data are destroyed. [REDACTED]

3(d)

The Headquarters CIP Program Analyst has quarterly conference calls with the local CIP coordinators to discuss the projects being worked in their areas. [REDACTED]

3(d)

⁸ There were a total of 49 CIPs that had termination reports issued; however, only 43 CIPs had a project code.



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3(d)

Although the Headquarters CIP Program Analyst is mentioned throughout the IRM, the IRM does not include the specific responsibilities, procedures, goals, or reporting expectations for the position. Without these requirements, senior management does not have assurance that employees are following procedures that protect taxpayer rights to privacy and security or that Program goals are established, communicated to local CIP coordinators, and met.

The National CIP Database was inaccurate

The National CIP Database was not accurate, and it did not capture and report examinations performed after the expiration or termination date. While the Headquarters CIP Program Analyst provides senior management with a quarterly report, it does not identify the projects that have expired or are close to expiration, nor does it disclose if examinations occurred after the expiration date of the project.

The National CIP Database is used for the day-to-day management of the CIP Program. This database includes information, such as the approval dates, expiration dates, extension dates, and termination dates for each project. The Headquarters CIP Program Analyst manually updates the database for new CIP authorizations and any changes to existing projects. However, if the analyst is not alerted of updates or changes to the projects, the database will not be accurate and reliable.

3(d)

We identified four projects that were not updated with new expiration, termination, and/or extension dates on the National CIP Database. Although the IRS was able to later provide supporting documentation for the extensions of these projects, the National CIP Database did not accurately reflect the current status for the projects, which involved 517 unique taxpayer accounts and 526 tax returns. Without timely updating the National CIP Database, these taxpayers could have appeared as having examinations performed after the expiration or termination date when they were appropriately and timely examined.

We also identified other inaccuracies in the National CIP Database such as incorrect dates and projects not being input timely after they were properly authorized. As a result, the database that the Headquarters CIP Program Analyst and local CIP coordinators use to manage individual projects and the Program contains different and sometimes erroneous information than what is



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reported to senior management. Further, the IRS has not developed an effective control for detecting and preventing examinations after the project expiration or termination date.

Although the CIP Program is discretionary and only a small percentage of the overall Examination plan, it is necessary that monitoring, tracking, and reporting of the Program's activities are performed regularly. Management needs to have accurate information about the goals and outcomes of the Program to make decisions, ensure taxpayers' rights to privacy and security are protected, and balance the need for compliance with the tax laws.

Recommendations

The Director, Examination Planning and Delivery, should:

Recommendation 1: Update the CIP section of the IRM to define the specific responsibilities and expectations of the Headquarters CIP Program Analyst and the CIP Program. The updated guidance should address responsibilities for establishing goals, monitoring progress, and reporting results. In addition, the CIP IRM should describe the purpose of the National CIP Database and provide guidance on how it should be used to monitor the Program.

Management's Response: IRS management agreed with this recommendation. The Director, Examination Planning and Delivery, will ensure that the CIP Handbook is updated to address the Headquarters CIP Program Analyst's responsibilities for monitoring progress and reporting results for CIP projects, and the update will provide a description of the National CIP Database and guidance on how it should be used to monitor the CIP program.

Recommendation 2: Create a report that alerts management about projects with pending expiration and termination dates and a report that lists any examinations that were started after the project expiration or termination dates.

Management's Response: IRS management agreed with this recommendation. The Director, Examination Planning and Delivery, will create a report that alerts management about projects with pending expiration and termination dates and a report that lists any examinations that were sent from the Planning and Special Procedures function to field offices after the project expiration or termination dates. The IRM will be updated to clearly indicate that additional cases should not be sent to the field offices after the project's expiration or termination date. Although IRS management agreed with the recommendations and plans to take corrective actions, they did not agree that starting an examination after a project's expiration or termination date constituted a potential violation of taxpayers' rights to privacy or security. IRS management acknowledged that submitting timely extensions and terminations is important to the proper administration of the CIP Program, but contended that once an examination has started, they are obligated to complete it even after the expiration or termination date of the project.



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Office of Audit Comments: At the time of our review, the IRM prohibited Examination function employees from beginning new examinations after the project had expired when taxpayer contact had not yet been made. The examinations we identified were examinations where no taxpayer contact had been made and the examinations had not yet started prior to the expiration or termination date of the project. Therefore, we did not adjust the outcome measures in this report.

Recommendation 3: Ensure the National CIP Database is current and accurate and that the contents are appropriate for effective monitoring of expiration and termination dates.

Management's Response: IRS management agreed with this recommendation. The Director, Examination Planning and Delivery, will update the CIP Handbook to require reviews for accuracy and currency of the data in the National CIP Database at least annually.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the Small Business/Self-Employed Division is meeting its goal of identifying areas of noncompliance and controlling returns for the CIPs.¹ To accomplish our objective, we:

- I. Evaluated the effectiveness of controls and procedures used in selected Area Offices² to authorize the CIPs.
 - A. Determined how the CIPs were identified.
 1. Interviewed two Area Office managers to determine the process for identifying noncompliance areas in both individual and industry taxpayer segments that are forwarded for project approval.
 - B. Evaluated the CIP approval process.
 1. Interviewed Area Office managers to determine if the CIP approval process was timely.
 2. Reviewed a judgmental sample³ of 53 of 149 CIP authorizations to determine if authorizations were properly approved and to identify any delays in the approval process.
- II. Evaluated controls to protect taxpayer privacy and security.
 - A. Evaluated the physical security controls over CIP tax returns in Nashville, Tennessee (Gulf States Area Office), and Philadelphia, Pennsylvania (Central Area Office).
 - B. Determined if CIP tax returns were properly secured.

¹ Any activities involving contact with specific taxpayers within a group, using either internal or external data to identify potential areas of noncompliance within the group, for the purpose of correcting the noncompliance. CIPs refer to activities formerly categorized as Return Compliance Programs, Information Gathering Projects, Compliance 2000 Projects, etc.

² A geographic organizational level used by IRS business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues.

³ The sample was judgmental because the overall sample consisted of three separate samples. We sampled 17 authorizations from the Gulf States Area Office, 6 from the Central Area Office, and 30 additional ones from the list of 149 authorizations.



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- III. Evaluated the effectiveness of the management information system for the CIP Program.
 - A. Evaluated the internal controls used to prevent examinations after the expiration or termination date.
 - B. Determined whether all CIPs on the Examination function's Audit Information Management System⁴ were also on the ACIS.⁵
 - C. Determined whether all CIPs on the ACIS were controlled on the National CIP Database.
 - D. Reviewed 24 CIPs from the National CIP Database to determine whether tax returns related to expired CIPs were still being started after the termination date or more than 6 months after the expiration date of the project.

⁴ A computer system that traces examination results through final determination of tax liability including Appeals and the Tax Court.

⁵ A computer system that tracks project activity and results.



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Appendix II

Major Contributors to This Report

Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations)
Carl Aley, Director
Amy L. Coleman, Audit Manager
Lynn Rudolph, Lead Auditor
Frank Maletta, Auditor



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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Small Business/Self-Employed Division SE:S
Director, Communications, Liaison, and Disclosure SE:S:CLD
Director, Examination, Small Business/Self-Employed Division SE:S:E
Director, Examination Planning and Delivery, Small Business/Self-Employed Division
SE:S:E:EPD
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Commissioner, Small Business/Self-Employed Division SE:S



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Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Taxpayer Privacy and Security – Actual; 134 taxpayer accounts (see page 3).

Methodology Used to Measure the Reported Benefit:

We compared the expiration dates of Fiscal Years 2006 and 2007 projects on the National CIP Database to the examination start dates for the same projects listed on the Audit Information Management System¹ and identified 20 CIPs involving 134 taxpayers where new examinations started after the CIPs had expired. We determined that the examination of these 134 taxpayer accounts potentially violated the taxpayers' rights to privacy and security.

Type and Value of Outcome Measure:

- Reliability of Information – Actual; 517 taxpayer accounts (see page 3).

Methodology Used to Measure the Reported Benefit:

We compared the National CIP Database Fiscal Years 2006 and 2007 projects to the same projects listed on the AIMS and identified 4 CIPs involving 517 taxpayers where new examinations appeared to have started after the CIPs had expired. The IRS later provided documentation that showed the projects were extended, but the database was not updated timely.

¹ A computer system that controls tax returns that have been selected for examination.



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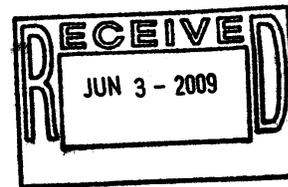
Appendix V

Management's Response to the Draft Report



COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224



June 1, 2009

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Christopher Wagner
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Audit Report – The Compliance Initiative Projects
Program Performed Some Examinations After the
Projects Expired or Were Terminated (Audit
#200830005)

Thank you for the opportunity to review your draft report titled "The Compliance Initiative Projects Program Performed Some Examinations After the Projects Expired or Were Terminated." We agree with recommendations contained in the report.

The National Office Compliance Initiative Projects (CIP) Program Analyst communicates regularly with Area CIP coordinators to discuss the CIP process and program goals. Additionally, quarterly teleconferences are held and program information is regularly posted to the CIP webpage. We will update the Internal Revenue Manual (IRM) to clarify these activities and to provide guidance to the CIP Program Analyst with respect to establishing goals, monitoring progress and reporting results.

The CIP database is one of several tools used to manage the CIP program. We will ensure the database is current, accurate, and that the contents are sufficient to allow for effective monitoring of expiration and termination dates. We agree with the "Reliability" outcome measure in that we acknowledge that the database may not have been updated timely in all situations. We are currently improving database functionality to enhance program monitoring and improve data reliability.

Although we acknowledge that submitting timely CIP extensions and terminations is important to the proper administration of the CIP program, examinations commenced after a CIP's expiration or termination date do not constitute a potential violation of taxpayers' right to privacy or security of their tax returns. Therefore, we do not agree with the "Taxpayer Privacy and Security" outcome measure.



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Once an examination commences, we are obligated to complete the examination according to the Internal Revenue Code, the Treasury Regulations and our IRM. Terminating an in-process examination based on an arbitrary completion date would negatively impact our compliance initiatives and all taxpayer rights. Therefore, we should not discontinue work on tax examinations after the termination date, expiration date or six months thereafter.

Attached is a detailed response outlining our planned corrective actions.

If you have any questions, please call me at (202) 622-0600 or Monica Baker, Director, Examination, Small Business/Self-Employed Division, at (202) 283-2659.

Attachment



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Attachment

RECOMMENDATION 1:

The Director, Examination Planning and Delivery should update the CIP section of the IRM to define the specific responsibilities and expectations of the Headquarters CIP Program Analyst and for the CIP Program. The updated guidance should address responsibilities for establishing goals, monitoring program progress, and reporting results. In addition, the CIP IRM should describe the purpose of the National CIP Database and provide guidance on how it should be used to monitor the program.

CORRECTIVE ACTION:

The Director, Examination Planning and Delivery, Small Business/Self-Employed Division will ensure that IRM 4.17, Compliance Initiative Projects (CIP) Handbook is updated to address the Headquarters CIP Program Analyst's responsibilities for monitoring progress and reporting results for CIP projects; and the update will provide a description of the National CIP Database and guidance on how it should be used to monitor the CIP program.

IMPLEMENTATION DATE:

August 15, 2010

RESPONSIBLE OFFICIAL:

Director, Examination Planning and Delivery, SB/SE

CORRECTIVE ACTION MONITORING PLAN:

The Director, Examination Planning and Delivery, SB/SE will advise the Director, Examination, SB/SE of any delays in implementing this corrective action.

RECOMMENDATION 2:

The Director, Examination Planning and Delivery should create a report that alerts management about projects with pending expiration and termination dates and a report that lists any examinations that were started after the project expiration or termination dates.

CORRECTIVE ACTION:

The Director, Examination Planning and Delivery, Small Business/Self-Employed Division, will create a report that alerts management about projects with pending expiration and termination dates and a report that lists any examinations that were sent from Planning and Special Programs to field offices after the project expiration or termination dates. The IRM will be updated to clearly indicate that additional cases should not be sent to the field after the project's expiration or termination date.

IMPLEMENTATION DATE:

August 15, 2010



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RESPONSIBLE OFFICIAL:

Director, Examination Planning and Delivery, SB/SE

CORRECTIVE ACTION MONITORING PLAN:

The Director, Examination Planning and Delivery, SB/SE will advise the Director Examination, SB/SE of any delays in implementing this corrective action.

RECOMMENDATION 3:

The Director, Examination Planning and Delivery should ensure the National CIP Database is current and accurate and that the contents are appropriate for effective monitoring of expiration and termination dates.

CORRECTIVE ACTION:

The Director, Examination Planning and Delivery, Small Business/Self-Employed Division, will update the IRM 4.17 handbook to require reviews at least annually of the data in the National CIP Database for accuracy and currency.

IMPLEMENTATION DATE:

August 15, 2010

RESPONSIBLE OFFICIAL:

Director, Examination Planning and Delivery, SB/SE

CORRECTIVE ACTION MONITORING PLAN:

The Director, Examination Planning and Delivery, SB/SE will advise the Director, Examination, SB/SE of any delays in implementing this corrective action.