



Treasury Inspector General for Tax Administration Office of Audit

THE TAXPAYER ADVOCATE SERVICE SHOULD REEVALUATE THE ROLES OF ITS STAFF AND IMPROVE THE ADMINISTRATION OF THE TAXPAYER ADVOCACY PANEL

Issued on September 29, 2009

Highlights

Highlights of Report Number 2009-10-121 to the Internal Revenue Service National Taxpayer Advocate.

IMPACT ON TAXPAYERS

The Taxpayer Advocacy Panel (Panel) was established in Calendar Year 2002 to listen to taxpayers, identify “grass roots” issues, and make recommendations for improving the customer service provided by the Internal Revenue Service (IRS). The Panel provides a valuable service to the IRS and to taxpayers in this role. However, the Taxpayer Advocate Service (TAS) needs to ensure a better use of its resources by providing a better balance between the costs of administration and staff (\$2.7 million and 25 TAS employees) used to support the Panel, the large size of the Panel, and the Panel’s ability to help improve service to taxpayers. Given the current emphasis on accountability for Federal programs, it is important for the National Taxpayer Advocate (NTA) to ensure that TAS resources are being efficiently spent and the Panel is at an optimal size.

WHY TIGTA DID THE AUDIT

The overall objective of this review was to determine whether the Panel is operating in accordance with its charter and whether the Panel and the TAS are utilizing resources efficiently to promote improvements in IRS customer service.

WHAT TIGTA FOUND

The number of members serving on the Panel could be significantly reduced, thereby requiring fewer IRS resources for oversight. In addition, recruiting for Panel members is an extensive process and involves a high cost. Approximately one-third of the members are replaced each year. Consequently, the TAS can spend up to 7 months each year recruiting and selecting new Panel members to replace those whose terms expired.

The TAS also needs to clarify the role of the staff supporting the Panel to ensure the Panel’s independence. While some of the duties performed by the TAS staff are vital for the Panel to operate effectively, many could unintentionally influence the

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work that the Panel performs or give the impression that the Panel did not develop the issues independently. Further, the Panel’s charter does not account for a significant amount of the work completed by its membership. In addition, TIGTA identified a significant number of inaccurate entries in the Panel database which led to overstatements in the performance measures reported to the General Services Administration by the TAS. Finally, the TAS could enhance tax compliance checks for all Panel members.

WHAT TIGTA RECOMMENDED

TIGTA recommended the NTA take the following actions: 1) revise the staff time tracking system to help evaluate whether resources are being used efficiently; 2) reevaluate the Panel’s structure and size to ensure an appropriate balance between TAS staff and budgetary resources used to support the Panel; 3) reevaluate the roles of the TAS staff assigned to the Panel and establish guidance to ensure that the Panel functions independently; 4) revise the charter to accurately reflect the roles of Panel members; 5) establish and implement a process to validate data in the Panel database and correct the erroneous entries TIGTA identified; 6) establish a process to follow up with the IRS on the recommendations planned for future implementation; 7) establish formal guidance for conducting tax compliance checks of Panel members; and 8) develop procedures to verify that licensed tax practitioners serving on the Panel are in good standing with the IRS.

In their response, the IRS agreed in full with seven recommendations and in part with one recommendation. The NTA did not fully agree to reevaluate the Panel’s size to determine the optimal structure of the Panel’s membership, indicating there was no compelling data that the current structure is flawed, and that it would not be cost effective to make such changes. In addition, the NTA noted that any changes to the Panel require approval by the Secretary of the Treasury and the IRS Commissioner.

In the current environment of increased accountability in Government, TIGTA believes it is important for the NTA to evaluate this program to identify any potential changes that could reduce costs and improve efficiency. Because no new studies have been performed since the Panel was established in 2002, the recommendation to reevaluate the structure and size of the Panel and the TAS staff supporting the Panel is valid.

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/200910121fr.pdf>.

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