



Treasury Inspector General for Tax Administration Office of Audit

APPEALS HAS MADE CONSIDERABLE PROGRESS IN ITS CAMPUS CENTRALIZATION EFFORTS, BUT SOME OPPORTUNITIES EXIST FOR IMPROVEMENT

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Highlights

Highlights of Report Number: 2010-10-021 to the Internal Revenue Service Chief of Appeals.

IMPACT ON TAXPAYERS

The Appeals campus centralization was designed to resolve high volumes of work and focus on customer service and increase efficiency by responding to taxpayer issues earlier in the Appeals process. While Appeals has made considerable progress in achieving its centralization goals and has taken corrective actions to address the recommendations made in our prior report, additional improvement can be achieved in certain activities performed at the campuses to further enhance customer service and positively impact tax administration. TIGTA identified a few instances where actions can be taken to ensure taxpayer rights are protected, taxpayer burden is decreased, and Government revenue is protected. Continued focus in these areas will support Appeals' goal of reducing the processing time of taxpayers' appeals, enhancing customer satisfaction, and improving the quality of work performed by Appeals personnel.

WHY TIGTA DID THE AUDIT

TIGTA previously performed a review to evaluate the quality and effectiveness of Appeals centralized campus operations and issued an audit report in May 2007. This audit was initiated because the Chief, Appeals, requested that TIGTA perform a followup review of the campus locations to determine if the corrective actions taken by Appeals management were effective to address the conditions identified in the prior TIGTA audit.

WHAT TIGTA FOUND

Since our last audit, Appeals management has made considerable progress in achieving their goals of improving customer service and increasing efficiency through the campus centralization. Appeals management has revised its quality system to better measure the effectiveness of its campus centralization efforts. In addition, Appeals has

improved its process of notifying taxpayers before it contacted third parties, offered taxpayers the option of a face-to-face hearing, and significantly reduced the excessive delays in contacting taxpayers on Penalty Appeal cases and Innocent Spouse claims.

Although considerable progress has been made, TIGTA believes additional improvement can be achieved in certain activities performed at the campuses. Our case reviews found decision letters were not always issued to the nonrequesting spouse on Innocent Spouse claims when the individual is deceased. In addition, Appeals can continue to improve its processing of Penalty Appeal cases to ensure campus personnel make the correct determination when abating penalties. Further, Appeals personnel are still issuing a small number of refunds in error. Finally, Appeals personnel are still not timely notifying taxpayers that their appeal has been received for Collection Due Process and Offer in Compromise cases.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Appeals, develop procedural guidance for the proper notification of Innocent Spouse proceedings when the nonrequesting spouse is deceased; issue reminders to employees to emphasize how statute of limitation dates should be determined for refund claims and the requirement to properly document the reason for abating penalties in the Appeals Case Memo; and develop an internal control that would identify the absence of the Uniform Acknowledgement Letter on Collection Due Process and Offer in Compromise cases and ensure one is issued within 30 days of receipt as required.

In their response to the report, IRS officials agreed with all of our recommendations. Appeals management plans to develop procedural guidance for the proper notification of Innocent Spouse proceedings when the nonrequesting spouse is deceased; remind employees how to determine the statute of limitation dates on refund claim cases; update the Internal Revenue Manual to reinforce the need to document the basis for the decision when abating penalties; develop templates on its database and provide training to identify Collection Due Process and Offer in Compromise nondocketed cases received within the preceding 30 calendar days where no Uniform Acknowledgement Letter was issued to the taxpayer; and update the Internal Revenue Manual with the responsibility and use requirements of the Uniform Acknowledgement Letter reports.

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/201010021fr.pdf>.

Email Address: inquiries@tigta.treas.gov
Web Site: <http://www.tigta.gov>

Phone Number: 202-622-6500