



*A Statistical Portrayal of the  
Taxpayer Advocate Service for  
Fiscal Years 2005 Through 2009*

**August 16, 2010**

**Reference Number: 2010-10-081**

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.



## HIGHLIGHTS

### A STATISTICAL PORTRAYAL OF THE TAXPAYER ADVOCATE SERVICE FOR FISCAL YEARS 2005 THROUGH 2009

## Highlights

### Final Report issued on August 16, 2010

Highlights of Reference Number: 2010-10-081 to the National Taxpayer Advocate.

### IMPACT ON TAXPAYERS

The Taxpayer Advocate Service (TAS) plays an important role in tax administration by helping taxpayers who have tried, unsuccessfully, to resolve their tax problems using normal Internal Revenue Service (IRS) channels. TIGTA found that fluctuating staffing levels, current authorities, and increased case receipts have contributed to longer case processing time. As a result, although the TAS may take interim actions to assist taxpayers, they have had to wait longer for their tax problems to be fully resolved. Despite the increased workload and decreased staffing, the TAS has been successful in maintaining high levels of quality and customer satisfaction.

### WHY TIGTA DID THE AUDIT

This review was initiated to gain an overall perspective of the TAS program in light of its mission of solving taxpayer problems. Our overall objective was to provide a statistical portrayal with trend analyses of the TAS for Fiscal Years 2005 through 2009. This audit addresses the IRS major management challenge of Providing Quality Taxpayer Service Operations.

### WHAT TIGTA FOUND

Many internal and external factors have affected the TAS' ability to timely assist taxpayers. Specifically, the economy, the IRS' increased emphasis on enforcement actions, and legislative changes have led to more taxpayers asking for the TAS' help. In addition, the TAS' internal policy of accepting all cases referred to it by other IRS functions may have contributed to the 38 percent increase in case receipts since Fiscal Year 2005. Collectively, TIGTA believes these factors have made it challenging for the

TAS to accomplish part of its mission related to timely resolving taxpayer problems.

Rising caseloads have also affected case processing time. In Fiscal Year 2009, cases were open an average of 80 calendar days, an increase of 14 calendar days (22 percent) since Fiscal Year 2005. Despite these challenges, the TAS reported an overall quality rating of 88 percent and a customer satisfaction rating of 84 percent during Fiscal Year 2009. However, TIGTA believes many of the issues identified in our review will continue to present challenges for the TAS and affect its ability to timely resolve taxpayer problems in the future.

### WHAT TIGTA RECOMMENDED

Due to the nature of this review, TIGTA made no recommendations. However, key TAS management officials reviewed the report prior to issuance and, overall, agreed with the facts and conclusions presented regarding the major trends in the TAS over the past five years. TAS management provided additional perspective related to the TAS' change in authority and its effect on the issuance of Operations Assistance Requests to the operating divisions. In addition, TAS management also provided input related to the increase in case processing time.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

August 16, 2010

**MEMORANDUM FOR NATIONAL TAXPAYER ADVOCATE**

*Michael R. Phillips*

**FROM:**

Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:**

Final Audit Report – A Statistical Portrayal of the Taxpayer Advocate Service for Fiscal Years 2005 Through 2009 (Audit # 201010017)

This report presents the results of our review of statistical information that reflects activities of the Taxpayer Advocate Service (TAS). The overall objective of this review was to provide a statistical portrayal with trend analyses of the TAS for Fiscal Years 2005 through 2009. This audit is included in our Fiscal Year 2010 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

Due to the nature of this review, we made no recommendations. However, key TAS management officials reviewed the report prior to issuance and, overall, agreed with the facts and conclusions presented regarding the major trends in the TAS over the past 5 years. TAS management provided additional perspective related to the TAS' change in authority and its effect on the issuance of Operations Assistance Requests to the operating divisions. In addition, TAS management also provided input related to the increase in case processing time.

Management's complete response to the draft report is included as Appendix XI.

Please contact me at (202) 622-6510 if you have questions or Nancy Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations), at (202) 622-8500.



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*Abbreviations*

FTE	Full-Time Equivalent
FY	Fiscal Year
IRS	Internal Revenue Service
OAR	Operations Assistance Request
RRA 98	Restructuring and Reform Act of 1998
TAS	Taxpayer Advocate Service



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## *Background*

In response to concerns about the quality of service provided to taxpayers, Congress passed the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (RRA 98),<sup>1</sup> which led to the reorganization of the IRS. The RRA 98 created the position of the National Taxpayer Advocate and established the Taxpayer Advocate Service (TAS) as an independent organization within the IRS.<sup>2</sup>

In March 2000, the TAS stood up as a separate operating division within the IRS, headed by the National Taxpayer Advocate. The TAS has two principal statutory missions, which are summarized in the TAS mission statement: “As an independent organization within the IRS, we help taxpayers resolve problems with the IRS and recommend changes that will prevent the problems.”<sup>3</sup> The TAS plays an important role in tax administration by helping taxpayers who have tried, unsuccessfully, to resolve their tax problems using normal IRS channels. In addition, the TAS helps taxpayers whose tax problems are causing financial difficulty or significant cost. The TAS established two internal functions to address its principal statutory missions.

- **Case Advocacy** – addresses problems faced by specific individual and business taxpayers. These problems range from simple IRS processing errors or delays to complex examinations and appeals. The TAS has established nine criteria for accepting cases into the Case Advocacy Program that fall under four broad categories of issues.<sup>4</sup> Most of the cases the TAS receives are referred to it by the IRS functions, primarily through the toll-free telephone lines. The TAS also receives direct contacts from taxpayers, their representatives, and members of Congress. Appendix VII shows the sources of TAS cases.
- **Systemic Advocacy** – identifies areas in which groups of taxpayers are experiencing problems with the IRS. The goal is to identify, analyze, and provide resolution of broad-based taxpayer problems. These problem areas can be identified by the TAS, other IRS field offices, and external stakeholders. To the extent possible, the TAS is required to propose administrative or legislative changes to resolve or mitigate those problems. Systemic Advocacy Program projects are categorized under two criteria: Immediate Interventions and Advocacy Projects.

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<sup>1</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

<sup>2</sup> See Appendix IV for a historical perspective of the TAS.

<sup>3</sup> Internal Revenue Code Section 7803 (2009).

<sup>4</sup> See Appendix V for a definition of the TAS’ criteria for accepting cases into the program.



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By statute, the TAS is required to maintain at least one Local Taxpayer Advocate office in each State.<sup>5</sup> The TAS currently has 76 offices throughout the Nation and Puerto Rico, as well as the Headquarters office in Washington, D.C.<sup>6</sup> Although casework is performed at multiple offices, most communication with taxpayers are made by correspondence or telephone.

The structure of the TAS organization has changed since its inception. In addition to performing its statutory missions, the TAS assumed responsibility for the administration of the Taxpayer Advocacy Panel (a Federal advisory committee made up of members of the general public from each State) in Calendar Year 2002 and the Low Income Taxpayer Clinic (a grant program) in May 2003.

This review was performed at the TAS National Headquarters in Washington, D.C., during the period December 2009 through April 2010. We did not assess internal controls because doing so was not applicable within the context of our audit objective. Otherwise, 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 relied on published data and other information provided by the TAS and audit reports issued by the Treasury Inspector General for Tax Administration and the Government Accountability Office. The information obtained from published data and provided directly by the TAS has not been independently verified or validated by the Treasury Inspector General for Tax Administration. 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.

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<sup>5</sup> Internal Revenue Code Section 7803(c)(D)(i)(1) (2009).

<sup>6</sup> Offices are located in the IRS campuses and field offices. Campuses are the data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.



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## *Results of Review*

We identified several trends in the TAS' caseload, authority, and resources during Fiscal Years (FY) 2005 through 2009 that point to significant changes within the TAS organization. Many internal and external factors have affected the TAS' ability to timely assist taxpayers. The economy, the IRS' increased emphasis on enforcement actions, and legislative changes such as the electronic stimulus payment<sup>7</sup> have led to more taxpayers asking for TAS help. In addition, the TAS' internal policy of accepting all cases referred to it by other IRS functions may have contributed to the 38 percent increase in case receipts since FY 2005. Collectively, we believe these factors have made it challenging for the TAS to accomplish part of its mission related to timely resolving taxpayer problems.

Rising caseloads have also affected case processing time.<sup>8</sup> In FY 2009, cases were open an average of 80 calendar days, an increase of 14 calendar days (22 percent) since FY 2005. This means taxpayers have had to wait longer for all their issues to be fully resolved.

The TAS' staffing levels have also fluctuated since FY 2005, which may have affected its ability to keep pace with rising inventory and contributed to longer case processing time. The TAS organization was at its lowest staffing in FY 2007. Since then, the TAS has been able to hire more personnel and plans to fill all positions lost to attrition during FY 2010.

In addition, while the volume of cases has increased, TAS employees do not have the ability to directly resolve certain taxpayer problems due to a change in their level of authority. Most cases must be referred to the IRS operating divisions for resolution, which typically adds an additional 45 calendar days to the case processing time. Finally, although the TAS has experienced increased workload and decreased staffing, it has been successful in maintaining high levels of quality and customer satisfaction. However, we believe many of the issues we identified will continue to present challenges for the TAS and affect its ability to timely resolve taxpayer problems in the future.

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<sup>7</sup> The Economic Stimulus Act of 2008 (Pub.L. 110-185, 122 Stat. 613, enacted February 13, 2008) was an Act of Congress providing for several kinds of economic stimuli intended to boost the United States economy in 2008 and to avert a recession or ameliorate economic conditions.

<sup>8</sup> Case processing time is also known as "cycle time" and is the average number of days a TAS case remained open.



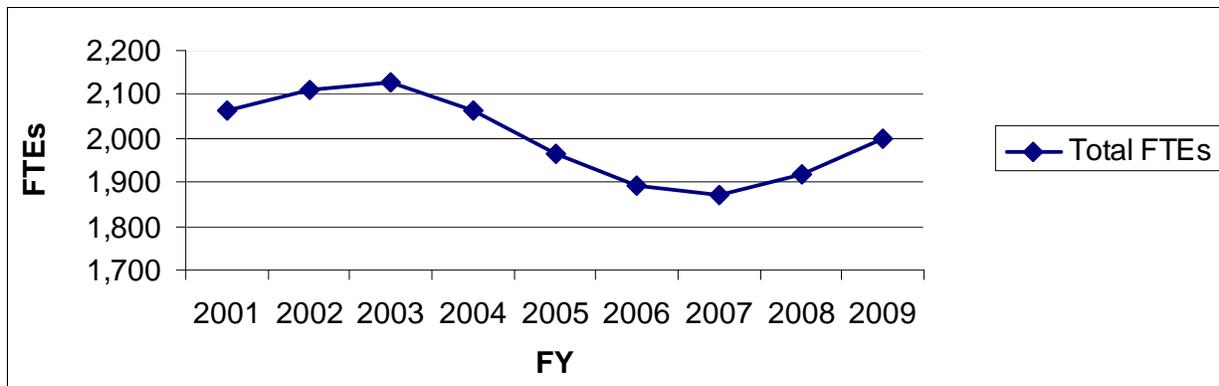
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**Fluctuating Staffing Levels, Authorities, and Increased Receipts Have Contributed to Longer Processing Time in the Case Advocacy Program**

The TAS is an important function within the IRS because it provides an avenue of assistance for taxpayers experiencing financial difficulties, as well as those taxpayers that have been unsuccessful in resolving their tax problems directly with the IRS. Because many of these taxpayers have already experienced delays and possibly hardships caused by the IRS, the TAS needs efficient processes to ensure taxpayers receive timely resolution of their problems.

The TAS' ability to keep pace with rising caseloads was affected by fluctuating staffing levels and attrition. From FY 2005 through FY 2007, TAS staffing levels steadily decreased and reached its lowest level in FY 2007 with 1,870 Full-Time Equivalents (FTE).<sup>9</sup> Beginning in FY 2006, TAS management began a hiring initiative to bring staffing levels back to FY 2005 levels. In FY 2009, the TAS organization grew to 1,998 FTEs, an increase of 6.8 percent from FY 2007. Figure 1 shows the TAS' fluctuating staffing levels.

**Figure 1: FTEs in the TAS Organization**



Source: Data provided by TAS management, December 2009.

Since their FY 2010 budget was increased from FY 2009, TAS management has been able to hire more employees to fill vacant positions, especially in the Case Advocacy Program.<sup>10</sup> To address staffing shortfalls, management plans to continue hiring to fill all positions (more than 140) that were vacant due to attrition. In addition, management informed us that they intend to

<sup>9</sup> A measure of labor hours in which 1 FTE is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. For FY 2009, 1 FTE was equal to 2,088 staff hours. For FY 2010, 1 FTE is equal to 2,088 staff hours.

<sup>10</sup> The TAS FY 2010 budget is \$215,954,000, which includes \$10 million in grant money to be awarded to Low Income Tax Clinics.



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create and fill at least 25 new case advocate positions in FY 2010.<sup>11</sup> Figure 2 provides a breakdown of staffing for all TAS functions since FY 2005.

**Figure 2: FTEs for FY 2005–FY 2009**

<b>Program Area</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Core Functions</b>					
Case Advocacy	1,829	1,766	1,757	1,785	1,851
Systemic Advocacy	32	32	25	29	29
<b>Other Functions</b>					
Low Income Taxpayer Clinic	10	11	13	12	14
Taxpayer Advocacy Panel	21	21	20	18	24
Other <sup>12</sup>	71	64	56	74	79
<b>Total FTEs<sup>13</sup></b>	<b>1,963</b>	<b>1,894</b>	<b>1,870</b>	<b>1,918</b>	<b>1,998</b>

Source: Data provided by TAS management, December 2009.

Replacing positions lost to attrition will be necessary to manage higher volumes of casework, but it can take years for new employees to become proficient case advocates.<sup>14</sup> We are concerned that if funding is not provided to allow the TAS to continue to add case advocate positions, it may ultimately have to identify other methods to manage case inventories.

**The Systemic Advocacy Program has also experienced challenges with staffing**

The Systemic Advocacy Program is an important function within the TAS because the issues addressed can affect large groups of taxpayers. During a FY 2003 review of the Systemic Advocacy Program,<sup>15</sup> we expressed concerns that employees were not always able to fully devote the time necessary to address advocacy projects due to conflicting priorities.<sup>16</sup> We observed that personnel were shifted away from the program for significant periods of time in order to work on the Annual Report to Congress. However, we could not determine whether the staffing level was appropriate because no information was available on the staff days expended

<sup>11</sup> See Appendix VI for more information on TAS expenditures and FTEs.

<sup>12</sup> Other includes TAS personnel performing headquarters management activities. These activities include strategic planning, communications and liaison, finance, equal opportunity and diversity, business systems planning, and employee development.

<sup>13</sup> The totals do not add up due to rounding.

<sup>14</sup> Case advocates work directly with taxpayers and their representatives to resolve TAS cases.

<sup>15</sup> *The National Taxpayer Advocate Could Enhance the Management of Systemic Advocacy Resources* (Reference Number 2003-10-187, dated September 30, 2003).

<sup>16</sup> The TAS creates advocacy projects from advocacy issues that have been reviewed, ranked under established criteria, and accepted as projects for assignment and further development.



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in working Systemic Advocacy Program projects or developing issues for the Annual Report to Congress.

We did not evaluate the staffing structure of the Systemic Advocacy Program during this review; however, we intend to conduct another review of this area in a future audit.

**The TAS' current authority has led to increased reliance on other IRS operating divisions**

In FY 2001, the IRS Commissioner delegated significant authority to the TAS to enable TAS employees to take various actions on taxpayer accounts, such as processing certain types of claims and returns. At that time, it was thought that giving the TAS these authorities would facilitate faster service for taxpayers by decreasing the need to request assistance from other functions within the IRS. However, in FY 2007, the National Taxpayer Advocate agreed to relinquish some of the authority that had previously been granted to the TAS. This change limits the actions case advocates can take to directly resolve taxpayer account problems. TAS management believes that its employees should not make any decision that may be later appealed by a taxpayer, such as accepting/denying claims for refunds or upholding/abating penalties. TAS management believes that taking these types of actions interfere with its Congressional mandate to advocate for taxpayers. In FY 2007, TAS obtained some new authorities, such as the ability to make certain account adjustments and issue manual refunds in certain situations.

With their current authorities, TAS employees are limited to taking actions that are routine and non-substantive, such as inputting a taxpayer's change of address. Specifically, the TAS can no longer directly resolve many common taxpayer problems such as processing claims for refund, abating penalties, or designating taxpayer accounts as "Currently not Collectible," regardless of the amounts involved.

Although the TAS receives most of its cases from the IRS operating divisions, it generally must send most cases back to the IRS for resolution.<sup>17</sup> This means that the TAS must collaborate with the IRS operating divisions to address most taxpayer cases through the use of Operations Assistance Requests (OAR).<sup>18</sup> As a result of the current authority and increasing case receipts, the TAS has had to issue increasingly more OARs to the IRS operating divisions to address taxpayer issues. In FY 2008, the TAS issued approximately 15 percent more OARs than in the prior fiscal year. Therefore, taxpayers may have to wait longer for resolution because OARs generally extend overall case processing time.

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<sup>17</sup> In FY 2009, 73.2 percent of TAS case receipts were referrals from the IRS, primarily the toll-free telephone lines. See Appendix VII for the sources of cases received by the TAS.

<sup>18</sup> The OAR process is a collaborative effort between the TAS and the applicable IRS operating division. It involves the creation and routing of the OAR by the TAS, the assignment of the OAR, and completion of the requested action by the operating division.



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At the request of the National Taxpayer Advocate, we performed an audit during FY 2007 to determine whether the OAR process was efficient.<sup>19</sup> We found that taxpayers may have been burdened because the OAR process was paper-intensive and added unnecessary time to case processing. These delays were especially critical if the taxpayer was experiencing a financial hardship and needed expedited assistance.

Another significant problem we identified during our previous review was the high number of OARs rejected by the IRS functions.<sup>20</sup> This further delays resolution of the taxpayer's problem since the OAR must be corrected and resubmitted to the applicable IRS function for processing. One of the most common reasons the IRS rejected the OARs issued by the TAS was because they were sent to an incorrect operating division or function.

In our FY 2007 report, we recommended that TAS management evaluate a sample of OARs to determine the reasons why they were rejected. In this review, we noted that the TAS has made continued progress in reducing the number of OARs rejected by the IRS functions. Figure 3 shows the OARs issued and rejected:

**Figure 3: OARs Issued by the TAS and Rejected by the IRS**

Fiscal Year	2005	2006	2007	2008	2009
Percentage of Cases Closed With at Least One OAR	Unknown	49.4%	48.5%	52.8%	54.7%
OARS Issued by the TAS	162,096	190,429	196,861	226,446	243,309
OARS Rejected by the IRS <sup>21</sup>	21,235	25,898	25,020	20,764	17,320
Reject Rate	13.1%	13.6%	12.7%	9.2%	7.1%

*Source: TAS FY 2008 and FY 2009 4<sup>th</sup> Quarter Business Performance Reviews; TAS 2005 Annual Report to Congress; Discussion of Taxpayer Advocate Service Process Reengineering Efforts, dated March 2008; and Taxpayer Advocate Service: FY 2009 Review and Fiscal Year 2010 Target Setting Process for IRS Oversight Board Meeting: November 18, 2009.*

Although the TAS has taken steps to reduce the number of OARs rejected by the IRS, we continue to be concerned that the use of OARs significantly increases TAS processing time on cases. Since FY 2005, the average cycle time on cases with at least 1 OAR was 45 calendar days

<sup>19</sup> *Inefficiencies in Processing Operations Assistance Requests Caused Taxpayers Unnecessary Delays* (Reference Number 2007-10-068, dated May 18, 2007).

<sup>20</sup> When IRS functions reject OARs, they return them to the TAS without taking action or addressing the taxpayer's problem.

<sup>21</sup> The number of OARs rejected by IRS functions in FY 2005 and FY 2006 are approximated based on the number of OARs issued and the reject rate because actual numbers were not published by the TAS.



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longer than the average cycle time for cases without any OARs. During FY 2009, the TAS issued 50 percent more OARs than during FY 2005.

The TAS sent an average of two OARs to the IRS for each taxpayer case that required an OAR.<sup>22</sup> For example, the TAS may send one OAR to an Examination function group to reconsider a taxpayer's audit assessment and a separate OAR to a Collection function because the taxpayer requested an installment agreement. TAS management informed us that they are also considering expanding the use of "piggyback OARs" in which one OAR is used for an issue that is worked by multiple functions/business units.

In our FY 2007 report, we recommended that the TAS automate the OAR process to enable IRS personnel to input data and return OARs electronically. While the TAS agreed with our recommendation, the process has not yet been fully automated. However, TAS management indicated they have taken other actions to improve the OAR process, including:

- Creating web links to IRS resources that aid the TAS in routing the OARs to the correct IRS functional office.
- Using dedicated email boxes and secure email to transmit the OARs in order to avoid delays associated with mailing paper files.
- Adding a feedback button to the TAS intranet web site that allows IRS employees to elevate problems with the OAR process.

After we completed our audit of the OAR process, the TAS contracted with an independent consulting firm to explore ways to improve case processing. In a September 2008 report, the consulting firm stated that the OAR process was inefficient. They noted that misrouted OARs cause rework for the TAS and the IRS and cause delays for taxpayers. The consulting firm also agreed with our recommendation to automate the OAR process.<sup>23</sup> However, the final report with the consulting firm's results was not yet completed by the end of our fieldwork on this review.

The OARs have become an integral part of case processing. As a result, the TAS is dependent on the other IRS functions to ensure that actions taken on taxpayers' accounts are timely and accurate. Consequently, it is important that the OAR process be efficient so that taxpayers are not subject to lengthy or unnecessary delays in resolving their tax problems.

### **Receipts in the Case Advocacy Program have continued to rise since FY 2005**

Another significant factor affecting the TAS organization is the number of taxpayers asking for assistance. Since FY 2005, case receipts have increased significantly, increasing almost

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<sup>22</sup> In FY 2009, the average processing time for each OAR was 18 calendar days and each case required an average of 1.9 OARs.

<sup>23</sup> *Inefficiencies in Processing Operations Assistance Requests Caused Taxpayers Unnecessary Delays* (Reference Number 2007-10-068, dated May 18, 2007).



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38 percent by FY 2009.<sup>24</sup> As shown in Figure 4, despite the rising inventory, TAS personnel closed almost 50 percent more cases in FY 2009 than in FY 2005.

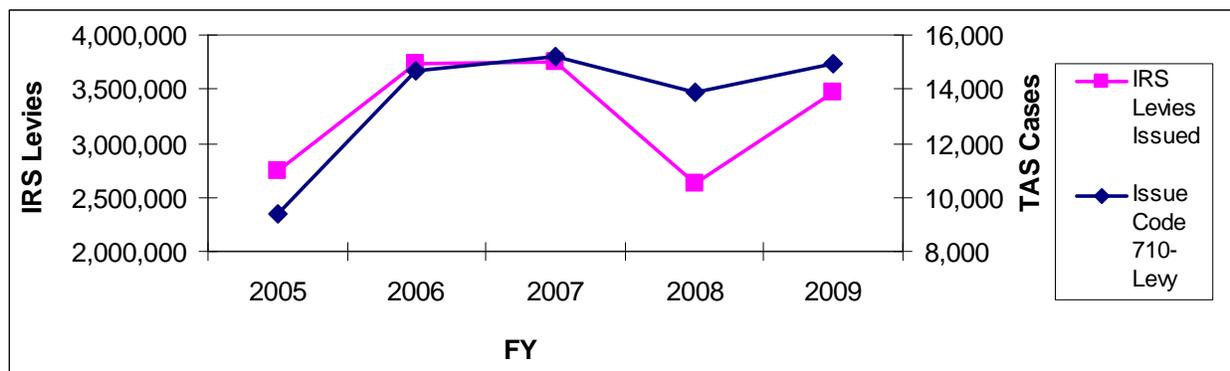
**Figure 4: TAS Inventory Measures for FY 2005–FY 2009**

Performance Measure	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Change From FY 2005 to FY 2009
Case Receipts	197,679	242,173	247,839	274,051	272,404	37.8%
Closures	190,153	234,630	245,467	260,439	283,841	49.3%
Ending Inventory	40,648	48,198	50,534	64,348	52,936	30.2%

Source: TAS FY 2008 and FY 2009 4<sup>th</sup> Quarter Business Performance Reviews.

The increased volume of casework can be attributed to several external factors and trends, such as legislative changes and the economy. For example, the number of TAS cases involving identity theft increased from 2,486 in FY 2006 to 14,023 in FY 2009 (an increase of more than 460 percent). The National Taxpayer Advocate also attributes a rise in case receipts to increased IRS emphasis on enforcement actions such as liens and levies. Figure 5 shows the correlation between IRS levy actions and the receipt of cases involving levies in the TAS.

**Figure 5: IRS Levies Against Taxpayers and Impact on TAS Cases**



Source: TAS 4th Quarter Business Performance Review FY 2009.

Another factor affecting the TAS' high inventory levels is its case acceptance policies. Most of the cases the TAS receives are referred to it by the IRS functions, primarily through the toll-free telephone lines;<sup>25</sup> however, TAS employees have indicated that many of these cases could have

<sup>24</sup> See Appendix VIII for trends in case receipts and TAS staffing in the Case Advocacy Program.

<sup>25</sup> See Appendix VII for the sources of TAS cases during FY 2009.



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been resolved by the IRS function that referred the taxpayer's request to them. In a FY 2009 survey, TAS employees identified inappropriate referrals<sup>26</sup> from the IRS functions as one of the top five challenges facing the TAS.

TAS management has also acknowledged the problem. In her 2010 Annual Objectives Report to Congress, the National Taxpayer Advocate noted, "In surprisingly many instances, the cases TAS receives from the IRS could as easily and sometimes more easily, be resolved by the IRS employees themselves."<sup>27</sup> However, the TAS does not routinely reject referrals from the IRS, even when they do not meet TAS case acceptance criteria, because the National Taxpayer Advocate believes that taxpayers would be further burdened if their case is not accepted by the TAS.

We noted in a FY 2008 report that the TAS could take additional steps to ensure that cases referred by other IRS operating divisions meet its case criteria.<sup>28</sup> During our previous audit, we identified many instances where the IRS did not provide enough details about the taxpayers' situations to determine whether the case should have been worked by the TAS. We believe this may have occurred because IRS managers were not required to review economic burden cases<sup>29</sup> before referring the taxpayer to the TAS for assistance.<sup>30</sup> As a result, we could not determine whether many of the cases referred to the TAS met its criteria.

In response to our recommendation in the FY 2008 report, the TAS agreed to analyze a sample of cases referred from other IRS functions to assess whether the IRS provided an adequate description of the taxpayer's problem; however, the National Taxpayer Advocate declined our recommendation to require that IRS managers review all economic burden referrals before they are submitted to the TAS. We still believe it may be appropriate for IRS managers to determine whether they can immediately assist the taxpayer before referring the case to the TAS. This could be significant since the referring function may have the authority to immediately resolve the taxpayer's problem.

TAS management advised us during this review that they are working on several initiatives that should help the TAS keep pace with rising case receipts. This includes hiring additional staff and developing technical training modules to help case advocates address complex issues in case processing. In addition, the TAS is developing a new information system that is expected to improve its ability to share information among TAS operations and eliminate duplicate

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<sup>26</sup> Inappropriate referrals are deemed to be those that do not meet TAS criteria or that could have been resolved by the IRS function that referred the case to the TAS.

<sup>27</sup> FY 2010 Annual Objectives Report to Congress, dated June 30, 2009.

<sup>28</sup> *The Taxpayer Advocate Service Needs to Improve Its Processing of Economic Burden Cases* (Reference Number 2008-10-088, dated April 21, 2008).

<sup>29</sup> Economic burden cases are broadly defined as those in which an IRS action or inaction has caused or will cause financial difficulties or a hardship for the taxpayer.

<sup>30</sup> See Appendix V for more information.



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information in multiple systems.<sup>31</sup> TAS management is scheduled to begin implementing this new system in FY 2011.

**Case processing time has steadily increased since FY 2005, causing taxpayers to wait longer for resolution of their problems**

Since FY 2005, some taxpayers have had to wait longer periods of time for the TAS to fully address their problems. We believe this could signify a critical issue because providing timely service is critical to the TAS' mission.<sup>32</sup> In FY 2004, we performed an audit to review the TAS' case cycle time to determine if taxpayers were receiving timely customer service.<sup>33</sup> Based on our review, we estimated that 76,183 taxpayers experienced unnecessary delays averaging 16 calendar days in FY 2003 because the TAS did not always take timely actions. In response to our recommendation in the FY 2004 report, the TAS agreed to conduct additional case reviews to ensure taxpayer cases were processed in a timely manner.

Since FY 2005, the TAS' average case processing time has steadily increased to more than 80 calendar days, the highest processing time reported in the last 5 fiscal years.<sup>34</sup> The TAS cycle time for FY 2009 represents a 22 percent increase from FY 2005, when the average cycle time was 66 calendar days.

During this review, we could not determine whether the increase in processing time directly affected taxpayers; however, we continue to have concerns that taxpayers who may have already experienced IRS delays must wait longer to receive help from the TAS.<sup>35</sup> Figure 6 shows taxpayer cases are taking longer to resolve.

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<sup>31</sup> The Taxpayer Advocate Service Integrated System will combine the TAS' multiple information technology applications and databases into a single interface.

<sup>32</sup> It is TAS policy to keep cases open until all of the taxpayer's issues are addressed. For example, the TAS will first address the taxpayer's primary problem, such as processing an amended return. Next, the TAS may address secondary issues, such as considering the taxpayer's request for an installment agreement.

<sup>33</sup> *The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely* (Reference Number 2004-10-166, dated September 29, 2004).

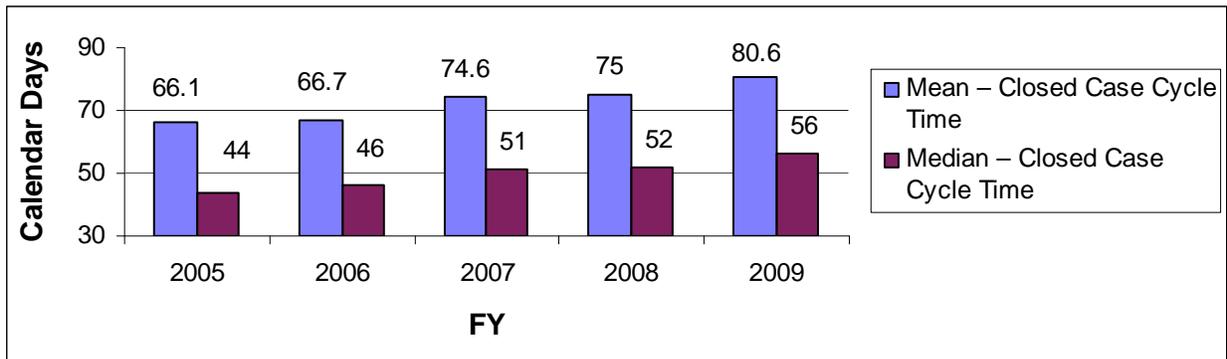
<sup>34</sup> In FY 2009, the average cycle time was 81 calendar days.

<sup>35</sup> In FY 2009, 23 percent of TAS cases involved a delay of more than 30 days to resolve a tax account problem.



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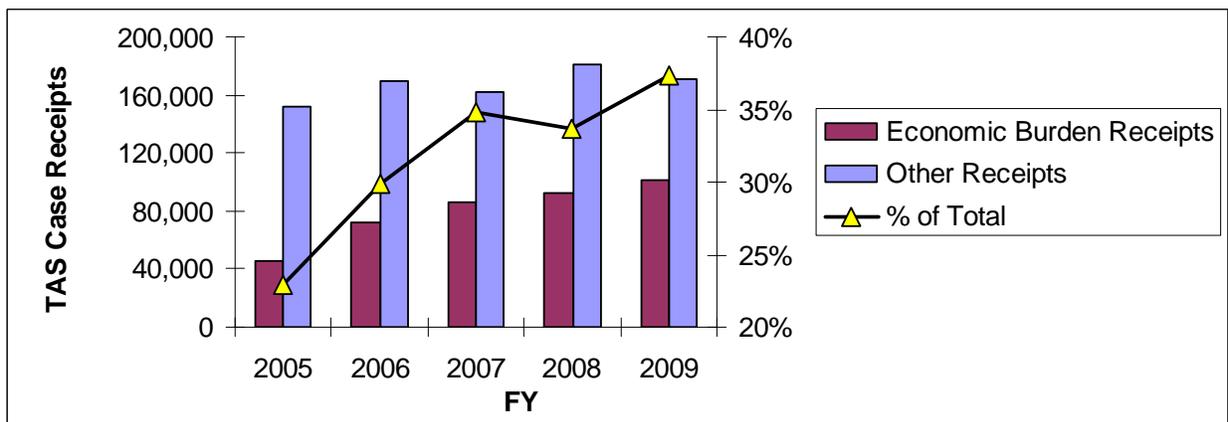
**Figure 6: Case Advocacy Program – Case Cycle Time**



*Source: TAS FY 2008 and FY 2009 4<sup>th</sup> Quarter Business Performance Reviews.<sup>36</sup>*

Since FY 2005, the TAS has also received increasingly greater numbers of economic burden cases, the most critical and time-sensitive cases in the TAS inventory. Typically, the taxpayer asks the TAS to stop an IRS enforcement action (e.g., a wage levy) or to expedite his or her refund to prevent a potential financial hardship. Figure 7 shows the increase in economic burden cases.

**Figure 7: Economic Burden Cases in the Case Advocacy Program**



*Source: TAS 2009 Annual Report to Congress.*

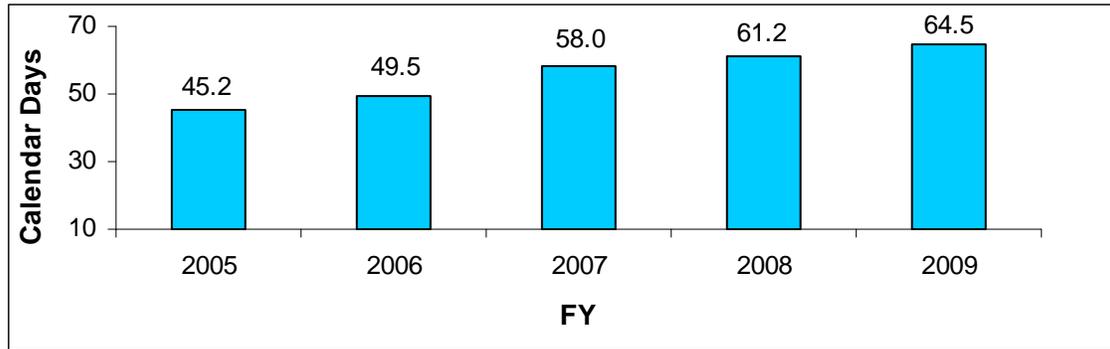
Although the TAS gives these taxpayers priority treatment, it is taking longer to process economic burden cases. As shown in Figure 8, in FY 2009, the average case processing time for economic burden cases was approximately 65 calendar days, an increase since FY 2005 of more than 19 calendar days (approximately 43 percent).

<sup>36</sup> Days are calendar days, median is the midpoint number in the range of all numbers ascending from lowest to highest, and the mean is the average of all the numbers.



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**Figure 8: Economic Burden Case Cycle Time**



Source: Data provided by TAS management, February 2010.

We are also concerned that the volume of casework will continue to affect the ability of case advocates to take timely actions on taxpayer cases. This concern was raised earlier by officials from the Government Accountability Office in a 1999 testimony before a Congressional oversight committee.<sup>37</sup> They noted that an increase in the number of cases could negatively affect the timeliness and quality of casework and could make it necessary for the National Taxpayer Advocate to reevaluate which cases to address with their limited resources.

**The Case Advocacy Program has not met its goals for timeliness**

Since timeliness is one of the key attributes of quality customer service, it is important to ensure that taxpayer issues reaching the stage of a TAS case are resolved as expeditiously as possible. Annually, the TAS establishes goals and measures for timeliness of case actions. They are:

- Timeliness of the initial contact.
- Timeliness of initial actions.
- Timeliness of subsequent actions.

In FY 2009, the TAS scored high marks (more than 95 percent) for 2 of its timeliness goals: making timely initial contacts with taxpayers and taking initial actions; however, it did not meet its target for timeliness of subsequent actions.<sup>38</sup>

TAS management does not set specific case processing time goals since their objective is to take whatever time necessary to fully resolve the case issues. They do, however, require managerial reviews of cases at specific intervals (such as every 100 calendar days) to help ensure case advocates take timely actions on taxpayer's accounts. Nonetheless, in a prior audit, we found

<sup>37</sup> Testimony before the Subcommittee on Oversight, Committee on Ways and Means, House of Representatives, February 10, 1999.

<sup>38</sup> See Appendix IX for all TAS 2009 quality standards.



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that managerial reviews were not always effective for this purpose. During that review, we found delays continued even after management had reviewed some of the cases in our sample.<sup>39</sup>

### ***The Systemic Advocacy Program Received Fewer New Submissions and Opened Fewer Projects***

The Systemic Advocacy Program plays an important role in identifying issues that can burden large groups of taxpayers. Issues received in the Systemic Advocacy Program come from many sources, including TAS and other IRS employees, tax practitioners, and the general public.

Once the TAS selects an issue for its Systemic Advocacy Program, the issue is identified as either an Immediate Intervention<sup>40</sup> or an Advocacy Project.<sup>41</sup> Immediate intervention projects are considered to be more time sensitive and may require urgent attention. For example, an Immediate Intervention project would be warranted if an IRS computer programming error caused a delay in the issuance of refunds to thousands of taxpayers.

Since FY 2006, the Systemic Advocacy Program has received fewer total submissions. During FYs 2006 and 2007, the Systemic Advocacy Program received more than 1,100 suggestions for Systemic Advocacy Program projects, respectively; however, in FY 2009, the program received only 860 submissions, a 30 percent decrease in new issues received from FY 2007. In FY 2009, the Systemic Advocacy Program opened 135 new projects, (the lowest number in the past 5 fiscal years), closed 128 projects, and had 123 projects in ending inventory.

TAS management attributes the drop in new receipts to better screening and enhancements made to its database, the Systemic Advocacy Management System. We did not evaluate the reasons for the declining submissions during this review. Figure 9 shows total receipts in the Systemic Advocacy Program, Figure 10 shows closures, and Figure 11 shows ending inventory.

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<sup>39</sup> *The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely* (Reference Number 2004-10-166, dated September 29, 2004).

<sup>40</sup> An immediate intervention is an operational issue, identified internally or externally, which causes immediate, significant harm to multiple taxpayers and demands an urgent response.

<sup>41</sup> The TAS creates Advocacy projects from an advocacy issue that has been reviewed, ranked under established criteria, and accepted as a project for assignment and further development.



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**Figure 9: Project Receipts in the Systemic Advocacy Program**

Fiscal Year	2005	2006	2007	2008	2009
Suggestions Received <sup>42</sup>	635	1,144	1,224	964	860
Advocacy Projects Opened	156	126	164	111	116
Immediate Interventions Opened	19	55	68	36	19
Total Projects Opened	175	181	232	147	135
Percent of Projects Opened on Suggestions Received	27.6%	15.8%	19.0%	15.2%	15.7%

*Source: TAS 2005, 2006, 2007, 2008 Annual Reports to Congress; TAS FY 2008 and 2009 4<sup>th</sup> Quarter Business Performance Reviews; and data provided by TAS management, March 2010.*

**Figure 10: Project Closures in the Systemic Advocacy Program**

Fiscal Year	2005	2006	2007	2008	2009
Advocacy Projects Closed	Unknown	203	159	166	103
Immediate Interventions Closed	Unknown	35	62	48	25
Total Projects Closed	333	238	221	214	128

*Source: TAS 2006, 2007, and 2008 Annual Reports to Congress and data provided by TAS management, March 2010.*

**Figure 11: Ending Inventory in the Systemic Advocacy Program**

Fiscal Year	2005	2006	2007	2008	2009
Advocacy Projects	Unknown	Unknown	157	127	115
Immediate Interventions	Unknown	Unknown	26	13	8
Total Projects	229	170	183	140	123

*Source: TAS FY 2007, 2008, and 2009 4<sup>th</sup> Quarter Business Performance Reviews and data provided by TAS management, March 2010.*

<sup>42</sup> Although anyone can submit an issue for the Systemic Advocacy Program to consider, not all submissions result in Systemic Advocacy Program projects.



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**The Systemic Advocacy Program has not met its timeliness goals for project actions**

In a prior audit conducted during FY 2003, we found that Systemic Advocacy Program projects were frequently not completed timely and there were long periods of time without any project activity.<sup>43</sup> Further, we identified the temporary assignments of TAS personnel to work on the Annual Report to Congress were a competing priority with Systemic Advocacy Program projects. We were concerned that delays in completing Systemic Advocacy Program projects could adversely affect substantial numbers of taxpayers; therefore, we recommended that the TAS establish timeliness and staff resource standards for conducting Systemic Advocacy Program projects. Beginning in FY 2007, the TAS implemented quality standards for the Systemic Advocacy Program, which includes guidelines for timeliness.

In FY 2009, the TAS did not meet the timeliness goals set for Advocacy Projects or Immediate Interventions.<sup>44</sup> During a discussion with TAS management in March 2010, they indicated this was due in part to the temporary assignment of analysts to higher priority work, including preparation of the Annual Report to Congress. Management also indicated they were not fully staffed, but the recent hiring of five new systemic field analysts would help them attain higher levels of timeliness. We did not evaluate the reasons for untimely actions on projects, but we may review this issue in a future audit.

**The Taxpayer Advocate Service Continues to Report High Levels of Casework Quality and Customer Satisfaction**

Since FY 2005, the TAS has reported high scores for the quality of work done in its Case Advocacy Program. Despite rising case receipts, fluctuating staffing levels, and decreased authority, TAS case quality and customer satisfaction measures remain high. In FY 2009, the TAS reported an overall quality rating of 88 percent, which was only slightly less than the highest rating of 92 percent reported in FY 2005. During this review, we did not evaluate the TAS' quality review process and we relied upon the data provided by TAS officials.

In a FY 2008 review of TAS casework, we expressed concerns to TAS management about the overall accuracy of their quality measures.<sup>45</sup> Although 56 percent of the cases we reviewed had errors that affected taxpayers or Government revenue, the TAS reported an overall quality rating of 90 percent for the same period (FY 2006). We attempted to reconcile the difference by reviewing the TAS' sampling methodology used to select cases for its quality review process. However, the TAS did not identify which, if any, of the cases in our sample were selected as part

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<sup>43</sup> *The National Taxpayer Advocate Could Enhance the Management of Systemic Advocacy Resources* (Reference Number 2003-10-187, dated September 30, 2003).

<sup>44</sup> See Appendix IX for the TAS FY 2009 quality measures which includes timeliness.

<sup>45</sup> *The Taxpayer Advocate Service Needs to Improve Its Processing of Economic Burden Cases* (Reference Number 2008-10-088, dated April 21, 2008).



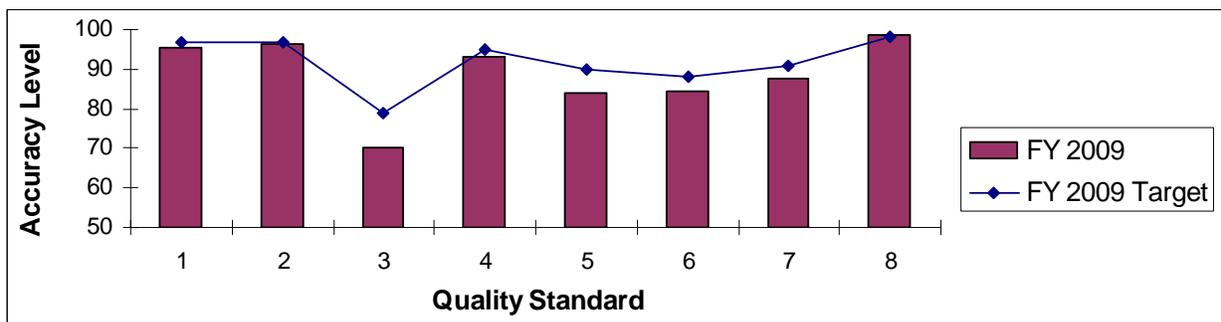
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of its quality review process. As a result, we were unable to determine the reasons for the difference within the scope of the audit. The TAS has subsequently drafted new quality measures and it plans to begin implementation in FY 2010.

**Most Case Advocacy Program quality scores remain high**

To help TAS management assess how well its Case Advocacy Program is performing, the TAS developed an overall quality measure. The TAS' overall quality measure consists of 8 quality standards weighted from 5 to 25 points.<sup>46</sup> Although the TAS was close to meeting most of its internally established quality goals during FY 2009, it met only one<sup>47</sup> of its eight goals as shown in Figure 12.

**Figure 12: FY 2009 Case Quality – Case Advocacy Program**



Source: TAS FY 2009 Performance Measures and Target Results Report.

Standard number 3 (Timeliness of Subsequent Actions) is the percent of all cases with timely subsequent case actions. This standard dropped from 87 percent in FY 2005 to 70 percent in FY 2009 and assesses whether the TAS takes all subsequent actions timely (including required taxpayer contacts). Figure 13 compares the overall quality rating to the timeliness standard number 3.

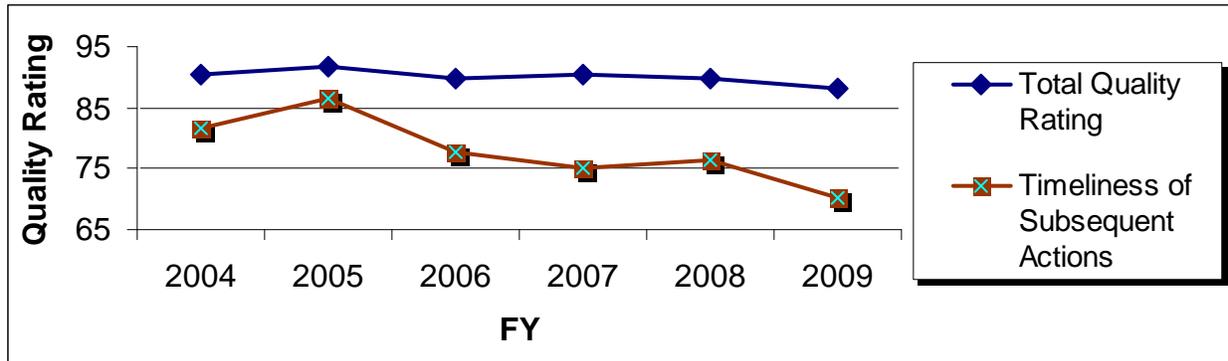
<sup>46</sup> See Appendix IX for more information.

<sup>47</sup> The goal was met for quality review standard number 8, which allows 5 points for “educating” the taxpayer regarding any of his/her actions that contributed to the problem.



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**Figure 13: Case Advocacy Overall Quality Rating and Comparison With Timeliness of Subsequent Actions**



Source: TAS FY 2009 Performance Measures and Target Results Report.

**Most quality measures for the Systemic Advocacy Program continue to improve**

In FY 2007, the TAS established quality measures and began conducting quality reviews of its closed Advocacy Projects and Immediate Interventions. The TAS uses three general standards to measure overall quality: Accuracy, Timeliness, and Quality of Communications. Figure 14 shows that although most scores have improved since FY 2007, the TAS has consistently low scores for taking timely actions.

**Figure 14: Systemic Advocacy Program Quality Ratings**

Quality Measure		FY 2007	FY 2008	FY 2009	FY 2009 Target
<b>Advocacy Projects</b>	Accuracy of Closed Projects	75.8	87.8	91.5	<b>90.7</b>
	Timeliness of Actions	37.2	49.0	61.0	<b>64.1</b>
	Quality of Communications	83.2	84.4	90.8	<b>86.8</b>
<b>Immediate Interventions</b>	Accuracy of Closed Projects	79.9	82.4	90.1	<b>87.5</b>
	Timeliness of Actions	51.8	47.4	53.8	<b>70.0</b>
	Quality of Communications	85.0	76.0	75.3	<b>82.5</b>

Source: TAS FY 2009 Performance Measures and Target Results Report.



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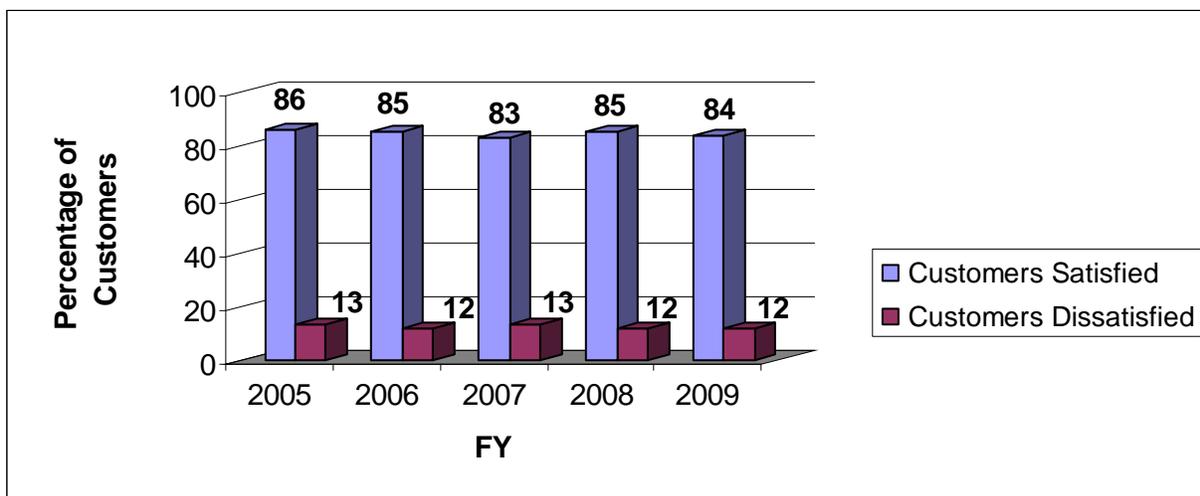
**Customer satisfaction scores are generally positive for the Case Advocacy Program**

The TAS contracted with an outside vendor to conduct quarterly surveys to assess whether taxpayers are satisfied with the service provided by the Case Advocacy Program. Although all results from the individual survey questions are not published, TAS management reports three broad categories of results:

- Percentage of taxpayers satisfied with the service provided by the TAS.
- Percentage of taxpayers dissatisfied with the service provided by the TAS.
- Percentage of taxpayers who indicate the TAS employee did their best to solve their problem.<sup>48</sup>

While overall satisfaction remains high, the FY 2009 targets were not met.<sup>49</sup> In FY 2009, more than 15,000 taxpayers responded to these surveys (approximately 5 percent of the taxpayer cases closed in FY 2009). The results showed that 84 percent of the taxpayers surveyed were satisfied with the service provided by the TAS, while 12 percent were dissatisfied. The FY 2009 goals for customers satisfied and dissatisfied were 86 percent and 11 percent, respectively. In addition, 86 percent of taxpayers responded that the TAS employee did their best to solve their problem. In light of other trends (e.g., increased case receipts, case processing time, etc.), the relatively constant level of customer satisfaction is noteworthy.

**Figure 15: Case Advocacy Program Customer Satisfaction**



Source: TAS FY 2009 Performance Measures and Target Results Report.

<sup>48</sup> The TAS began reporting this standard in FY 2007.

<sup>49</sup> See Appendix X for more information on Customer Satisfaction Survey Results.



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In FY 2008, TAS management began identifying the TAS offices with the lowest and highest customer satisfaction scores. They have engaged a contractor to work with employees in these offices to identify performance variables and best practices to help offices improve scores.

**Some customers felt the Systemic Advocacy Program could have been more responsive**

In FY 2007, management in the Systemic Advocacy Program initiated a survey to assess whether TAS employees who submitted issues were satisfied with the process. In FY 2008, the TAS expanded the survey to include submitters in other IRS business units. We reviewed the survey results for FY 2007 and FY 2008 and found that some persons who made suggestions appeared dissatisfied with the communication from Systemic Advocacy Program personnel.

For FY 2007, the response rate was 42 percent and, of those, 37 percent were not satisfied with the communication and/or interactions they had with Systemic Advocacy Program personnel. Further, just 31 percent of the respondents were satisfied with the overall outcome of the issue they submitted.

For FY 2008, the overall response rate dropped to 34 percent. However, the number of respondents who were not satisfied with the communications/interactions with Systemic Advocacy Program personnel dropped to 27 percent. The TAS did not specifically ask if respondents were satisfied with the overall outcome, although 86 percent of those surveyed indicated they would use the system again. TAS management indicated in FY 2009 they plan to become more interactive with persons that submit issues to the Systemic Advocacy Program and will share the final outcome of projects with them.



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## **Appendix I**

### *Detailed Objective, Scope, and Methodology*

The overall objective of this review was to provide a statistical portrayal with trend analyses of the TAS for FYs 2005 through 2009. To accomplish this objective, we:

- I. Determined the statutory mission of the TAS and identified each of the programs currently assigned to the TAS.
- II. Reviewed published data relating to the TAS' activities for FYs 2005 through 2009.<sup>1</sup>
- III. Identified the resources (i.e., FTEs and budget) devoted to the TAS and determined how the resources are employed within the programs the TAS administers.
- IV. Reviewed and analyzed statistical data for trends in the Case Advocacy Program.
- V. Reviewed and analyzed statistical data for trends in the Systemic Advocacy Program.
- VI. Reviewed Treasury Inspector General for Tax Administration and Government Accountability Office reports issued in FYs 2005 through 2009 to compile relevant information that provides additional perspective of explanations for identified trends.
- VII. Discussed relevant issues with management to confirm the results of our review.

#### **Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We did not assess internal controls because doing so was not applicable within the context of our audit objective.

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<sup>1</sup> We did not independently verify the results reported in published data.



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**Appendix II**

*Major Contributors to This Report*

Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations)

Jeffrey M. Jones, Director

Janice M. Pryor, Audit Manager

Mary F. Herberger, Lead Auditor

Joseph P. Smith, Senior Auditor

Kanika Kals, Auditor



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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy National Taxpayer Advocate TA  
Executive Director, Case Advocacy TA:EDCA  
Executive Director, Systemic Advocacy Systems TA:EDSA  
Chief Counsel CC  
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: National Taxpayer Advocate TA



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## **Appendix IV**

### *Historical Perspective of the Taxpayer Advocate Service*

The TAS has undergone significant changes since it evolved from the Problem Resolution Program, which was founded by the IRS in 1976. At that time, taxpayer issues were worked under the Problem Resolution Program by IRS employees reporting directly to IRS District Directors, who oversaw all IRS field offices.

The Office of the Taxpayer Ombudsman was created by the IRS in 1979 to serve as the primary advocate for taxpayers. This position was codified in the Omnibus Taxpayer Bill of Rights in 1988.<sup>1</sup> The law also provided the Ombudsman authority to issue Taxpayer Assistance Orders. Taxpayer Assistance Orders allowed the Ombudsman to direct the IRS to take or cease an action when taxpayers were suffering or about to suffer significant hardships because of the way the Internal Revenue laws were being administered. For example, the Ombudsman could issue a Taxpayer Assistance Order to the Collection function to release a wage levy if the taxpayer was unable to pay for necessary living expenses.

In 1996, the Taxpayer Bill of Rights 2 replaced the Office of the Taxpayer Ombudsman with the Office of the Taxpayer Advocate.<sup>2</sup> According to the National Taxpayer Advocate, this was in response to a perceived need to strengthen the voice and authority of the position and expanded the scope of some authorities granted to the Ombudsman. In addition, it also established the requirement for this office to issue two annual reports directly to Congress. It did not, however, provide the Taxpayer Advocate with direct line authority over the regional and local personnel who handled taxpayer cases.

In response to concerns about the quality of service provided to taxpayers, Congress passed the IRS RRA 98,<sup>3</sup> which created the position of the National Taxpayer Advocate and established the TAS as an independent organization within the IRS. To ensure the National Taxpayer Advocate's independence, the RRA 98 provided for the National Taxpayer Advocate to be appointed by the Secretary of the Treasury instead of the IRS Commissioner. Further, the RRA 98 provided for increased independence of the Taxpayer Advocate's office, requiring direct management control of the office's staff by the National Taxpayer Advocate.

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<sup>1</sup> Pub. L. No. 100-647, 102 Stat. 3730 (1988) (codified as amended in scattered sections of 5 U.S.C. and 26 U.S.C.).

<sup>2</sup> Pub. L. No. 104-168, 110 Stat. 1452 (1996) (codified as amended in scattered sections of 26 U.S.C.).

<sup>3</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).



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**Appendix V**

*Criteria – Case Advocacy Program*

The following chart details the TAS criteria for accepting cases into its Case Advocacy Program.<sup>1</sup>

<b>Economic Burden Criteria</b>	<b>1</b>	A taxpayer is experiencing economic harm or is about to suffer economic harm.
	<b>2</b>	A taxpayer is facing an immediate threat of adverse action.
	<b>3</b>	A taxpayer will incur significant costs if relief is not granted (including fees for professional representation).
	<b>4</b>	A taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.
<b>Systemic Burden Criteria</b>	<b>5</b>	A taxpayer has had a <b>delay</b> of more than 30 calendar days (after normal processing) to resolve a tax account problem.
	<b>6</b>	A taxpayer has not received a response/resolution to his/her problem/inquiry by the date promised.
	<b>7</b>	A system(s) or procedure(s) has either failed to operate as intended or failed to resolve the taxpayer’s problem or dispute within the IRS.
<b>Best Interest of the Taxpayer</b>	<b>8</b>	The manner in which the tax laws are being administered raise considerations of equity, or have impaired or will impair the taxpayer’s rights.
<b>Public Policy</b>	<b>9</b>	The National Taxpayer Advocate determines compelling public policy warrants assistance to an individual or group of taxpayers.

*Source: Internal Revenue Manual Part 13, dated July 23, 2007.*

<sup>1</sup> The TAS has identified specific criteria that qualify certain taxpayers for TAS assistance. The criteria under which the TAS accepts a case do not govern whether a taxpayer is entitled to relief they have requested. Situations meeting the criteria above should be referred to the TAS for special handling.



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**Appendix VI**

*Expenditures and Staffing for  
Fiscal Years 2005 Through 2009*

The following figures show expenditures made by the TAS and staffing levels during the period FYs 2005 through 2009.

**Figure 1: Expenditures for FY 2005–FY 2009 (in millions)**

Program Area	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Case Advocacy	\$142.7	\$146.0	\$150.5	\$162.8	\$174.7
Systemic Advocacy <sup>1</sup>	\$3.7	\$4.0	\$3.2	\$4.0	\$4.3
Low Income Taxpayer Clinic <sup>2</sup>	\$9.2	\$9.4	\$9.6	\$10.7	\$11.4
Taxpayer Advocacy Panel	\$2.5	\$2.5	\$2.7	\$2.7	\$3.2
Other <sup>3</sup>	\$9.1	\$8.5	\$8.1	\$10.1	\$11.2
<b>Total<sup>4</sup></b>	<b>\$167.3</b>	<b>\$170.3</b>	<b>\$174.0</b>	<b>\$190.3</b>	<b>\$204.8</b>

*Source: Data provided by TAS management, December 2009.*

**Figure 2: FTEs for FYs 2005–2009**

Program Area	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Case Advocacy	1,829	1,766	1,757	1,785	1,851
Systemic Advocacy <sup>1</sup>	32	32	25	29	29
Low Income Taxpayer Clinic <sup>2</sup>	10	11	13	12	14
Taxpayer Advocacy Panel	21	21	20	18	24
Other <sup>3</sup>	71	64	56	74	79
<b>Total<sup>4</sup></b>	<b>1,963</b>	<b>1,894</b>	<b>1,870</b>	<b>1,918</b>	<b>1,998</b>

*Source: Data provided by TAS management, December 2009.*

<sup>1</sup> Some staff help prepare the Annual Report to Congress.

<sup>2</sup> The responsibility for the Low Income Taxpayer Clinic Grant Program was transferred to the TAS in May 2003; however, dollars and Full-Time Equivalents were not allocated to the TAS until FY 2004.

<sup>3</sup> Other includes training, travel, and support for TAS Headquarters management activities.

<sup>4</sup> The totals do not add up due to rounding.



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**Appendix VII**

*Sources of Cases Received During  
Fiscal Year 2009*

<b>TAS Cases Received From IRS Operating Divisions</b>	
IRS Referrals	42.2%
NTA Toll-Free Telephone Line	28.3%
Taxpayer Requests	2.5%
IRS – Congressional Referral	0.2%
<b>Total Case Receipts From the IRS</b>	<b>73.2%</b>
<b>Cases Received Through Direct Contact With the TAS</b>	
Form 911 / Correspondence	14.3%
Congressional Inquiry	6.2%
Telephone Call	4.2%
Walk-In	1.4%
ASKTAS1 Toll-Free Telephone Line	0.7%
<b>Total Direct TAS Contacts</b>	<b>26.8%</b>
<b>Total</b>	<b>100%</b>

Source: TAS 4<sup>th</sup> Quarter FY 2009 Business Performance Review.

Notes:

NTA = National Taxpayer Advocate.

Taxpayers and IRS employees use Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order (Form 911)) to submit issues to the TAS. The NTA Toll-Free Line (1-877-777-4778) is staffed by IRS employees in the Wage and Investment Division. ASKTAS1 Toll-Free Telephone Line (1-877-275-8271) calls are routed to TAS intake advocates.<sup>1</sup>

<sup>1</sup> Intake advocates answer incoming telephone calls and customer inquiries. This includes, but is not limited to: internal, taxpayer, congressional, and stakeholder contacts.

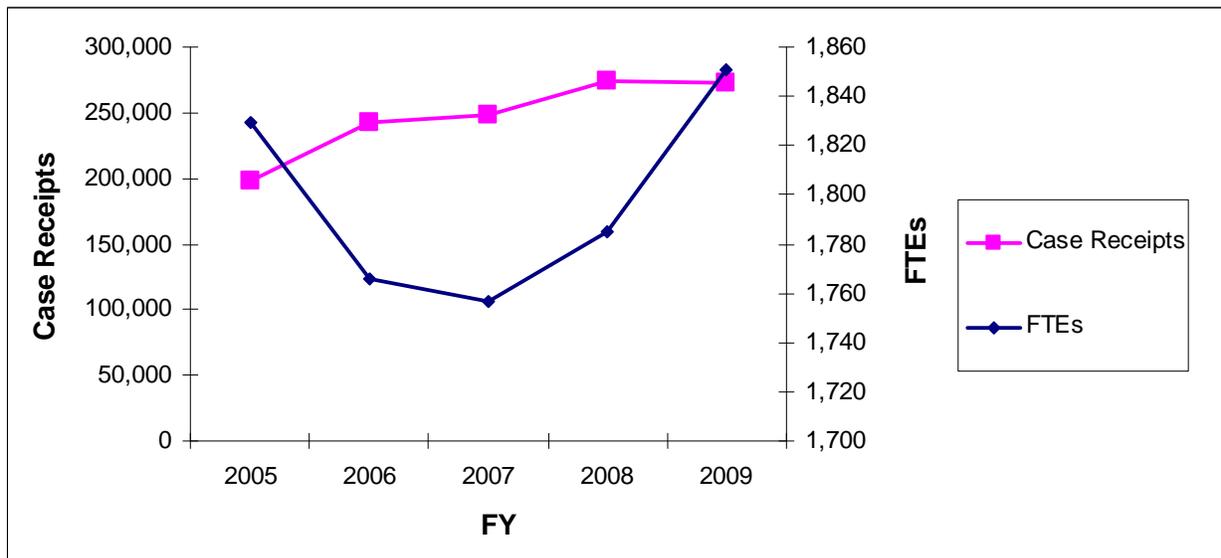


## Appendix VIII

### *Case Advocacy Program Full-Time Equivalents and Case Receipts for Fiscal Years 2005 Through 2009*

As shown in Figure 1, the number of new case receipts has steadily increased in the Case Advocacy Program. In addition, since FY 2005, staffing has fluctuated and was at its lowest level during FY 2007.

**Figure 1: Case Receipts and Full-Time Equivalents**



Source: TAS management and Business Performance Reviews.



*A Statistical Portrayal of the Taxpayer Advocate Service  
for Fiscal Years 2005 Through 2009*

**Appendix IX**

*Casework Quality Index Standards*

<b>STANDARD</b>	<b>OVERVIEW</b>	<b>APPLICATION</b>
<p><b>#1</b> – Did the TAS make timely contact with the taxpayer? (5 points)</p>	<p>The TAS must make contact with the taxpayer or representative (preferably by telephone) within the specified time period indicated in Internal Revenue Manual Part 13. This standard applies to timeliness of the contact only, not content.</p>	<p>For all cases.</p>
<p><b>#2</b> – Did the TAS take initial action/request information within the specified time period? (10 points)</p>	<p>The TAS must make substantive initial actions to resolve the taxpayer’s case with no unnecessary delays. This standard ensures that case actions are started promptly. This standard measures timeliness only.</p>	<p>For all cases.</p>
<p><b>#3</b> – Did the TAS take all subsequent actions timely from the time action could have been taken? (10 points)</p>	<p>It is essential that the TAS take actions expeditiously to resolve the taxpayer’s case with no unnecessary delays. To ensure timely actions, the TAS must meet internal followup dates for subsequent actions and meet next contact dates communicated to customers.</p> <p>This standard measures whether the TAS takes all subsequent actions (internal followups and next contacts with customers) timely.</p>	<p>For most cases.</p> <p>Exception: Cases resolved on the same day as the initial action.</p>



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<b>STANDARD</b>	<b>OVERVIEW</b>	<b>APPLICATION</b>
<p><b>#4</b> – Did the TAS resolve all taxpayer issues? (25 points)</p>	<p>TAS cases will not be closed until the TAS has taken all actions necessary to resolve the taxpayer’s issue(s) and all transactions have posted. If the TAS does not properly resolve the taxpayer’s issue(s), the taxpayer will not be satisfied and will need to contact the IRS or the TAS again.</p>	<p>For all cases (including cases closed due to nonresponse by the taxpayer or representative).</p>
<p><b>#5</b> – Did the TAS address all related issues? (10 points)</p>	<p>A related issue is a tax issue, other than the primary core issue, that arose or was identified during the course of working the case.</p> <p>Related issues can be identified by the TAS, the IRS, or even the taxpayer. Once identified, the TAS has the responsibility to address the issue with the taxpayer and provide guidance on resolution of the related issue or provide options to the taxpayer.</p>	<p>For cases with related issues.</p> <p>A related issue could involve the TAS customer or another taxpayer who has been affected by TAS actions on behalf of the TAS customer.</p>



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STANDARD	OVERVIEW	APPLICATION
<p><b>#6</b> – Were all actions taken by the TAS and the IRS operations/functional divisions technically and procedurally correct? (15 Points)</p>	<p>This standard ensures that all actions made by the TAS and/or IRS operations are technically and procedurally correct. The term “technically correct” refers to the mechanics of adjustments, while “procedurally correct” refers to working the case in accordance with the law, Internal Revenue Manual, and IRS procedural handbooks.</p> <p>This standard also measures the following issues:</p> <ul style="list-style-type: none"> <li>• Disclosure</li> <li>• Delegation of Authority</li> <li>• Suspending Notices and Collection Activity</li> </ul>	<p>For all cases where an adjustment was input and/or an action was required.</p> <p>Exception: If a case is closed as a “no response” case, and there have been no verbal contacts with the taxpayer for authentication purposes, no adjustment actions taken, and no collection holds requested, Standard #6 would be rated as “not applicable.”</p> <p>Note:</p> <p>(1) The term “adjustment” refers to any action taken which will change the taxpayer’s account on any Master File<sup>1</sup> (e.g., tax adjustments, penalty adjustments, credit transfers, freeze code input/release, entity changes, etc.). “Any Master File” includes Individual Master File,<sup>2</sup> Business Master File,<sup>3</sup> Non-Master File,<sup>4</sup> Individual Retirement Account File,<sup>5</sup> etc.</p> <p>(2) The TAS is responsible for ensuring that adjustments made by other IRS functions as a result of an OAR are done correctly and post properly.</p> <p>(3) The term “action” refers to any action.</p>

<sup>1</sup> The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

<sup>2</sup> The IRS database that maintains transactions or records of individual tax accounts.

<sup>3</sup> The IRS database that consists of Federal tax-related transactions and accounts for businesses. These include employment taxes, income taxes on businesses, and excise taxes.

<sup>4</sup> Consists of transactions on tax accounts not included on the Master File.

<sup>5</sup> An individual retirement account is a trust or custodial account set up in the United States for the exclusive benefit of an individual or an individual’s beneficiaries.



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STANDARD	OVERVIEW	APPLICATION
<p><b>#7</b> – Did the TAS give the taxpayer a clear, complete, and correct explanation at closing? (20 points)</p>	<p>Customer surveys indicate taxpayers expect at case closing clear, complete, and correct explanations of the resolutions of their problems.</p> <p>This means case histories must include documented evidence that the TAS informed the taxpayer/representative at closing of the final resolution of his/her complaint (including appeal rights when applicable). By addressing all issues as identified by the taxpayer and/or the TAS, the TAS ensures resolution of all taxpayer issues at the point of first contact.</p>	<p>For all cases.</p> <p>Exception: Cases closed due to nonresponse by the taxpayer.</p>
<p><b>#8</b> – Did the TAS educate the taxpayer regarding any of his/her actions that contributed to the problem? (5 points)</p>	<p>It is necessary to educate the taxpayer to ensure his/her compliance with tax laws and to prevent recurrence of the same issue(s)/problem(s) in the future.</p>	<p>For all cases where it is clearly evident the taxpayer’s actions or lack of actions contributed to his/her situation.</p>

*Source: TAS web site, January 4, 2010.*

Note: These eight standards are used by the TAS to review random samples of regular and reopen criteria codes 1–9 cases each month. Some standards are not always applicable in all cases.



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**Appendix X**

*Customer Satisfaction Survey Results*

<b>Measure/ Indicator</b>	<b>Description</b>	<b>Source</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2009 Target</b>
Customers Satisfied	Percentage of taxpayers who are very satisfied or somewhat satisfied with the service provided by the TAS (Question 12 on the Customer Satisfaction Survey).	Customer Satisfaction Survey (Quarterly)	86	85	83	85	84	<b>86</b>
Customers Dissatisfied	Percentage of taxpayers who are somewhat dissatisfied or very dissatisfied with the service provided by the TAS (Question 12).	Customer Satisfaction Survey (Quarterly)	13	12	13	12	12	<b>11</b>
Solved Taxpayer Problem	Percentage of taxpayers who indicate the TAS employee did their best to solve their problems.	Customer Satisfaction Survey Question 7B (Quarterly)	--	--	85	87	86	<b>88</b>

*Source: TAS FY 2009 Performance Measures and Target Results Report.*



*A Statistical Portrayal of the Taxpayer Advocate Service  
for Fiscal Years 2005 Through 2009*

**Appendix XI**

*Management's Response to the Draft Report*



JUL 27 2010

RECEIVED  
JUL 27 2010

BY: *RAS*

MEMORANDUM FOR MICHAEL R. PHILLIPS  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Nina E. Olson *Nina Olson*  
National Taxpayer Advocate

SUBJECT: Draft Audit Report – A Statistical Portrayal of the  
Taxpayer Advocate Service for Fiscal Years 2005  
Through 2009 (Audit # 201010017)

I appreciate the opportunity to comment on the draft audit report, *A Statistical Portrayal of the Taxpayer Advocate Service for Fiscal Years 2005 Through 2009*. In general, I believe the report presents an accurate and instructive overview of major trends in the Taxpayer Advocate Service over the past five years.

The success of any organization rises or falls on the skill and dedication of its employees, and with that in mind, I want to acknowledge the extraordinary efforts and success of TAS's workforce. By statute, the first prong of TAS's mission is to "assist taxpayers in resolving problems with the Internal Revenue Service."<sup>1</sup> Your report correctly notes that the number of taxpayer cases closed by TAS rose from 190,197 in FY 2005 to 283,841 in FY 2009 – an increase of 49 percent. At the same time, the number of Case Advocacy employees available to work those cases rose by only one percent (increasing from 1,829 in FY 2005 to 1,851 in FY 2009). Thus, the workload of the average TAS case advocate increased by about half over the five-year period.

Despite this huge surge in workload, TAS has been able to meet taxpayer needs. While the mean cycle time has increased somewhat, 84 percent of taxpayers surveyed reported that they were satisfied or very satisfied with TAS in FY 2009 – a drop of only two percentage points since FY 2005. We appreciate and agree with the statement in the report: "In light of other trends (e.g., increased case receipts, case processing time, etc.), the relatively constant level of customer satisfaction is noteworthy." At the management level, we have taken and are continuing to take significant steps to reduce the burden that this increase in cases is placing on our employees. For example, we implemented a workload re-balancing initiative to even out workloads across our offices. Looking forward, we are working to design a major new integrated system, the

<sup>1</sup> IRC § 7803(c)(2)(A)(i).

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Taxpayer Advocate Service Integrated System (TASIS), that we plan to roll out in FY 2013 and that will help our case advocates achieve much greater efficiencies.

Although your report does not contain specific recommendations that require a response, I would like to provide my perspective on a few issues.

*Effect of Change in TAS Authorities*

On page 6, the report states that TAS's current authority has led to increased reliance on other IRS functions. The report explains that the IRS Commissioner "delegated significant authority to the TAS to enable TAS employees to take various actions on taxpayer accounts" in FY 2001, and that in FY 2007, the National Taxpayer Advocate relinquished some of the authority that had previously been granted to TAS. We have two concerns with this explanation. First, it suggests that the 2007 changes were far more significant than they were. Second, it implies that this change in authority was responsible for the increase in cases requiring Operations Assistance Requests (OARs). While the change in authorities may have had a minor effect on the number of OARs TAS has transmitted, the report does not cite any data that directly support the implication.

For context, it is important to point out that the most significant change in authorities occurred when Congress decided in the IRS Restructuring and Reform Act of 1998 (RRA 98) to replace the Problem Resolution Program (PRP) structure with the current TAS structure. Because PRP Problem Resolution Officers (predecessors to TAS case advocates) operated within the regular IRS chain of command and were located within, for example, the Examination and Collection functions, they possessed the full authorities of Examination and Collection employees and could make substantive decisions. The decision to place case advocates under the supervision of the National Taxpayer Advocate reflected congressional concern that having case workers in the regular IRS chain of command compromised their independence. As independent case advocates, however, these employees lost all authority to make substantive decisions at that time.

As a general matter, I agree with the principle that case advocates should not have the authority to make substantive decisions. One cannot be an advocate and a decision-maker at the same time. If case advocates had the authority to make substantive decisions, they necessarily would have to make taxpayer-adverse decisions as well as taxpayer-favorable ones. And if TAS employees are making final taxpayer-adverse decisions, they are not being taxpayer advocates.

This view of the limited role of the ombudsman is well established. Within the federal government alone, there are dozens of ombuds offices, and as a consequence, the American Bar Association (ABA) has adopted "Standards for the Establishment and Operations of Ombuds Offices," widely regarded as the

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foremost authority on ombuds. The first two "Limitations on the Ombuds' Authority" described by the ABA are that an ombuds should not "(1) make, change, or set aside a law, policy or administrative decision" or "(2) make binding decisions or determine rights."

In 2001, the Commissioner issued a delegation order providing TAS with certain very limited authorities. At the time, it was envisioned that these authorities were routine and non-substantive, requiring "little independent judgment" and "no in-depth research."<sup>2</sup> With the benefit of experience, however, it became apparent that a few delegated authorities crossed the line into substantive decision-making, while a few undelegated actions that arose frequently did not require substantive decision-making. Accordingly, at the request of the National Taxpayer Advocate and after considerable research regarding the impact of this change on taxpayers and case advocates, the Acting Commissioner agreed in 2007 to modify the delegated authorities to align the authorities with the overarching principles I have described.

The impact of the 2007 changes on casework was relatively minor, with TAS ceding certain authorities and acquiring others. The newly acquired authorities included the authority to input adjustments after the operating division or function has made a determination, and the authority to issue manual refunds on cases that are open in another function with approval from the function. TAS also acquired read-only access to certain IRS systems (e.g., CEAS and RGS), so it no longer has to issue OARs to obtain copies of tax returns or account history pages. These new authorities have reduced the number of OARs TAS must send. Significantly, the audit team did not analyze how many additional OARs the ceded authorities require or how many OARs the acquired authorities are saving. *Therefore, there are no audit findings to support a conclusion that, on a net basis, the change in authorities is requiring TAS to issue more OARs. Our own analysis shows that the change in authorities resulted in a one percent net increase in OARs issued between FY 2007 and FY 2009.<sup>3</sup> We achieved a customer satisfaction rate of 87 percent in these additional cases.<sup>4</sup>*

The report states that the number of OARs issued increased by 15 percent from FY 2007 to FY 2008, implying that this 15 percent increase was attributable to the change in authorities. We note, however, that TAS experienced an 11 percent increase in case receipts in this same period. Therefore, even if the percentage of cases requiring an OAR remained unchanged, the number of OARs would have risen 11 percent, leaving only four percent of the increase, at most, attributable to the change in authorities. Moreover, it is not even clear that

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<sup>2</sup> See Memorandum of Understanding Regarding Additional Delegation of Authority to the National Taxpayer Advocate (Jan. 17, 2001).

<sup>3</sup> TAS received 8,821 additional OARs from FY 2007 to FY 2009 as a result of the change in authorities. TAS issued 198,881 OARs in FY 2007, 226,448 OARs in FY 2008, and 243,309 OARs in FY 2009 (8,821 / 666,618 = 1.3 percent).

<sup>4</sup> FY 2008 data.

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this remaining four percent increase was attributable to the change in authorities. While there has been an uptick of a few percentage points in the number of cases requiring OARs over the last few years, the uptick did not occur just in the year after the change. The percentage of cases requiring OARs has continued to rise even after the change year, indicating that the change in authorities did not account for all of the increase in the OAR rate and raising questions about whether, on a net basis, it accounted for any of the increase.

*Increase in Case Processing Times*

On page 11, the report notes that TAS's average case processing time has steadily increased from 66 calendar days in FY 2005 to more than 80 calendar days in FY 2009. I would like to reiterate that the primary goal of our case advocates is to fully resolve all related issues for the taxpayer. While we aim to accomplish this as quickly as possible, we would rather take longer and resolve the case correctly than score a quick hit but fail to assist a taxpayer properly. TAS management is aware that average case processing time has increased over the past several years, partly due to the increasing number of cases and partly due to the increasing complexity of cases (e.g., the number of cases with more than one issue code rose from 66,614 in FY 2005 to 120,642 in FY 2009 – an 81 percent increase). We will continue to take steps to ensure that TAS handles cases in a timely manner, and we will continue to monitor our customer satisfaction scores and other relevant performance measures to ensure that we are doing the best job we possibly can to assist taxpayers.

Thank you for the opportunity to review and comment on this report. While the report did not make specific recommendations, it was helpful to have the benefit of your analysis of TAS's caseload, authorities, and resources, and your identification of significant statistical trends. If you have any questions or concerns about our comments, please contact Chris Lee at (202) 622-8391 or [christopher.j.lee@irs.gov](mailto:christopher.j.lee@irs.gov).

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