



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

**March 16, 2010**

**Reference Number: 2010-30-029**

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

**Redaction Legend:**

2(c) = Law Enforcement Tolerance(s)

2(f) = Risk Circumvention of Agency Regulation or Statute



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

March 16, 2010

**MEMORANDUM FOR** COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED  
DIVISION

**FROM:** *Michael R. Phillips*  
Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Improvements Are Needed When Identifying  
Revenue Officer Casework (Audit # 200930012)

This report presents the results of our review to determine whether the Small Business/  
Self-Employed Division is properly applying the grade General Schedule<sup>1</sup> (GS)-13 case criteria  
and ensuring revenue officers (RO) have an appropriate balance of assigned cases. The review  
was conducted as part of our Fiscal Year 2009 Annual Audit Plan under the major management  
challenge of Tax Compliance Initiatives.

*Impact on the Taxpayer*

The GS-13 RO position was established to address the need for a new set of skills and tools to  
deal with more sophisticated taxpayers and more complex casework. However, the Internal  
Revenue Service (IRS) is not identifying sufficient numbers of GS-13 cases to support the  
number of GS-13 ROs. Taxpayers may be burdened because cases can be worked for a  
significant time period by a lower graded RO before the case is re-graded and reassigned to the  
GS-13 RO who will ultimately close the case.

---

<sup>1</sup> See Appendix VI for a glossary of the terms.



## *Improvements Are Needed When Identifying Revenue Officer Casework*

### Synopsis

In Calendar Year 2004, the IRS Payment Compliance and Strategic Human Resource Management office initiated an occupational study of the RO position. The purpose of the study was to determine the skill sets needed for ROs to successfully work a changing and more complex inventory. As a result of this study, in March 2006, the Small Business/Self-Employed Division announced the creation of the GS-13 RO position. Consequently, the RO Case Assignment Guide (CAG) was revised based on the tasks, competencies, and position descriptions at the GS-09 through GS-13 grade levels.

The IRS established target inventory levels for each RO grade to ensure maximum productivity without an impact on quality. The inventory level for GS-13 ROs is 34 to 50 cases, of which approximately 60 percent must be cases graded at the GS-13 level (20 to 30 cases). Collection function group managers are responsible for monitoring inventory levels to ensure ROs are assigned a number of cases consistent with their respective grade's target inventory level.

According to collection inventory reports from September 30, 2006, through June 30, 2009, not all GS-13 ROs were actively working cases. In addition, over the past 3 fiscal years more than 70 percent were not assigned a sufficient number of GS-13 cases. We identified several reasons why the Collection function did not identify sufficient numbers of complex cases for GS-13 ROs:

- **The delivery of GS-13 cases is not systemic.** To identify cases for GS-13 ROs, group managers must manually apply CAG factors to systemically delivered lower graded cases.
- **Group managers rely on lower graded ROs to identify the majority of cases.** While group managers identify some potential GS-13 cases during their initial case reviews, they also rely on lower graded ROs to identify cases meeting the GS-13 CAG factors. Re-graded GS-13 cases were originally assigned and worked by a GS-12 (or lower) RO in 132 (98 percent) of the sampled<sup>2</sup> 135 re-graded cases.
- **CAG criteria are subjective, similarly worded, and not consistently interpreted.** In order to be manually re-graded to a GS-13 case, a case should meet three of the four CAG<sup>3</sup> factors necessary for GS-13 grading.<sup>4</sup> However, this process is tedious, subjective, and prone to misinterpretation. Our review of 135 open GS-13 cases

---

<sup>2</sup> We selected a statistically valid sample of 135 grade GS-13 level cases from a population of all 2,543 open Integrated Collection System cases as of April 22, 2009.

<sup>3</sup> See Appendix V for CAG factors.

<sup>4</sup> The manager must document in the case history the reason if not using at least three of the four factors when re-grading a case.



## *Improvements Are Needed When Identifying Revenue Officer Casework*

identified 16 cases (12 percent)<sup>5</sup> that were erroneously re-graded because group managers did not properly apply CAG factors.

- **Manually re-graded cases were not properly documented.** When a case is manually re-graded based on the application of CAG factors, the group manager is required to properly document why the case was re-graded. In 72 cases (53 percent),<sup>6</sup> group managers did not properly document the factors used to re-grade the cases in the Integrated Collection System histories.
- **The number of GS-13s has increased over the past 4 fiscal years.** Despite the difficulty identifying sufficient GS-13 workload, the IRS has increased the number of GS-13 ROs each year since the inception of the position. The number of GS-13 ROs has increased from 34 at the end of Fiscal Year 2006 to 148 as of June 2009, based on a resource forecasting formula that estimates GS-13 workload using the number of GS-12 graded cases.

We estimate the IRS paid more than \$1.4 million in salary for the time GS-13 ROs spent working on lower graded cases instead of their targeted GS-13 graded inventory. In addition, taxpayers may have been impacted when complex cases were not initially assigned to GS-13 ROs. For the 132 cases that were re-graded after assignment, the GS-12 (or lower) RO spent an average of 604 calendar days (more than 20 months) working on the case before it was reassigned to a GS-13 RO. The GS-13 RO ultimately completed and closed the case, which provided closure for the taxpayer. Compounded by the poorly documented case histories, the GS-13 RO may spend significant time getting familiar with the case before moving towards closure.

### *Recommendations*

The Director, Collection Policy, Small Business/Self-Employed Division, should 1) continue to emphasize, through training, the correct application of CAG factors and the importance of proper documentation when changing case grades; 2) expand the capabilities of the Integrated Collection System pick list so that it can be used to identify the criteria used to change the grade of a case to GS-13; 3) clarify CAG factor elements to make them less subjective and eliminate instances where they are vague, and assess whether each CAG factor contributes equally to the relative complexity of the case and if the methodology for justifying re-grading to a GS-13 is commensurate with the case complexity; and 4) establish methods to improve the effectiveness and efficiency of manually identifying GS-13 RO cases. The Director, Planning and Analysis, Small Business/Self-Employed Division, should 5) identify methods to

---

<sup>5</sup> Rounded from 11.85 percent.

<sup>6</sup> Rounded from 53.33 percent.



## *Improvements Are Needed When Identifying Revenue Officer Casework*

---

expand the number of GS-13 cases that meet the Range of Case Issues CAG factor that can be identified systemically using Inventory Delivery System enhancements currently being developed; and 6) compare and monitor the actual number of GS-13 graded cases that have been identified and assigned to GS-13 ROs with the number of estimated cases that was used to determine more GS-13 ROs were needed and make adjustments to the forecasting methodology as appropriate.

### *Response*

IRS management agreed with all of our recommendations. The IRS will develop a training tool that addresses the correct application of CAG factors and the importance of proper documentation and use that tool to conduct ongoing training for managers and ROs. The IRS has already completed Integrated Collection System programming changes that require use of a pick list to identify GS-13 CAG factors when re-grading cases. Additional enhancements are scheduled for January 2011 to require that an additional pick list be used to identify the CAG subfactors as well. The IRS will form a team to evaluate and recommend changes to the Director, Collection, to improve the effectiveness and efficiency of managers using appropriate CAG factors to manually identify GS-13 cases. Changes will include reducing or eliminating the subjectivity of CAG factors and may apply to manual grading and systemic enhancements. Further enhancements to the Inventory Delivery System for systemic case grading are dependent upon changes made to the CAG factors or systemic changes and, upon completion, a request for systemic changes to the Inventory Delivery System will be considered and submitted as warranted. The Director, Collection Planning and Analysis, will monitor the number of GS-13 graded cases and use this information in determining the appropriate GS-13 RO resources needed.

The IRS disagreed with our outcome measure. The IRS stated that the calculation for the cost of GS-13 ROs salaries did not consider inventory adjustments made for legitimate business reasons. The IRS believes the number of ROs used in the calculation should reflect the percentage of ROs on an adjusted (reduced) inventory and, based on August 2009 data, the estimated additional costs calculation should be decreased by 28 percent. Management's complete response to the draft report is included as Appendix VII.

### *Office of Audit Comment*

The Internal Revenue Manual does not provide that the number of GS-13 cases be adjusted due to time spent on collateral duties. The IRS response implies the inventory reduction should be proportional to the complexity of the target inventory, but since there is no policy, we did not make this assumption. For example, the GS-12 and lower graded cases could be reduced from the GS-13 RO's inventory first, which would not impact the GS-13 graded inventory.



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

The Internal Revenue Manual states that GS-13 ROs have a minimum of approximately 20 GS-13 cases in their inventory. Our outcome measure was based on how many GS-13 ROs would be needed using the number of GS-13 cases in the inventory as of June 2009 (not August 2009 data), and the minimum 20 cases for each RO.

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



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

*Table of Contents*

**Background** .....Page 1

**Results of Review** .....Page 3

    The Collection Function Is Not Identifying a Sufficient Number of  
    Grade 13 Cases for Its Highest Skilled Revenue Officers ..... Page 3

Recommendation 1:.....Page 9

Recommendations 2 through 6:.....Page 10

**Appendices**

    Appendix I – Detailed Objective, Scope, and Methodology .....Page 12

    Appendix II – Major Contributors to This Report .....Page 15

    Appendix III – Report Distribution List .....Page 16

    Appendix IV – Outcome Measures.....Page 17

    Appendix V – Case Assignment Guide for Grade 12 and Grade 13  
    Revenue Officers .....Page 19

    Appendix VI – Glossary of Terms.....Page 22

    Appendix VII – Management’s Response to the Draft Report.....Page 24



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

*Abbreviations*

CAG	Case Assignment Guide
CID	Criminal Investigation Division
FY	Fiscal Year
GS	General Schedule
IRS	Internal Revenue Service
RO	Revenue Officer
SB/SE	Small Business/Self-Employed



---

## *Improvements Are Needed When Identifying Revenue Officer Casework*

---

### *Background*

The Internal Revenue Service (IRS) Small Business/Self-Employed (SB/SE) Division serves approximately one-third of the total taxpayer population. To be effective, the SB/SE Division Collection function needs a workforce that possesses the appropriate skills and competencies to perform the necessary tasks to fulfill its mission.

In Calendar Year 2004, the IRS Payment Compliance and Strategic Human Resource Management office initiated an occupational study of the revenue officer (RO)<sup>1</sup> position. The purpose of the study was to determine the skill sets needed for ROs to successfully work a changing and more complex inventory. The study included surveys of ROs and group managers on the tasks and competencies currently used on the job and a projection of the skills needed for the future. A team of subject matter experts examined the changes in the types of cases and identified new tasks and competencies that were used in the survey and then incorporated into the RO occupation.

The study reported an increased complexity within Collection Field function inventories. It recommended that to work these cases, a new set of skills and tools were needed to deal with more sophisticated taxpayers. In March 2006, as a result of the occupational study of the RO position, the SB/SE Division announced the creation of the grade General Schedule (GS)-13 RO position. The Payment Compliance and Strategic Human Resource Management office completed several initiatives that supported the establishment of a higher graded GS-13 RO position. Specifically, the initiatives were:

***The GS-13 RO position was established in July 2006 to address the most complex collection cases.***

- New RO tasks and competencies were identified at the GS-05 through GS-13 grade levels.
- New position descriptions were developed to incorporate the new tasks and competencies at the GS-05 through GS-13 grade levels.
- A new position description for a GS-14 group manager was developed.
- The RO Case Assignment Guide (CAG) was revised based upon the tasks, competencies, and position descriptions at the GS-09 through GS-13 grade levels.<sup>2</sup>

---

<sup>1</sup> See Appendix VI for a glossary of the terms.

<sup>2</sup> See Appendix V for CAG factors and their respective subelements for GS-12 and GS-13 ROs.



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

- An interview/competency assessment for the GS-13 position was developed.

The SB/SE Division uses the Integrated Data Retrieval System for systemic case grading. This system assigns a case's grade by combining the Resources and Workload Management System scores for all Taxpayer Delinquency Accounts with the Taxpayer Delinquent Individual Entity scores. The SB/SE Division is in the process of revising the systemic approach to case grading and delivery, and plans to replace the Resources and Workload Management System. The new approach is planned to incorporate the revised CAG and be implemented as an enhancement to the Collection function's Inventory Delivery System. At the time of our review, the SB/SE Division was scheduled to complete this Inventory Delivery System enhancement in January 2011.

This review was performed at the SB/SE Division Headquarters in New Carrollton, Maryland, during the period March through September 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

*Results of Review*

***The Collection Function Is Not Identifying a Sufficient Number of  
Grade 13 Cases for Its Highest Skilled Revenue Officers***

The IRS established target inventory levels for each RO grade in order to obtain maximum productivity without a cost to quality for the Collection Field function. The inventory levels also provide a measure of uniformity among the Collection Field function offices. The inventory level for GS-13 ROs is 34 to 50 cases, of which approximately 60 percent must be cases graded at the GS-13 level (20 to 30 cases) and 40 percent may be lower graded cases.<sup>3</sup> Because of the complexity of the GS-13 casework, IRS procedures recommend GS-13 RO inventory levels be kept at, or near, the bottom of the target inventory level.

Collection function inventory reports provide a snapshot of the total number of cases assigned to each RO and a breakdown of the assigned cases by grade level. We analyzed the September 30<sup>th</sup> collection inventory reports for Fiscal Years (FY) 2006, 2007, and 2008, and the June 30<sup>th</sup> report for FY 2009. Figure 1 shows that since the position was established, the number of GS-13 ROs who have been assigned a sufficient number of GS-13 cases has never reached 30 percent.

***Figure 1: GS-13 ROs Meeting Inventory Target Levels***

	09/30/06	09/30/07	09/30/08	06/30/09
Total GS-13 ROs	34	120	123	148
GS-13 ROs not assigned cases <sup>4</sup>	10	11	8	23
<b>Active GS-13 ROs</b>	<b>24</b>	<b>109</b>	<b>115</b>	<b>125</b>
Active GS-13 ROs assigned at least 60 percent grade GS-13 casework	0	30	25	28
<b>Percentage of active ROs who met target inventory level</b>	<b>0</b>	<b>28</b>	<b>22</b>	<b>22</b>

*Source: Treasury Inspector General for Tax Administration analysis of Collection function inventory reports ending on September 30, 2006, 2007, and 2008, and on June 30, 2009.*

<sup>3</sup> May include returns filed in other years for taxpayers with cases graded at the GS-13 level.

<sup>4</sup> GS-13 ROs may not be assigned cases to work for a variety of reasons such as temporary assignments, medical conditions, assignment of collateral duties, etc. For example, 17 of the 23 GS-13 ROs who were not assigned cases on June 30, 2009, were on temporary group manager assignments.



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

Conversely, in each year since the position was created in FY 2006, more than 70 percent of active GS-13 ROs have not had a sufficient number of GS-13 cases assigned to them. We also compared the assigned GS-13 graded casework with the target inventory for GS-13 ROs. Figure 2 shows the potential number of GS-13 ROs that could be supported by the GS-13 casework identified and assigned over the past 4 fiscal years, based on the target inventory levels.

**Figure 2: Potential Number of GS-13 ROs Supported by Identified and Assigned GS-13 Casework**

	09/30/06	09/30/07	09/30/08	06/30/09
Grade GS-13 cases identified and assigned	0	1,765	1,603	1,757
Minimum target inventory of GS-13 cases for each GS-13 RO <sup>5</sup>	20	20	20	20
<b>GS-13 ROs supported by the GS-13 casework identified and assigned<sup>6</sup></b>	<b>0</b>	<b>89</b>	<b>81</b>	<b>88</b>
Total GS-13 ROs on IRS' payroll	34	120	123	148
<b>GS-13 ROs not supported by GS-13 casework identified and assigned</b>	<b>34</b>	<b>31</b>	<b>42</b>	<b>60</b>

*Source: Treasury Inspector General for Tax Administration analysis of collection inventory reports ending on September 30, 2006, 2007, and 2008, and on June 30, 2009.*

The GS-13 grade case inventory identified and assigned does not support the number of GS-13 ROs that have been promoted. For example, at the end of FY 2008, the Collection function had identified a case inventory to support only 81 GS-13 ROs. Despite this identification, the IRS increased the number of GS-13 ROs from 123 at the end of FY 2008 to 148 as of June 2009. We determined several reasons why the Collection function is not identifying enough complex cases for GS-13 ROs to work.

***The IRS increased the number of GS-13 ROs before identifying sufficient work for them.***

- There is no systemic delivery of GS-13 cases.
- Group managers rely on lower graded ROs to identify most of the GS-13 RO work.

<sup>5</sup> Based on a minimum of 34 total cases per GS-13 RO, of which approximately 60 percent must be GS-13 graded cases (34 x 0.60 = 20 cases).

<sup>6</sup> All fractions were rounded up to next whole number.



---

## *Improvements Are Needed When Identifying Revenue Officer Casework*

---

- CAG criteria are subjective, similarly worded, and not consistently interpreted.
- Manually re-graded cases were not properly documented.
- The number of GS-13 ROs has increased over the past 4 fiscal years.

As a result of not identifying a sufficient number of complex cases, we estimate that since the position was created in March 2006, the IRS has paid more than \$1.4 million in salary for the time GS-13 ROs spent working on lower graded cases instead of their targeted GS-13 graded inventory. In addition, taxpayers may have been impacted when complex cases were not initially assigned to GS-13 ROs. For a statistical sample of cases that were re-graded after they were initially assigned, the GS-12 (or lower) ROs spent an average of 604 calendar days (more than 20 months) working on cases before they were reassigned to GS-13 ROs. The GS-13 ROs ultimately completed and closed the cases, which provided closure for the taxpayers. Compounded by improperly documented case histories, the GS-13 ROs may have spent time getting familiar with the details of the cases and duplicating work before closing the cases.

### **There is no systemic delivery of GS-13 cases**

Collection function cases are assigned a case grade level to reflect the probable level of difficulty in resolving them. For cases that are graded at the GS-09, GS-11, or GS-12 levels, an automated process systemically assigns the grade based on objective criteria. However, there is no systemic means to grade or deliver GS-13 graded cases to the field. Instead, group managers must manually apply CAG factors to the lower graded cases that were systemically delivered to the inventory.

Group managers manually identify potential GS-13 graded cases in a number of ways:

- Manual application of the GS-13 CAG factors to lower graded cases in the Queue.
- Manual application of the GS 13 CAG factors when performing RO case reviews.
- Referral of cases by specialized groups, such as the Abusive Tax Avoidance Transaction Group.

Some group managers acknowledged that it can take several days of searching the Queue to identify cases for just one GS-13 RO. There are thousands of cases in the Queue, and managers must review them to search for cases that are candidates for re-grading. Further, the enhancements in the planned Inventory Delivery System will not eliminate the need to manually identify GS-13 graded cases. SB/SE Division Collection function managers and analysts advised us that not all GS-13 cases will be systemically delivered to GS-13 ROs, and the majority of cases will likely still need to be identified manually. This need is because CAG factors that are used to grade a GS-13 case are not always objective or known at the time a case is assigned.



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

**Group managers rely on lower graded ROs to identify most of the GS-13 RO work**

Because the process for identifying potential GS-13 RO cases from the Queue is labor intensive and tedious, managers cannot rely on it as a significant source for GS-13 level cases. In addition, group managers are not required to perform a 100 percent review of the cases assigned to their group, so this limits the number of cases that they may identify during routine case reviews. As a result, group managers must rely on lower graded ROs to identify cases meeting the GS-13 CAG factors and then refer the cases to the group manager for potential re-grading as a GS-13 case.

Our review of 135 open GS-13 cases<sup>7</sup> identified 132 cases (98 percent) that were originally assigned and worked by a GS-12 (or lower) RO before it was determined that the cases should be re-graded as GS-13 cases. The GS-12 ROs spent an average of 604 calendar days (more than 20 months) working on the cases before they were reassigned to a GS-13 RO. In some cases, the factors used to re-grade the cases were not identified until the lower graded RO developed the case and more information was obtained. In those cases, the group manager would not have known it was a potential GS-13 case when it was assigned. However, lower graded ROs may not be fully aware of the elements of the GS-13 CAG factors, and reliance on them increases the risk that cases meeting GS-13 criteria are not identified and reassigned to higher graded ROs.

**CAG criteria are subjective, similarly worded, and not consistently interpreted**

For a case to be manually re-graded to a GS-13 case, it should meet three<sup>8</sup> of the four GS-13 CAG factors. The four CAG factors are:

- Nature of Entity
- Range of Case Issues
- Impact of Enforcement Action
- Personal Contacts

Each of these four CAG factors has a number of subelements that should be used when assessing case complexity.<sup>9</sup>

For a factor to qualify for case re-grading, at least one of the subelements must be met. For example, the Personal Contacts factor has four subelements. If any one of these four elements is met, Personal Contacts would qualify as one of the three factors necessary for re-grading to a GS-13. However, the grade GS-12 and GS-13 CAG factors are subjective, worded similarly, and

---

<sup>7</sup> We selected a statistically valid sample of 135 grade GS-13 level cases from a population of all 2,543 open Integrated Collection System cases as of April 22, 2009.

<sup>8</sup> The manager must document in the case history the reason if not using at least three of the four factors when re-grading a case.

<sup>9</sup> See Appendix V for a complete list of CAG factors and subelements for GS-12 and GS-13 graded cases.



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

prone to misinterpretation. Figure 3 compares the subelements for the Range of Case Issues CAG factor for GS-12 and GS-13 graded cases.

**Figure 3: Comparison of Selected CAG Factor Subelements**

<b>CAG Factor Subelements for GS-12</b>	<b>CAG Factor Subelements for GS-13</b>
<b>In-depth, detailed financial investigations</b> involving sophisticated and difficult issues (e.g., electronic funds transfers between multiple accounts) (Abusive Tax Avoidance Transactions cases included).	<b>Multi-faceted and intricate financial investigations</b> where taxpayers employ subterfuges to conceal income and assets (e.g., wire transfers, multiple sets of books, records from layered entities) (Abusive Tax Avoidance Transactions cases included).
<b>Income and assets that are difficult to trace</b> , specialized, highly valuable, or of a unique nature.	<b>Highly unique forms of assets that offer a challenge when taking enforcement action.</b> Coordination with Federal, State, and local agencies (e.g., hazardous materials). Unique sources of income such as e-commerce or Internet-based businesses and other emerging industries (e.g., large employing leasing companies).
<b>Imbalance</b> between income and assets with no clear explanation (e.g., income is not enough to support existing assets).	<b>Significant imbalance</b> between income and assets with no clear explanation or basis (e.g., minimal income with substantial assets, individuals with no assets and no income but a high standard of living).
<b>Complex forms of ownership</b> designed to shield income or assets (e.g., Limited Liability Corporations, offshore entities and transactions, fraudulent conveyances, family relationships).	<b>Highly complex forms of ownership</b> designed to shield income or assets (e.g., multi-layered entities, Limited Liability Corporations, offshore entities and transactions).
<b>Complex investigative techniques</b> (e.g., nominee, alter-ego, suits, jeopardy levies).	<b>Highly complex investigative techniques</b> (e.g., multiple-entity nominee/alter-ego investigations, all suits including injunction and repatriation, complex jeopardy assessments/levies).
<b>Large business entities with standard financial structure</b> or mid-sized business with multiple entity relationships and a complex financial structure.	<b>Large business entities with complex financial structure</b> and multiple business entity relationships.
<b>Regular interaction</b> with Counsel, Examination function, Criminal Investigation Division (CID), and Appeals.	<b>Joint investigations</b> with Examination function, CID, and Department of Justice.

*Source: Treasury Inspector General for Tax Administration analysis of RO CAG.*

Our review of a statistically valid sample of 135 open Integrated Collection System GS-13 cases identified 16 cases (12 percent) for which group managers did not properly apply CAG factors. We determined that these cases did not warrant re-grading to GS-13 because there was not enough evidence in the case file to support a grade change. Based on our sample, we estimate that 301 open GS-13 cases as of April 22, 2009, did not warrant re-grading to GS-13.



---

## *Improvements Are Needed When Identifying Revenue Officer Casework*

---

Group managers are also responsible for ensuring cases that have been re-graded systemically are also graded accurately. We selected a judgmental sample of 40 open Integrated Collection System GS-12 cases that had been systemically re-graded from lower grade cases to GS-12 cases. Our analysis showed that 10 (25 percent) of these cases met CAG factor criteria for the GS-13, but had not been re-graded as GS-13 cases.

In addition, each CAG factor carries equal weight when determining if the case should be re-graded. Specifically, no one factor is more important than another. CAG factors that were cited in the properly documented GS-13 re-graded cases in our statistical sample were:

- Nature of Entity – 79 percent
- Range of Case Issues – 97 percent
- Impact of Enforcement Action – 44 percent
- Personal Contacts – 92 percent

The group managers we interviewed believed that each CAG factor does not represent an equal measure of case complexity. For example, half of the managers interviewed believed the Range of Case Issues CAG factor should be given more weight due to the amount of time and effort involved with the discovery process. This CAG factor is generally identified only after the case has been assigned and significant time has been spent collecting information and working the case.

### **Manually re-graded cases were not properly documented**

When a case is manually re-graded based on the application of CAG factors, the group manager is required to properly document why the case was re-graded. Proper documentation would include listing the CAG factors present in the case that the group manager identified from the details in the case. The documentation should be entered in the Integrated Collection System history to support the re-grading of the case.

In 72 (53 percent) of 135 cases, group managers did not properly document the factors used to re-grade the cases in the Integrated Collection System histories. However, based on the information in the Integrated Collection System history, we were able to confirm that at least 3 of the 4 GS-13 CAG factors were met in 56 of the 72 cases and that re-grading to GS-13 cases was warranted.

The Integrated Collection System includes a ‘pick list’ that should be used when manually re-grading cases. The pick list allows the group manager to select the CAG factors met to support the re-grading and it also serves to properly document the Integrated Collection System. However, the pick list is not available when identifying CAG factors for re-grading GS-13 cases. Instead, group managers must manually document the CAG factors involved with the case re-grade in the case history, which some managers erroneously believed was not always



---

## *Improvements Are Needed When Identifying Revenue Officer Casework*

---

necessary. In addition, some SB/SE Division analysts and managers were unaware of the documentation requirements for re-grading cases.

Collection function cases that get transferred frequently without proper documentation do not fully provide the gaining RO with all the details of the case, which can lead to re-investigating the CAG factors and duplication of efforts. In addition, management loses an opportunity to collect information about the manually graded GS-13 cases that could be used to ensure the CAG factors are working as intended and to make decisions about how the planned enhanced Inventory Delivery System should function. Based on our sample, we estimate 1,356 of the open GS-13 cases as of April 22, 2009, were not properly documented with information supporting why the cases were re-graded to the GS-13 level.

### **The number of GS-13 ROs has increased over the past 4 years**

Despite the difficulty of identifying sufficient GS-13 workload, the IRS has increased the number of GS-13 ROs each year since the inception of the position in July 2006. In fact, the number increased 20 percent between September 2008 and June 2009, despite 78 percent of the active GS-13 ROs not having sufficient GS-13 workload and a total inventory that supported 42 fewer GS-13s<sup>10</sup> than were already in place.

When determining how many GS-13 ROs are needed, the IRS uses a forecasting formula to project the number of grade GS-13 cases that will likely be required to be worked. The formula uses the number of grade GS-12 cases as its basis. However, the formula has not provided accurate estimates of the number of GS-13 cases that were actually identified, largely because of the difficulties that we have described in this report. We estimate that since the position was created in March 2006, the IRS has paid more than \$1.4 million in salary for the time GS-13 ROs spent working on lower graded cases instead of their targeted GS-13 graded inventory. In addition, while group managers use Collection function target inventory reports to monitor the inventory levels for their respective groups, the reports are not used to ensure that there are sufficient grade GS-13 cases available to support all of the GS-13 ROs nationally.

### **Recommendations**

The Director, Collection Policy, SB/SE Division, should:

**Recommendation 1:** Continue to emphasize, through training, the correct application of CAG factors and the importance of proper documentation when changing case grades.

**Management's Response:** IRS management agreed with this recommendation and will develop a training tool that addresses the correct application of CAG factors and the

---

<sup>10</sup> See Figure 2, column with 09/30/08 data, the number of GS-13 ROs not supported by GS-13 casework identified and assigned.



---

## *Improvements Are Needed When Identifying Revenue Officer Casework*

---

importance of proper documentation and use that tool to conduct ongoing training for managers and revenue officers.

**Recommendation 2:** Expand the capabilities of the Integrated Collection System pick list so that it can be used to identify the criteria used to change the grade of a case to GS-13.

**Management's Response:** IRS management agreed with this recommendation and has already completed Integrated Collection System programming changes that require use of a pick list to identify GS-13 CAG factors when re-grading cases. Additional enhancements are scheduled for January 2011 to require that an additional pick list be used to identify the CAG subelements as well.

**Recommendation 3:** Clarify CAG factor elements to make them less subjective and eliminate instances where they are vague, and assess whether each CAG factor contributes equally to the relative complexity of the case and if the methodology for justifying re-grading to a GS-13 is commensurate with the case complexity.

**Management's Response:** IRS management agreed with this recommendation and will form a team to evaluate and recommend changes to the Director, Collection, to improve the effectiveness and efficiency of managers using appropriate CAG factors to manually identify GS-13 cases. Changes will include reducing or eliminating the subjectivity of CAG factors and may apply to manual grading as well as systemic enhancements.

**Recommendation 4:** Establish methods to improve the effectiveness and efficiency of manually identifying GS-13 RO cases. For example, systemically identify cases that meet two GS-13 CAG factors so that group managers can focus their efforts when identifying cases from the Queue.

**Management's Response:** IRS management agreed with this recommendation and will form a team to address this issue as outlined in Recommendation 3.

The Director, Planning and Analysis, SB/SE Division, should:

**Recommendation 5:** Identify methods to expand the number of GS-13 cases meeting the Range of Case Issues CAG factor that can be identified systemically using Inventory Delivery System enhancements currently being developed.

**Management's Response:** IRS management agreed with this recommendation and will consider and submit a request for systemic changes to the Inventory Delivery System upon completion of Recommendations 3 and 4.

**Recommendation 6:** Compare and monitor the actual number of GS-13 graded cases that have been identified and assigned to GS-13 ROs with the number of estimated cases that was used to determine more GS-13 ROs were needed and make adjustments to the forecasting methodology as appropriate.



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

**Management's Response:** IRS management agreed with this recommendation and the Director, Collection Planning and Analysis, will monitor the number of GS-13 graded cases and use this information in determining the appropriate GS-13 RO resources needed.

However, management disagreed with our outcome measure. The IRS stated that the calculation for the cost of GS-13 RO salaries did not consider inventory adjustments made for legitimate business reasons. The IRS believes the number of ROs used in the calculation should reflect the percentage of ROs on an adjusted (reduced) inventory and, based on August 2009 data, the estimated additional costs calculation should be decreased by 28 percent.

**Office of Audit Comment:** The Internal Revenue Manual does not provide that the number of GS-13 cases be adjusted due to time spent on collateral duties. The IRS response implies the inventory reduction should be proportional to the complexity of the target inventory but, since there is no policy, we did not make this assumption. For example, the GS-12 and lower graded cases could be reduced from the GS-13 RO's inventory first, which would not impact the GS-13 graded inventory.

The Internal Revenue Manual states that GS-13 ROs have a minimum of approximately 20 GS-13 cases in their inventory. Our outcome measure was based on how many GS-13 ROs would be needed using the number of GS-13 cases in the inventory as of June 2009 (not August 2009 data) and the minimum 20 cases for each GS-13 RO.



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

## Appendix I

### *Detailed Objectives, Scope, and Methodology*

The overall objective of this review was to determine whether the SB/SE Division is properly applying the grade GS-13 case criteria and ensuring ROs<sup>1</sup> have an appropriate balance of assigned cases. To accomplish this objective, we:

- I. Evaluated CAG policies, procedures, and goals.
  - A. Reviewed the RO position occupational study and grade GS-13 proposal submitted to create the grade GS-13 RO position.
  - B. Reviewed revisions to Internal Revenue Manual procedures, the CAG, and other guidance issued.
  - C. Reviewed documentation on the planned RO case grading system and determine its status by verifying milestones and final dates.
- II. Determined the accuracy and consistency of the application of manual case assignment procedures for the grade GS-13 level by group managers.
  - A. Selected a statistically valid sample of 135 grade GS-13 cases from a population of all 2,543 open Integrated Collection System cases as of April 22, 2009. We used a statistical sample because we wanted to project the number of cases with errors. We used attribute sampling to calculate the minimum sample size (n),<sup>2</sup> equal to 135.

$n = (Z^2 p(1-p))/(A^2)$	135
Z = Confidence Level:	90 percent (expressed as 1.65 standard deviation)
p = Expected Rate of Occurrence:	5 percent
A = Precision Rate:	±3 percent

    1. Determined whether the cases were accurately scored and graded using the CAG criteria in Appendix V.
    2. Determined if the Integrated Collection System history is documenting the criteria that are being applied in case grading for manual graded cases in accordance with IRS procedures.

---

<sup>1</sup> See Appendix VI for a glossary of the terms.

<sup>2</sup> The formula  $n = (Z^2 p(1-p))/(A^2)$  is from *Sawyer's Internal Auditing – The Practice of Modern Internal Auditing*, 4th Edition, pp. 462-464.



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

3. Verified that group managers are properly documenting the determining factors for assignment in the Integrated Collection System history.
- B. Selected a small judgmental sample of 40 (out of 18,395) open GS-12 cases as of May 22, 2009, to ensure we reviewed GS-12 cases that were re-graded either systemically or manually by a group manager. We used judgmental sampling because we could not determine the population of GS-12 cases that were re-graded.
1. Determined if the case level increase in the Integrated Collection System is a result of an appropriate change of the case level that meets three of the four criteria needed for a grade change.
  2. Verified that group managers are properly documenting the determining factors for manual re-grading cases in the Integrated Collection System history.
- C. Established the validity of the Integrated Collection System data being used in our review.
1. Determined the completeness of Integrated Collection System open case data by reconciling information from a selected number of cases to Integrated Data Retrieval System Master File data.
  2. Performed standard logic and strata queries of Integrated Collection System open cases (by Taxpayer Identification Number, grade, date) to ensure the data are representative of the universe.
- III. Determined whether inventory levels for Collection Field function ROs have the proper number and mixture of cases assigned per grades GS-12 and GS-13.
- A. Selected a judgmental sample of the 6 Collection Field function groups (from a population of 61 groups) that contained the highest number of grade GS-13 ROs included in our sample in Step II.A. By judgmentally selecting the groups with the greatest number of GS-13 ROs, we ensured the group managers interviewed in Step III.B. had experience manually identifying GS-13 cases and trying to maintain the proper GS-13 inventory levels.
1. Verified that the inventory levels for the ROs in these groups are in compliance with CAG case inventory criteria.
  2. Verified that the grade levels of the cases assigned to the grade GS-12 and GS-13 ROs in these groups are in compliance with CAG case inventory criteria.
- B. For the groups selected in Step III.A., interviewed the group managers to determine their policies and practices for delivering GS-13 grade level cases to their respective groups and maintaining proper case inventory levels. We also assessed the impact on



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

- workload delivery and planning at the group level of the Queue not reflecting the volume of grade GS-13 level cases in inventory.
- C. Reviewed the target inventory reports for the groups selected in Step III.A. and assessed how they are used in monitoring ROs inventory levels.
- IV. Determined whether the Collection Field function inventory supports the number of grade GS-13 ROs.
- A. Analyzed the September 30<sup>th</sup> Collection function inventory reports for FYs 2006, 2007, and 2008, and the June 30<sup>th</sup> report of FY 2009 to determine whether the number of grade GS-13 ROs is appropriate based on the volume of grade GS-13 cases.

**Internal controls methodology**

Internal controls relate to the 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 determined the following internal controls were relevant to our audit objective: the SB/SE Division Collection function's policies, procedures, and practices for re-grading cases by Collection Field function group managers. We evaluated these controls by interviewing management and reviewing Integrated Collection System case histories.



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

**Appendix II**

*Major Contributors to This Report*

Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations)  
Carl L. Aley, Director  
Timothy F. Greiner, Audit Manager  
Meaghan R. Shannon, Lead Auditor  
Philip Peyser, Senior Auditor  
Charles Steven Nall, Auditor  
Niurka M. Thomas, Auditor



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

**Appendix III**

*Report Distribution List*

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



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

## Appendix IV

### *Outcome Measures*

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

#### **Type and Value of Outcome Measure:**

- Reliability of Information – Potential; 1,356 open GS-13 cases as of April 22, 2009, that did not include proper documentation to support the group managers' decision to re-grade the cases to GS-13 (see page 3).
- Reliability of Information – Potential; 301 open GS-13 cases as of April 22, 2009, that did not include information to warrant re-grading the cases to GS-13 (see page 3).

#### **Methodology Used to Measure the Reported Benefit:**

From a statistically valid sample of 135 open Integrated Collection System GS-13 level cases, we determined that in 72 cases (53 percent),<sup>1</sup> the group managers did not properly document the factors used to re-grade the cases in the Integrated Collection System histories. We also identified 16 (12 percent)<sup>2</sup> of 135 cases for which the case file did not include information to warrant re-grading to the grade GS-13 level. The sample was selected based on a confidence level of 90 percent, a precision rate of  $\pm 3$  percent, and an expected rate of occurrence of 5 percent. We projected the error rate (53 percent) for the not properly documented cases to the total population of 2,543 open GS-13 cases on the Integrated Collection System as of April 22, 2009, totaling 1,356 cases. We also projected the error rate (12 percent) for cases not warranting re-grading to the total population of 2,543 open GS-13 cases on the Integrated Collection System as of April 22, 2009, totaling 301 cases.

#### **Type and Value of Outcome Measure:**

- Inefficient Use of Resources – Potential; \$3.9 million in salary cost associated with the insufficient use of GS-13 RO resources (see page 3).

---

<sup>1</sup> Rounded from 53.33 percent

<sup>2</sup> Rounded from 11.85 percent



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

**Methodology Used to Measure the Reported Benefit:**

Using the Collection function target inventory reports for June 30, 2009, we determined that 1,757 grade GS-13 cases were assigned to GS-13 ROs. We reduced the 1,757 by the 208 grade GS-13 cases that we estimate did not warrant re-grading to GS-13,<sup>3</sup> equaling 1,549 grade GS-13 cases. Based on the minimum of 20 grade GS-13 cases, we calculated 78 GS-13 ROs were supported by a sufficient number of grade GS-13 cases while 70 (out of 148)<sup>4</sup> GS-13 ROs were not supported. We multiplied the difference between the base salaries of GS-12 and GS-13 grade levels (\$11,232) without adjusting for any locality pay by 70 for a total of \$786,240. We projected this amount over the next 5 years, totaling \$3,931,200.

---

<sup>3</sup> 1,757 GS-13 cases as of June 30, 2009, multiplied by the error rate (rounded to 12 percent) pertaining to cases that did warrant re-grading to the grade GS-13 level ( $1,757 \times 11.85\% = 208$ ).

<sup>4</sup> There were 148 GS-13 ROs as of June 30, 2009.



**Appendix V**

*Case Assignment Guide for Grade 12  
and Grade 13 Revenue Officers*

**Manual Criteria for Grading Taxpayer Delinquency Accounts and Taxpayer Delinquency Inquiry**

Use the following criteria for re-grading cases after assignment to ROs. Group managers will not normally change the grade of a case unless it meets at least three of the four factors at the lower or higher level. The group manager will document in the case history the reason for not using at least three of the four factors when applicable. The factors are:

**Factor 1 – Nature of Entity**

Grade 13: \*\*\*\*\*2(c),2(f)\*\*\*\*\*

\*\*\*\*\*2(c),2(f)\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*.

\*\*\*\*\*2(c),2(f)\*\*\*\*\*

\*\*\*\*\*2(c),2(f)\*\*\*\*\*  
\*\*\*\*\*2(c),2(f)\*\*\*\*\*  
\*\*\*\*\*.

**Factor 2 – Range of Case Issues**

Grade 13:

A. Multi-faceted and intricate financial investigations where taxpayers employ subterfuges to conceal income and assets (e.g., wire transfers, multiple sets of books, records from layered entities) (Abusive Tax Avoidance Transactions cases included).

B. Highly unique forms of assets that offer a challenge when taking enforcement action. Coordination with Federal, State, and local agencies (e.g., hazardous materials). Unique sources of income such as e-commerce or Internet-based businesses and other emerging industries (e.g., large employing leasing companies).

C. Significant imbalance between income and assets with no clear explanation or basis (e.g., minimal income with substantial assets, individuals with no assets and no income but a high standard of living).



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

D. Highly complex forms of ownership designed to shield income or assets (e.g., multilayered entities, Limited Liability Corporations, offshore entities and transactions).

E. Highly complex investigative techniques (e.g., multiple-entity nominee/alter-ego investigations, all suits including injunction and repatriation, complex jeopardy assessments/levies).

F. Large business entities with complex financial structure and multiple business entity relationships.

G. Joint investigations with the Examination function, the CID, and the Department of Justice.

Grade 12:

A. In-depth, detailed financial investigations involving sophisticated and difficult issues (e.g., electronic funds transfers between multiple accounts) (Abusive Tax Avoidance Transactions cases included).

B. Income and assets that are difficult to trace, specialized, highly valuable, or of a unique nature.

C. Imbalance between income and assets with no clear explanation (e.g., income is not enough to support existing assets).

D. Complex forms of ownership designed to shield income or assets (e.g., Limited Liability Corporations, offshore entities and transactions, fraudulent conveyances, and family relationships).

E. Complex investigative techniques (e.g., nominee, alter-ego, suits, jeopardy levies).

F. Large business entities with standard financial structure or mid-sized business with multiple entity relationships and a complex financial structure.

G. Regular interaction with Counsel, the Examination function, the CID, and Appeals.

**Factor 3 – Impact of Enforcement Action**

Grade 13:

A. Extensive economic impact (e.g., Large business: Affecting wide employee base or having a significant extended economic impact. Ripple effect for interrelated entities or feeder industries. (Factor 1 criteria)).\*

B. Intense media scrutiny and strong public reaction.\*

C. Far-reaching compliance impact (e.g., promoters or other high-profile individuals within a highly publicized Abusive Tax Avoidance Transactions promotion).\*

\*Refers to national or regional impact.



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

Grade 12:

- A. Pronounced community or economic impact (e.g., Large to medium sized business: action impacting > 31 employees.)
- B. Potential for media scrutiny and public reaction.
- C. State or local compliance impact.

**Factor 4 – Personal Contacts**

Grade 13:

- A. Representatives from nationally prominent accounting firms, law firms, and financial institutions.
- B. National political figures. Nationally known high-profile individuals, business owner/officers, or organizations (i.e., entertainers, sports figures, promoters).
- C. Interaction with Chief Counsel, Area Counsel, Department of Justice, United States Attorney's Office, Examination function, CID, Appeals, and high-level Federal and State government agency representatives.
- D. Owners or corporate officers of foreign entities reporting complex business transactions.

Grade 12:

- A. Representatives from large State and regional accounting firms, law firms, and financial institutions.
- B. Large business owners or corporate officers, often well known within the State. State and local political figures. High-profile individuals or organizations/individuals at the State or local level.
- C. Routine interaction with Area Counsel, Examination function, CID, Appeals, and other internal stakeholders.
- D. Owners or corporate officers of foreign entities reporting limited transactions (e.g., foreign return penalty assessments, asset ownership with no or limited financial transactions.)



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

## Appendix VI

### *Glossary of Terms*

**Automated Collection System** – A telephone contact system through which telephone assistants collect unpaid taxes and secure tax returns from delinquent taxpayers who have not complied with previous notices.

**Campuses** – 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.

**Case Assignment Guide** – A guide that includes the criteria used to determine the case difficulty level. It includes the factors and elements used to manually score Taxpayer Delinquency Accounts and Taxpayer Delinquency Inquiries in order to assign to the proper RO grade. The CAG is the only tool available to front-line Collection function managers to help them identify work for their GS-13 ROs.

**Collection Field function** – The unit in the Area Offices consisting of ROs who handle personal contacts with taxpayers to collect delinquent accounts or secure unfiled returns.

**General Schedule** – The basic classification and compensation system for white collar occupations in the Federal Government.

**Integrated Collection System** – An information management system designed to improve revenue collections by providing ROs access to the most current taxpayer information while in the field using laptop computers for quicker case resolution and improved customer service.

**Integrated Data Retrieval System** – IRS computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.

**Inventory Delivery System** – A system that routes cases to the Automated Collection System, Collection Field function, or the Queue according to risk-based collection criteria and decision analytics.

**Master File** – The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

**Pick List** – A menu within the Integrated Collection System that lists the four CAG factors used in changing the grade of a case.

**Queue** – A function of the Integrated Data Retrieval System that is an automated holding file for unassigned inventory of delinquent cases for which the Collection function does not have enough resources to immediately assign for contact.



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

**Resources and Workload Management System** – The scoring system used by the Collection function in the assignment of cases. Several factors, including the grade level of difficulty for RO assignment, affect the score.

**Revenue Officers** – Employees in the Collection Field function who attempt to contact taxpayers and resolve collection matters that have not been resolved through notices sent by the IRS campuses or the Automated Collection System.

**Subject Matter Experts** – A team of ROs and group managers assigned to a task force responsible for determining the future tasks and competencies of ROs.

**Taxpayer Delinquency Account** – A balance due account of a taxpayer. A separate Taxpayer Delinquency Account exists for each tax period.

**Taxpayer Delinquency Inquiry** – An unfiled tax return for a taxpayer. One Taxpayer Delinquency Inquiry exists for all tax periods.



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

**Appendix VII**

*Management's Response to the Draft Report*



COMMISSIONER  
SMALL BUSINESS/SELF-EMPLOYED DIVISION

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

RECEIVED  
FEB 26 2010

BY: *DAW*

February 24, 2010

MEMORANDUM FOR MICHAEL R. PHILLIPS  
DEPUTY INSPECTOR GENERAL FOR AUDIT

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

SUBJECT: Draft Audit Report – Improvements Are Needed When Identifying  
Revenue Officer Casework (Audit No. 200930012)

Thank you for the opportunity to review your draft report titled "Improvements Are Needed When Identifying Revenue Officer Casework." We agree with the substance of the report and the recommendations. Proper application of the General Schedule (GS) -13 case grade criteria and ensuring revenue officers (RO) have an appropriate balance of assigned cases are crucial steps in IRS efforts to use resources effectively.

There are legitimate business reasons that explain why some GS-13 ROs are not assigned sufficient inventory to meet prescribed target levels. Often, based upon the needs of the IRS, GS-13 ROs perform collateral duties (as specified in their position descriptions) that preclude assignment of a full inventory.

We have already implemented some corrective actions; however, we agree that there are additional steps we can take to address the issues raised in your report. We share your concern about impact on taxpayers and assure you that the IRS is committed to taking proactive steps to eliminate and/or minimize taxpayer burden at every opportunity.

We disagree with the outcome measures stated in the report as the monetary benefits are overstated. The calculation used to determine the annual cost of GS-13 ROs without a full GS-13 inventory is based upon the actual number of GS-13 ROs with inventory without considering inventory adjustments made for legitimate business reasons.



*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

2

ROs with inventory adjustments have a reduced inventory level and thus a reduced minimum number of GS-13 cases. The number of ROs used in the calculation should reflect the percentage of ROs on an adjustment and the average adjustment percentage for those ROs. Based on August 2009 data for GS-13 ROs, taking the number of GS-13 ROs with an adjustment to inventory into consideration, the estimated additional costs calculation should be decreased by 28 percent.

Attached is a detailed response outlining our planned corrective actions. If you have any questions, please call me at (202) 622-0600 or a member of your staff may contact David Alito, Director, Collection, at (202) 283-7660.

Attachment



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

Attachment

**RECOMMENDATION 1:**

Continue to emphasize, through training, the correct application of CAG factors and the importance of proper documentation when changing case grades.

**CORRECTIVE ACTION:**

We agree with this recommendation. We will develop a training tool that addresses the correct application of CAG factors and the importance of proper documentation and use that tool to conduct ongoing training for managers and revenue officers.

**IMPLEMENTATION DATE:**

December 15, 2010

**RESPONSIBLE OFFICIAL:**

Director, Collection Policy, SB/SE Division

**CORRECTIVE ACTION MONITORING PLAN:**

The Director, Collection Policy, SB/SE will advise the Director, Collection of any delays in implementing this corrective action.

**RECOMMENDATION 2:**

Expand the capabilities of the Integrated Collection System (ICS) pick list so that it can be used to identify the criteria used to change the grade of a case to GS-13.

**CORRECTIVE ACTION:**

We agree with this recommendation. We have already completed ICS programming changes that require use of a pick list to identify Grade 13 CAG factors when re-grading cases. Additional enhancements are scheduled for January 2011 to require that an additional pick list be used to identify the CAG sub factors as well.

**IMPLEMENTATION DATE:**

February 15, 2011

**RESPONSIBLE OFFICIAL:**

Director, Collection Policy, SB/SE Division

**CORRECTIVE ACTION MONITORING PLAN:**

The Director, Collection Policy, SB/SE will advise the Director, Collection of any delays in implementing this corrective action.

**RECOMMENDATION 3:**

Clarify CAG factor elements to make them less subjective and eliminate instances where they are vague and assess whether each CAG factor contributes equally to the relative complexity of the case and if the methodology for justifying re-grading to a GS-13 is commensurate with the case complexity.



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

2

**CORRECTIVE ACTION:**

We agree with this recommendation. We will form a team to evaluate and recommend changes to the Director, Collection to improve the effectiveness and efficiency of managers using appropriate CAG factors to manually identify GS-13 cases. Changes will include reducing or eliminating the subjectivity of CAG factors and may apply to manual grading as well as systemic enhancements.

**IMPLEMENTATION DATE:**

March 15, 2011

**RESPONSIBLE OFFICIAL:**

Director, Collection Policy, SB/SE Division

**CORRECTIVE ACTION MONITORING PLAN:**

The Director, Collection Policy, SB/SE will advise the Director, Collection of any delays in implementing this corrective action.

**RECOMMENDATION 4:**

Establish methods to improve the effectiveness and efficiency of manually identifying GS-13 RO cases. For example, systemically identify cases that meet two GS-13 CAG factors so that group managers can focus their efforts when identifying cases from the Queue.

**CORRECTIVE ACTION:**

We agree with this recommendation and will form a team to address this as outlined in Recommendation three above.

**IMPLEMENTATION DATE:**

March 15, 2011

**RESPONSIBLE OFFICIAL:**

Director, Collection Policy, SB/SE Division

**CORRECTIVE ACTION MONITORING PLAN:**

The Director, Collection Policy, SB/SE will advise the Director, Collection of any delays in implementing this corrective action.

**RECOMMENDATION 5:**

Identify methods to expand the number of GS-13 cases meeting the Range of Case issues CAG factor that can be identified systemically using Inventory Delivery System enhancements currently being developed.



---

*Improvements Are Needed When  
Identifying Revenue Officer Casework*

---

3

**CORRECTIVE ACTION:**

We agree with this recommendation. Further enhancements to the Inventory Delivery System (IDS) for systemic case grading are dependent upon changes made to the CAG factors for Recommendation three or systemic changes needed for Recommendation four. Upon completion of Recommendations three and four, a request for systemic changes to IDS will be considered and submitted as warranted.

**IMPLEMENTATION DATE:**

September 15, 2011

**RESPONSIBLE OFFICIAL:**

Director, Collection Planning and Analysis, SB/SE Division

**CORRECTIVE ACTION MONITORING PLAN:**

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

**RECOMMENDATION 6:**

Compare and monitor the actual number of GS-13 graded cases that have been identified and assigned to GS-13 ROs with the number of estimated cases that was used to determine more GS-13 ROs were needed and make adjustments to the forecasting methodology as appropriate.

**CORRECTIVE ACTION:**

We agree with the recommendation. The Director, Collection Planning and Analysis will monitor the number of GS-13 graded cases and use this information in determining the appropriate GS-13 RO resources needed.

**IMPLEMENTATION DATE:**

March 15, 2011

**RESPONSIBLE OFFICIAL:**

Director, Collection Planning and Analysis, SB/SE Division

**CORRECTIVE ACTION MONITORING PLAN:**

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