



Treasury Inspector General for Tax Administration Office of Audit

REVIEW OF THE OFFICE OF APPEALS COLLECTION DUE PROCESS PROGRAM

Issued on August 28, 2014

Highlights

Highlights of Report Number: 2014-10-049 to the Internal Revenue Service Chief of Appeals.

IMPACT ON TAXPAYERS

The Collection Due Process Program was designed to allow taxpayers a process for exercising their rights to appeal when the IRS files a lien or a notice of intent to levy against them. An effective process is necessary to ensure that statutory requirements are met and taxpayers' rights are protected.

WHY TIGTA DID THE AUDIT

This audit was initiated because TIGTA is statutorily required to determine whether the IRS complied with the provisions of 26 United States Code Sections 6320(b) and (c) and 6330(b) and (c) when taxpayers exercised their rights to appeal the filing of a Notice of Federal tax Lien or the issuance of a Notice of Intent to Levy.

WHAT TIGTA FOUND

This year's audit continues to identify the same deficiencies in the IRS's processing of Collection Due Process cases as previously reported. Specifically, the Office of Appeals did not always classify taxpayer requests properly and, as a result, some taxpayers received the wrong type of hearing. In its two statistically valid samples, TIGTA identified eight taxpayer cases that were misclassified. This is an increase from the six misclassified taxpayer cases that were identified in the prior year's review.

In addition, TIGTA continued to identify errors relating to the determination of the Collection Statute Expiration Date on taxpayer accounts. From a statistically valid sample, TIGTA identified 12 taxpayer cases that had an incorrect Collection Statute Expiration Date.

TIGTA also found that Appeals personnel did not always document their impartiality statement in final hearing notification letters issued to taxpayers. TIGTA identified that in 23 of the 132 taxpayer cases reviewed, the IRS did not have the required impartiality statement documented in the waiver and withdrawal letters sent to taxpayers.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Appeals, should review misclassified cases and determine if there are process improvements or additional training areas that can be emphasized to ensure that taxpayer cases are classified correctly. Additionally, the Chief, Appeals, should consider evaluating whether Collection Due Process notices are clear and provide the proper directions for taxpayers to follow in sending their hearing requests to the IRS. TIGTA also recommended that the Chief, Appeals, correct the taxpayer accounts that were identified with Collection Statute Expiration Date errors.

The IRS agreed with the recommendations. The IRS plans to review the cases TIGTA identified and, if appropriate, update the previously developed Collection Due Process Timeliness training. The IRS plans to meet with Collection function management and the Office of Taxpayer Correspondence to discuss the lien and levy Collection Due Process notices, and plans to review and correct the taxpayer accounts TIGTA identified.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2014reports/201410049fr.pdf>.