



Treasury Inspector General for Tax Administration Office of Audit

ADDITIONAL IMPROVEMENTS ARE NEEDED IN THE OFFICE OF APPEALS COLLECTION DUE PROCESS PROGRAM TO ENSURE STATUTORY REQUIREMENTS ARE MET

Issued on August 15, 2011

Highlights

Highlights of Report Number: 2011-10-062 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 right to appeal when the Internal Revenue Service (IRS) files a lien or a Notice of Intent to Levy for unpaid taxes. TIGTA identified areas in which Appeals can improve its processing of Collection Due Process cases. Appeals did not always classify taxpayer requests properly, which affects the taxpayer's right to petition the United States Tax Court and the time allowed for the IRS to collect any balances owed. On some taxpayer accounts, TIGTA found errors with the Collection Statute Expiration Dates (CSED), which can potentially violate taxpayer rights. Further, hearing officers did not always document their case files with all required information, increasing the risk that the IRS has not met all the requirements of applicable laws or administrative procedures with respect to the proposed levy or lien.

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

TIGTA identified areas in which Appeals can improve its processing of Collection Due Process cases. Specifically, Appeals did not always grant taxpayers the correct type of hearing. TIGTA determined that four cases were misclassified, which is an increase from our prior audit. TIGTA also found significantly more errors related to the CSEDs on taxpayer accounts than during prior audits. Specifically, 15 cases from our sample of 70 Collection Due Process cases had incorrect CSEDs, a 50-percent increase from the prior review which had identified 10 cases with incorrect CSEDs. TIGTA found

that Appeals properly ensured that nearly all Determination and Decision Letters issued to taxpayers documented their impartiality in the case and verified that applicable laws and administrative procedures were followed, as required by statute. However, Appeals personnel are still not always recording these issues in their case files as required by Appeals' procedures.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Appeals, correct the inaccurate CSEDs identified in the audit and develop a job aid for processing employees to assist in more accurately determining the correct CSEDs. TIGTA also recommended the Chief, Appeals, determine whether the impartiality statement generated by the systemic prompt should be reevaluated so it cannot be overwritten and evaluate what documentation should be maintained in the Case Activity Records to support the hearing officer's conclusions that the IRS followed applicable laws and procedures.

Appeals Management agreed with all of our recommendations. Appeals agreed to: 1) verify that the inaccurate CSEDs identified in this review are corrected, 2) revise the Internal Revenue Manual to incorporate a job aid to assist processing employees with determining correct CSEDs, 3) request a computer enhancement that would result in a "read only" case activity record affirming each hearing officer's impartiality, and 4) remove the requirement to document the verification of the legal and administrative procedures in the case activity record.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2011reports/201110062fr.pdf>

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