



Treasury Inspector General for Tax Administration Office of Audit

TAXPAYERS DO NOT ALWAYS RECEIVE QUALITY RESPONSES WHEN CORRESPONDING ABOUT TAX ISSUES

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Highlights

Highlights of Report Number: 2011-40-058 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

In November 1998, the Internal Revenue Service (IRS) issued Policy Statement P-6-12 requiring employees to initiate a response to taxpayer correspondence within 30 calendar days. Although most responses to taxpayers' correspondence tested were accurate, most responses were not timely. When taxpayers' issues are not addressed timely, taxpayers are mailed interim letters. However, none of the systemically issued interim letters provide taxpayers with any information specific to their accounts, and the content is not clear regarding what taxpayers need to do.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether the IRS was appropriately processing correspondence from taxpayers or their representatives when required to meet its own policy requirements to respond to a taxpayer within 30 calendar days or provide an update on the status of the response.

WHAT TIGTA FOUND

Two statistical samples and one judgmental sample from three IRS functions showed most taxpayers do not receive quality responses to their correspondence.

- Of 73 correspondence cases sampled from the Accounts Management function, only 14 (19 percent) taxpayers received timely and accurate responses.
- Of 48 correspondence cases sampled in the Automated Underreporter Program, all 48 taxpayers received accurate responses, but only 27 (56 percent) of 48 taxpayers received their responses timely.
- Of 73 correspondence cases from the Field Assistance Office, only six (8 percent) taxpayers received timely and accurate responses.

In addition, interim letters, required to be sent to taxpayers if a response cannot be issued within the 30 calendar days, were not always issued.

Not all procedures are being followed. Cases are not properly categorized, suspended, or linked, and the quality review process does not ensure all procedures were followed.

Finally, the IRS is not following Policy Statement P-6-12 guidelines and has not implemented any measures or processes to monitor and evaluate Policy Statement P-6-12 correspondence to ensure taxpayers receive timely responses to their correspondence.

WHAT TIGTA RECOMMENDED

TIGTA recommended and the IRS generally agreed to: 1) clarify instructions to ensure employees follow procedures, 2) revisit Policy Statement P-6-12 guidelines to ensure they reflect the IRS's current procedures and expectations, 3) complete the study of the interim letters, and 4) update quality review procedures to include a review of correspondence category codes and a determination as to whether cases should have been suspended and/or linked.

The IRS did not agree with the outcome measures claimed in the report, stating the projections were based on non-representative samples. However, the samples were random samples from the defined universe of cases. As such, TIGTA believes they are representative. The five-year projections are, in fact, forecasts. This type of forecasting is used by the Federal Government in many circumstances.

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/201140058fr.pdf>.