



## Treasury Inspector General for Tax Administration Office of Audit

### THE COMPLIANCE ASSURANCE PROCESS HAS RECEIVED FAVORABLE FEEDBACK, BUT ADDITIONAL ANALYSIS OF ITS COSTS AND BENEFITS IS NEEDED

Issued on February 22, 2013

## Highlights

Highlights of Report Number: 2013-30-021 to the Internal Revenue Service Commissioner for the Large Business and International Division.

### IMPACT ON TAXPAYERS

Unlike traditional audits, where tax issues are often resolved long after the tax return is filed, taxpayers volunteer to participate in the Compliance Assurance Process (CAP) and strive to resolve potential tax issues before a tax return is filed. The CAP, according to Large Business and International (LB&I) Division statistics, reduces the length of the audit process for both the IRS and large businesses. For taxpayers, achieving tax return certainty can significantly enhance public and investor confidence. While this and other CAP benefits are important, it is equally important for the LB&I Division to ensure that the enforcement resources being devoted to the CAP do not diminish its ability to provide audit coverage over large businesses that do not comply with the tax laws and choose not to volunteer for the CAP.

### WHY TIGTA DID THE AUDIT

This audit was initiated to determine the extent to which the planning, implementation, and evaluation for the CAP followed published guidance and whether it is being administered in accordance with IRS policies and procedures. The audit is included in our Fiscal Year 2013 Annual Audit Plan and addresses the major management challenge of Tax Compliance Initiatives.

### WHAT TIGTA FOUND

The CAP is being administered in accordance with IRS policies and procedures, and the pilot program followed many key best practices in the design and testing of the process. However, despite the fact that the CAP pilot program ran for six calendar years and the permanent program is in its second calendar year of operation, the LB&I Division has yet to develop and implement a plan to thoroughly evaluate CAP data.

TIGTA's analysis found that the CAP audits are consuming substantially more staff hours than those under the traditional audit process. This makes the

hourly revenue rate for the CAP approximately a third of the hourly rate examiners generated from traditional audits, \$2,939 versus \$8,448, respectively. TIGTA also found that the CAP has not yet been reviewed as a potential new user fee source.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, LB&I Division, develop and implement an evaluation plan that verifies the CAP is delivering sufficient benefits in relation to the costs being incurred. In addition, the Commissioner, LB&I Division, should ensure that the CAP is assessed as a potential new user fee source once the IRS-wide user fee guidelines are revised and implemented.

In their response to the report, IRS management agreed with the recommendations and plans to take appropriate corrective actions.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2013reports/201330021fr.pdf>

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