



Treasury Inspector General for Tax Administration Office of Audit

FISCAL YEAR 2013 STATUTORY REVIEW OF RESTRICTIONS ON DIRECTLY CONTACTING TAXPAYERS

Issued on August 30, 2013

Highlights

Highlights of Report Number: 2013-30-080 to the Internal Revenue Service Chief, Appeals, and the Commissioner, Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

IRS personnel are required to stop an interview if the taxpayer requests to consult with a representative and may not bypass a representative without supervisory approval. Between October 2011 and September 2012, TIGTA's Office of Investigations closed 13 direct contact complaints involving IRS personnel, of which two employees were disciplined or counseled for their actions by IRS management officials.

WHY TIGTA DID THE AUDIT

This audit was initiated because TIGTA is required to annually report on the IRS's compliance with Internal Revenue Code Sections 7521(b)(2) and (c). The overall objective of this audit was to determine whether the IRS complied with the legal guidelines addressing the direct contact of taxpayers and their representatives.

WHAT TIGTA FOUND

The IRS has a number of policies and procedures in place to help ensure that taxpayers are afforded the right to designate a qualified representative to act on their behalf in dealing with IRS personnel in a variety of tax matters.

Each year, TIGTA focuses on an office or function of the IRS that interacts with taxpayers and their representatives on a routine basis. For this review, TIGTA analyzed how well the Office of Appeals (Appeals) has ensured that its personnel are appropriately including taxpayers' representatives in its activities. A statistical sample of 96 of 72,239 cases closed by Appeals showed that Appeals personnel did not always involve representatives appropriately in some key actions.

In 11 of 96 sampled cases, Appeals personnel deviated from procedures by attempting to contact the taxpayer directly by telephone or not ensuring that copies of taxpayer correspondence were sent to the taxpayer's

authorized representative. In addition, no documentation was found in managerial reviews indicating that checks were made to ensure that Appeals personnel were involving representatives in all case actions and providing representatives copies of all original correspondence sent to the taxpayers.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Appeals, provide additional guidance to first-line managers and Appeals personnel that will reinforce the importance of ensuring that taxpayer representatives are involved in all case activities. This will help ensure that the procedures designed to afford taxpayers their right to appropriate and effective representation are followed and properly documented during the appeals process.

The IRS agreed with TIGTA's recommendation and plans to update the Internal Revenue Manual to clarify front-line managers' responsibilities for ensuring that procedures regarding the direct contact provisions of the Internal Revenue Code are followed and reinforce the importance of ensuring that representatives are involved in all case activities.

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/201330080fr.pdf>.