



Treasury Inspector General for Tax Administration Office of Audit

THE PARALLEL INVESTIGATIONS PROCESS NEEDS IMPROVEMENT

Issued on September 23, 2013

Highlights

Highlights of Report Number: 2013-30-114 to the Internal Revenue Service Office of the Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

In Calendar Year 2005, the IRS Commissioner established a policy that encourages civil enforcement actions in collaboration with criminal investigations when abusive tax promotions are ongoing and harm to the Government is significant. If communication and coordination are not thorough and consistent, the full range of criminal and civil remedies available may not always be explored, resulting in missed opportunities to 1) seek injunctions to prevent further harm to the Government and 2) assess civil penalties for abusive tax preparer/promoter behavior.

WHY TIGTA DID THE AUDIT

This audit was requested by the IRS's Small Business/Self-Employed Division. The overall objectives of this review were to determine whether parallel investigations are being conducted in accordance with IRS procedures and guidelines and whether there may be opportunities to improve the process.

WHAT TIGTA FOUND

Processes for communication and coordination of parallel investigations between the applicable IRS's civil compliance functions and its Criminal Investigation (CI) could be improved. The civil compliance functions are generally following the procedures that require them to communicate with CI their intent to conduct a civil investigation of an abusive tax preparer/promoter. However, CI does not always coordinate with the civil compliance functions when it becomes aware of an abusive tax preparer/promoter. Improved communication would allow the IRS to further explore all potential civil and criminal remedies in these cases.

IRS procedures require that quarterly coordination meetings be held for ongoing parallel investigations. However, there is no consistent requirement to document these meetings. Therefore, there is no assurance that the meetings took place and that all required attendees were present. When required

meetings are not held, the civil compliance functions may be unaware that CI concluded an investigation, possibly preventing the appropriate civil actions from being taken.

In addition, reconciliation of investigation case inventories among the various civil compliance functions and CI could be improved to provide IRS management with the ability to better monitor the progress of parallel investigations and ensure that the program is effective.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) revise the memorandum used for the civil compliance function notification process to clearly identify that the criminal investigation being initiated has abusive tax preparer/promoter characteristics; 2) revise procedures to ensure that all quarterly coordination meetings are conducted and documented and ensure that all procedures are consistent; 3) improve awareness of the purpose of parallel investigations through the periodic dissemination of information and training; and 4) conduct periodic reconciliations of the various investigation inventory systems used to track parallel investigations.

In their response to the report, IRS officials agreed with all four recommendations and plan to take corrective actions. The IRS plans to revise the memorandum used to notify the civil compliance functions, develop a standardized check sheet to document quarterly coordination meetings, and update procedures relevant to parallel investigations to ensure consistency across functions. IRS officials also plan to improve awareness by creating a training course on parallel investigations for use by civil examiners and special agents. Finally, the IRS plans to conduct a monthly reconciliation of the various inventory systems to help ensure that parallel investigations are properly tracked and monitored.

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/201330114fr.pdf>.