



Treasury Inspector General for Tax Administration Office of Audit

PROCESSES DO NOT ENSURE THAT COMPLAINTS AGAINST TAX RETURN PREPARERS ARE TIMELY, ACCURATELY, AND CONSISTENTLY PROCESSED

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Highlights

Highlights of Report Number: 2014-40-056 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

Tax return preparers serve a critical role in tax administration and represent an important intermediary between taxpayers and the IRS. Because of this critical role, identifying problem preparers through the complaint process is an essential component of the IRS's oversight responsibilities. Unqualified or unethical tax return preparers can negatively impact taxpayers as well as tax revenue if the tax returns they prepare are incorrect and/or fraudulent.

WHY TIGTA DID THE AUDIT

This audit was initiated as a follow-up to a prior audit in which TIGTA reported the process taxpayers must use to report complaints against tax return preparers is ineffective and causes unnecessary taxpayer burden. The overall objective of the audit was to determine whether the IRS's tax return preparer complaint process is effective.

WHAT TIGTA FOUND

Complaints against tax return preparers are not timely processed. TIGTA's review of the 8,354 complaints received in Calendar Years 2012 and 2013, as of September 11, 2013, identified 3,953 (47 percent) for which work on the complaints had yet to be initiated. Of the 3,953 complaints, 1,920 (49 percent) had been in the IRS's inventory for at least 60 business days with no work initiated. TIGTA also identified that the IRS has not established a process to reconcile complaints received with what was entered into inventory records. TIGTA's review identified 839 complaints received during December 2012 and January 2013 that were not entered into inventory records until 34 to 64 business days after IRS receipt.

In addition, processes do not ensure that complaints are accurately and consistently processed. TIGTA's review of a statistically valid sample of 73 complaints found that,

for the 25 complaints worked, the risk ranking process used by case processors to rank, score, and prioritize the complaints was insufficient because each case processor applied the risk ranking elements differently.

Finally, processes have not been established to effectively track complaint referrals to business functions. Our review of a statistically valid sample of 67 complaints found that the business functions had no record of receiving 19 (28 percent) complaints.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS establish complaint processing time frame goals and procedures to ensure that complaints are timely processed; develop a reconciliation process to ensure that complaints received are recorded in inventory records; ensure that criteria for referring complaints to business functions are appropriately applied and that the business functions' resolution of complaint referrals is tracked; establish procedures to contact taxpayers for missing information; ensure that all data collected on complaints are included in the case processing system; and ensure that the capability exists to produce management information reports.

In its response, IRS management agreed with six of the eight recommendations and plans to take corrective actions. For the one partially agreed recommendation and the one disagreed recommendation, TIGTA continues to believe that the IRS should track how the business functions resolve referred complaints and should contact taxpayers for missing information on submitted complaints in order to work as many complaints as possible.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201440056fr.pdf>.

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