



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Control No. TEGE-04-0508-03

May 08, 2008

MEMORANDUM FOR: ALL FEDERAL, STATE, AND LOCAL GOVERNMENTS (FSLG)
EMPLOYEES

FROM: Sunita B. Lough (*SUNITALOUGH*)
Director, Federal State & Local Governments

SUBJECT: Compliance and Program Management (CPM) Sample Review
Case Selection and Closing Procedures

Effective June 1, 2008, CPM will implement a sample review process of examination cases. This memorandum sets forth the categories of cases designated for **mandatory** and **sample** review and establishes new special handling procedures for FSLG field groups prior to forwarding examination cases to CPM for review and closure. These changes will be communicated initially through implementation memoranda such as this, subsequently posted for intranet access, and ultimately, where required updated in the next version of the appropriate section within IRM 4.90.11.

The following cases have been designated as subject to **mandatory** review:

- (1) Federal agency examinations (PC 4168),
- (2) Large Entity examinations (PC 4241),
- (3) Cases closed unagreed in full or in part (AIMS DC 07/10; TREES DC 601/603,604),
- (4) Claim cases disallowed in full or part (AIMS DC 01; TREES DC 303),
- (5) ATAT cases (PC 4248), and
- (6) Special Project cases, if so designated

Cases subject to **sample** review include:

- (1) No-change closures (AIMS DC 02; TREES DC 107),
- (2) Agreed closures (AIMS DC 03; TREES DC 102), and
- (3) Claims allowed in full (AIMS DC 03; TREES DC 103)

The closing process for the field groups will remain essentially unchanged and ALL examination cases will continue to be closed to the CPM staff in Austin following the current

processes, detailed within IRM 4.90 on TREES/AIMS and EOIC.

Beginning June 1, 2008, the field groups will be responsible for completing the following action prior to forwarding cases to CPM for review. It will be the field specialists' responsibility, and ultimately the group managers' responsibility to:

1. Appropriately note on Form 3198-A that the case is subject to mandatory review. All cases designated as subject to **mandatory** review as listed above should be noted on the Form 3198-A,
2. For those cases that are identified as subject to **sample** review, the **specialist** will **prepare** the appropriate closing letter (as identified below) and place the original undated/unsigned letter in the paper case file and post electronically to TREES. During the managerial review, the **manager** will **date, sign, and mail** the closing letter to the taxpayer, and ensure the appropriate copies are retained in the case file in both electronic and paper format.
 - a. For No-change closures: The L-590 should be prepared/issued to the taxpayer with a copy of the completed Form 4666 as per IRM 4.90.9.2.4.1
 - b. For Agreed closures: The L-1002 should be prepared/issued to the taxpayer.
 - c. For Claims allowed in full: The L-570 should be prepared/issued to the taxpayer.
3. Ensure that the paper case file and the TREES records are completed correctly and therefore processible, ready for final processing by the ESS closing unit.

Upon receipt of closed exam cases, CPM will sort the examination cases subject to mandatory or sample review. For those cases designated as subject to sample review, CPM will apply an established sample selection criterion.

The **sample selection** criteria will be applied based on the date the paper file is received in CPM. For the cases that are not selected for sample review, CPM will pull all applicable closing data checksheets/surveys for data gathering purposes (i.e. Case Selection Survey, Market Segment Check Sheet, referral documents, etc.). These cases will be immediately forwarded to the ESS closing unit for final processing. These cases will NOT be reviewed in any way by CPM staff prior to forwarding case to ESS closing unit for final processing as it is the group's responsibility to ensure that the case is considered completely processible prior to closure from the group.

The cases that are identified as being subject to either mandatory review, or are part of the sample selection, will be assigned to the appropriate reviewer within CPM to complete the technical/procedural review prior to closing to the ESS unit in Dallas for final processing.

Cases rejected from the ESS closing unit:

The following procedures are applicable when a closed file is rejected back to FSLG from the ESS closing unit:

All cases rejected from the ESS closing unit will first be sent to CPM.

- (1) CPM will attempt to make corrections and return the case to the ESS closing unit. If successful, CPM will prepare a Reviewer's Advisory to alert the group manager of the corrections made to the rejected case.
- (2) If CPM determines the case needs to be returned to the field group for necessary corrective actions, a Form 10352 – ESS Reject Sheet will be attached to the outside of the case folder and to alert the group of the due date for completing the corrective actions and returning the case back to CPM. Cases will be shipped to the appropriate field group, including the reassignment of all inventory controls on AIMS/TREES and EOIC where appropriate.
- (3) Upon receipt of the rejected case with completed corrective actions in CPM, CPM reviewer will verify that all corrective actions have been completed prior to resubmitting the case to ESS closing unit for final processing.

NOTE: The Form 10352, ESS Reject Sheet, should ALWAYS remain on the outside of the paper case file so as to clearly identify this case as a case that was previously rejected for necessary corrective actions by ESS. These cases will be excluded from further sample review selection.

If you have any questions, please contact the Manager, Compliance and Program Management.