



Treasury Inspector General for Tax Administration Office of Audit

THE OFFICE OF APPEALS CONTINUES TO SHOW IMPROVEMENT IN PROCESSING COLLECTION DUE PROCESS CASES

Issued on September 12, 2008

Highlights

Highlights of Report Number: 2008-10-160 to the Internal Revenue Service Chief of Appeals.

IMPACT ON TAXPAYERS

The Office of Appeals (Appeals) has continued to improve the processing of Collection Due Process (CDP) cases as a whole by generally classifying taxpayer requests properly, developing additional CDP procedures, and ensuring that the Collection Statute Expiration Dates for taxpayer accounts were correct. However, TIGTA identified a few instances in which taxpayers were not provided with their right to a hearing because Appeals employees did not make sufficient attempts to contact the taxpayers before closing their cases. Additionally, correspondence to some taxpayers was not accurate or clear or did not fully address all issues raised by the taxpayers. As a result, taxpayers could experience increased burden if they have to contact the IRS for additional assistance.

WHY TIGTA DID THE AUDIT

TIGTA is required to determine annually whether the Internal Revenue Service complied with the legal guidelines and procedures for the filing of a Notice of Federal Tax Lien or the issuance of a notice of intent to levy and the right of the taxpayer to appeal.

WHAT TIGTA FOUND

Appeals has improved the handling of CDP cases when taxpayers exercised their rights to appeal the filing of a Notice of Federal Tax Lien or the issuance of a notice of intent to levy. TIGTA found 1) that Appeals is documenting whether all legal and administrative requirements have been met, and 2) no instances of incorrect extensions of Collection Statute Expiration Dates.

However, TIGTA identified a small portion of CDP and Equivalent Hearing cases in which the hearing officers did not include the impartiality statements. In addition, some taxpayers were not provided with their right to a hearing because Appeals employees did not make sufficient attempts to contact taxpayers before closing their cases. Also, some taxpayers might not have

Email Address: inquiries@tigta.treas.gov
Web Site: <http://www.tigta.gov>

received an appropriate or complete response to the issues raised in their appeals because some case files did not include documentation necessary to evaluate the completeness of the Appeals response. Some taxpayers received correspondence that was not accurate or clear or did not fully address the issues raised by taxpayers. Finally, TIGTA identified taxpayer accounts that did not contain required coding to identify whether the taxpayers had exercised their appeal rights for a CDP or Equivalent Hearing.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Appeals, re-emphasize to Appeals employees the requirements for contacting taxpayers (or their authorized representatives) and ensure that these procedures are being followed before approving case closings. Appeals should also ensure that 1) required documentation is included in the Appeals files, such as the taxpayers' hearing request and correspondence to the taxpayer, 2) letters are accurate and understandable to the taxpayer, and 3) all taxpayer issues are addressed before the taxpayer's case is closed.

Appeals should also revise policies and procedures to ensure that appropriate coding is entered for each type of hearing request for all tax periods and ensure that all taxpayer accounts identified by TIGTA as containing incorrect computer coding are corrected.

In their response to the report, Appeals management agreed with our findings and recommendations and plans to re-emphasize to employees the requirements for contacting taxpayers or their authorized representatives. Also, Appeals management plans to hold meetings with their employees to review which documents need to be retained in a closed office file.

Appeals plans to re-emphasize to employees that letters must be accurate and presented in a manner that is understandable to the taxpayer and that all the taxpayer's issues must be addressed before the case is closed. Further, Appeals plans to revise its procedures to ensure that CDP and Equivalent Hearing requests are properly posted to the CDP Tracking System when received in Appeals, and plans to develop new procedures for verifying appropriate and correct front and back-end coding. Finally, Appeals management has corrected all inaccurate taxpayer accounts that TIGTA identified during this audit.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2008reports/200810160fr.pdf>

Phone Number: 202-622-6500