

**Continued Progress Is Needed to Improve the
Timeliness of Providing Legal Advice in Large
and Mid-Size Business Division Examinations**

December 2002

Reference Number: 2003-30-021

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

December 3, 2002

MEMORANDUM FOR ACTING COMMISSIONER WENZEL

Gordon C. Milbourn III

FROM: Gordon C Milbourn III
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Continued Progress Is Needed to Improve
the Timeliness of Providing Legal Advice in Large and Mid-Size
Business Division Examinations (Audit #200130038)

This report presents the results of our review to assess how timely legal advice is requested by and delivered to Large and Mid-Size Business (LMSB) Division examiners.

In summary, the LMSB Division has been working to improve the timeliness of providing legal advice in LMSB Division examinations. The LMSB Division has made positive organizational changes and implemented new initiatives that show promise in reducing the length of LMSB Division examinations. However, the length of time it takes to provide legal advice to examiners is substantial and may hamper the Division's ability to meet its Fiscal Year (FY) 2003 goal for timely completing examinations. In evaluating why providing legal guidance in examinations can be lengthy, we noted opportunities for improvement in the processes for both requesting and delivering legal services.

One opportunity for improvement lies with requiring that Internal Revenue Service (IRS) attorneys assist examiners in the risk analysis process to better ensure the need for legal advice is identified and requested in the early stages of examinations. Although the LMSB Division currently requires examiners to request legal advice as soon as possible, it left the definition of "as soon as possible" to the discretion of examiners. Having neither a clear definition of "as soon as possible," nor an adequate process to ensure legal advice is sought as soon as possible, makes it difficult to determine if this requirement is being met.

Another opportunity for improvement involves ensuring that the data in the Office of Chief Counsel's management information system is complete. Management's ability to identify and address problems is currently hampered because data elements designed

to be captured by the system are often missing. For example, key dates for measuring the length of time it takes to deliver legal advice were not captured in 58 percent of the legal advice requests listed on the system.

Management's Response: IRS management agreed with the recommendations presented in the report. The LMSB Division Commissioner will issue a memorandum to field examination personnel clarifying instructions about requests for legal assistance early in the audit process. The LMSB Division Counsel also submitted a system change request to Information Technology Services to bring the now-required data fields to the forefront of the Technical Management Information System database. Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to IRS officials who are affected by the recommendations. Please contact me at (202) 622-6510 if you have questions or your staff may contact Parker F. Pearson, Acting Assistant Inspector General for Audit (Small Business and Corporate Programs), at (410) 962-9637.

**Continued Progress Is Needed to Improve the Timeliness of Providing
Legal Advice in Large and Mid-Sized Business Division Examinations**

Table of Contents

Background	Page 1
Internal Revenue Service Attorneys Are Poised to Increase Their Involvement in Examinations	Page 2
Legal Advice Needs to Be More Timely Requested by and Delivered to Examiners	Page 4
<u>Recommendations 1 and 2:</u>	Page 7
Appendix I – Detailed Objective, Scope, and Methodology	Page 9
Appendix II – Major Contributors to This Report.....	Page 10
Appendix III – Report Distribution List	Page 11
Appendix IV – Management’s Response to the Draft Report	Page 12

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

Background

The Internal Revenue Service (IRS) and its stakeholders have long been concerned about the length of time it takes to start and complete examinations of the nation's largest corporations. Large corporate examinations may not start for several years after the corporate return is filed and then take several more years to complete. In 1994, the General Accounting Office (GAO) documented¹ that the IRS began studying large corporate examinations in the 1970s and on the basis of these studies announced numerous changes to its examination processes in July 1990. Among others, the changes were intended to promote better coordination among its attorneys and examiners, and to provide examiners with prompt legal and technical assistance from the start of examinations so that tax issues can be resolved earlier in the process.

While the IRS has experienced some successes in implementing the changes, more progress could be made. For example, in testimony before the IRS Oversight Board in January 2002, the president of the Tax Executives Institute stated that:

Some of the most significant burdens imposed on taxpayers relate to the requirement that extensive records be maintained in respect of taxable years subject to audit. Although taxpayers clearly have a responsibility to maintain records to support positions taken on their tax returns, much can be done to minimize the burden that currently exists (especially for those taxpayers that have many years open for IRS examinations). Record retention burdens can best be reduced by increasing the currency of audits; if taxable years are closed in a more timely manner, there will be less need to retain records relating to those years.

Today, the IRS' Large and Mid-Size Business (LMSB) Division has the responsibility of conducting large corporate examinations. To carry out its responsibilities, the LMSB Division is organized around five industry segments:

¹ Report titled, *Compliance Measures and Audits of Large Corporations Need Improvement* (GAO/GGD-94-70, dated September 1994).

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

Financial Services; Heavy Manufacturing and Transportation; Natural Resources & Construction; Retail, Food, Pharmaceuticals & Healthcare; and Communications, Technology & Media. An industry director, who reports directly to the LMSB Division Commissioner, heads each industry segment. Among other benefits, the LMSB Division structure is intended to result in a less time-consuming examination process.

Due to the complexity of the tax issues in large corporate examinations, IRS attorneys are available to advise LMSB Division examiners on tax law matters and issue-development. Their legal advice to examiners is often provided informally during meetings or by telephone. However, attorneys also provide more formal, written advice to examiners. Our analysis of the IRS' Fiscal Year (FY) 2001 information shows that IRS attorneys provided informal and/or formal guidance in approximately 540 LMSB Division examinations.

This audit included database analysis, interviews of IRS officials, and in-depth case studies assessing the timeliness of requests for and delivery of legal advice in LMSB Division examinations. We performed our audit in accordance with *Government Auditing Standards* at the LMSB Division Headquarters in Washington, DC, and offices in the Chicago, Illinois; Philadelphia, Pennsylvania; and San Francisco, California, metropolitan areas from October 2001 to May 2002.

Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Ongoing organizational changes and initiatives involving IRS attorneys show promise in shortening lengthy large corporate examinations. A new IRS Chief Counsel was recently appointed and has indicated that involving IRS attorneys earlier in the examination process is being considered to help examiners identify and develop tax issues. Since examiners have historically been criticized for examining the entire tax return rather than focusing on specific material issues, early involvement by the IRS'

**Internal Revenue Service
Attorneys Are Poised to Increase
Their Involvement in
Examinations**

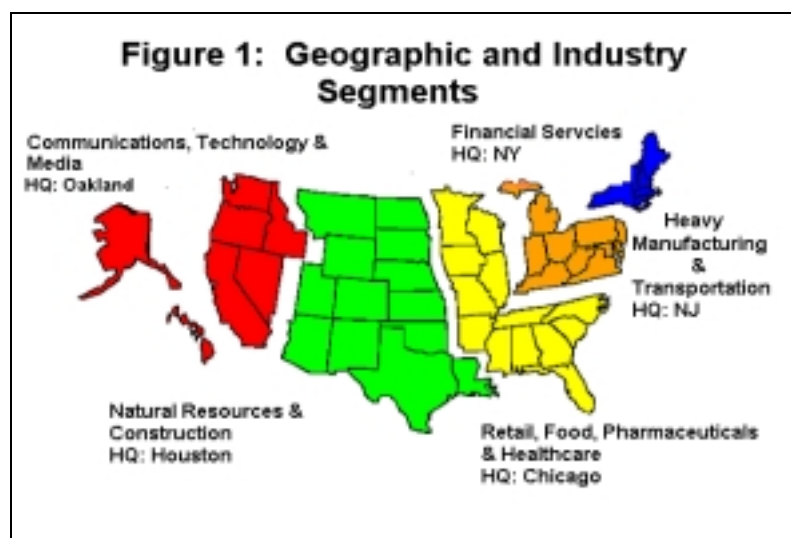
Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

attorneys may help examiners better focus on only the important issues.

The new Chief Counsel is also focusing attention on speeding up the delivery of written legal advice to examiners and taxpayers. For example, a new type of written legal advice is now being tested that avoids having examiners and taxpayers reach agreement on the facts over a disputed tax issue. The agreement process between examiners and taxpayers can be lengthy, thereby extending the time it takes to conduct examinations. Chief Counsel is also considering other changes in how written advice is provided to examiners.

The establishment of an LMSB Division Council is another important organizational change that provides dedicated legal support to the five industry directors. The LMSB Division Council has a staff of about 275 attorneys that are geographically located in the cities headquartering the five LMSB Division Industry Directors.

For example, LMSB Division Council attorneys in the western United States are located in Oakland, California, where the Communications, Technology, & Media Industry Director is located. Figure 1 shows the geographic and headquarters locations of these five industry segments.



Source: *The IRS' Overview of the Structure and Function of Division Counsel.*

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

The LMSB Division Counsel structure is intended to foster a closer working relationship between attorneys, examiners, and taxpayers so that tax issues that arise in a particular industry can be addressed more timely. Taking advantage of these closer working relationships are the Industry Issue Resolution (IIR) and Pre-filing Agreement (PFA) Programs, which are two new initiatives aimed at shortening lengthy examinations.

The IIR Program encourages industry associations and taxpayer representatives to suggest ways of resolving, other than through an examination, contentious issues impacting a significant number of taxpayers. The end result of the process is to provide guidance to a large group of taxpayers within an industry or across industry lines.

The PFA Program allows taxpayers to request examination of specific issues relating to a tax return before it is filed. This process can resolve some tax issues more effectively and efficiently than a post-filing examination because the taxpayer and the IRS have more timely access to the relevant records and personnel. It can also shorten post-filing examinations because there will be fewer issues left to examine. We reviewed the PFA pilot in a report titled, *The Pre-filing Agreement Pilot Project Was Successful, But Faces Challenges in Converting to an Operational Program* (Reference Number 2001-30-125, dated August 2001).

Legal Advice Needs to Be More Timely Requested by and Delivered to Examiners

Despite positive organizational changes and promising new initiatives, reducing the time to request and deliver legal advice in LMSB Division examinations remains a challenge. Our analysis of 59 examinations from the Chicago, Philadelphia, and San Francisco metropolitan areas in FY 2002 showed that the time it takes to provide legal advice in examinations is substantial and may hamper the Division's ability to meet its goal for timely completing examinations.²

For example, in 14 (24 percent) of the 59 cases, more than 1,650 days, or about 55 months, elapsed from the date the

² At the time of our fieldwork, the LMSB Division had an FY 2003 goal of closing examinations within 54 months of receiving the tax return.

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

return was filed until written legal advice was delivered to the examiner. Other trend information in our analysis showed that:

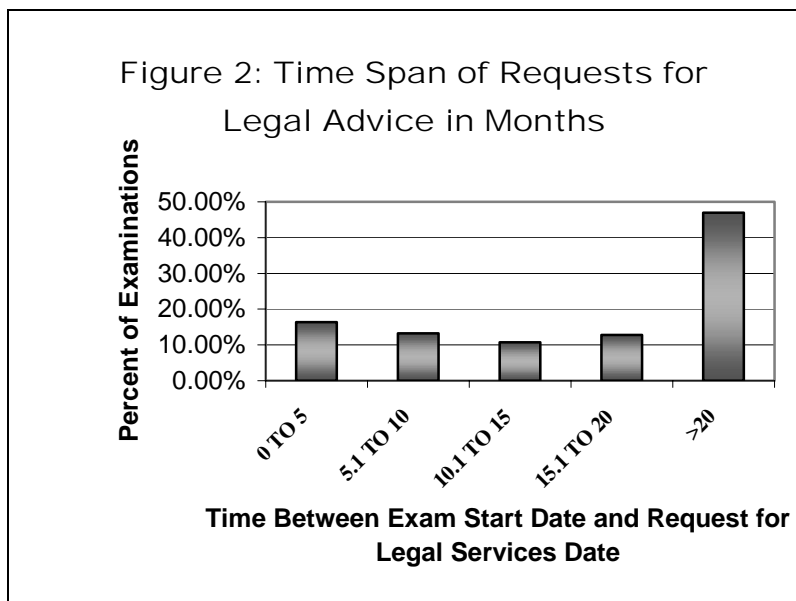
- In 22 (37 percent) of the 59 cases, more than 18 months elapsed for examiners to identify the need for legal advice after an examination was started.
- In 13 (22 percent) of the 59 cases, examiners took more than 12 months to complete the request for legal advice once the need for the guidance was recognized.
- In 23 (39 percent) of the 59 cases, attorneys took more than 7 months to provide written advice once the request for guidance was received.

The GAO's *Standards for Internal Control in the Federal Government* describe control activities as the policies, procedures, techniques, and mechanisms that enforce management's directives. We applied these standards in evaluating why providing legal guidance in examinations can be lengthy, and noted opportunities for improvement in the processes for both requesting and delivering legal services.

One reason for the delays is that the LMSB Division requires examiners to request legal advice as soon as possible. However, it left the definition of "as soon as possible" to the discretion of examiners. The uncertainty of the requirement and the absence of an adequate process to ensure legal advice is sought as soon as possible make it difficult to determine if this requirement is being met. Figure 2 illustrates our analysis of 196 requests for legal advice during examinations of 536 returns³ that the LMSB Division closed in FY 2001.

³ The 536 returns are all the examined returns closed by the LMSB Division in FY 2001 that both had written legal advice and contained the same taxpayer identification numbers and tax periods in the LMSB Division and Chief Counsel inventory tracking systems.

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations



Source: Treasury Inspector General for Tax Administration (TIGTA) combined analysis of the LMSB Division and Chief Counsel inventory tracking systems.

Despite the requirement for examiners to request legal advice as soon as possible, Figure 2 shows that almost 50 percent of the requests for legal advice were made 20 or more months after the examination was started. Our interviews with examiners and managers confirmed the pattern shown in Figure 2. The examiners and managers told us that legal assistance is generally not sought until late in the examination process when disagreements surfaced over tax issues that had been presented to taxpayers.

Another reason for the delays, and hence an opportunity for improvement, lies with ensuring the data in management's information system are complete, so delays and other problems in the delivery of legal advice can be quickly identified and addressed. The Office of Chief Counsel uses an automated, nationwide management information system to control, manage, and monitor its workload, including requests for legal advice. However, the data elements the system was designed to capture are not always complete.

For example, key dates for measuring the length of time it takes to deliver legal advice, such as when the advice request was received and when it is due, were not captured in 58 percent of the requests listed on the system. In

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

addition, important information that allows for locating and tracking requests were not always entered into the system. The missing data items included the source of the request, the taxpayer identification numbers, and the tax year involved.

One disadvantage of not having complete data was evident in May 2001, when IRS attorneys were unable to provide advice timely to an examination team manager who sought advice on a tax issue that involved a \$78.2 million corporate merger. The examination team manager stated that:

On this issue, the delay, ... which postponed the closing of this audit significantly, was caused by National Office. First they lost the FSA,⁴ and did not assign it to anyone. We finally closed the case without having a response from National Office.

Recommendations

1. The LMSB Division Industry Directors should coordinate with the LMSB Division Counsel in establishing a requirement that IRS attorneys assist in the risk analysis process to better ensure the need for legal advice is identified and requested earlier in examinations.

Management's Response: The LMSB Division Commissioner will issue a memorandum to field examination personnel clarifying instructions about requests for legal assistance early in the audit process. As appropriate, examiners will consult with LMSB Division Counsel during the risk analysis process and on issues that may require legal assistance to expedite development and resolution of issues.

2. The Office of Chief Counsel should better ensure its management information system is complete so delays and other problems in the delivery of legal advice can be quickly identified and addressed. This

⁴ FSA is "Field Service Advice," which is a type of written guidance that IRS attorneys provide to examiners upon request.

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

could be accomplished by conducting data validation checks in upcoming Business Performance Reviews.

Management's Response: The Office of Chief Counsel submitted a systems change request to Information Technology Services to bring the now-required data fields to the forefront of the Technical Management Information System database. The LMSB Division Counsel will develop procedures to require attorneys to ask for necessary information from the examination teams and submit it for data entry into the database.

Detailed Objective, Scope, and Methodology

Our objective was to assess how timely legal advice is requested by and delivered to Large and Mid-Size Business (LMSB) Division examiners. To meet our objective, we relied on the IRS' internal management reports and databases. We did not establish the reliability of this data because extensive data validation tests were outside the scope of this audit. Except as noted above, our work was conducted in accordance with *Government Auditing Standards*. Our specific audit tests included the following:

- I. Defined the purpose, scope, inputs, outputs, and customer needs for legal advice by reviewing the LMSB Division's and the Office of Chief Counsel's guidelines; and interviewing executive level, mid-level, and front line managers.
- II. Analyzed the LMSB and Chief Counsel inventory tracking systems to evaluate examination results involving IRS attorneys.
- III. Analyzed the Chief Counsel inventory control system data and reviewed a judgmental¹ sample of 59 of the approximately 275 written requests for legal advice from the Chicago, Illinois; Philadelphia, Pennsylvania; and San Francisco, California, metropolitan areas to determine how much time was involved in requesting and delivering the advice.
- IV. Verified whether specific time periods and other performance measures had been established for requesting and delivering legal advice.
- V. Reviewed the General Accounting Office's (GAO) *Executive Guide: Effectively Implementing the Government Performance and Results Act* and prior reports issued by the Treasury Inspector General for Tax Administration to assess the applicability of performance measures for legal advice.
- VI. Applied the GAO's *Standards for Internal Control in the Federal Government* to existing controls over requests for and delivery of legal advice and evaluated whether risks were sufficiently minimized.

¹ Judgmental sampling was used because a statistical sample to project results would have required extensive resources and time. However, we shared our sampling methodology with high-level IRS officials before starting our fieldwork.

Major Contributors to This Report

Parker Pearson, Acting Assistant Inspector General for Audit (Small Business and Corporate Programs)

Phil Shropshire, Director

Frank Dunleavy, Audit Manager

Robert Jenness, Senior Auditor

Stanley Pinkston, Senior Auditor

Debra Mason, Auditor

**Continued Progress Is Needed to Improve the Timeliness of Providing
Legal Advice in Large and Mid-Size Business Division Examinations**

Appendix III

Report Distribution List

Chief Counsel CC
Commissioner, Large and Mid-Size Business Division LM
Deputy Commissioner, Large and Mid-Size Business Division LM
Division Counsel, Large and Mid-Size Business Division CC:LM
Deputy Division Counsel, Large and Mid-Size Business Division CC:LM
Director, Communications, Technology, and Media Industry, Large and Mid-Size Business
Division LM:CTM
Director, Financial Services Industry, Large and Mid-Size Business Division LM:F
Director, Heavy Manufacturing and Transportation Industry, Large and Mid-Size Business
Division LM:HMT
Director, Natural Resources and Construction Industry, Large and Mid-Size Business Division,
LM:NRC
Director, Retail, Food, Pharmaceuticals & Healthcare Industry, Large and Mid-Size Business
Division, LM:RFPH
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:F:M
Audit Liaisons:
Chief Counsel CC
Commissioner, Large and Mid-Size Business Division LM

Continued Progress Is Needed to Improve the Timeliness of Providing
Legal Advice in Large and Mid-Size Business Division Examinations

Appendix IV

Management's Response to the Draft Report



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

November 20, 2002

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Bob Wenzel 
Acting Commissioner of Internal Revenue

SUBJECT:

Draft Report -- Continued Progress Is Needed to Improve the
Timeliness of Providing Legal Advice in Large and Mid-Size
Business (LMSB) Division Examinations (Audit # 2001-30-038)

The Office of Chief Counsel and the LMSB Division agree with your audit recommendations. Your report covered some of the positive organizational changes in the Office of Chief Counsel and improvements in the timeliness of requests for and delivery of legal advice during LMSB Division examinations. These initiatives include the realignment of the Office of Chief Counsel to mirror client organizations and new programs designed to shorten the examination period. One such program is the Technical Expedited Advice Memoranda (TEAM) designed to expedite published guidance for controversial areas in corporate audits. The Chief Counsel is devoting more National Office resources to published guidance. As a result, field Counsel will have increased and direct responsibility for issuing written guidance to examiners to significantly reduce the time between a request for advice and the delivery of advice.

The LMSB Division is also working to improve examination currency and the post examination process. The LMSB organizational changes and new initiatives, such as Pre-filing Agreements (PFA), Limited Issue Focused Examinations (LIFE), and Industry Issue Resolution (IIR), will contribute to more efficient and timely corporate examinations.

Attached is a detailed response outlining the corrective actions that the LMSB Division and the Office of Chief Counsel will take to address your recommendations.

If you have any questions, please contact Linda Burke, LMSB Division Counsel, at (202) 283-8604.

Attachment

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

Attachment

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business (LMSB) Division Examinations (Audit # 2001-30-038)

FINDINGS:

Legal Advice Needs to Be More Timely Requested by and Delivered to Examiners

- The process to ensure that examiners request legal advice as soon as possible needs to be clarified.
- Requests for legal advice typically were not sought until late in the examination process when disagreements surfaced over tax issues presented to the taxpayers
- The data elements that the Chief Counsel's nationwide information management system was designed to capture are not always complete impacting the ability to identify problems for the delivery of legal advice.

ASSESSMENT OF CAUSES:

Timeliness of Requests for and Delivery of Legal Advice

Your report indicated that examiners waited too long to request legal advice. The need for legal assistance may arise at any point in the audit process based on the risk analysis and the development of potential tax issues. The time needed by the examiner to develop the relevant facts and discuss potential resolution of the issue with the taxpayer may cause delays in asking for legal assistance. In addition, delays in providing the requested legal advice may be the result of overburdened examiners and attorneys, complexity of the tax issues, poor communication, or the influence of pending published guidance.

The current LMSB Division Counsel practice is to assign a local counsel to the taxpayer case before an audit begins on Coordinated Industry Cases. Early LMSB Division Counsel involvement in the audit process and the risk analysis process is desirable. In addition, the LMSB Division Counsel should proactively inform LMSB Industry Directors and examiners about its availability to assist in the risk analysis process. The rationale for not requiring Counsel to participate in the risk analysis process is twofold:

1. The audit team retains flexibility in soliciting Counsel, so it does not consume Counsel's time when a Technical Adviser would suffice.
2. The LMSB Division Counsel should not get involved before examiners establish and develop the examination facts because it could be premature in some cases.

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

2

Management Information System

The management information system data your auditors reviewed consisted of fiscal year 2001 data. Before October 2001, field offices collected case data on a separate system that did not completely match the case data system used in the National Office of Chief Counsel. Some data field offices entered did not carry over into the National Office database. Once the Office of Chief Counsel "rolled up" data from the field system, users could no longer retrieve it. In addition, system users may not have entered data elements in certain fields because the Office of Chief Counsel did not require it.

The IRS reorganization mandated by the Restructuring and Reform Act of 1998 established the Large and Mid-Size Business Division of the Office of Chief Counsel in October 2000. Upon reorganization, the LMSB Division Counsel recognized the inadequacy of its measures for tracking casework field attorneys performed. The LMSB Division Counsel began its search for the proper data system to help it capture the relevant data, not just for measuring length of time to complete projects, but also for measuring work performed in pre-filing, filing, and post-filing areas. The LMSB Division Counsel intended for this new measurement system to capture the amount of time field Counsel spends on published guidance.

The Division Counsel wanted the field and National Office management information systems to be compatible. Feasibility assessments, planning, implementation, and training took place from December 2000 until the "roll out" to the field in October 2001. After the conversion in December 2001, LMSB Division Counsel reviewed every open case to ensure that attorneys correctly entered the converted cases into the Technical Management Information System (TECHMIS) database.

The LMSB Division Counsel did not previously require two data fields that it now considers critical for helping the client to determine currency in its audits: the taxpayer or employer identification number and the tax year(s). The LMSB Division Counsel did not require this data because it was not relevant to the resolution of the legal issues. However, the information will become part of the required data entry fields because the client tracks its cases with this data. Fields for this data are in TECHMIS.

RECOMMENDATION 1:

The LMSB Division should coordinate with the LMSB Division Counsel in establishing a requirement that IRS attorneys assist in the risk analysis process to ensure the need for legal advice is identified and requested earlier in examinations.

CORRECTIVE ACTION(S):

The LMSB Division Commissioner will issue a memorandum to field examination personnel clarifying instructions about requests for legal assistance early in the audit process. As appropriate, examiners will consult with LMSB Division Counsel during the

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

3

risk analysis process and on issues that may require legal assistance to expedite development and resolution of issues.

IMPLEMENTATION DATE:

December 31, 2002

RESPONSIBLE OFFICIAL(S):

Director, Pre-filing and Technical Guidance (LMSB Division)
LMSB Division Counsel

CORRECTIVE ACTION(S) MONITORING PLAN:

The LMSB Division and LMSB Division Counsel will use the existing management information systems, performance statistics, management control reviews, and audits to evaluate the corrective actions. They will use measures, such as the length of the audit cycle and the length of time between the examiner's request and receipt of legal advice.

RECOMMENDATION 2:

The Office of Chief Counsel should better ensure its management information system is complete so delays and other problems in the delivery of legal advice can be quickly identified and addressed. This could be accomplished by conducting data validation checks in upcoming Business Performance Reviews.

CORRECTIVE ACTION(S):

The LMSB Division Counsel submitted a system change request October 29, 2002, to Information Technology Services (ITS) to bring the now-required data fields to the forefront of the TECHMIS database. Counsel expects to complete the programming changes within the next two years. However, the implementation date for system changes depends on prior ITS commitments and priorities of system resources. The LMSB Division Counsel will develop procedures to require attorneys to ask for necessary information from the examination teams and submit it for data entry into the database. It may achieve the required data entry before ITS implements programming changes. The Office of Chief Counsel planned to implement timeliness measures in FY 2004 for the LMSB Division Counsel, so that field Counsel would have a clear baseline established when using the new system.

In addition to the improvements in data collection and management systems, the Office of Chief Counsel devised a new process for getting quick advice to the field – Technical Expedited Advice Memorandum (TEAM), and placed emphasis on an existing process, Technical Advice Memorandum (TAM). The TEAM is a pilot program currently available only in the Office of Chief Counsel, Income Tax and Accounting office (CC:ITA). The

Continued Progress Is Needed to Improve the Timeliness of Providing Legal Advice in Large and Mid-Size Business Division Examinations

4

TEAM process is a streamlined TAM outlined in Revenue Procedure 2002-30. The TEAM process will:

- Shorten timelines;
- Allow closer coordination between field counsel, examiners, or Appeals and the National Office; and
- Eliminate the requirement that the taxpayer and the examiner must agree on facts that may delay the process.

More of Counsel's resources will be allocated to the TAM process to expedite timeframes.

IMPLEMENTATION DATES:

COMPLETED: TECHMIS rolled out to the field in October of 2001

PROPOSED: October 30, 2004 – Implement system changes requested on October 29, 2002

RESPONSIBLE OFFICIAL(S):

LMSB Division Counsel and Deputy Division Counsel
Associate Chief Counsel, Finance and Administration

CORRECTIVE ACTION(S) MONITORING PLAN:

The National Office of Chief Counsel and LMSB Division Counsel will establish a team to implement programming changes, instructions, and perform data validity audits.