

**Management Advisory Report:
The Internal Revenue Service Should Improve
Controls Over Photocopy User Fees
at the Kansas City Service Center**

February 2000

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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

February 4, 2000

MEMORANDUM FOR KANSAS CITY CUSTOMER SERVICE CENTER DIRECTOR
KANSAS CITY SUBMISSION PROCESSING CENTER
DIRECTOR

FROM:

Walter E. Arrison *Walter Arrison*
Associate Inspector General for Audit (Wage and Investment
Income Programs)

SUBJECT:

Final Management Advisory Report: The Internal Revenue
Service Should Improve Controls Over Photocopy User Fees
at the Kansas City Service Center

This report presents the results of our review of the controls over photocopy user fee refunds at the Kansas City Service Center (KCSC). The review was conducted, in part, because of concerns that photocopy user fees could result in fraudulent refunds. A photocopy user fee is the fee collected at the time a taxpayer submits a request to the Internal Revenue Service (IRS) for a copy of their tax return. A refund of this fee is sent to the taxpayer if the IRS later finds it cannot provide a photocopy of the tax return.

Our objectives were to determine if material fraud occurred with photocopy user fee refunds and if photocopy user fee refunds were properly recorded and accounted for. This included evaluating whether photocopy user fee refunds were adequately supported and properly approved, and whether cancelled photocopy user fee refund checks were resolved. In addition, we evaluated various photocopy user fee inventory controls and determined if appropriate actions were taken to provide tax return photocopies to taxpayers.

In summary, while we did not find indications of fraud or embezzlement, we did find that controls needed to be improved to help prevent the opportunity for improper activity. In addition, we found that KCSC personnel did not always properly record and account for photocopy user fee refunds, and did not always provide an adequate level of customer service in responding to taxpayer requests and locating returns.

During this review, we issued a memorandum to IRS management that discussed each of the findings presented in this report. IRS management agreed to the findings

presented in the memorandum (management's comments have been incorporated into the report where appropriate, and the full text of their comments is included as an appendix). As a result, we are not requesting that you provide us with a response to this report. We will conduct a follow-up review to ensure that these conditions are corrected.

Please contact me at (770) 455-2475 if you have questions, or your staff may call Susan Boehmer, Director for Wage and Investment Income Programs (Customer Account Services), at (770) 455-2477.

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Executive Summary

A photocopy user fee is the fee that is paid to the Internal Revenue Service (IRS) for providing a taxpayer with a copy of their tax return. Taxpayers prepay the fee of \$23 for each tax return photocopy requested when submitting a Request for Copy or Transcript of Tax Form (Form 4506). The fee is refunded to the taxpayer if the IRS later determines that it cannot provide a photocopy of the requested tax return.

This review was conducted at the Kansas City Service Center (KCSC) in part because of concerns that photocopy user fee payments could result in fraudulent refunds. We evaluated controls over photocopy user fee refunds and determined whether material fraud had occurred. This included evaluating whether photocopy user fee refunds had been properly recorded and accounted for, whether refunds were adequately supported and properly approved, and whether cancelled refund checks were properly resolved. We also evaluated various inventory controls, and determined whether appropriate actions had been taken to timely provide taxpayers with photocopies of tax returns.

Results

The KCSC did not always properly record and account for photocopy user fee refunds. Although we did not find any indications of employee fraud, controls were not effective to help prevent opportunities for improper activity. In addition, we found that taxpayers did not always receive timely and complete responses to their requests. Specifically, we found the following.

- **Kansas City Service Center did not have adequate preprocessing, case processing, and cancelled refund check resolution controls.** Inadequate preprocessing of requests resulted in delays in notifying taxpayers of rejected requests, and the deposit of remittances before preprocessing caused unnecessary refunds. Also, employees did not always make adequate attempts to locate tax returns, resulting in some taxpayers inappropriately receiving refunds instead of the requested photocopies. Lastly, the KCSC did not take appropriate action to research and resolve cancelled refund checks for possible re-issuance to the taxpayers.
- **Kansas City Service Center did not have adequate managerial, quality, and certification reviews.** Authorizing officials and the Accounting Branch did not sufficiently review refund transactions prior to approval. Also, the Quality Assurance Program did not track error trends to provide any needed additional training on the processing of photocopy user fee requests and refunds.

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- **Kansas City Service Center did not have adequate security and accountability over photocopy database transactions.** Final Photocopy Refund Listings did not always match the photocopy refund database transactions. Also, documentation of closed case files was not always appropriately maintained. Lastly, unauthorized users could access the automated photocopy database due to security inadequacies.

Management's Response: During this review, we issued a memorandum to IRS management addressing each of the conditions included in this report. IRS management agreed with all of the findings we identified in our review. Management's complete response is included as Appendix IV in this report.

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Objectives and Scope

We evaluated controls over photocopy user fee refunds and determined whether material fraud had occurred.

We also evaluated various inventory controls, and whether employees took appropriate actions to timely locate tax returns.

This review was conducted because of concerns that photocopy user fee payments could result in fraudulent refunds. To address this concern, we evaluated controls over photocopy user fee refunds and determined whether material fraud had occurred. This included evaluating whether photocopy user fee refunds had been properly recorded and accounted for, whether refunds were adequately supported and properly approved, and whether cancelled refund checks were properly resolved. We also evaluated various inventory controls, and determined whether appropriate actions had been taken to timely provide taxpayers with photocopies of tax returns.

The review was conducted from September 1998 through February 1999. Details of our objectives, scope, and methodology are presented in Appendix I. Major contributors to this report are listed in Appendix II.

Background

Taxpayers prepay a fee of \$23 for each tax return photocopy requested.

Taxpayers submit Requests for Copy or Transcript of Tax Form (Form 4506) to request copies of tax returns from the Internal Revenue Service (IRS). The photocopy user fee is \$23 for each tax return (tax period) requested. Returns and Income Verification Services (RAIVS) function controls the Forms 4506 and initiates refunds if copies of the tax returns cannot be provided to taxpayers. Manual refunds are usually issued weekly using a photocopy refund program.

For Fiscal Year 1998, the KCSC refunded 52 percent of the photocopy user fees deposited. There are legitimate reasons why fees are refunded, including not being able to locate the requested tax returns and taxpayer overpayment of the fees; however, our review showed that the KCSC can make several improvements to reduce this percentage and improve customer service.

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Results

Improvements are needed to help ensure refunds are properly recorded and safeguarded.

The KCSC did not always properly record and account for photocopy user fee refunds. Although we did not find any indications of employee fraud, controls were not effective to help prevent opportunities for improper activity. In addition, we found that taxpayers did not always receive timely and complete responses to their requests. Specifically, we found the following.

- Kansas City Service Center did not have adequate preprocessing, case processing, and cancelled refund check resolution controls.
- Kansas City Service Center did not have adequate managerial, quality, and certification reviews.
- Kansas City Service Center did not have adequate security and accountability over photocopy database transactions.

Kansas City Service Center Did Not Have Adequate Preprocessing, Case Processing, and Cancelled Refund Check Resolution Controls

Preprocessing of Forms 4506

Taxpayers did not always receive timely notification that their Forms 4506 were incomplete and needed to be re-submitted.

The Internal Revenue Manual (IRM) requires Forms 4506 be reviewed for completeness and correct payment amounts prior to depositing the related remittances. The IRM also specifies that this preprocessing should be performed in the Cashiers Section. When requests are rejected, the incomplete forms, remittances, and any necessary correspondence should be promptly mailed back to the taxpayer.

However, there was an informal agreement between the Cashiers Section and the RAIVS function to forward all the cases to the RAIVS function after preprocessing. This included Forms 4506, which the Cashiers Section determined should be rejected, with the remittances still attached. At this point, these remittances were being

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taken out of the Receipt and Control Branch without meeting two important security requirements: (1) they were not being controlled on document transmittals; and (2) once in the RAIVS function, they were not stored in locked containers meeting security standards.

The procedure to send all cases to the RAIVS function after preprocessing resulted in not timely alerting the taxpayers that the KCSC needed additional information to process their requests (for those Forms 4506 that were rejected). This resulted in the deposit of those checks, causing a refund to be necessary when the Forms 4506 were later rejected. This was the cause for refunds in 20 percent of the refund cases we reviewed.

As previously mentioned, the Cashiers Section sent rejected Forms 4506 with remittances to the RAIVS function. However, RAIVS did not immediately identify that these Forms 4506 should have been rejected and instead routed the checks back to the Cashiers Section as "discovered remittances."

In addition to the problems mentioned above, preprocessing edit marks resulted in many refunds erroneously being issued to third parties. Taxpayers must check the box on line 6 of Form 4506 to indicate that the photocopy user fee remittance should be refunded to a third party, such as a return preparer or financial institution, if the IRS cannot find a record of the tax return. A local agreement required clerks to enter a green "X" by the third party line on Form 4506 when a check or correspondence was received from a third party. This resulted in RAIVS employees sending refunds to third parties, irrespective of whether or not the taxpayers had requested this on their Forms 4506. We determined that 20 percent of the Forms 4506 reviewed had refunds erroneously issued to third parties.

Management's Response: The inconsistency in the Cashier and RAIVS IRMs was addressed at the yearly RAIVS meeting held during the week of March 2, 1999. The National Office RAIVS Analyst agreed to issue an IRM revision that will address the preprocessing requirements and the need to perform this prior to

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deposit. The burden of responsibility will be placed on the RAIVS function to ensure preprocessing procedures are followed.

Case Processing of Forms 4506

RAIVS employees are required to take appropriate actions within 45 days to secure returns requested by taxpayers. If returns or charge-outs are not received within 2 weeks, follow-up actions should be taken to secure the returns. If returns are charged out to specific employees or specific functions, RAIVS employees should make contacts to secure the returns. RAIVS employees should use case history sheets to document actions taken to obtain returns.

Taxpayers did not always receive the tax return photocopies they requested from the IRS, although the returns were available.

We reviewed a sample of 50 Forms 4506, which included requests for copies of 154 returns. RAIVS employees were not able to locate 40 returns; however, we were able to locate 29 of the 40 returns. We identified inadequate case processing actions, including RAIVS employees not taking sufficient actions to locate returns, which caused unnecessary refunds.

Specifically, we identified the following problems.

- Employees did not always contact other employees or functions to obtain tax returns.
- Employees did not follow up with an additional request for tax returns when the initial charge-out requests did not come back.
- Employees did not follow up when U.S. Individual Income Tax Declaration for Electronic Filing (Form 8453) was needed for an electronic return request.
- Employees did not always control cases or request tax returns timely.
- History sheets did not adequately document actions taken.
- Employee errors resulted in cancelled refund checks. We reviewed 29 cancelled refund check cases and determined 15 were caused by RAIVS errors. The errors included not inputting an address on the

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refund database or putting an incorrect address on the database.

Management's Response: All RAIVS employees were instructed to make contact with any unit that had a return that was needed to fill a taxpayer's photocopy request. In addition, they were instructed to follow up on all "no replies" on the original request with a second request. Management will perform periodic reviews of history sheets to ensure that all follow-up procedures are being documented and followed. Also, employees were instructed on the importance of accuracy when inputting information in the refund application.

Resolution Action for Cancelled Refund Checks

Our review showed cancelled refund checks had not been resolved since 1993. Photocopy user fee refund checks are returned to the Regional Finance Center (RFC) when they are undeliverable, have payee problems, or have other issues that prevented their distribution to the taxpayer. The RFC notifies the Accounting Branch, via the Schedule of Cancelled or Undeliverable Checks (SF 1098), that the refund checks have been returned and cancelled. Once the Accounting Branch has taken necessary general ledger actions on these checks, it then forwards the SF 1098s to the RAIVS function.

We determined the RAIVS function was not working the SF 1098 listings. We identified 87 photocopy user fee cancelled refund checks totaling about \$4,000 for the period January 1998 to June 1998 that had not been researched for possible re-issuance to taxpayers. The IRM provides instructions on working the SF 1098 listings; however, RAIVS employees indicated they had not been trained on how to work those listings.

Management's Response: The SF 1098 Cancelled Refund listings are now being assigned on the Integrated Data Retrieval System (IDRS) to individual employees to work on a regular basis. The manager of the unit will monitor the aged case listing to ensure that the cancelled refunds are being worked timely.

The KCSC did not resolve cancelled photocopy user fee refund checks.

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Kansas City Service Center Did Not Have Adequate Managerial, Quality, and Certification Reviews

Managerial Reviews

Authorizing officials did not sufficiently review refund transactions prior to approval.

The IRM requires the authorizing official to review and approve photocopy user fee refunds. At the KCSC, this requirement was delegated to the workleaders in the RAIVS function. Workleaders performed reviews to compare information on the Final Photocopy Refund Listing to the Form 4506. However, not all workleaders ensured cases had been closed properly and appropriate actions had been taken to locate the returns before inputting refunds. For example, some workleaders did not review the supporting documentation before closing the cases. This creates the opportunity for improper, unnecessary, or incorrect refunds.

Management's Response: The workleaders have been instructed on how to perform a 100-percent review of the refund listing, including reviewing the supporting documentation. The workleaders are also annotating each entry on the refund listing to indicate the review was performed. This information is then forwarded to the manager for review and approval.

Quality and Certification Function Reviews

The manager and workleaders in the RAIVS function reviewed closed cases and provided feedback to their employees. However, the results of these reviews were not entered into the Quality Assurance Program. This program provides a process to consistently record errors for identification of problem trends and potential additional training needs. Trend identification and targeted training could have reduced the number of photocopy user fee refund problems at the KCSC.

The Accounting Branch did not perform required reviews of photocopy user fee refund transactions.

The Accounting Branch Certification function should receive related Forms 4506 and backup documents from the RAIVS function for further review and certification of the refunds. However, based on a local agreement, the RAIVS function did not forward the refund source

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documents (Forms 4506) and the related case documentation to the Certification function for review. As a result, the Certification function's review process only consisted of comparing the signature on the Final Photocopy Refund Listing to the latest memorandum of authorized signatures and scanning the listing for obvious errors such as missing address information.

Management's Response: Procedures are being developed for the RAIVS function to forward supporting documentation to the Certification function along with the refund listings. Management will also perform periodic reviews of the refund listing and the supporting documentation to ensure that they are being accurately reviewed.

Kansas City Service Center Did Not Have Adequate Security and Accountability Over Photocopy Database Transactions

The KCSC used an electronic database stored on a mid-range computer to manage refunds of photocopy user fees. At the time of our review, the database included refunds made from July 1996 to mid-September 1998.

The Memphis Service Center initially created the KCSC database. With IRS National Office guidance, enhancements were made with the goal of distributing the system nationwide. This plan never materialized, and the IRS National Office did not provide resources to maintain the system. The KCSC has maintained and modified the system with limited resources. Since it was implemented in 1994, the system has changed from a multi-functional system (which controlled all photocopy requests, generated requests for tax returns, and issued refunds) to a one-function system used to generate photocopy user fee refunds.

We found the following conditions where controls needed to be strengthened.

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- Final Photocopy Refund Listings did not always match the photocopy refund database.
- Documentation of closed case files was not appropriately maintained.
- Unauthorized users could access the automated photocopy database.

Final Photocopy Refund Listing Did Not Match the Photocopy Refund Database

Controls did not ensure an adequate history of refund transactions.

To determine the accuracy of the refund database recorded transactions and the related Accounting Branch refund records, we compared the Automated Photocopy System (the photocopy refund database) records to the records reported on the Final Photocopy Refund Listing for 36 weeks. We determined that 11 weeks had inconsistent data for which we identified the following problems.

- Transactions did not always create a refund as expected. We found 10 cases that were not on the Final Photocopy Refund Listing but were on the refund database for a dollar amount. This indicated that the database transactions did not pass computer program validity checks to issue refunds. The RAIVS review and approval process did not detect the fact that the refunds were not on the Final Photocopy Refund Listings, and therefore not issued.
- A computer program problem created incorrect refunds for \$9 when photocopy clerks left the refund amounts blank. A refund amount of \$9 was on the Final Photocopy Refund Listing and did not agree with the database amounts in nine cases. The database transaction had a different amount, a blank amount, or had been deleted.
- Employees could modify and delete transaction information after refunds had been created. The transactions in seven cases were either modified or deleted after the refund was issued. System controls should prohibit modifying or deleting refund transactions after the refund has been issued.

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Management's Response: The KCSC has received the Fresno Service Center's (FSC) Year 2000 compliant version of the Photocopy Refund Application. The FSC program is currently in the Best Practices process and is being considered for a National Standards Application.

Office of Audit Comment: The Directors should discuss with appropriate IRS National Office management whether the FSC program meets proper security requirements and corrects the problems identified in this report.

Documentation of Closed Case Files Is Not Appropriately Maintained

Some of the request forms could not be located to help ensure the accountability of the photocopy user fee refund transactions. These forms would also be necessary to resolve any disclosure issues that might occur.

The closed case files were not appropriately retained in the RAIVS function. As a result, the RAIVS function could not locate 21 of the 94 closed Form 4506 cases required for our audit. Proper storage of closed case records is necessary to help ensure the accountability of the photocopy user fee refund transactions. Proper storage also facilitates responding to taxpayer inquiries regarding their return photocopies or refunds, and simplifies case destruction when retention deadlines expire. The ability to locate Forms 4506 might also be critical to resolving inadvertent or intentional disclosure of tax information.

Management's Response: Management is performing a review of the filing system used for closed case files. After the completion of the review, a recommendation will be made to improve the filing system and the subsequent retrieval of closed case files.

Unauthorized Users Could Access the Automated Photocopy Database

Guidelines for an automated information system require managers to notify Information Systems when users no longer need access to a system. In addition, the system is to have an additional control to detect when users have not accessed the system for specified periods. The system should cancel the user's password after 45 days of inactivity and delete the entire account (login) after 90 days of inactivity. Furthermore, since System

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The KCSC did not always delete access privileges to the refund database.

Administrators have unlimited access to any area of the system they manage, the separation of duties principle and IRS requirements prohibit System Administrators from modifying or deleting transactions.

During our review, we identified 15 individuals who had permission to access the automated photocopy database system but no longer had a business purpose to access it. We also found that System Administrators had access which allowed them to modify transactions, and were doing so to assist in the timely completion of the weekly refund transactions. Our review showed the following created the unauthorized access problem.

- RAIVS management did not prepare Automated Information System User Registration/Change Requests (Form 5081) to notify Information Systems to delete necessary employees' access privileges to the mid-range computer or to the Automated Photocopy System (APS).
- The KCSC mid-range computer, where the APS resides, did not prevent access to nonusers on a timely basis. Because of the high number of seasonal employees and limited resources in the Information Systems Division, management decided to cancel the users' passwords after 90 days of inactivity and delete the login after 180 days.
- The KCSC had not received funding for a Functional Database Administrator, which is the position that should be resolving problems affecting operations of the APS.

Management's Response: Management has reviewed the user listing for the RAIVS function and removed all employees who no longer have a need for access. In addition, Information Systems Division has initiated a lockout for system users who are not on the system during any 45-day time frame. Also, management will perform a review of the user listing on a monthly basis or whenever an employee leaves the unit.

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Conclusion

The KCSC did not always properly record and account for photocopy user fee refunds. Although we did not find any indications of employee fraud, controls were not effective to help prevent opportunities for improper activity. Additionally, managerial and quality review controls could be improved to help ensure taxpayers timely receive photocopies of tax returns.

Detailed Objectives, Scope, and Methodology

Our review was in part conducted because of concerns that photocopy user fee payments could result in fraudulent refunds. Our objectives were to determine if the service center properly recorded and accounted for photocopy user fee refunds on the general ledger, if material fraud had occurred regarding photocopy user fee refunds, if photocopy user fee refunds were adequately supported and properly approved, and whether cancelled photocopy refund checks were resolved. We also determined whether the IRS maintained adequate safeguards over remittances and timely mailed rejected Requests for Copy or Transcript of Tax Form (Form 4506). We conducted the review during the period September 1998 to February 1999.

We held discussions with IRS personnel to evaluate controls, traced refund transactions through the Accounting Branch function, queried refund records to identify potential fraud, reviewed closed refund cases, and reviewed cancelled photocopy user fee refund check cases.

To meet our audit objectives, we:

1. Evaluated controls over the input, approval, and certification process for photocopy user fee refunds. These included controls over the Automated Photocopy System (APS) database access privileges, controls within the Returns and Income Verification Services (RAIVS) function, and subsequent controls within the Accounting Branch.
2. Traced refund transactions to the monthly Revenue Accounting Control System (RACS) general ledgers for the period January through June 1998.
3. Queried the KCSC APS database records created from October 1, 1997, through September 4, 1998, to look for potential patterns of fraud.
4. Reviewed 50 refund cases closed from July to September 1998 to see if employees took appropriate actions to secure tax returns. Using these 50 cases, we evaluated inventory controls to determine whether employees timely controlled cases and timely requested tax returns.
5. Reviewed 29 cancelled refund check cases identified from Schedule of Cancelled or Undeliverable Checks (SF 1098) listings dated from January to June 1998 to evaluate controls and resolution actions over cancelled photocopy user fee refund checks.

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Appendix II

Major Contributors to This Report

Walter Arrison, Assistant Inspector General for Audit (Wage and Investment Income Programs)

Susan Boehmer, Director

Steve Mullins, Director

John L. Hawkins, Acting Audit Manager

Linda L. Bryant, Senior Auditor

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Sharla Robinson, Auditor

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Appendix III

Report Distribution List

Executive Officer for Service Center Operations OP:SC
Assistant Commissioner (Customer Service) OP:C
Assistant Commissioner (Forms and Submission Processing) OP:FS
Director, Kansas City Customer Service Center
Director, Kansas City Submission Processing Center
National Director for Legislative Affairs CL:LA
Office of Chief Counsel CC
Chief, Office of Management Controls M:CFO:A:M
Audit Liaison, Assistant Commissioner (Customer Service)
Audit Liaison, Assistant Commissioner (Forms and Submission Processing)

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Appendix IV

Management's Response

internal Revenue Service memorandum

date: **MAR 22 1999**

to: Audit Manager, Office of Audit
Kansas City Service Center

from: Director QAMS:MS:A&RII
Kansas City Service Center

subject: Review of Controls Over Photocopy User Fees--Urmem dated February 22, 1999

The Kansas City Service Center (KCSC) has reviewed the results of the Internal Audit report titled "Review of Controls Over Photocopy User Fee Refunds". Overall KCSC agrees with the findings in the above mentioned report and has taken necessary actions as listed below to correct problems identified.

I. PREPROCESSING, CASE PROCESSING AND CANCELED CHECK RESOLUTION CONTROLS AND PROCEDURES ARE NOT ADEQUATE

Inadequate preprocessing of Forms 4506

IDENTITY OF RECOMMENDATION/FINDING

Inadequate preprocessing of Forms 4506 was causing uncontrolled remittances to be routed between functions and unnecessary and incorrect refunds to be issued. Documents were not being rejected prior to deposit.

ASSESSMENT OF CAUSE(S)

Refund and Income Verification Service (RAIVS) IRM identifies that preprocessing will occur in the Cashier function. However, there are no procedures or references to the RAIVS IRM in the Deposit IRM that instructs cashier clerks how to review these documents for accuracy prior to deposit. Due to the IRM inconsistencies, documents were inappropriately being routed back and forth between the RAIVS function and the Cashier function. In addition, Cashier procedures for editing an "X" by the third party line, when the payment was received by a third party, were creating problems. RAIVS clerks were inadvertently issuing some refunds to the third party, even when the third party box was not checked by the taxpayer.

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Audit Manager, Office of Audit

CORRECTIVE ACTIONS

The inconsistency in the Cashier and RAIVS IRMs was addressed at the yearly RAIVS meeting held during the week of March 2, 1999. The National Office RAIVS Analyst agreed to issue an IRM revision that will address the preprocessing requirements and the need to perform this prior to deposit. The requirement that Cashiers perform the preprocessing will be eliminated. The burden of responsibility will be placed on the RAIVS function to ensure preprocessing procedures are followed.

Locally, KCSC believes that specialized knowledge is required to accurately review the Form 4506; therefore, Returns Management Branch (RMB) is currently sending a RAIVS clerk to Cashiers to perform the preprocessing review. To date, this has proven to be beneficial to both RAIVS and Cashiers. This new procedure should considerably reduce the number of unnecessary refunds, expedite the notification to the taxpayer of the need for additional information and eliminate all uncontrolled remittances being sent between the Cashier and RAIVS functions.

The Cashier function has eliminated procedures for placing an "X" next to the third party line on the Form 4506. Employees in the RAIVS function were briefed on the correct procedures, per the RAIVS IRM, on when to issue checks to the third party.

IMPLEMENTATION DATE

Completed 03-05-99

RESPONSIBLE OFFICIAL(S)

Chief, Returns Management Branch

CORRECTIVE ACTIONS MONITORING PLAN

Management will perform periodic reviews of refunds to identify documents that are being missed during preprocessing. Findings during these reviews will be shared with employees to ensure that corrective actions are immediately taken.

Inadequate case processing of Forms 4506

IDENTITY OF RECOMMENDATION/FINDING

Inadequate case processing of Forms 4506 by the RAIVS unit was causing unnecessary refunds and canceled checks. Initial and follow-up request procedures were not being followed.

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Audit Manager, Office of Audit

ASSESSMENT OF CAUSE(S)

The timing of refiles versus document pulls is essential for accurate processing and filing of taxpayer requests for photocopies of returns. The Service also depends on the Federal Records Centers (FRC) for the retrieval (at the FRC locations) of a large percentage of photocopy requests. Often, refile inventories are placed at a lower priority than pull requests. Due to their high refile inventories, requests for documents are not filled when the document is actually available.

RAIVS employees were not always contacting other employees or functions to obtain tax returns when the original request was received back with charge-out information. In addition, employees were not adequately completing the history sheets to indicate actions taken.

RAIVS employees were not clear on how to order the Form 8453, U.S. Individual Income Tax Declaration for Electronic Filing, or to follow-up when the Form 8453 was not received with the electronic copy of the return.

RAIVS employees were creating errors in the refund database by not always entering the complete address information and/or by inadvertent finger errors.

CORRECTIVE ACTIONS

During a teleconference with the National Office Records Liaison, service center representatives were able to address concerns about high inventories and low priority on document refiles at the FRC. The National Office Records Liaison agreed to place this issue as an agenda item at the next meeting with the National Archives and Retrieval Administration.

All RAIVS employees were instructed to make contact with any unit that had a return that was needed to fill a taxpayer's photocopy request. In addition, they were instructed to follow-up on all "no-replies" on the original request with a second request. Employees were referred to their IRM for correct procedures and time frames for follow-up requests.

Returns Management Branch met with the Disclosure Office to obtain clarification on requesting the Form 8453. This information was shared with all employees. In addition, a request was made to the National Office RAIVS analyst to include procedures for requesting the ELF electronic return and the Form 8453. This will be included in the next revision.

Employees were instructed on the importance of accuracy when inputting information into the refund application.

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Audit Manager, Office of Audit

IMPLEMENTATION DATE

Completed 03-04-99

RESPONSIBLE OFFICIAL(S)

Chief, Returns Management Branch

CORRECTIVE ACTIONS MONITORING PLAN

Management will perform periodic reviews of history sheets to ensure that all follow-up procedures are being documented and followed. Any problems identified during these reviews will be shared with the employee for corrective action.

No resolution action for canceled refund checks

IDENTITY OF RECOMMENDATION/FINDING

The RAIVS unit was taking no action to resolve canceled refund checks.

ASSESSMENT OF CAUSE(S)

RAIVS unit was not working the SF 1098 Canceled Refund listing.

CORRECTIVE ACTIONS

The SF 1098 Canceled Refund listings are now being assigned on IDRS to individual employees to work on a regular basis.

IMPLEMENTATION DATE

Completed 03-02-99

RESPONSIBLE OFFICIAL(S)

Chief, Returns Management Branch

CORRECTIVE ACTIONS MONITORING PLAN

The SF 1098 Canceled Refund listings are being controlled on IDRS. The manager of the unit will monitor the aged case listing to ensure that the canceled refunds are being worked timely.

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II. Managerial, Quality and Certification Reviews can be Improved

Inadequate managerial reviews

IDENTITY OF RECOMMENDATION/FINDING

The managerial reviews of supporting documentation on closed cases and refund to taxpayers were inadequate. This caused improper, unnecessary or incorrect refunds.

ASSESSMENT OF CAUSE(S)

Workleaders were to perform the review of all supporting documentation prior to approval of a refund being issued to the taxpayer. The manager was not reviewing the refund listing and the supporting documentation to ensure that procedures were being followed.

CORRECTIVE ACTIONS

The workleaders have been instructed on how to perform a 100% review of the refund listing including the supporting documentation. The workleader is also annotating each entry on the refund listing to indicate the review was performed. After the workleader performs this review, the listing and supporting documentation is forwarded to the manager for review and approval.

IMPLEMENTATION DATE

Completed 03-02-99

RESPONSIBLE OFFICIAL(S)

Chief, Returns Management Branch

CORRECTIVE ACTION(S) MONITORING PLAN

Management will perform periodic reviews of the refund listing against the supporting documentation to ensure workleaders are reviewing the documentation for accuracy. Management will also review 100% of the refund listing to ensure a review indicator is present that shows all supporting documentation has been reviewed for each refund on the listing.

Quality and Certification Unit reviews can be improved

IDENTITY OF RECOMMENDATION/FINDING

Quality and Certification Unit reviews were not being monitored or tracked to identify problem areas.

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ASSESSMENT OF CAUSE(S)

No process was in place to enter quality review data to identify trends and the need for additional training. In addition, back-up documentation was not forwarded to the Certification Unit so that a complete review of the refund listing could be performed when necessary.

CORRECTIVE ACTIONS

Procedures are being developed for RAIVS unit to forward supporting documentation to the Certification Unit along with the refund listing. By receiving the supporting documentation, the Certification Unit will have the necessary information to perform a more in-depth review of refunds on the listings.

IMPLEMENTATION DATE

PROPOSED 03-29-99

RESPONSIBLE OFFICIAL(S)

Chief, Returns Management Branch
Chief, Accounting Branch

CORRECTIVE ACTION(S) MONITORING PLAN

Management will monitor the receipt of the refund listing and the supporting documentation from the RAIVS unit. Management will also perform periodic reviews of the refund listing and the supporting document to ensure that they are being accurately reviewed. Any problems identified during these reviews will be shared with the RAIVS manager for corrective action.

III. SECURITY AND ACCOUNTABILITY OVER PHOTOCOPY DATABASE TRANSACTIONS ARE NOT ADEQUATE

Photocopy refund listing does not match photocopy database

IDENTITY OF RECOMMENDATION/FINDING

Photocopy refund listing does not match photocopy refund database.

ASSESSMENT OF CAUSE(S)

Local modifications to the old photocopy program have created weaknesses in the reliability of the program.

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CORRECTIVE ACTIONS

Kansas City Service Center has received the Fresno Service Center (FSC) Y2K compliant version of the Photocopy Refund Application. KCSC has loaded the program and will be testing it in March for implementation by the RAIVS Unit for all photocopy refunds. In addition, the program is currently in the Best Practices process and being considered for a National Standards Application.

IMPLEMENTATION DATE

Proposed 05-01-99

RESPONSIBLE OFFICIAL(S)

Chief, Returns Management Branch

CORRECTIVE ACTION(S) MONITORING PLAN

An action plan for the implementation of the FSC Photocopy Refund program will be developed. The action plan will be monitored and updated on a weekly basis to ensure a smooth transition to the new program. Reviews will be performed on the input and output from the new program to ensure accurate processing.

Documentation required to authenticate database transactions could not be located

IDENTITY OF RECOMMENDATION/FINDING

Documentation required to authenticate database transactions could not be located.

ASSESSMENT OF CAUSE(S)

The filing system for closed case files is inadequate for searching and retrieving documents.

CORRECTIVE ACTIONS

Management is performing a review of the filing system used for closed case files. After the completion of the review a recommendation will be made to improve the filing system and the subsequent retrieval of closed case files.

IMPLEMENTATION DATE

Proposed 05-01-99

RESPONSIBLE OFFICIAL(S)

Chief, Returns Management Branch

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CORRECTIVE ACTION(S) MONITORING PLAN

An action plan for reviewing the filing system of closed cases will be developed. The action plan will be monitored to ensure time frames are met. Management will review all recommendations for possible implementation. After implementation of the final recommendation, periodic reviews will be performed to ensure that the new filing system is meeting the needs of the RAIVS Unit.

Unauthorized users could access the automated photocopy database

IDENTITY OF RECOMMENDATION/FINDING

Unauthorized users could access the automated photocopy database.

ASSESSMENT OF CAUSE(S)

Management oversight caused employees to not be removed from the system when they left the RAIVS Unit.

CORRECTIVE ACTIONS

Management has reviewed the user listing for the RAIVS function and removed all employees that no longer have a need for access. In addition, Information Systems Division has initiated a lockout for system users that are not on the system during any 45 day time frame.

IMPLEMENTATION DATE

Completed 03-05-99

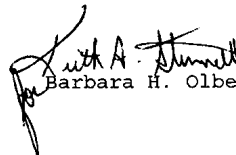
RESPONSIBLE OFFICIAL(S)

Chief, Returns Management Branch

CORRECTIVE ACTION(S) MONITORING PLAN

Management will perform a review of the user listing on a monthly basis or whenever an employee leaves the unit.

If there are any questions on this information, you may call me at (816)926-5512, or a member of your staff may call Catherine Reynolds, Chief, Quality Assurance and Management Support Division, at (816)926-5651.


Barbara H. Olberding