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# Highlights

Highlights of [GAO-07-1160](#), a report to the Committee on Finance, U.S. Senate

## Why GAO Did This Study

Proper paper case file management is a significant issue for the Internal Revenue Service (IRS) because its staff investigate and close millions of case files every year. In addition, IRS employees depend heavily on case files when pursuing enforcement actions.

GAO was asked to review IRS's case file storage, tracking, and documentation processes to determine whether IRS has (1) an effective process to ensure that paper case files can be located timely and (2) sufficient data to assess the performance of its paper case file processes. To review these processes, GAO interviewed staff who request case files and case file managers.

## What GAO Recommends

GAO recommends that IRS (1) ensure that paper case files are managed in accordance with Federal Records Act (FRA) and internal control standards, including tracking the number of files that cannot be located or are received untimely and the reasons why, and developing performance measures to determine if improvements are needed and (2) ensure that case file performance is monitored across IRS's compliance programs. GAO also makes other recommendations to improve the case file management process. IRS agreed it needs to review its program and will form a cross-functional group to identify improvements and consider GAO's recommendations. This proposed action is responsive to GAO's recommendations.

To view the full product, including the scope and methodology, click on [GAO-07-1160](#). For more information, contact Michael Brostek at (202) 512-9110 or [brostekm@gao.gov](mailto:brostekm@gao.gov).

## TAX ADMINISTRATION

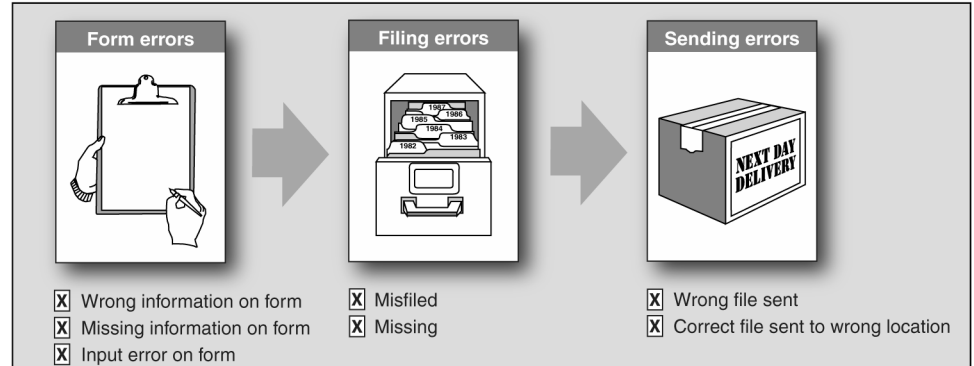
### The Internal Revenue Service Can Improve Its Management of Paper Case Files

#### What GAO Found

IRS does not have an effective process to ensure that paper case files can be located within the requesters' time frames. Missing case files can result in lost revenue, create unnecessary taxpayer burden, and make case files unavailable for other units such as quality review groups or advisory groups. IRS has acknowledged its historic difficulties in locating and retrieving case files. When IRS cannot locate paper case files, it may attempt to re-create them by requesting information from taxpayers, which can result in unnecessary taxpayer burden. Difficulties in locating case files can also hinder congressional oversight. When GAO requested case files in two prior audits, IRS could not locate all of the case files requested.

IRS does not have sufficient data to assess the performance of its paper case file management processes. Having such data would enable IRS to assess whether its case management processes are in accordance with FRA and internal control standards. IRS does not track whether all of the case files it requests are located or received timely, or the reasons why case files cannot be located. If IRS developed this type of data, officials could use this data to identify problems in existing programs, to try to identify the causes of problems, and/or to develop corrective actions. Records management officials have recently instituted some performance measures, but these measures do not specifically address paper case files. IRS program managers also have not developed performance measures or data to determine how well paper case files are managed to achieve performance targets. Program managers do not know who has overall responsibility for case file management so performance information cannot be developed across IRS's compliance programs. GAO identified some potential improvements that IRS can consider, but IRS will need to determine which improvements are the most cost effective.

#### Errors That Can Occur in the Process of Requesting, Locating, and Sending Paper Case Files



Sources: GAO analysis of IRS data; Art Explosion (images).