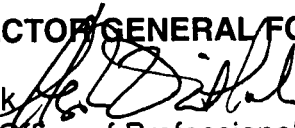




DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
Washington, D.C. 20224
May 24, 2006

Office of Professional Responsibility

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Stephen Whitlock 
Acting Director, Office of Professional Responsibility

SUBJECT: Audit Report – The Office of Professional Responsibility Can Do More to Effectively Identify and Act Against Incompetent and Disreputable Tax Practitioners (Reference # 2006-10-066)

On March 15, 2006 the Office of Professional Responsibility responded to the Draft Audit Report. At that time, we agreed with five of the seven recommendations. After research into the feasibility of the two recommendations, OPR agrees to the following:

Recommendation 1: Work with other law enforcement agencies, including the Department of Justice, to improve the referral process by obtaining timely, relevant conviction information for tax crimes and State or Federal convictions involving dishonesty and breach of trust in a format that is useful to the OPR.

Response: OPR has direct access to criminal investigative information on Federal tax related investigations. We rely on State licensing authorities for information on other crimes committed by attorneys and CPAs. Enrolled Agents are required to self report convictions on their renewal applications.

Federal Tax Investigations

Federal tax related investigations are conducted by two organizations, IRS CI and TIGTA Office of Investigations. Prosecution of these cases by the Department of Justice is coordinated by the Tax Division.

What we do now:

OPR gets TIGTA and CI reports of investigation on attorneys, CPAs and enrolled agents. Reports on other tax professionals, including false claims of attorney, CPA and Enrolled agent status, are sent to SB/SE Return Preparer Coordinators.

The Department of Justice Tax Division sends e-mails to OPR (and others) on all actions involving tax professionals. This includes convictions as well as injunctions.

What we will do:

The audit report and subsequent OPR follow-up with TIGTA Office of Investigations revealed discrepancies between OPR TIGTA records on reports of investigation. We are researching the cases to determine the cause of the discrepancies, and will work with TIGTA Office of Investigations to improve inventory reconciliation procedures.

Expected Completion Date: October, 2006

OPR will explore with the Department of Justice Tax Division the feasibility of additional links to ensure OPR is informed of cases involving tax professionals.

Expected Completion Date: October, 2006

Recommendation 4: Implement the recommendations from our prior report. This should include employing the OPR's case management system to provide data on the use of program resources and performing an annual workload and staffing analysis to help prioritize and allocate resources.

Response: The audit report recommended OPR take additional steps to track resource utilization, and use this information in annual workload and staffing reviews.

What we do now:

OPR closely reviews cases with a high impact on tax administration, to monitor progress and the commitment of staff to the case is appropriate.

OPR has taken a number of steps to ensure that resource commitments match program development. This includes use of temporary appointments, details and other flexible personnel approaches that can be adjusted as programs evolve.

Program results are reported regularly to the Deputy Commissioner, Services and Enforcement, in Business Performance Reviews and regularly scheduled meetings.

OPR has replaced an antiquated information system with a new case management system. We expect improved data accuracy and quality control, and easier access to case status information. The new system has significantly improved management reporting capabilities.

What we will do:

OPR has contacted the information system developer to determine the feasibility of adding staff hour tracking to the case management system. It appears to be feasible. We are developing requirements to be included in the second phase of the information system roll-out. We will test staff hour accounting, and determine whether it provides meaningful information for OPR resource management.

OPR is working with an in-house consultant to develop a new set of program performance measures, using the capabilities of the new case management

system. We will test these measures, develop performance baselines, and include this information in business performance reviews.

Expected Completion Date: January, 2007 – Full roll-out of i-Trak, Phase II

June, 2007 – Review of Baseline Data

If additional information is needed or if you have any questions, please contact me at (202) 622-5267.