

**Management Advisory Report:  
Reporting Taxpayer Complaints and  
Allegations of Employee Misconduct**

**September 2000**

**Reference Number: 2000-10-136**

**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

September 20, 2000

MEMORANDUM FOR COMMISSIONER ROSSOTTI

A handwritten signature in cursive script that reads "Pamela J. Gardiner".

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Final Management Advisory Report - Reporting Taxpayer  
Complaints and Allegations of Employee Misconduct

This report presents the results of our limited-scope review of the process for reporting taxpayer complaints and allegations of employee misconduct that are included in the Treasury Inspector General for Tax Administration's (TIGTA) Semiannual Report to the Congress.

In summary, we found that the Internal Revenue Service (IRS) has initiated planning to reduce the potential for duplicate complaints tracked on more than one system. In addition, the TIGTA Office of Investigations' complaint system has the ability to identify and eliminate duplicate information for those complaints received directly by the TIGTA. Because the IRS' processes are in transition and scheduled for at least two revisions, we are not making any recommendations for corrective action. However, we would like to share our observation that a plan to identify potential duplicate information between the IRS and the TIGTA systems has not been developed.

We previously shared a discussion draft of this report with the Director, Commissioner's Complaint Processing and Analysis Group, and the Associate Inspector General for Investigations (Investigative Support), for their comments. We are also providing the Director, Legislative Affairs, copies of the report for appropriate distribution within the IRS.

Please contact me at (202) 622-6510 if you have any questions, or your staff may call Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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## Executive Summary

On July 22, 1998, the President signed into law the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (RRA 98).<sup>1</sup> This Act added 26 U.S.C. § 7803 (d)(2)(A), which requires the Treasury Inspector General for Tax Administration (TIGTA) to include in each TIGTA Semiannual Report to the Congress information on the number of taxpayer complaints and allegations of employee misconduct received by the IRS and the TIGTA Office of Investigations. The three TIGTA Semiannual Reports issued to the Congress to date contain a footnote that the number of complaints reported by the IRS may contain duplicate information. In our Fiscal Year (FY) 1999 audit,<sup>2</sup> we reported that the IRS did not have an integrated complaint processing system for identifying and reporting taxpayer complaints and allegations of employee misconduct. The IRS responded that a specific action plan would be developed to correct this deficiency.

The objective of this audit was to evaluate the process for reporting complaint information and allegations of employee misconduct that are included in the TIGTA's Semiannual Report to the Congress. We performed limited audit work in the Commissioner's Complaint Processing and Analysis Group (CCPAG) and in the TIGTA Office of Investigations' Complaint Management Division (CMD). We did not validate the accuracy of either the IRS' or the TIGTA's number of taxpayer complaints and allegations of employee misconduct recorded on each organization's manual and automated systems. However, we plan to do so in future audits. Our work was performed between May and July 2000.

## Results

The CCPAG and the TIGTA Office of Investigations' CMD are responsible for compiling the number of complaints and allegations of employee misconduct, and the TIGTA is responsible for reporting this information in each TIGTA Semiannual Report to the Congress. The IRS and the TIGTA have separate processes for compiling complaint information. At the time of this review, the IRS had no manual or systemic process to identify duplicate complaint information.

In response to our FY 1999 audit, the IRS initiated planning to reduce the potential for duplicate complaints tracked on more than one system. In addition, in July 1999, the

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<sup>1</sup> Pub. L. No. 105-206, 112 Stat. 685.

<sup>2</sup> *The Internal Revenue Service Can Further Improve Its Complaint Processing Procedures and Systems*, (Reference Number 199910070, dated September 1999).

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TIGTA implemented an enhanced complaint tracking system that has the ability to identify and eliminate duplicate information within its system. The IRS and the TIGTA currently do not have plans to identify potential duplicate information between the IRS and the TIGTA systems.

### **Separate Processes Are Used to Compile and Report the Number of Taxpayer Complaints for the Treasury Inspector General for Tax Administration's Semiannual Report to the Congress**

The following explains the IRS' and the TIGTA's separate processes for compiling and reporting taxpayer complaints and allegations of employee misconduct, and how the data are presented in the TIGTA's Semiannual Report to the Congress.

#### **The IRS' process for compiling the number of complaints**

In April and October of each year, the three IRS offices that maintain five automated and/or manual complaint systems forward the total number of complaints and allegations of employee misconduct from each system to the CCPAG. The CCPAG then forwards the total number of complaints from each system to the TIGTA Office of Investigations' CMD for inclusion in the TIGTA's Semiannual Report to the Congress.

The CCPAG cannot evaluate whether duplicate information is received from the three IRS offices because it is provided with only the total number of complaints from each of the IRS systems, not the information related to the complaints, such as the taxpayer name or the nature of the complaint. However, if the CCPAG did receive specific information on each complaint, it would be a labor-intensive process to identify duplicate complaints because the complaints are tracked differently on each system. For example, one system tracks taxpayer complaints by behavioral attributes, such as discriminatory treatment or unprofessional language, and another system tracks taxpayer contacts with the IRS to resolve tax problems and does not specifically track taxpayer complaints.

#### **The TIGTA's process for compiling the number of complaints**

In July 1999, the TIGTA Office of Investigations began using an enhanced complaint inventory tracking system that generates the complaint information required by the RRA 98. The system records the number of complaints and allegations of employee misconduct received directly by the TIGTA from taxpayers and IRS employees. The system also has the ability to identify and eliminate duplicate information within the system, such as the same complaint that may have been recorded by several TIGTA employees.

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### **Reporting the number of complaints in the TIGTA's Semiannual Report to the Congress**

The CMD includes both the IRS and the TIGTA complaint information in the TIGTA's Semiannual Report to the Congress. The TIGTA information is presented as the total number of complaints received by the TIGTA. The IRS information is presented as five separate totals of complaints from each of the five complaint systems and contains a footnote that the IRS information may contain duplications. The CMD cannot determine whether duplications exist between the IRS and the TIGTA totals because information about the IRS complaints, such as the taxpayer name and the nature of the complaint, is not forwarded to the CMD.

### **The Internal Revenue Service Developed Plans to Improve Its Complaint Processing Systems**

In response to our FY 1999 audit, the IRS developed short-term and long-term plans to improve its complaint processing systems.

#### **Short-term plan**

IRS management has initiated planning to develop a complaint database by integrating data from two of the existing complaint systems. Data will also be integrated from another computer system currently not used for reporting complaints. A vendor will develop the integrated database using software to identify, analyze, and eliminate any duplicate complaint information prior to the CCPAG forwarding the information to the TIGTA. In addition, the IRS eliminated one complaint tracking system but will continue to forward complaint information to the TIGTA from the two remaining systems. This short-term plan should reduce the potential for duplicate information being forwarded to the CMD.

#### **Long-term plan**

The IRS' long-term plan is to replace the existing complaint systems with a more efficient and effective centralized system for tracking all taxpayer complaint information. The IRS has not yet initiated action on this long-term plan.

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### Objective and Scope

*Our objective was to evaluate the process for reporting complaints and allegations in the TIGTA's Semiannual Report to the Congress.*

The objective of this audit was to evaluate the process for reporting complaint information and allegations of employee misconduct that are included in the Treasury Inspector General for Tax Administration's (TIGTA) Semiannual Report to the Congress. This report focuses on changes that were made to improve the reporting process since our Fiscal Year (FY) 1999 audit.<sup>1</sup>

We performed limited audit work in the Commissioner's Complaint Processing and Analysis Group (CCPAG) and in the TIGTA Office of Investigations' Complaint Management Division (CMD). We did not validate the accuracy of either the IRS' or the TIGTA's number of taxpayer complaints and allegations of employee misconduct recorded on each organization's manual and automated systems. However, we plan to do so in future audits. Our work was performed between May and July 2000.

Details of our audit objective, scope, and methodology are presented in Appendix I. Major contributors to this report are listed in Appendix II.

### Background

On July 22, 1998, the President signed into law the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (RRA 98).<sup>2</sup> This Act added 26 U.S.C. § 7803 (d)(2)(A), which requires the TIGTA to include in each TIGTA Semiannual Report to the Congress information on the number of taxpayer complaints and allegations of employee misconduct

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<sup>1</sup> *The Internal Revenue Service Can Further Improve Its Complaint Processing Procedures and Systems*, (Reference Number 199910070, dated September 1999).

<sup>2</sup> Pub. L. No. 105-206, 112 Stat. 685.



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*The IRS uses manual and automated systems to record complaint information.*

received by the IRS and the TIGTA Office of Investigations.

The IRS uses four automated systems and one manual system to record complaints and allegations of employee misconduct. A brief description of these systems follows:

- **Customer Feedback System (CFS)** - The National Taxpayer Advocate uses the automated CFS to track and categorize taxpayer complaints by behavioral attributes, such as: Discriminatory Treatment, Incompetence, Unprofessional Language, and Telephone Disconnect.
- **Taxpayer Advocate Management Information System (TAMIS)** - The National Taxpayer Advocate uses the automated TAMIS to track taxpayer contacts with the IRS to resolve tax problems. This system does not specifically track complaints, so all cases on the system are counted as complaints for the purpose of reporting to the TIGTA.
- **Automated Labor and Employee Relations Tracking System (ALERTS)** - The Office of Labor Relations uses its ALERTS to track a wide range of activity, including taxpayer complaints and actions taken based on findings of IRS employee conduct.
- **Equal Employment Opportunity (EEO) and Diversity System** - The IRS uses the manual EEO system to track informal EEO- and diversity-related complaints.
- **Treasury Department Complaint Tracking System** - The IRS tracks formal EEO complaints on the Treasury Department Complaint Tracking System.

The TIGTA Office of Investigations began using an enhanced automated complaint inventory tracking system in July 1999 that generates complaint information required by the RRA 98. The new system records the number of complaints and allegations of

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*The TIGTA Semiannual Reports to the Congress contain a footnote that complaints reported by the IRS may contain duplicate information.*

employee misconduct received directly by the TIGTA from taxpayers and IRS employees.

The three TIGTA Semiannual Reports issued to the Congress to date contain a footnote that the number of complaints reported by the IRS may contain duplicate information. In our FY 1999 audit, we reported that the IRS did not have an integrated complaint processing system for identifying and reporting taxpayer complaints and allegations of employee misconduct.

The IRS responded that a specific action plan would be developed to integrate complaint data from the current systems, reconcile it for accuracy and redundancy, and store the resulting information on an integrated database.

### Results

*The IRS and the TIGTA have separate processes for compiling complaints for inclusion in each TIGTA Semiannual Report to the Congress.*

The CCPAG and the TIGTA Office of Investigations' CMD are responsible for compiling the number of complaints and allegations of employee misconduct, and the TIGTA is responsible for reporting this information in each TIGTA Semiannual Report to the Congress. The IRS and the TIGTA have separate processes for compiling complaint information. The IRS uses four automated systems and one manual system, located in three separate functional offices, to compile and report complaint information. At the time of this review, the IRS had no manual or systemic process to identify duplicate complaint information. The TIGTA uses its own system to compile and report complaints received directly by the TIGTA from taxpayers and IRS employees.

In response to our FY 1999 audit, the IRS initiated planning to reduce the potential for duplicate complaints tracked on more than one system. In addition, in July 1999, the TIGTA implemented an enhanced complaint tracking system that has the ability to identify and eliminate duplicate information within the system. The IRS and the TIGTA currently do not have plans to

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identify potential duplicate information between the IRS and the TIGTA systems.

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### **Separate Processes Are Used to Compile and Report the Number of Taxpayer Complaints for the Treasury Inspector General for Tax Administration's Semiannual Report to the Congress**

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The following explains the IRS' and the TIGTA's separate processes for compiling and reporting taxpayer complaints and allegations of employee misconduct, and how the data are presented in the TIGTA's Semiannual Report to the Congress.

#### **The IRS' process for compiling the number of complaints**

The CCPAG was established within the IRS in April 1999. One of its roles is to compile and provide to the TIGTA Office of Investigations' CMD the total number of taxpayer complaints and allegations of employee misconduct received by the IRS for inclusion in the TIGTA's Semiannual Report to the Congress.

The five systems used to record complaints received by the IRS are located in three separate functional offices and were independently designed as inventory systems for work performed within the respective offices.<sup>3</sup> These systems were not designed to provide the statistical information required by the RRA 98.

To obtain information about the number of complaints received by the IRS:

- The CCPAG, in February and August of each year, requests information from the three IRS offices that use the five complaint systems.

*The IRS systems used to capture complaints were not designed to provide the statistical information required by the RRA 98.*

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<sup>3</sup> We did not include the three IRS functions that use the five inventory systems tracking complaints in our review and did not evaluate the accuracy of complaint information from these systems.

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- The functional offices, in April and October of each year, individually forward the total number of complaints and allegations of employee misconduct from the five different systems to the CCPAG.
- The CCPAG, in April and October, forwards the total number of complaints from each system to the TIGTA Office of Investigations' CMD for inclusion in the TIGTA's Semiannual Report to the Congress.

The CCPAG cannot evaluate whether duplicate information is received from the three IRS offices because it is provided with only the total number of complaints from each of the IRS systems, not the information related to the complaints, such as the taxpayer name or the nature of the complaint. However, if the CCPAG did receive specific information on each complaint, it would be a labor-intensive process to identify duplicate complaints because complaints are tracked differently on each system. For example, one system tracks taxpayer complaints by behavioral attributes, such as discriminatory treatment or unprofessional language, and another system tracks taxpayer contacts with the IRS to resolve tax problems and does not specifically track taxpayer complaints.

### **The TIGTA's process for compiling the number of complaints**

*The TIGTA has a new complaint system that can efficiently provide information required by the RRA 98.*

The TIGTA Office of Investigations began using an enhanced complaint inventory tracking system in July 1999 that generates the complaint information required by the RRA 98. The system records the number of complaints and allegations of employee misconduct received directly by the TIGTA from taxpayers and IRS employees. The system also has the ability to identify and eliminate duplicate information within the system, such as the same complaint that may have been recorded by several TIGTA employees.

### **Reporting the number of complaints in the TIGTA's Semiannual Report to the Congress**

The CMD is responsible for including both the IRS and the TIGTA complaint information in the TIGTA's

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Semiannual Report to the Congress. The TIGTA information is presented as the total number of complaints received by the TIGTA. The IRS information is presented as five separate totals of complaints from each of the five complaint systems and contains a footnote that the IRS information may contain duplications. The CMD cannot determine whether duplications exist between the IRS and the TIGTA totals because IRS complaint information, such as the taxpayer name and the nature of the complaint, is not forwarded to the CMD.

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### **The Internal Revenue Service Developed Plans to Improve Its Complaint Processing Systems**

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*The IRS plans to improve its existing complaint systems.*

In response to our FY 1999 audit, IRS management developed short-term and long-term plans to improve the IRS' complaint processing systems.

#### **Short-term plan**

IRS management has initiated planning to develop a new complaint database by integrating data from the ALERTS, the Treasury Department Complaint Tracking System, and the Executive Correspondence Management System (ECMS). The ECMS is used to track complaints received by the IRS Commissioner. Information from this system is currently not forwarded to the TIGTA because it may also be duplicated on other IRS systems. In addition, the IRS eliminated the use of the CFS but will continue to forward complaint information from the TAMIS and the EEO systems to the TIGTA.

*The IRS' short-term integrated database implementation date will be delayed beyond October 2000.*

IRS executives approved a vendor's recommendation to develop the new integrated database in May 2000. The new integrated database will use computer software to identify, analyze, and eliminate duplicate complaint information prior to the CCPAG forwarding the information to the TIGTA. The database was initially scheduled for implementation in October 2000.

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However, the CCPAG indicated that it will not be implemented by this date because of delays in awarding the contract to the vendor.

The IRS' short-term plan should reduce the potential for duplicate information being forwarded to the CMD.

### **Long-term plan**

*The IRS has not yet initiated any action on its long-term plan.*

The IRS' long-term plan is to replace the existing systems with a more efficient and effective centralized system for tracking all taxpayer complaint information. The IRS has not yet initiated any action on this long-term plan.

## **Conclusion**

The CCPAG and the TIGTA's CMD are responsible for compiling the number of complaints and allegations of employee misconduct, and the TIGTA is responsible for reporting this information in its Semiannual Report to the Congress.

The IRS and the TIGTA have taken actions to improve their respective complaint processing systems by reducing or eliminating the potential for duplicate complaints. However, the IRS and the TIGTA currently do not have plans to identify potential duplicate information between the IRS and the TIGTA systems. We are not recommending corrective action for this condition because the IRS' existing systems are interim systems. Additionally, the impact of changes in the short-term and long-term strategies may help to eliminate some of the duplication. However, we will assess the outcomes of these changes in our future audits of the reporting requirement.

**Detailed Objective, Scope, and Methodology**

The overall objective of this audit was to evaluate the process for reporting complaint information and allegations of employee misconduct that are included in the Treasury Inspector General for Tax Administration's (TIGTA) Semiannual Report to the Congress. We performed the following work:

- I. Evaluated the Commissioner's Complaint Processing and Analysis Group's (CCPAG) current actions to improve its process for reporting complaint information to the TIGTA.
  - A. Determined the current responsibilities of the CCPAG and whether these responsibilities changed since our Fiscal Year (FY) 1999 audit.<sup>1</sup>
  - B. Identified through discussions with CCPAG personnel the current process used to obtain and report taxpayer complaints and allegations of employee misconduct to the TIGTA Office of Investigations. Determined whether the process changed since our FY 1999 Audit.
  - C. Determined through discussions with CCPAG personnel the current process for correcting duplicate information received from the various Internal Revenue Service (IRS) systems that capture complaint information.
  - D. Determined the status of the CCPAG's long-term plans to integrate the five existing systems used to identify, track, and report complaint information.
- II. Determined how the TIGTA Office of Investigations reports information in the TIGTA's Semiannual Report to the Congress.
  - A. Identified through discussions with TIGTA personnel the current process used to obtain and report information on taxpayer complaints and allegations of employee misconduct that were received from the IRS.
  - B. Identified through discussions with TIGTA personnel the current process used to obtain and report information on complaints and allegations that were received from sources other than the IRS.

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<sup>1</sup> *The Internal Revenue Service Can Further Improve Its Complaint Processing Procedures and Systems*, (Reference Number 199910070, dated September 1999).

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- C. Determined through discussions with TIGTA personnel the current process for identifying, correcting, and reporting duplicate information captured by the TIGTA's management information system.
- D. Determined through discussions with TIGTA personnel the current process for identifying, correcting, and reporting duplicate information received from the IRS' management information systems.



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**Appendix II**

**Major Contributors to This Report**

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**Appendix III**

**Report Distribution List**

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