



Treasury Inspector General for Tax Administration

THE OFFICE OF APPEALS CLOSED CASE FILES ARE OVERWHELMING ONSITE STORAGE SPACE

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Highlights

Highlights of Report Number: 2008-10-055 to the Internal Revenue Service Chief, Appeals.

IMPACT ON TAXPAYERS

The Office of Appeals (Appeals) creates an internal file containing copies of documents related to each hearing conducted. However, because it closes more than 100,000 cases a year, Appeals is running out of storage space for these files and has begun shipping them to offsite storage for a fee. Appeals could save the time for creating the files and expense of the offsite storage to improve taxpayer services in support of its mission. The staff time used to create the files could be used to process additional Appeals cases, and the funds used to pay for the offsite storage could be used to fund additional staff positions in Appeals.

WHY TIGTA DID THE AUDIT

The Appeals closed case files contain information that is duplicated in the official administrative files. TIGTA reviewed the uses of the Appeals files and the costs to create and store them to determine whether Appeals' policy for maintaining closed files was effective and efficient. The overall objective of this review was to determine whether Appeals has an effective process to efficiently retain closed case information.

WHAT TIGTA FOUND

The Appeals closed case filing system is rapidly becoming unmanageable and losing the benefit of its original reason for creation. Appeals closed case files are used primarily because Appeals has had difficulty in obtaining administrative files promptly from the Internal Revenue Service (IRS) business units. Because its inventory is consistently more than 100,000 closed cases per year, and some closed case files are retained for up to 10 years, Appeals is faced with difficult decisions about the method it uses to retain these files. Some case files are no longer easily accessible to Appeals employees, and Appeals is running out of storage space. In addition, the Appeals files contain duplicate information that is available in the administrative files and, in some cases, electronically on

the Appeals computer system. Further, Appeals did not know how often its files were used and by whom, what documents were requested, what types of cases were reviewed most often, or how often its files were needed as the cases got older.

Due to space limitations, Appeals has begun to ship some files to a Federal Records Center to store them for a fee. However, by shipping the files to a third party, Appeals is losing the benefits of creating these files—better control over obtaining the files and the convenience of having the records onsite. TIGTA estimated Appeals could spend about \$78,000 over a 10-year period to store its files at the various Federal Records Centers nationwide. TIGTA also estimated Appeals is spending at least \$266,000 each year for staff time and supplies to create its files. Given these conditions, Appeals should revise its policies and procedures related to the creation, storage, and retention of Appeals files.

In Calendar Year 2003, Appeals began development of the Paperless Attachment Program to create and store electronic versions of its files. However, the Program was not adequately planned or tested. In Fiscal Year 2007, Appeals suspended the Program to evaluate technical alternatives and to implement a project management approach. Appeals should further assess the storage and technical requirements of the Program and conduct controlled tests before implementing it.

WHAT TIGTA RECOMMENDED

The Chief, Appeals, should conduct an analysis to determine how often and when Appeals files are accessed, including what documents are most often reviewed; based on this analysis, issue new guidelines for retention of Appeals files; destroy or return the existing Appeals files currently stored at a Federal Records Center and discontinue sending them for storage; and conduct further planning, analysis, and testing of the Paperless Attachment Program.

In their response to the report, IRS management agreed with all recommendations and plans to take appropriate corrective actions.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2008reports/200810055fr.pdf>.

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