

**The Taxpayer Advocate Service Needs to  
Improve Case Management to Ensure  
Taxpayer Problems Are Resolved Timely**

**September 2004**

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DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

September 29, 2004

MEMORANDUM FOR NATIONAL TAXPAYER ADVOCATE

*Gordon C. Milbourn III*

FROM: Gordon C. Milbourn III  
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report - The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely (Audit # 200310039)

This report presents the results of our review of the Taxpayer Advocate Service's (TAS) case processing function. The overall objective of this review was to evaluate the efficiency and timeliness of the TAS in resolving taxpayers' problems. This audit was conducted as part of our Fiscal Year (FY) 2004 Annual Audit Plan.

In summary, the time it takes the TAS to resolve taxpayers' problems has increased significantly over the past 5 years, from an average of 37 days in FY 1998 to 76 days in FY 2003. This increase is not due to a decrease in staff or a heavier workload. Staffing for the TAS has remained fairly constant since FY 2000. Moreover, new case receipts and closures have decreased approximately 41 percent since FY 1998. The National Taxpayer Advocate (NTA) stated that part of the increase in case resolution time resulted from changes in the TAS organizational structure and its authorities in FY 2000. The NTA also believes the TAS now works a higher percentage of cases involving complex issues. However, the NTA was not able to provide enough data or other evidence for us to verify these as causes for increased case resolution time.

Based on our review, we believe a significant portion of the increase in time needed to resolve taxpayers' problems was due to inefficient case management on the part of TAS employees (called case advocates) and inadequate management oversight by the TAS. We reviewed a statistical sample of 500 of the 203,634 TAS cases closed in FY 2003.<sup>1</sup> There were 273 cases in our sample in which case advocates did not take timely action to resolve the taxpayers' problems. Based on the results of our review, we estimate

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<sup>1</sup> TAS statistics report only 196,619 cases closed in FY 2003 because the TAS does not include the approximately 7,000 cases which had been previously closed but were then reopened and closed again in FY 2003.

that 76,183 taxpayers experienced unnecessary delays in FY 2003 because the TAS did not take timely actions. These delays increased the TAS' average time needed to resolve cases by 16 days.

Case advocates generally did not document a plan of action on taxpayer cases and did not effectively establish follow-up dates for actions needed to resolve cases. Even when follow-up dates were recorded, case advocates did not follow up by the dates set and did not document why follow-up dates were missed. Delays also occurred because it appeared case advocates did not have the technical knowledge needed to resolve certain cases and did not seek assistance from management or technical experts. In addition, case reviews conducted by TAS managers did not appear to address the absence of action plans or untimely case processing.

Last year, we reviewed the TAS Systemic Advocacy function, which is devoted to resolving problems that affect large numbers of taxpayers.<sup>2</sup> In our opinion, systemic problems were not addressed timely because many of the staff were shifted away from Systemic Advocacy function work to produce the NTA's Annual Report to Congress. Based on our prior and current reviews of the TAS, we are concerned the TAS may not be using its resources effectively to accomplish its primary mission of helping individual taxpayers and resolving systemic problems.

There were also some delays in closing cases that did not affect taxpayers but did inflate the TAS inventory of open cases and the average reported case resolution time. In 56 of the 500 TAS cases reviewed, the cases were not closed after the TAS had completed all case actions. We estimate these types of delays affected 18,817 cases, which inflated the average reported case resolution time in FY 2003 by over 3 days.

For the cases in which the TAS used an Operations Assistance Request to ask for assistance from one of the Internal Revenue Service (IRS) operating divisions to resolve taxpayers' problems, there was generally not enough information in the cases to evaluate whether actions by the operating divisions were timely. The TAS has since developed an electronic method to maintain and track these Requests. However, in the cases we reviewed, the case advocates generally did not coordinate with the operating divisions to establish reasonable time periods for completion. Better communication will be needed to ensure the dates set for completion are achievable; otherwise, the reports and statistical information the TAS provides to the operating divisions may be of limited benefit in providing a useful measure of timeliness.

We recommended the NTA alert TAS managers that case advocates are not developing and documenting case action plans as required, provide training to case advocates on developing case action plans and establishing estimated case completion dates, and eliminate the 5-day grace period allowed on follow-up actions. The NTA should provide specific direction for managers as to when and how often to review cases. The NTA should also revise procedures and alert managers that cases should be closed once a

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<sup>2</sup> *The National Taxpayer Advocate Could Enhance the Management of Systemic Advocacy Resources* (Reference Number 2003-10-187, dated September 2003).

determination has been made on a taxpayer's problem. Further, the NTA should provide additional guidance to case advocates on communicating with IRS operating divisions to coordinate case resolution and to set agreed on time periods in which to complete the actions specified on Operations Assistance Requests.

Management's Response: The NTA agreed with five of the seven recommendations in our report and with the premise that timeliness in casework is vital. The TAS has redesigned the Taxpayer Advocate Management Information System (TAMIS) to give employees the tools to maintain date fields, action plan items, and inventory management controls. Managers use the "Next Action Date" report generated by the new TAMIS to ensure timeliness of case actions. TAS management is required to use a new case review form that addresses the necessity of documenting a case action plan. Recent changes to the TAS procedures will provide clarity on the use of action plans and follow-up dates, and these new procedures will be part of TAS training scheduled for the first quarter of FY 2005. The TAS will also examine the managerial review process and has implemented a new requirement for local taxpayer advocates to review cases that have reached 100 days. Area and Headquarters Offices will review the local manager reviews. In addition, the TAS is developing a strategy to conduct case reviews 7-10 days after new cases are received to ensure case advocates have developed action plans and are on the right track. The TAS plans to make a formal determination on the types and frequency of reviews based on the trends identified through its quality and evaluative reviews.

In addition, the TAS will issue a reminder to ensure all actions occur on or within limits described in TAS procedures. The TAS will review the existing procedural requirements to determine if additional clarification is needed. The redesigned TAMIS will allow managers to more effectively track dates set by case advocates and to conduct follow-up reviews to ensure deadlines are met. The TAS will continue to emphasize setting achievable completion dates and work with the operating divisions to ensure adherence to the Service Level Agreements. The TAS has initiated projects to promote campus<sup>3</sup> consistency and to improve procedures for processing innocent spouse claims, Criminal Investigation function freeze cases, and Earned Income Tax Credit cases. In addition, TAS procedures recommend time periods for some common issues arising through Operations Assistance Requests to assist the TAS in establishing estimated completion dates.

The NTA did not agree to eliminate the 5-day grace period allowed on follow-up dates because the NTA believes case advocates must have the flexibility to set their own work priorities. In addition, the NTA did not agree to close cases on the TAMIS that the TAS is only monitoring while the cases are in the Appeals function because the NTA believes it would not be consistent with the TAS' mission of assisting taxpayers regarding their appeal rights and processes.

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<sup>3</sup> The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.

The NTA also expressed some concerns about the presentation of data and conclusions in this report. The NTA believes a statistical sample of cases for fiscal years before FY 2003 would be necessary to make a determination of the cause of the increase in cycle time from earlier years. The NTA also disagreed with our determination on more than 30 percent of the cases we reviewed. The NTA believes many of the audit team's findings of delay reflect subjective judgments about how cases should be handled rather than instances of inefficiency or neglect. The NTA asserted that the median case cycle time is a better indicator of timeliness than the mean or average cycle time. Further, the NTA stated that the case cycle time statistics before FY 2001 are not comparable to those for FY 2003 because the TAS operated as the Problem Resolution Program until March 2000. The NTA noted that recent trends show TAS casework is timelier by the TAS quality standards and believes a higher percentage of cases have complex issues than in FY 2001. The NTA believes an indicator of complexity is the increase in cases classified as "compliance" compared to "service" cases. The TAS is still working to develop a better measure to quantify complexity but, based on anecdotal evidence, the NTA believes this is a reasonable indicator.

The NTA again noted disagreement with our prior report on the TAS Systemic Advocacy function. The NTA stated that certain systemic issues can be resolved only through legislation; therefore, using Systemic Advocacy function resources for the Annual Report to Congress is proper. Management's complete response to the draft report is included as Appendix VI.

Office of Audit Comment: We believe the conclusions and recommendations in this report are valid. The NTA should eliminate the 5-day grace period allowed on follow-up dates because allowing this grace period undermines the importance of meeting follow-up dates and the sense of urgency inherent to the TAS. We understand that case advocates may not always meet the follow-up dates they set. We believe in those instances they should document the cases with an explanation. In our review, we found that case histories were poorly documented, and case advocates generally did not explain why follow-up dates were missed. In addition, the NTA should close cases on the TAMIS once the IRS has made a determination on the case. Keeping the cases open on the TAMIS when the cases are in monitoring status reduces the accuracy of case cycle time statistics, which reduces their benefit as a diagnostic tool.

Also, we believe that the TAS' actions do not fully address Recommendations 1 and 7. The TAS' actions appear to be beneficial but do not fully address the recommendation to alert managers that case advocates are not developing action plans as already required by TAS procedures, and that follow-up dates are not being recorded or met. The purpose of an alert is to quickly notify management that a significant problem exists and should be addressed immediately. In addition, the TAS' actions appear beneficial to the overall processing of Operations Assistance Requests, but the proposed corrective actions do not fully address our recommendation to provide case advocates additional guidance on communicating with the IRS operating divisions. Both the TAS and the operating divisions need to reach agreement about when Operations Assistance Requests will be completed. While we still believe our recommendations

are worthwhile, we do not intend to elevate our disagreement concerning them to the Department of the Treasury for resolution.

Our results and estimates are based on a sample of FY 2003 cases to provide the most current and relevant information to TAS management. The trend information from FYs 1998 to 2003 shows the basis for our concern about the timeliness of the TAS advocacy program. TAS management agreed or partially agreed with our findings in about 70 percent of our cases, which represented approximately 80 percent of the total time that the cases were delayed. We considered the TAS' responses in each of the 88 cases to which it did not agree. Notwithstanding, we continue to disagree and still believe a delay occurred in these cases.

- In 42 cases, the TAS' responses were too vague to determine the reason for disagreement.
- In 14 cases, the TAS responded the taxpayer had not been harmed even though a delay occurred.
- In 19 cases, the TAS responded the delay was justified based on the case advocate's judgment; however, management did not present a valid reason for the delay.
- In 13 cases, the TAS disagreed because employees were operating within the TAS policies and procedures related to the 5-day grace period for follow-up dates or those that allow case advocates to keep cases open for monitoring while the cases are in the Appeals function.

The NTA believes median cycle time is a more accurate indicator of what the typical TAS customer experiences. We do not agree. The median is the mid-point. As such, 50 percent of the taxpayers experience a case resolution time that is longer than the median case resolution time. A timeliness standard that relies on a mid-point minimizes the collective impact of extreme delays, many of which we encountered in our review. Such extreme delays caused serious burden to some taxpayers and should prompt more aggressive resolution by the TAS than is currently taken.

It should be noted that we never took exception to the length of time a case was open; we took exception only if actions were not timely. The average case cycle time was used to show the effect of delays. The mean case cycle time is the same information the TAS reported to the IRS Commissioner in past Business Performance Reviews.

The NTA stated that the case cycle time statistics before FY 2001 are not comparable to those for FY 2003 because the casework was handled by the Problem Resolution Program until March 2000. We would like to clarify this point. The Office of the Taxpayer Advocate replaced the position of the Taxpayer Ombudsman in 1996.<sup>4</sup> The IRS Restructuring and Reform Act of 1998<sup>5</sup> did not create the Office of the Taxpayer

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<sup>4</sup> Taxpayer Bill of Rights 2, Pub. L. No. 104-168, 110 Stat. 1452 (1996) (codified as amended in scattered sections of 26 U.S.C.)

<sup>5</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

Advocate but reorganized employees from the Problem Resolution Program into a system of local taxpayer advocates who report directly to the NTA. This organizational structure was implemented in March 2000. Notwithstanding, we believe comparing trends over time provides useful information to management and helps identify problems. We recognized in this report that the TAS organizational structure has undergone significant changes as a result of the tax laws; however, the TAS and the Problem Resolution Program both share the same core mission of assisting taxpayers when the IRS has not addressed their problems.

The NTA believes TAS casework is timelier based on certain quality standards the TAS uses in its quality reviews. We did not review the accuracy of TAS quality reviews during this audit. However, we did find significant delays by the TAS in resolving cases, and TAS management acknowledged most of these delays. The NTA also asserted that TAS casework has become more complex. We do not believe the TAS' anecdotal evidence provides an adequate basis for this assertion.

Last year, we reported the TAS did not address potential systemic problems that affected large groups of taxpayers. Instead, TAS management redirected a significant number of its staff to work on the NTA's Annual Report to Congress. Systemic projects were allowed to age up to 3 years without action because analysts were devoting the majority of their time to the Annual Report to Congress. For example, we identified a partnership project that potentially affected 16.5 million taxpayers which had been open for 2.5 years without any action. The NTA's assertion that no delay occurred because these taxpayers could only have been assisted by means of a legislative proposal put forth in the Annual Report to Congress is misleading. At the time of our review, the TAS was taking no such action on their behalf. We recommended changes to help the TAS use and monitor its resources to improve the Systemic Advocacy function while still providing the NTA's Annual Report to Congress.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

**The Taxpayer Advocate Service Needs to Improve Case  
Management to Ensure Taxpayer Problems Are Resolved Timely**

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**The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely**

**Background**

The Office of the Taxpayer Advocate, also known as the Taxpayer Advocate Service (TAS), is an independent function within the Internal Revenue Service (IRS) which helps taxpayers resolve problems with the IRS that have not been resolved through normal IRS processes. The TAS also works to correct systemic problems that affect large numbers of taxpayers. In Fiscal Year (FY) 2003, the TAS received 188,209 new cases from taxpayers, tax practitioners, and referrals by the IRS operating divisions and Congressional offices. Table 1 provides a summary of the reasons taxpayers contacted the TAS in FY 2003.

**Table 1: Types of TAS Cases Received in FY 2003**

Reason for Contacting the TAS	Percentage of TAS Cases
IRS systems or procedures either did not operate as intended or did not resolve the taxpayer's problem.	31%
Taxpayer experienced a delay of more than 30 days to resolve a tax account problem with the IRS.	27%
Taxpayer did not receive a response from the IRS by the date promised.	19%
Taxpayer is suffering or about to suffer a significant hardship.	12%
Taxpayer is facing threat of adverse action.	3%
Taxpayer will incur significant costs if relief is not granted.	2%
Taxpayer will suffer an irreparable injury or long term adverse impact.	2%
Any case not meeting specific TAS criteria but warranting TAS intervention.	4%

*Source: National Taxpayer Advocate – FY 2003 Annual Report to the Congress.*

If a taxpayer's problem falls within the TAS' authorities, a TAS employee, known as a case advocate, will work the case to resolution. However, if any action is outside the TAS' authorities, case advocates must obtain the assistance of an IRS operating division(s) using an Operations Assistance Request (Form 12412) to resolve the taxpayer's problem.

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In September 2002, the IRS Oversight Board issued a report that focused on the TAS' operation. One of the major concerns of the IRS Oversight Board was that the TAS and the IRS operating divisions are not resolving taxpayers' problems quickly.<sup>1</sup> The American Institute of Certified Public Accountants (AICPA) also expressed concerns about slow responses from the TAS and its unwillingness to use its authority to cut through red tape.<sup>2</sup>

We performed this review to evaluate the efficiency and timeliness of the processes used by the TAS to resolve taxpayers' problems. This review was performed using a statistical sample of TAS cases nationwide which were closed in FY 2003 and information obtained from the TAS Washington, D.C., office during the period November 2003 through June 2004. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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### Inefficient Case Management Often Led to Lengthy Delays in Resolving Taxpayers' Problems

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Because cases the TAS receives often involve financial hardships to the taxpayers as well as delays in resolving taxpayer problems through normal IRS channels, the TAS is concerned about the timeliness of its case processing. The TAS uses case cycle time as one of its diagnostic measures in its Business Performance Review.

TAS statistics indicate the average time to resolve cases has increased significantly since 1998—it more than doubled over the last 5 years, from an average of 37 days to 76 days. The increase in case cycle time is not due to fewer staff or heavier workload. There was a significant increase in the TAS staff during FY 2000, and since then the number of employees assigned to case advocacy has remained relatively consistent. Moreover, the TAS case workload has decreased over time—the number of cases received and closed by the TAS was 41 percent lower in FY 2003 than in

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<sup>1</sup> *Oversight of the Office of Taxpayer Advocate: Principal Findings and Actions*, IRS Oversight Board, dated September 2002, page 1.

<sup>2</sup> *AICPA Suggests Improvements to Local Tax Payer Advocate Service*, dated September 23, 2003.

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FY 1998. Table 2 shows the trends in the TAS workload, staffing, and cycle time to resolve cases.<sup>3</sup>

**Table 2: Trends in the TAS Workload, Staffing, and Cycle Time to Resolve Cases, FYs 1998 – 2003**

Fiscal Year	Cases Received by the TAS	Cases Closed by the TAS	Case Advocacy Employees	Cycle Time to Resolve Cases (calendar days)
1998	333,636	314,554	n/a <sup>4</sup>	37
1999	286,773	294,899	n/a	46
2000	257,196	238,063	1,499	54
2001	254,026	248,011	1,922	72
2002	216,899	234,327	1,829	81
2003	188,209	196,619	1,904	76

*Source: National Taxpayer Advocate – Business Performance Reviews.*

During FYs 1998, 1999, and part of 2000, the TAS operated under a different organizational structure, known as the Problem Resolution Program. The National Taxpayer Advocate (NTA) stated that part of the increase in case resolution time resulted from changes in the TAS organizational structure and its authorities in FY 2000. The NTA also believes the TAS now works a higher percentage of cases involving complex issues. However, the NTA was not able to provide enough data or other evidence for us to verify these as causes for increased case resolution time. Based on our review, we believe a significant portion of the increase in time needed to resolve taxpayers' problems was due to inefficient case management on the part of TAS employees and inadequate management oversight by the TAS.

Last year, we reviewed the TAS Systemic Advocacy function, which is devoted to resolving problems that affect

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<sup>3</sup> See Appendix V for charts illustrating the 6-year trends in the TAS workload, staffing, and cycle time to resolve cases.

<sup>4</sup> Information was not available for the TAS staffing levels in 1998 and 1999 because TAS employee counts were combined with those of other IRS functions. Since the IRS reorganized in 2000, TAS staffing has been reported separately.

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large numbers of taxpayers.<sup>5</sup> In our opinion, systemic problems were not addressed timely because TAS management shifted staff away from Systemic Advocacy function work to produce the NTA's Annual Report to Congress. Based on our prior and current reviews of the TAS, we are concerned the TAS may not be using its resources effectively to accomplish its primary mission of helping individual taxpayers and resolving systemic problems.

To manage its inventory of taxpayer cases, the TAS uses an automated system called the Taxpayer Advocate Management Information System (TAMIS). To evaluate the timeliness of actions taken to resolve taxpayers' problems, we reviewed a statistical sample of 500 of the 203,634 TAS cases closed in FY 2003.<sup>6</sup>

Of the 500 cases we reviewed, there were 273 cases in which the TAS did not take timely actions to resolve the taxpayers' problems, which often caused prolonged delays. In many of the cases, the case advocates did not document a plan of action to resolve the taxpayer's problem and were not effectively establishing follow-up dates on the TAMIS, which prevented them from using the System's automated tools to prioritize their work. Even when follow-up dates were recorded on the TAMIS, case advocates often did not follow up by the dates set and did not document why the follow-up dates were missed. In addition, case advocates often set follow-up dates which were too far in the future when information needed to take the next action on the case was available at a much earlier date.

Case resolution was also delayed because it appeared the case advocates did not have the technical knowledge to resolve certain cases and did not seek assistance from management or the technical experts. We also found that TAS procedures allow case advocates to miss a follow-up date they established by up to 5 workdays, which minimizes

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<sup>5</sup> *The National Taxpayer Advocate Could Enhance the Management of Systemic Advocacy Resources* (Reference Number 2003-10-187, dated September 2003).

<sup>6</sup> TAS statistics report only 196,619 cases closed in FY 2003 because the TAS does not include the approximately 7,000 cases which had been previously closed but were then reopened and closed again in FY 2003.

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the sense of urgency inherent in the TAS. Since a case can have numerous follow-up dates, delays could be compounded if the case advocate consistently misses the follow-up dates. Table 3 summarizes the results from our sample of 500 TAS cases and the estimated total number of taxpayers affected by each type of TAS delay in FY 2003.

**Table 3: TAS Cases With Unnecessary Delays in Resolving Taxpayers' Problems (FY 2003)**

Type of Delay Affecting Taxpayers	Number of Cases <sup>7</sup>	Estimated Taxpayers Affected <sup>8</sup>	Average Days Delayed For Taxpayers Affected	Estimated Effect on Overall TAS Case Resolution Time (in days)
No follow-up date was set for the next action to resolve the case.	159	32,797	35	5.71
Follow-up date was documented but missed by more than 5 workdays.	102	23,447	36	4.18
Delays in obtaining technical assistance.	65	11,224	56	3.08
Follow-up date provided more time than needed to complete the case action.	47	15,127	15	1.14
Follow-up date was documented but missed by 5 or fewer workdays.	43	15,779	7	.54
Excessive and/or multiple deadlines were set to obtain internal/external documents.	31	9,426	43	.97
No actions were taken while the employee was on leave or in training.	14	1,673	34	.28
Dispute between TAS offices as to which office was responsible for the case.	9	1,240	24	.15

*Source: The Treasury Inspector General for Tax Administration (TIGTA) sample review of 500 TAS FY 2003 closed cases and statistical projections.*

<sup>7</sup> A taxpayer can have more than one type of delay and is included in each type of delay. A taxpayer with multiple instances within a type of delay is included only once.

<sup>8</sup> A taxpayer can be affected more than once if multiple types of delays occur.

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We estimate that 76,183 taxpayers experienced at least 1 unnecessary delay in FY 2003 because the TAS did not take timely actions to resolve taxpayers' problems. In addition, we estimate the TAS' average time of 76 days to resolve cases in FY 2003 would have been 16 days fewer if case actions had been timely.<sup>9</sup>

These delays can cause additional frustration and burden to taxpayers who have already been unable to resolve their problems through normal IRS processes. The following are examples of cases in our sample with lengthy delays encountered by taxpayers in resolving their problem through the TAS:

- In a case that involved a problem with employment taxes, it took 910 days (approximately 2½ years) for the TAS to resolve the matter. Delays accounted for 71 percent of the time the case was open. There were 11 separate periods of inactivity that totaled 649 days. One period of inactivity was 230 consecutive days. The case advocate did not use follow-up dates, and there were no explanations for the delays in the case history.
- A business contacted the TAS because it had received a refund to which it was not entitled. It took 538 days (almost 1½ years) for the TAS to resolve this problem. Unnecessary delays accounted for 391 consecutive days. The case advocate did not take the necessary action to try to solve the taxpayer's problem during the period of inactivity. It appeared the case advocate did not know how to correct the account and did not contact the group manager or other technical specialists to help resolve the issue sooner.
- In a case involving penalties and interest that should have been removed from a taxpayer's account, it took 281 days for the TAS to resolve the matter. The case advocate missed 3 separate follow-up dates originally set in the case history by 125, 16, and 106 consecutive days. We estimate the TAS should have resolved the taxpayer's issue within 34 days.

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<sup>9</sup> See Appendix IV for details of our estimates.

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- A nonprofit organization's bank account was levied while the TAS was supposed to be working on its case. The TAS took no action on the case for 201 consecutive days and did not timely contact the IRS Collection function. Due to the bank levy, the nonprofit organization had difficulty paying its employees and the TAS took almost a year to correct the situation and refund the monies that were levied.

TAS procedures require case advocates to develop an action plan when they initially receive a taxpayer's case. An action plan is important because it facilitates proper case management and provides a map for anyone who may need to take action on the case. The procedures also require case documentation to be clear, specific, and complete so anyone reviewing a case can follow the progress of the action plan, know what actions have been taken, and know what the next action will be. Despite these requirements, case advocates generally did not develop and document action plans needed to resolve taxpayers' problems. Case documentation was generally poor and delays were not explained.

### **Manager case reviews were limited and did not appear to be effective**

TAS management's review of cases did not appear to address the absence of case action plans or untimely case processing. TAS management reviewed only 172 (34 percent) of the 500 cases in our sample. Most of the cases reviewed by management indicated the case was reviewed, but no guidance was provided in the case history. Consequently, the case files could not be used to determine how management attempted to address delays. Moreover, in some instances, delays continued to occur even after management reviewed the cases.

According to TAS officials, concerns by employees and the National Treasury Employees Union (NTEU) that management reviews could be used against employees have caused many TAS managers to not document their reviews in case files. The TAS is in the process of developing a new method for management case reviews that is being negotiated with the NTEU. TAS management stated this new method was developed to provide a more comprehensive format and consistency across the nation.

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However, there is no indication the new TAS method for management review will address the inadequate case planning and the untimely casework. In addition, the new method does not specify when or how often manager reviews are to be performed.

Better monitoring by TAS managers would help detect poor workload management and delays in resolving cases. It would act as an important control and a means to provide immediate feedback and direction to employees.

### Recommendations

The NTA should:

1. Alert TAS managers that case advocates are not developing and documenting case action plans as required. Further, managers should be alerted that follow-up dates are often not being recorded on the TAMIS as required and that established follow-up dates are often not met.

Management's Response: The NTA agreed with our recommendation and has redesigned the TAMIS to give employees the tools to maintain date fields, action plan items, and inventory management controls. Managers use the "Next Action Date" report generated by the new TAMIS to ensure timeliness of case actions. TAS management is required to use a new case review form that addresses the necessity of documenting a case action plan. Recent changes to the TAS procedures will provide clarity on the use of action plans and follow-up dates. The proper use of action plans and follow-up dates will be part of TAS training on the new procedures scheduled for the first quarter of FY 2005.

Office of Audit Comment: The TAS' actions appear to be beneficial but do not fully address the recommendation to alert managers that case advocates are not developing action plans as already required by TAS procedures and that follow-up dates are not being recorded or met. The purpose of an alert is to quickly notify management that a significant problem exists and should be addressed immediately.



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2. Provide training to case advocates on the requirement to develop and document case action plans at the beginning of each case. The training should guide employees on determining the overall time period needed to complete a case as well as intermediate follow-up dates to ensure the case is progressing as intended. The training should also address the need to improve case documentation so the progress of the case action plan can be properly monitored.

Management's Response: The NTA agreed with this recommendation and has redesigned the TAMIS to give employees the tools to maintain date fields, action plan items, and inventory management controls. Also, recent changes to the TAS procedures will provide clarity on the use of action plans and follow-up dates that will be part of TAS training scheduled for the first quarter of FY 2005.

3. Revise the procedures to eliminate the 5-day grace period allowed on follow-up dates.

Management's Response: The NTA did not agree with this recommendation. The NTA indicated that all cases must be worked as they arrive and case advocates often face multiple deadlines that fall on the same day. This 5-day grace period provides case advocates with the flexibility they require to set priorities. For example, a case advocate facing a follow-up date on one case may receive another case in which the IRS is about to seize a taxpayer's property. The NTA believes case advocates must have the flexibility to work the case involving the property seizure before working other cases.

Office of Audit Comment: We believe case advocates should take action by the date they specified in the case history to avoid delays and move the case to resolution. Allowing a grace period undermines the importance of meeting follow-up dates and the sense of urgency inherent to the TAS. We understand that case advocates may not always meet the follow-up date they set. In those instances, they should document the case with an explanation. However, we found that case histories were poorly documented and case advocates generally did not explain why follow-up dates were missed.

## **The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely**

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4. Include in the new management case review procedures specific direction for when and how often managerial reviews are to be performed. An expected completion date should be established at the beginning of each case to assist managers in identifying cases which have been delayed, so the managers will review such cases and take corrective action.

Management's Response: The NTA agreed with this recommendation and will examine the managerial review process. The TAS has already implemented a new case review form and a new requirement for local taxpayer advocates to review cases that have reached 100 days. In FY 2005, Area and Headquarters Offices will review the local manager reviews. In addition, the TAS is developing a strategy to conduct case reviews 7-10 days after new cases are received to ensure case advocates have developed action plans and are on the right track. The TAS plans to make a formal determination on the types and frequency of reviews based on the trends identified through its quality and evaluative reviews.

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### **Some Delays Did Not Affect Taxpayers but Did Distort Open Inventory Levels and Case Resolution Time Statistics**

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There were also delays in closing cases that did not affect the taxpayers involved but did inflate the TAS open inventory and average reported case resolution time. In 56 of the 500 TAS cases reviewed, the cases were not closed on the TAMIS when the TAS had completed all case actions. In 29 cases, the delayed case closing appeared to be an oversight on the part of the TAS since the taxpayers' issues were already resolved. In the other 27 cases, the TAS left the cases open for monitoring. Table 4 summarizes the results from our sample of 500 TAS cases and the estimated total number of cases in FY 2003 in which the case closure was delayed.

## The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely

**Table 4: TAS Cases With Incorrectly Reported Case Resolution Time (FY 2003)**

Type of Delay Affecting Cases	Number of Cases <sup>10</sup>	Estimated Cases Affected <sup>11</sup>	Average Days Delayed for Cases Affected	Estimated Effect on Overall TAS Case Resolution Time (in days)
Untimely case closing after all actions were completed.	29	17,039	14	1.19
The TAS left cases open for monitoring.	27	1,778	229	2.00

*Source: The TIGTA sample review of 500 TAS FY 2003 closed cases and statistical projections.*

For TAS cases in general, if the IRS determines a taxpayer is not entitled to relief and the taxpayer appeals the decision, the TAS will close the case. However, the NTA directed that cases involving innocent spouse issues be kept open throughout the entire appeals process to monitor processing that may occur by the IRS campuses<sup>12</sup> after the Appeals function has completed its review. TAS procedures for innocent spouse cases state, “Cases going to Appeals Division will not be closed until Appeals makes a determination on the appeal and the taxpayer/representative is informed.”

The TAS’ policy of monitoring these types of cases throughout the Appeals function process may be beneficial; however, because of the length of the Appeals function process and because further case actions on the part of the TAS are usually not necessary, the practice of leaving these cases open on the TAMIS reduces the accuracy of the case resolution time statistics provided by this System. Although these cases account for a small percentage of the total

<sup>10</sup> A case can have more than one type of delay and is included in each type of delay. A case with multiple instances within a type of delay is included only once.

<sup>11</sup> A case can be affected more than once if multiple types of delays occur.

<sup>12</sup> The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.

## The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely

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number of cases with delays, the total number of days these cases are left open affects the overall case cycle time, which affects the reliability and comparability of the TAMIS data. For example, 1 such TAS case took 1,330 days (more than 3½ years) to close. In our opinion, the case advocate should have closed this case 959 days (more than 2½ years) earlier once the Appeals function received the request for relief.

Overall, based on the cases we reviewed, we estimate these delays in recording case closure affected 18,817 cases in FY 2003, which inflated the TAS' average case resolution time by over 3 days.<sup>13</sup>

### Recommendations

The NTA should:

5. Alert TAS managers that case advocates are not closing cases after all actions are completed.

Management's Response: The NTA agreed with this recommendation and will issue a reminder to ensure all actions occur on or within limits described in TAS procedures. The TAS will also review the existing procedural requirements to determine if additional clarification is needed. In addition, the redesigned TAMIS allows managers to more effectively track dates set by case advocates and to conduct follow-up reviews to ensure deadlines are met.

6. Revise TAS procedures to close cases once the IRS has made a determination, even if the taxpayer appeals that determination. If the TAS monitors such cases, it should ensure the TAMIS reflects that the cases are in monitoring status.

Management's Response: The NTA did not agree with this recommendation. The NTA indicated the TAS must assist each taxpayer until the IRS completes action on the case. If a taxpayer appeals an adverse IRS determination, a TAS case advocate assists the taxpayer regarding his or her appeal rights and processes. The TAS also retains the authority to intervene on the taxpayer's behalf and, if

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<sup>13</sup> See Appendix IV for details of our estimates.

## The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely

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necessary, to issue a Taxpayer Assistance Order to the Appeals function. Each determination to hold a case open during the appeal process is made on the basis of a facts-and-circumstances analysis. The NTA believes closing cases simply to shorten cycle time would elevate process above fulfillment of the TAS' core mission.

Office of Audit Comment: Keeping cases open on the TAMIS when the cases are in monitoring status reduces the accuracy of case resolution time statistics, which reduces their benefit as a diagnostic tool.

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### Better Communication Is Needed Between Case Advocates and the Internal Revenue Service Operating Divisions

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Before the IRS Restructuring and Reform Act of 1998 (RRA 98)<sup>14</sup> was implemented, TAS employees performing case-related activities were part of the IRS' core business functions, such as Collection or Examination. Prior to FY 2000, the TAS operated as the Problem Resolution Program. After the passage of the RRA 98, the TAS became an independent function and its employees no longer reported to the core business functions. When the TAS became an independent function, the actions TAS employees could take to resolve taxpayer issues were very limited. In January 2001, the IRS Commissioner delegated additional authorities to the TAS to take certain case-related actions.<sup>15</sup> This increased the number of cases the TAS employees could resolve without assistance from IRS operating divisions. Nonetheless, there are still many case actions needed to resolve taxpayer problems which are outside the TAS' authorities. For these actions, case advocates must obtain the assistance of an IRS operating division(s) using an Operations Assistance Request.

The NTA has stated that the process of referring cases to the IRS operating divisions may have had a significant impact on the TAS' case cycle time. However, we could not validate this assumption since the TAS did not keep statistics regarding the age or timeliness of Operations Assistance Requests.

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<sup>14</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

<sup>15</sup> Delegation Order No. 267, January 17, 2001.

## **The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely**

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In September 2002, the TAS established Service Level Agreements with the operating divisions to provide a uniform method and basic requirements for the IRS operating divisions when assisting the TAS. The Service Level Agreements require that the TAS and the operating divisions negotiate and agree to a completion date for each Operations Assistance Request. In general, the Service Level Agreements state that, if the taxpayer's case cannot be completed by the agreed upon date, the TAS manager or liaison should contact the operating division liaison to discuss the reasons for the delay.

In our sample of 500 TAS cases closed in FY 2003, there were 323 cases that required 1 or more Operations Assistance Requests. For these 323 cases, there were 612 Operations Assistance Requests. We compared the Requested Completion Date (the date requested by the case advocate) with the date the operating division employee completed the requested action to determine whether the operating divisions were resolving issues timely. However, there was not enough information in the TAS case files to determine if the operating divisions were causing delays because the Operations Assistance Requests were incomplete. Case advocates did not include the Requested Completion Date for 123 Operations Assistance Requests, and the operating division employees did not record the date they completed 99 Operations Assistance Requests.

Further, although case advocates are required to contact the IRS operating division employee assigned to an Operations Assistance Request to discuss case issues and the proposed completion date, case advocates did not do this consistently. For the cases in which the case advocate did record a Requested Completion Date, there was no indication that the case or the proposed completion date was discussed with the appropriate IRS operating division.

Beginning in FY 2004, the TAS developed an electronic method to maintain and track Operations Assistance Requests on its inventory system. In addition, the TAS is developing an online Intranet portal that will be available to the operating divisions. After the portal is implemented, the TAS plans to provide reports to each operating division with the location, age, and status of each Operations Assistance

## **The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely**

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Request. This portal will help the TAS and the operating divisions manage their inventory of Operations Assistance Requests and will provide statistical data on the timeliness of completion of these Requests. The Deputy Commissioner for Services and Enforcement has required the operating divisions to report on the status of the TAS case inventory in their Business Performance Reviews starting in FY 2004. The operating divisions were directed to include any conclusions drawn from the reports provided by the TAS and resolve any systemic delays or problems.

This electronic method to maintain and track Operations Assistance Requests is a step in the right direction. Nonetheless, since Requested Completion Dates are often established by the TAS without the agreement of the operating divisions, the reports and statistical information the TAS provides to the operating divisions for Operations Assistance Requests may be of limited benefit in providing a useful measure of timeliness. Better communication will be needed to ensure the dates set for completion are achievable.

### **Recommendation**

7. The NTA should provide additional guidance to case advocates on communicating with IRS operating divisions to coordinate case resolution and to set achievable deadlines for completing Operations Assistance Requests.

Management's Response: The NTA agreed with this recommendation. The TAS will continue to emphasize setting achievable completion dates and work with the operating divisions to ensure adherence to the Service Level Agreements. The TAS has initiated projects to promote campus consistency and to improve procedures for processing innocent spouse claims, Criminal Investigation function freeze cases, and Earned Income Tax Credit cases. In addition, TAS procedures recommend time periods for some common issues arising through Operations Assistance Requests to assist the TAS in establishing estimated completion dates.

**The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely**

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Office of Audit Comment: The TAS' actions appear beneficial to the overall processing of Operations Assistance Requests, but the proposed corrective actions do not fully address our recommendation to provide case advocates additional guidance on communicating with the IRS operating divisions. Both the TAS and the operating divisions need to reach agreement about when Operations Assistance Requests will be completed.



## The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely

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### Appendix I

#### Detailed Objective, Scope, and Methodology

The overall objective of this review was to evaluate the efficiency and timeliness of the Taxpayer Advocate Service (TAS) in resolving taxpayers' problems. To complete this objective, we:

- I. Determined what guidance had been provided to the TAS and Internal Revenue Service (IRS) operating division employees for the processing of TAS cases by reviewing the Internal Revenue Manual, authorities delegated to the TAS by the IRS Commissioner, and Service Level Agreements between the TAS and the operating divisions.
- II. Used the Taxpayer Advocate Management Information System (TAMIS) to select a stratified statistical sample of 500 cases from the 196,617 regular cases and 7,017 reopened cases<sup>1</sup> closed by the TAS in Fiscal Year 2003. With the assistance of a statistician, we selected a sample to project the number of taxpayers affected and the amount of time delayed. The sample used a 95 percent confidence interval and a +/- 4 percent desired precision rate. The strata were determined as follows:

Stratum	Number of Days the Case Was Open	Population of Stratum <sup>2</sup>	Sample Size per Stratum
1	0-29	61,508	50
2	30-69	71,671	75
3	70-119	38,226	125
4	120-365	28,877	125
5	366-1,307	3,327	100
6	1,308 or longer	25	25

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<sup>1</sup> The TAS did not include the reopened cases in total closures for Fiscal Year 2003 in its Business Performance Review Report.

<sup>2</sup> Population of Stratum includes the 196,617 cases plus 7,017 cases that were reopened.

**The Taxpayer Advocate Service Needs to Improve Case  
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- III. Determined if the TAS caused delays in processing the 500 cases in our sample by reviewing the case histories on the TAMIS and the physical case files. For the cases we identified with delays, we projected the number of exceptions and days delayed over the population with the assistance of a statistician.
- IV. Determined the number of cases that involved an Operations Assistance Request and reviewed them for timely actions by the operating divisions. This included reviewing completion dates on Operations Assistance Requests required to be input by the operating divisions and the TAS.

**The Taxpayer Advocate Service Needs to Improve Case  
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**Appendix II**

**Major Contributors to This Report**

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**The Taxpayer Advocate Service Needs to Improve Case  
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**Appendix III**

**Report Distribution List**

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Commissioner for Services and Enforcement SE  
Commissioner, Large and Mid-Size Business Division SE:LM  
Commissioner, Small Business/Self-Employed Division SE:S  
Commissioner, Tax Exempt and Government Entities Division SE:T  
Commissioner, Wage and Investment Division SE:W  
Chief, Appeals AP  
Chief Counsel CC  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
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    Commissioner, Wage and Investment Division SE:W  
    Chief, Appeals AP

## The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely

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### Appendix IV

#### Outcome Measures

This appendix presents detailed information on the measurable effect that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to the Congress.

##### Type and Value of Outcome Measure:

- Taxpayer Burden – Potential; delays in resolving 76,183 taxpayer problems during Fiscal Year (FY) 2003 (see page 2).
- Reliability of Data – Potential; 18,817 Taxpayer Advocate Service (TAS) cases due to untimely actions in closing cases and TAS procedures (see page 10).

##### Methodology Used to Measure the Reported Benefit:

The TAS provided the number of closed cases in FY 2003. The population consisted of 196,617 “regular” cases and 7,017 cases that had been reopened.<sup>1</sup> We selected a statistically valid stratified sample of 500 cases closed in FY 2003. Of these, 273 cases had unnecessary delays in resolving taxpayers’ problems. Based on the sample, we estimated that a total of 76,183 taxpayer cases were delayed (our estimate is based on a 95 percent confidence level and a precision of +/- 4.6 percent). We also identified eight specific types of delays that affected taxpayers and the TAS’ overall average time to resolve cases (see Table 3 on page 5). Our statistician computed weighted averages for each type of delay to determine the number of cases that were affected and the average number of days delayed for each category.

Using the same statistically valid stratified sample of 500 cases closed in FY 2003, we also identified 56 cases that increased the TAS’ case cycle time, which affected the reliability of data but did not cause taxpayer burden. We estimated there were a total of 18,817 cases with unreliable case resolution time (our estimate is based on a 95 percent confidence level and a precision of +/- 3.5 percent). We also identified two specific types of delays that affected reliability of case resolution time (see Table 4 on page 11). Our statistician computed weighted averages for each type of delay to determine the number of cases that were affected and the average number of days delayed for each category.

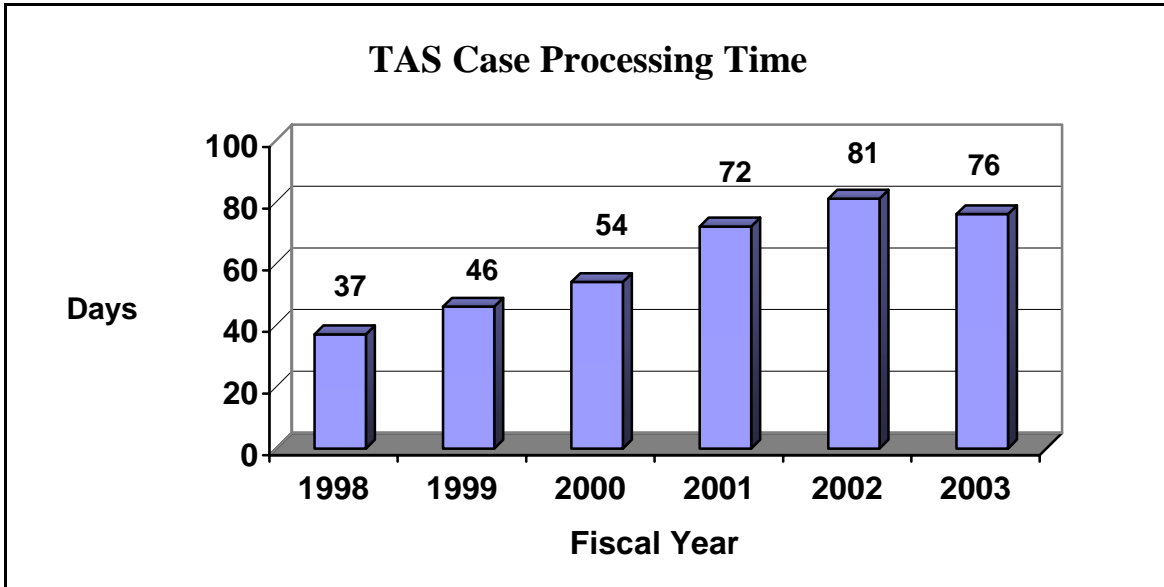
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<sup>1</sup> The TAS did not include the reopened cases in total closures for FY 2003 in its Business Performance Review Report.

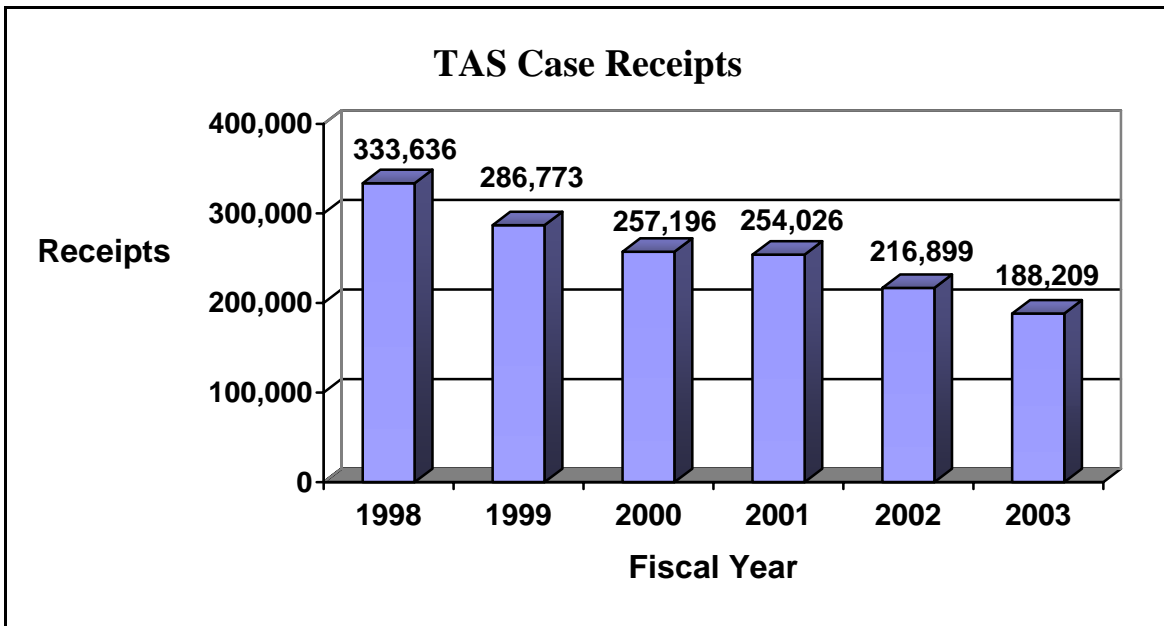
The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely

Appendix V

Charts Showing Case Processing Time, Receipts, Closures, and Staffing

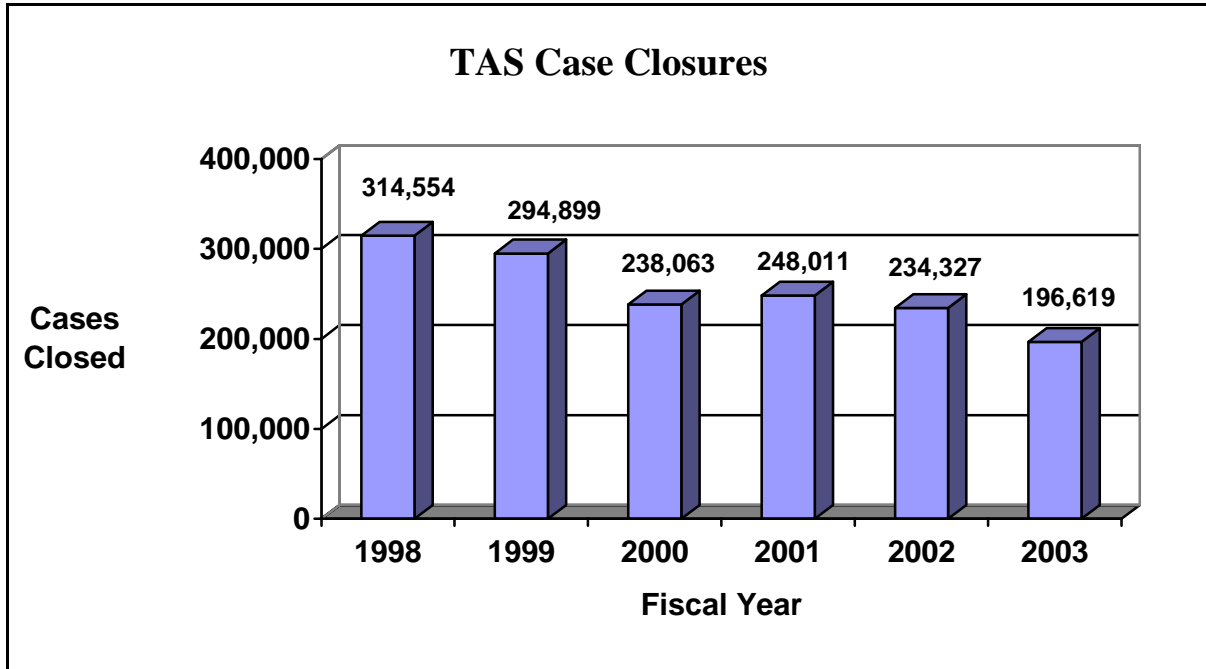


Source: Business Performance Reviews for the Taxpayer Advocate Service (TAS).

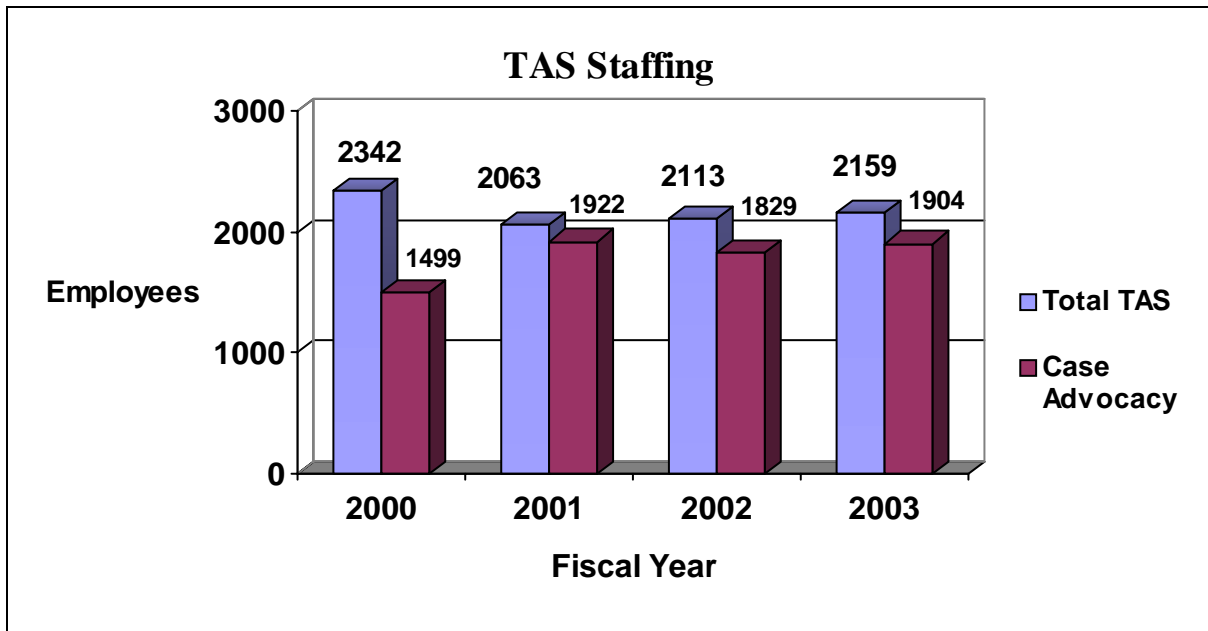


Source: Business Performance Reviews for the TAS.

**The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely**



Source: *Business Performance Reviews for the TAS.*



Source: *Business Performance Reviews for the TAS and the Internal Revenue Service Oversight Board's Report, dated September 2002.*

**The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely**

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Appendix VI

**Management's Response to the Draft Report**



National  
Taxpayer Advocate

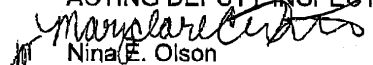
Department of the Treasury  
Internal Revenue Service  
Washington, DC 20224

September 13, 2004

RECEIVED  
SEP 13 2004

MEMORANDUM FOR GORDON C. MILBOURN III  
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

  
Nina E. Olson  
National Taxpayer Advocate

SUBJECT:

Draft Report – The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely (Audit # 200310039)

We are writing in response to the above-captioned report. The Office of the Taxpayer Advocate agrees wholeheartedly with the premise that timeliness in casework is of vital importance. We have taken and will continue to take significant steps to improve case timeliness. On balance, we believe that the emphasis we place on both case timeliness and case quality has produced extremely favorable results for taxpayers, TAS, and the IRS generally.

Customer satisfaction surveys conducted quarterly for our office by the Gallup Organization show a high level of satisfaction among taxpayers who have brought their cases to TAS. Since the beginning of FY 2003, 83 percent of TAS's customers reported that they were either satisfied or very satisfied overall with TAS's services, and 57 percent of those surveyed indicated that their opinions of the IRS were more positive as a result of working with TAS. Notably, even taxpayers for whom TAS was unable to provide relief were generally satisfied. Of all no-relief cases, 59 percent of taxpayers surveyed reported that they were satisfied or very satisfied with TAS, and more than one-third reported that they had a more positive opinion of the IRS as a result of their TAS experience.<sup>1</sup>

Our customer satisfaction surveys provide us with specific feedback regarding the importance of timeliness. The surveys tell us that taxpayer satisfaction with TAS begins to decline after 90 days.<sup>2</sup> We believe that our customer satisfaction survey results are

<sup>1</sup> Data reported covers the period from October 2002 through June 2004, representing almost 27,000 respondents. Gallup conducts a daily survey of a statistically valid sample of taxpayers and taxpayer representatives whose cases were recently closed by TAS. Reports are provided to TAS on a quarterly basis.

<sup>2</sup> TAS customers are asked to rate their level of satisfaction on a scale ranging from 1 (very dissatisfied) to 5 (very satisfied). Among customers whose cases are resolved in less than 30 days, for example, the



## The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely

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positive in large part because we resolve the great majority of taxpayer problems in less than 90 days. Indeed, as discussed below, a typical TAS case is resolved in about half that time.

Notwithstanding the general success of the case advocacy program, we are continually making efforts to improve the program, and we intend to adopt five of the audit report's seven recommendations. We must, however, note our significant concerns about certain aspects of this report and a prior audit referenced in this report.

Over the last two years, TIGTA has conducted reviews of TAS's two major programs – its systemic advocacy function and its case advocacy function. Portions of both audit reports were helpful to TAS management. In both audit reports, however, portions of the reports have gone substantially beyond the audits' stated objectives to assert sweeping conclusions about TAS management that are generally unsupported by the reports' findings and that, in some cases, are flatly contradicted by the reports' findings. Particularly to those not intimately familiar with the details of a program, inspectors' general reports carry a presumption of correctness. Negative audit reports have the potential to tarnish a program. In the recent TAS audits, we do not believe that TIGTA met its obligation to reach responsible conclusions that are clearly supported by audit findings.

In the current audit, TIGTA asserts: "Based on our review, a significant portion of the increase in time [from FY 1998 to FY 2003] needed to resolve taxpayers' problems was due to inefficient case management on the part of TAS employees and inadequate management oversight by the TAS." (Emphasis added.) That's a fairly strong criticism of both TAS employees and TAS management. However, the audit team did not conduct a review of cases for FY 1998, FY 1999, FY 2000, FY 2001, or FY 2002. As Appendix I, "Detailed Objective, Scope, and Methodology," and Appendix IV, "Outcome Measures," make clear, TIGTA limited its examination to cases closed during FY 2003. As such, the audit team made no findings that would enable it to determine whether inefficiencies in earlier years accounted for average delays of, say, two days or 20 days. In the absence of any audit findings regarding the sources or magnitude of delays due to inefficiency in prior years, the statement that management inefficiency is responsible for an increase in cycle time from years prior to FY 2003 is, at most, conjecture. We believe the statement is demonstrably wrong, but leaving aside our views, there is no evidence in the report at all to support this statement.<sup>3</sup>

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overall satisfaction rating is 4.26. Among customers whose cases are resolved in the 61-90 day range, the overall satisfaction rating increases to 4.38. This may be attributable to a recognition that more complex issues require time to resolve. However, customer satisfaction drops back to 4.27 in the range of 91-120 days. It continues to decline to 4.21 after 150 days and to 4.14 after 210 days. The Gallup Organization advises that changes of 0.10 or greater are statistically significant.

<sup>3</sup> As a separate matter, we note that the audit report inaccurately refers to the IRS caseworking operation in pre-March 2000 periods as "TAS" despite our requests earlier in the process – both orally and in writing – to correct that error. Prior to March 2000, IRS casework was performed by the Problem Resolution Program ("PRP"). TAS did not exist as an organization until March 12, 2000. We will explain the significance of the distinction in the text below. For present purposes, we note only that we believe the distinction matters, that listing cycle-time statistics for earlier periods under the heading of "TAS" is

## The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely

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In the systemic advocacy audit,<sup>4</sup> TIGTA reached the following conclusion (as summarized in the current audit report): "In our opinion, systemic problems were not addressed timely because TAS management shifted staff away from systemic advocacy work in order to produce the National Taxpayer Advocate's Annual Report to Congress." As a threshold matter, we note that the earlier audit report seemingly assumed that a clear distinction exists between advocacy projects being developed for the National Taxpayer Advocate's Annual Report to Congress (the "Annual Report") and all other advocacy projects. In fact, no such clear distinction exists. TAS works a large number of advocacy projects on an ongoing basis. The highest priority projects are worked the most aggressively and, where appropriate, are developed for inclusion in the statutorily mandated Annual Report. Particularly in light of IRS budget constraints, we think it is entirely appropriate to allocate our limited resources most heavily toward our highest priority projects.

More to the point, the TIGTA report's sole "outcome measure" was that 16.7 million taxpayers were potentially being harmed annually because of TAS delays in the projects studied. In light of the report's conclusion that non-Annual Report advocacy projects were being neglected, one might expect to find that a significant portion of the potential harm to the 16.7 million identified taxpayers occurred because TAS did not adequately pursue non-Annual Report advocacy projects. Yet to the contrary, 99 percent of these 16.7 million taxpayers could have been assisted only through an Annual Report write-up because the solution to their problem requires a legislative change.<sup>5</sup> The issues affecting the other one percent of potentially harmed taxpayers,

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factually inaccurate, that we asked the audit team to correct the references before the final report was produced, and that the audit team ignored our request and continues to list statistics for pre-March 2000 periods under the heading of "TAS." Among the inaccurate references, the report states that "there was an increase in the TAS staff during FY 2000" (TAS was not created until the middle of FY 2000) and that the "TAS case workload" decreased from FY 1998 to FY 2003. A chart near the beginning of the report contains two headings that show the changes in cases received and cases closed "by TAS" from FY 1998 – FY 2003, and Appendix V contains four charts that provide data from FY 1998 – FY 2003 under the headings "TAS Case Processing Time," "TAS Case Receipts," "TAS Case Closures," and "TAS Staffing." In addition, the first sentence of the audit summary contained in TIGTA's transmittal memorandum to TAS states: "The time it takes TAS to resolve taxpayers' problems has increased significantly over the past 5 years. . . ." If the audit team were looking for a way to avoid the need for separate PRP and TAS headings, it could simply have referred to all years as "IRS Caseworking," or something similar. We are baffled by the audit team's insistence on using factually incorrect labels after the matter was repeatedly called to its attention.

<sup>4</sup> Treasury Inspector General for Tax Administration, *The National Taxpayer Advocate Could Enhance the Management of Systemic Advocacy Resources* (Ref. No. 2003-10-187, Sept. 2003).

<sup>5</sup> TIGTA noted that TAS had an open advocacy project regarding whether to recommend that Congress amend the Internal Revenue Code to advance the deadline by which partnerships must file their tax returns – and thereby the deadline by which partnerships would have to issue Schedules K-1 to their partners – from April 15 to March 15. Because partnerships currently are not required to issue Schedules K-1 until April 15, their partners often are not told the amount of their partnership income until after April 15 and thus must request a filing extension. In its report, TIGTA concluded that the failure of the National Taxpayer Advocate to pursue this issue more aggressively had potentially harmed 16.5 million taxpayers annually. In fact, the National Taxpayer Advocate had identified this issue in her 2001 Annual Report, discussed this issue with congressional staff on subsequent occasions, and formally

## The Taxpayer Advocate Service Needs to Improve Case Management to Ensure Taxpayer Problems Are Resolved Timely

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although susceptible to administrative solution, may be addressed legislatively and have been substantially discussed in the Annual Reports.<sup>6</sup>

Thus, the audit report's outcome measure arguably supported a conclusion precisely opposite to the one reached by TIGTA – that those 16.7 million taxpayers would have benefited most if TAS management had shifted more staff toward the Annual Report. While TIGTA purported to rest its conclusion on other audit findings (with which we generally disagreed), the audit report made no attempt to explain why the audit team reached a conclusion that was undermined, and contradicted, by its sole outcome measure.

We will now turn to the details of the present audit report.

1. In many cases, we disagree with the audit report's findings of "delay" in TAS case processing because we believe the audit team's definition and computations of "delay" were flawed.

The audit team reviewed 500 cases from FY 2003 and concluded that there was at least one day of delay in 273 of those cases. TAS personnel subsequently conducted their own review of the cases and disagreed with the audit team's analysis in more than 30 percent of the cases. Many of the audit team's findings of "delay" reflect subjective judgments about how cases should be handled rather than instances of manifest inefficiency or neglect.

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recommended a change in the law in her 2003 Annual Report (after the TIGTA audit was completed). However, the proposal is somewhat controversial, and to date, no congressional action has been taken. Based on the audit report's reasoning, the audit team presumably would now conclude that Congress's failure to enact the proposal is potentially harming 16.5 million taxpayers annually. In fact, this is a policy issue that requires balancing, and while TAS and the audit team seemingly agree that the filing deadline should be moved up, it is too facile to say that either TAS or Congress is negligently causing potential harm to 16.5 million taxpayers annually. More fundamentally, we question why the audit team based 99 percent of its sole outcome measure to evaluate TAS's systemic advocacy program on this one project.

<sup>6</sup> Apart from the partnership-filing deadline, the two categories of advocacy projects that TIGTA included in its outcome measure involved the offer-in compromise (OIC) program and the federal payment levy program (FPLP). Together, TIGTA concluded, delays in addressing these issues potentially harmed 0.2 million taxpayers. In fact, far from neglecting these issues, TAS has been working on both OIC and FPLP issues aggressively since 2001. The National Taxpayer Advocate has personally addressed problems in the OIC program in her 2001, 2002, and 2003 Annual Reports and has worked with IRS, Treasury, and Congressional staff on various aspects of the problems. Regarding the FPLP, the Taxpayer Advocate Service worked with the IRS to develop targeted communication and outreach strategies before the FPLP program was implemented, worked with the Small Business/Self-Employed Operating Division to establish an exclusion for low-income Social Security recipients for whom levies might create financial hardships, monitored the cases of hundreds of taxpayers who received notices of intent to levy before income filters had been implemented that would have exempted these taxpayers from levy, and addressed problems in the program in the 2003 Annual Report. TAS has devoted significant resources to both of these issues and has pursued them from the standpoints of case advocacy, systemic advocacy, employee guidance, and employee training.

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TAS personnel provided the following examples of cases on which there was disagreement:

- The audit team concluded there was delay in some cases where a caseworker exercised his or her discretion to grant a taxpayer's representative additional time to provide required information.
- The audit team concluded there was delay in numerous cases where caseworkers were properly following TAS policies and guidelines, and the auditors simply disagreed with the TAS policies and guidelines.

In all, TAS personnel disagreed with the audit team's findings of delay in nearly 100 of the cases reviewed.

2. The audit report's computations are based on mean cycle times, but median cycle times provide a more accurate picture of what the typical TAS customer experiences and tell a very different story.

The audit report states that TAS's "average" cycle time in FY 2003 was 76 days. We note, however, that "average" is a nebulous term, and "mean" and "median" measures of TAS cycle time produce very different results. The 76-day figure reflects the mean. In terms of measuring system-wide inefficiencies, the mean can be very useful, and for that reason, the mean is the business measure generally used in IRS business performance reviews. However, median cycle time provides a better indication of the typical taxpayer's experience with TAS because a small number of cases that take disproportionately long periods of time to resolve skew the mean.

A simple example will illustrate why. Assume TAS assists each of nine taxpayers in 50 days and one taxpayer in 550 days (perhaps, for example, because TAS kept the case open while it was being considered by the Appeals function or for an offer-in-compromise). The median cycle time in this example is 50 days, and that is the cycle time that the typical taxpayer (i.e., 9 out of the 10 taxpayers) has experienced. However, the mean cycle time in this example is 100 days because of the disproportionate statistical impact of an outlying case. To state that the "average" cycle time is 100 days in this example does not provide an accurate reflection of the experience of 90 percent of the taxpayers.

The following chart shows both median and mean cycle time since FY 2001 (TAS's first full year of existence):<sup>7</sup>

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<sup>7</sup> The mean cycle time numbers reflect FY 2004 data through August 31, 2004. All other numbers reflect FY 2004 data through September 8, 2004.

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FY	Number of Cases	Case Age (days)		
		Mean	Median	Longest Case
2001	263,844	72	47	1,606
2002	239,784	81	50	1,550
2003	200,228	76	48	2,233
2004 (YTD)	158,754	73	43	2,229

As this chart shows, median cycle time ranged between 47 and 50 days during TAS's first three years of existence -- and has dropped to 43 days in FY 2004 (year-to-date).

Particularly in light of the need for TAS to submit formal requests for assistance to other IRS functions in more than 60 percent of our cases and the significant improvement in our quality measures over the past three years (as discussed on pages 7 and 8 below), we think the median case cycle times demonstrate that TAS generally resolves taxpayer problems in a timely manner.

**3. TAS strives to achieve timeliness (not reduced cycle time), and our three quality measures that evaluate timeliness have improved dramatically since FY 2001.**

The objective in our casework is to resolve taxpayer cases in a timely manner. While we view cycle time as a useful indicator of timeliness, reducing cycle time is not, *per se*, a TAS objective. In fact, the use of cycle time as a quality measure in other IRS functions is sometimes the reason why cases end up in TAS; the pressure to meet cycle-time goals drives some IRS employees to close cases before issues are fully resolved. We train our case advocates to take as little -- or as much -- time as is necessary to assist taxpayers with their problems and to resolve all related issues.

Some cases are more complex than others, and the complexity of our casework generally is increasing (as discussed on page 8 below). We close thousands of cases each year that take longer than 75 days yet are handled as quickly as circumstances (such as receiving responses from taxpayers or other IRS functions) permit. When cycle time itself is made the priority objective, an incentive arises for caseworkers to close out cases prematurely, which is directly at odds with TAS's actual quality standards, including the goal of addressing all related issues so that the taxpayer's case is truly and completely resolved.

Among our quality measures, we include three standards that measure timeliness at different stages of the process. We have improved dramatically on all three standards since TAS's inception. The first standard measures whether we make the initial taxpayer contact on a timely basis. On that standard, our quality score has risen from 68 percent in FY 2001 to 96 percent in FY 2004 (through June 30, 2004). The second standard measures whether we take our initial case action on a timely basis. On that standard, our quality score has risen from 70 percent in FY 2001 to 95 percent in

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FY 2004 (through June 30, 2004). The third standard measures whether we take subsequent action on a timely basis. On that standard, our quality score has risen from 49 percent in FY 2001 to 80 percent in FY 2004 (through June 30, 2004). Although our score on this final standard is still too low to be acceptable for TAS, it has been the focus of intense management and case advocate efforts and will continue to receive priority attention. The fact that the score has increased by 31 percentage points over the past four years demonstrates that we are making significant progress.

In our view, our improvement in these timeliness quality measures over the last four years demonstrates the emphasis we are placing on timeliness in the handling of taxpayer cases, management's and case advocates' effectiveness in identifying and implementing timeliness initiatives, and as a consequence, our success in assisting taxpayers expeditiously in most instances.

4. TAS has taken and is continuing to take significant steps to improve the timeliness of our casework.

To improve case timeliness, TAS has (1) expanded and improved training for its case advocates, (2) redesigned the Taxpayer Advocate Management Information System (TAMIS) to make it easier for case advocates to track important dates and information, (3) revised relevant provisions of the Internal Revenue Manual to provide greater direction with respect to inventory management, timely case actions, and related matters, and (4) instituted a requirement that local taxpayer advocates review cases that remain open for 100 days. We are developing a strategy to conduct 7-10 day case reviews to ensure that case advocate action plans are well developed. In those instances where we identify problems with IRS processes that cause undue delays, we initiate advocacy projects to address the process problems. We have, for example, initiated projects to promote campus consistency and to improve procedures for processing innocent spouse claims, criminal investigation freeze cases, and earned income tax credit cases. The IRS Oversight Board singled out TAS's employee training program as an IRS "bright spot" in its most recent report to Congress.<sup>8</sup>

5. Our overall quality measure, which includes three timeliness measures, shows a dramatic improvement in the overall quality of our casework over the last three years.

TAS's overall casework quality score has risen from 72 percent in FY 2001 to 90 percent in the first nine months of FY 2004.<sup>9</sup> Since January 2001, our overall score has

<sup>8</sup> See IRS Oversight Board, IRS Oversight Board Annual Report 2004, page 22.

<sup>9</sup> Each IRS function has developed a series of quality standards that help assess its performance of certain core responsibilities. The standards of each function must be approved by the Commissioner. Upon standup in March 2000, TAS developed eight quality standards to evaluate case quality. A centralized quality review (CQR) staff of 8-9 reviewers applies the eight standards to a statistically valid sample of closed cases. The IRS Statistics of Income organization is engaged to update and validate the sample size. Results are valid at the full TAS level monthly, and at the area and local office level after 3-4 months and 12 months, respectively, at a 90 percent confidence level (+/- 5 percent). CQR resides in the Office of Program, Planning and Quality to ensure independent results.

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risen for 41 consecutive months. By any standard, this improvement is significant, is consistent, and reflects the heavy emphasis that TAS has placed, and is continuing to place, on training and on effective case management by TAS employees.

6. The timeliness of TAS's casework is improving even though the complexity of TAS's casework is increasing.

The percentage of TAS cases that involves complex issues is rising. To cite one indicator, TAS cases are classified as relating to either "service" or "compliance," and "compliance" cases, in general, are considerably more complex. In FY 2001, compliance cases constituted 52 percent of TAS's overall caseload. For FY 2004 (through August 31, 2004), that figure has jumped to 64 percent. While we are still working to develop a better measure to quantify the magnitude of the complexity increase, we believe based on anecdotal evidence that the change in the mix between service and compliance work is a reasonably accurate indicator. It should be noted that more complex cases generally take longer to work, largely because TAS case advocates handling these cases are far more likely to require assistance from operating division employees, guidance from our technical advisors, legal advice from the Office of Chief Counsel, or policy guidance from the Office of the Taxpayer Advocate.

7. The report's presentation of closed-case cycle-time statistics beginning with FY 1998 does not distinguish adequately between the Taxpayer Advocate Service and its predecessor organization, the Problem Resolution Program.

The audit report states that the average time to resolve cases has more than doubled over the past five fiscal years – from 37 days in FY 1998 to 76 days in FY 2003.<sup>10</sup> Standing alone, this statistic appears deeply troubling. As noted above, however, TAS did not exist during FY 1998, FY 1999, or the first 5-1/2 months of FY 2000. Prior to that time, casework was handled under the auspices of the Problem Resolution Program (PRP). The differences between the PRP and TAS are stark. PRP employees generally were embedded within the various IRS functions (e.g., Examination or Collection) and reported up the chain of command to the District Directors. Because they were located within core IRS functions, they possessed the same authorities as other function employees to make decisions and input account adjustments. As a result, they were generally able to resolve cases quickly.

However, some members of Congress became concerned that PRP caseworkers – largely because they reported up the chain of command to the District Directors – were not sufficiently independent. In the IRS Restructuring and Reform Act of 1998, Congress directed that the PRP caseworking operation be revamped to provide caseworkers with a greater degree of independence.<sup>11</sup> After almost two years of

<sup>10</sup> As explained above, TIGTA is referring to mean cycle time rather than median cycle time when it cites averages.

<sup>11</sup> Congress mandated that local taxpayer advocates report to the National Taxpayer Advocate. Congress also directed the National Taxpayer Advocate to develop career paths for local taxpayer advocates. IRC § 7803(c)(2)(C)(iv). The House-Senate conference report accompanying the IRS

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planning, TAS "stood up" as an independent organization on March 12, 2000. When PRP terminated and was replaced by TAS, caseworkers were no longer located within the core IRS chain of command. They did not have the authority to make substantive decisions on cases, and they were not given delegated authority to the same extent as other IRS employees to input account adjustments.

On January 17, 2001, the Commissioner delegated authority to resolve certain routine cases to the National Taxpayer Advocate, who re-delegated this authority to TAS employees effective October 1, 2001, subsequent to training. Notwithstanding these delegated authorities, TAS case advocates still must request assistance from at least one IRS operating division in the clear majority of its cases. The audit team found that TAS submitted at least one Form 12412, Operations Assistance Request, to IRS operating divisions in 65 percent of the cases it reviewed.<sup>12</sup> Among these cases, the average number of OARs submitted per case was nearly two. When TAS first stood up, there was considerable confusion on the part of both TAS and operating division employees about how to handle OARs. During FY 2003, TAS implemented negotiated service level agreements (SLAs) with several operating divisions that set forth standard procedures. However, cases that require OARs still require considerably more time than other cases.

Because TAS is dependent both on other functions to respond to its OARs and on taxpayers to provide additional information in many instances, TAS cycle time is not solely a measure of TAS timeliness. Rather, it is a blended measure of the timeliness of TAS, the rest of the IRS, and the taxpayers whom we serve.<sup>13</sup>

One local taxpayer advocate recently described her experience with OARs as follows:

[I]f TAS does not have the authority to work a case, we are dependent on the operational area not only approving our OARs but on the[ir] performing input of related adjustments, AIMs closing, etc. In many of those operations, specifically Exam and ASFR, the employees were not/are not accustomed to performing adjustment input to IDRS because their "systems" do that for them. . . . Our employees are often required to "assist" them in doing IDRS adjustments. Inconsistency among campus and field office operations from issue to issue and program to program on

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Restructuring and Reform Act of 1998 explained the rationale: "Under the [PRP] system, local problem resolution officers generally must return to an audit or collection function to achieve promotion. This lack of a career path within the problem resolution system reduces the independence of the system." H.R. Conf. Rep. No. 105-599, at 213 (1998). Moreover, Congress directed local taxpayer advocates, at the initial meeting with any taxpayer seeking their assistance, to notify the taxpayer that the taxpayer advocate offices operate independently of any other IRS office and report directly to Congress through the National Taxpayer Advocate. IRC § 7803(c)(4)(A)(iii).

<sup>12</sup> This audit finding is generally consistent with TAS's overall results. In FY 2004 (through August 31, 2004), slightly more than 60 percent of TAS cases involved OARs.

<sup>13</sup> It is largely for this reason that TAS uses cycle time as an indicator of the state of case processing and not as a quality measure.



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what they require as supporting documentation/information to support OARs is commonplace and also adds to cycle time. . . . [I]t's not uncommon for all 10 campuses to require different supporting information. Often [TAS caseworkers] send an OAR to one campus that would be acceptable in their campus, but find the same information is rejected from another campus. They then need to gather whatever else is required and send a second OAR.<sup>14</sup>

The audit report presents a chart that shows mean cycle times for each of the years FY 1998 through FY 2003 as follows:

Year	Mean Cycle Time
FY 1998	37 days
FY 1999	46 days
FY 2000	54 days
FY 2001	72 days
FY 2002	81 days
FY 2003	76 days

As the chart shows, in FY 1998 and FY 1999, when casework was handled through the PRP, mean cycle time was 37 days and 46 days, respectively – an average of about 42 days. In FY 2000, when casework was handled through the PRP for nearly half the year and by TAS for the balance of the year, mean cycle time increased to 54. In FY 2001-FY 2003, when casework was handled exclusively by TAS, mean cycle time increased to an average of 76 days (i.e., 72 days in FY 2001, 81 days in FY 2002, and 76 days in FY 2003). These changes in cycle time correlate precisely with the replacement of the PRP by TAS.

The audit report points out that "[t]he National Taxpayer Advocate stated that part of the increase in case resolution time resulted from changes in the TAS organizational structure and its authorities in FY 2000" but states that "she was not able to provide enough data or other evidence for us to verify these as causes for increased case resolution time." We note that the audit report has made no audit findings to support any other explanation for the increase in mean cycle time of 39 days from the FY 1998 PRP year to the FY 2003 TAS year. According to the audit report, 16 days of cycle time in FY 2003 were attributable to inefficiency (plus three days were attributable to a TAS policy decision regarding the timing of case closures). Even if we assume that there was no inefficiency at all in PRP caseworking during FY 1998, the TIGTA audit team has provided no explanation whatsoever for 20 days of the 39-day increase. In the more likely event that inefficiencies in FY 1998 were approximately what they are today – and the audit team has no idea whether this is the case because it did not

<sup>14</sup> TAS is currently working on an advocacy project involving campus process inconsistencies. The subject was addressed in last year's Annual Report and is likely to be addressed again this year.

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sample FY 1998 cases – then most or all of the 39-day increase in mean cycle time is apparently beyond the audit team’s ability to explain.

We further note that TIGTA itself has previously examined and acknowledged the limited scope of TAS’s authorities. In 2002, TIGTA completed an audit report titled, “Taxpayer Advocate Service Employees Made Adjustments to Taxpayer Accounts Without Proper Authorization.”<sup>15</sup> The audit was conducted at the request of the National Taxpayer Advocate after she received an anonymous letter from a TAS employee alleging that TAS case advocates frequently were taking actions that exceeded the scope of their authorities – authorities they generally had under the PRP but not under TAS. In its report, TIGTA concluded that TAS employees in all nine TAS areas did, in fact, make adjustments to taxpayer accounts that exceeded the scope of their authorities. The TIGTA report also quoted the following excerpt from the National Taxpayer Advocate’s testimony before the House Ways and Means Subcommittee on Oversight that explains the rationale for TAS’s limited authorities to resolve cases unilaterally:

[If] TAS takes on more IRS authorities, it risks becoming a “shadow IRS” and it loses its effectiveness as an advocate for systemic change. That is, after all, the ultimate goal – to work with other IRS operating and functional divisions in identifying and mitigating individual and systemic taxpayer problems.<sup>16</sup>

For the reasons described above, we think it is clear that the sharp increase in mean cycle time from PRP years to TAS years is attributable to the significant structural differences between the PRP and TAS programs. These structural differences were built into the statute by Congress, implemented by the IRS through administrative practice, and studied and acknowledged previously, at least in part, by TIGTA.

### Conclusion

TAS’s first full year of existence was FY 2001. Since that time, the median cycle time for our cases has declined from 47 days in FY 2001 to 43 days in FY 2004 (YTD). At the same time, the quality of our casework has improved significantly, with our overall quality score rising from 72 percent in FY 2001 to 90 percent in FY 2004 (YTD). Our success in providing timely and high quality service to taxpayers is reflected in surveys of recent TAS customers taken by the Gallup Organization. Since the beginning of FY 2003, these surveys show a satisfaction level of 83 percent overall. Notably, even 59 percent of taxpayers for whom TAS could provide no relief reported themselves

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<sup>15</sup> Treasury Inspector General for Tax Administration, *Taxpayer Advocate Service Employees Made Adjustments to Taxpayer Accounts Without Proper Authorization* (Ref. No. 2002-10-079, March 2002).

<sup>16</sup> 2001 Tax Return Filing Season: Hearing Before the Subcommittee on Oversight of the House Committee on Ways and Means, 107<sup>th</sup> Cong. (2001) (statement of Nina E. Olson, National Taxpayer Advocate).

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satisfied with our services. We believe that the TAS case advocacy program is a success story. On the whole, the program is operating effectively and efficiently.

We recognize, of course, that improvements can be made, and we are continually taking steps to make the program better. To improve case timeliness, for example, TAS has expanded and improved training for its case advocates, redesigned the Taxpayer Advocate Management Information System (TAMIS) to make it easier for case advocates to track important dates and information, revised relevant provisions of the Internal Revenue Manual to provide greater direction with respect to inventory management, timely case actions, and related matters, and instituted a requirement that local taxpayer advocates review cases that remain open for 100 days.

Despite our concerns with aspects of the present audit, we intend to implement five of its seven recommendations to improve case timeliness. Our detailed response to these recommendations follows.

Thank you for the opportunity to review and comment on this report. If you have any questions or concerns, please contact Ken Drexler at (202) 927-6372 or Rena Girinakis at (202) 622-4321.

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### TIGTA Recommendations and Management Response

**TIGTA Recommendation 1:** Alert TAS managers that case advocates are not developing and documenting case action plans as required. Further, managers should be alerted that follow-up dates are often not being recorded on the TAMIS as required and that the follow-up dates which have been established are often not met.

**Corrective Action:** TAS has taken several steps to address this issue.

1. The TAMIS system has been redesigned to give employees the tools to maintain date fields, action plan items, and inventory management controls. Managers use the "Next Action Date" report generated by the new TAMIS to ensure timeliness of case actions.
2. TAS management, as of April 2004, is now required to use Case Review Form 13095. The form is designed for use by managers at any time during the case life cycle to review and document casework. It is used to collect information that will be shared with case advocates as part of the evaluative process. The case review form constitutes an evaluative recordation that is subject to the provisions of the IRS/NTEU National Agreement. Each case review form addresses the necessity of documenting a case action plan. Each manager received training in March 2004 on the process and on effectively documenting the case review form. Each manager also received training in the summer of 2004 regarding how to conduct effective case reviews.
3. TAS IRM changes, recently negotiated with NTEU (9/04), provide clarity and specificity on the use of actions plans, follow-up dates, etc. We will include an alert about the proper use of action plans and follow-up dates as part of our training on the new IRM provisions during the rollout in the first quarter of FY 2005.

**Completion Date:**

1. Completed.
2. Completed.
3. December 31, 2004

**Responsible Official:** Director, Taxpayer Account Operations.

**TIGTA Recommendation 2:** Provide training to case advocates on the requirement to develop and document case action plans at the beginning of each case. The training should guide employees on determining the overall time period needed to complete cases as well as intermediate follow-up dates to ensure the case is progressing as intended. The training should also address the need to improve case documentation so that the progress of the case action plan can be properly monitored.

**Corrective Action:** TAS has taken several steps to address this issue.

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1. Each training course developed and delivered over the past two fiscal years uses case studies to highlight the importance of follow-up dates, next action dates, next contact dates, and estimated completion dates.
2. Training on Taxpayer Assistance Orders is routinely delivered (first via video, then in work group settings, and finally through the case studies conducted at annual employee training symposiums).
3. As we noted in response to the previous recommendation, the TAMIS system enhancements give employees the tools to maintain date fields, action plan items, and inventory management controls.
4. TAS Internal Revenue Manual provisions have been revised and now provide TAS employees with considerable direction with respect to inventory management, actions plans, timely case actions, and related matters. As noted in response to Recommendation 1, TAS will conduct training on the new IRM provisions during the rollout in the first quarter of FY 2005.

**Completion Date:**

1. Completed.
2. Completed.
3. Completed.
4. December 31, 2004.

**Responsible Official:** Director, Taxpayer Account Operations.

**TIGTA Recommendation 3:** Revise the procedures to eliminate the 5-day grace period allowed on follow-up dates.

**Management Response:** We do not agree with this recommendation. TAS cannot shelve inventory. All cases must be worked as they arrive. Case advocates often face multiple deadlines that fall on the same day, and this five-day period of time provides case advocates with the flexibility they require to set priorities. For example, a case advocate facing a follow-up date on one case may receive another case in which the IRS is about to seize a taxpayer's property. In our view, the case advocate must have the flexibility to work the case involving the property seizure before working other cases.

**TIGTA Recommendation 4:** Include in the new management case review procedures specific direction for when and how often manager reviews are to be performed. An expected completion date should be established at the beginning of each case to assist managers in identifying cases which have been delayed, so that the managers will review such cases and take corrective action.

**Corrective Action:** TAS has taken several steps to address this issue.

1. Case Review Form 13095 and management guidelines provide tools for management to identify trends and concerns in casework. This form was implemented in April of 2004.

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2. The National Taxpayer Advocate imposed a requirement that local taxpayer advocates review cases at the 100-day mark. In FY 2005, both area offices and headquarter offices will be required to conduct reviews of the local reviews.
3. Case advocates had access to screens to document case actions and action plans with the implementation of the redesigned TAMIS system in late 2003. This also facilitates management's review of case direction and activities.
4. We are currently examining whether to impose certain additional managerial review requirements to ensure that case advocates are on the right track earlier in the case.
5. We are developing a strategy to conduct 7-10 day case reviews to ensure that case advocate action plans are well developed. A review of the information we plan to request from the taxpayer and/or the IRS will be included.
6. Managers have received intensive training on case reviews, workload reviews, employee documentation, and related matters. The determination of the types of reviews and their frequency will be made on the basis of trends identified in quality and evaluative reviews.
7. We enhanced and then delivered an inventory management-training module for our case advocates in December 2003. This training includes a prerequisite course and stresses the use of and adherence to follow-up dates, next contact dates, and action plans. We agree that the establishment of an estimated completion date is a useful tool to ensure timely resolution of case issues.

**Completion Date:**

1. Completed.
2. Completed.
3. Completed.
4. March 31, 2005.
5. March 31, 2005.
6. March 31, 2005.
7. March 31, 2005.

**Responsible Officials:** TAS Area Directors.

**TIGTA Recommendation 5:** Alert TAS managers that case advocates are not closing cases after all actions are completed.

**Corrective Action:** Notwithstanding the training TAS managers received during the summer of 2004 that focused on effective case reviews, we will issue a reminder to ensure that all actions occur on or within limits described in the Internal Revenue Manual. We will also review the existing IRM requirements to determine whether additional clarification is needed. The redesigned TAMIS system also allows managers to track dates set by case advocates more effectively and to conduct follow-up reviews to ensure that deadlines are met.

**Completion Date:** March 31, 2005.

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**Responsible Officials:** Deputy National Taxpayer Advocate.  
Director, Taxpayer Account Operations.

**TIGTA Recommendation 6:** Revise TAS procedures to close cases once the IRS has made a determination, even if the taxpayer appeals that determination. If the TAS monitors such cases, it should ensure that the TAMIS reflects that the cases are in monitoring status.

**Management Response:** We do not agree with this recommendation. Our role as case advocates requires that we assist each taxpayer until the IRS completes action on the case. In a case where the taxpayer appeals an adverse IRS determination, TAS case advocates assist the taxpayer regarding their appeal rights and processes. TAS also retains the authority to intervene on the taxpayer's behalf and, if necessary, to issue a Taxpayer Assistance Order to the Appeals function. Each determination to hold a case open during the appeal process is made on the basis of a facts-and-circumstances analysis. We believe that closing cases simply to shorten cycle time would elevate process above fulfillment of our core mission.

**TIGTA Recommendation 7:** The National Taxpayer Advocate should provide additional guidance to case advocates on communicating with IRS operating divisions to coordinate case resolution and to set achievable deadlines for completing Operations Assistance Requests.

**Corrective Action:** TAS has taken several steps to address this issue.

1. The service level agreements (SLAs) that TAS has negotiated with the IRS operating divisions set out specific time frames for acknowledgement of an OAR. The audit team did not determine the extent of operating division delays and noncompliance with the SLAs. We completed negotiated SLAs with the Criminal Investigation and Appeals functions in September 2004.
2. The OAR screen was added as part of the TAMIS redesign and enables us to track dates on which OARs are sent to the operating divisions and to track the age of our cases. The OAR screen will allow management to generate reports for use by TAS and the IRS to facilitate tracking, follow-up, and improvement initiatives to TAS and IRS processes.
3. In those instances where we identify problems with IRS processes that cause undue delays, we initiate advocacy projects to address the process problems. We have, for example, initiated projects to promote campus consistency and to improve procedures for processing innocent spouse claims, criminal investigation freeze cases, and earned income tax credit cases.
4. The Internal Revenue Manual has recommended timeframes for some common issues arising through OARs to assist TAS in establishing estimated completion dates on the OARs. We will continue to emphasize setting achievable

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completion dates and work with the operating divisions to ensure adherence to the SLAs.

**Completion Date:**

1. Completed.
2. Completed.
3. Completed.
4. June 30, 2005.

**Responsible Officials:** Director, Taxpayer Account Operations.  
Director, Program Planning and Quality.