TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Delays in Management Actions Contribute to the Continued Tax Processing Center Backlogs

September 16, 2022

Report Number: 2022-46-057

Why TIGTA Did This Audit

Backlogs of tax returns and other types of tax account work from the 2020 Filing Season continued to affect the IRS's ability to provide timely service to taxpayers in the 2021 Filing Season. At the end of Calendar Year 2021, the IRS had more than 8.2 million tax returns and about 2.6 million tax account transactions that remained in inventory.

This audit is part of a multiseries review of the IRS's efforts to reduce these significant backlogs at its Tax Processing Centers.

Impact on Tax Administration

Management has not taken steps to either reallocate staff or realign work to address the backlog of tax transcript requests. As a result, taxpayers who need these transcripts to validate information for mortgages or apply for student and small business loans will continue to be burdened. In addition, the IRS's mail processing equipment is 20 years old. Although IRS management previously agreed to take the necessary actions to replace this outdated equipment, as of May 11, 2022, funding has yet to be allocated. Until the funding is allocated and equipment replaced, the Federal Government will continue to lose millions of dollars in interest revenue.

Finally, a strategy is needed to address the delays in processing amended returns, which is not only causing significant burden on taxpayers but also results in the Federal Government continuing to pay substantial amounts of interest.

What TIGTA Found

The IRS continues to have significant inventory backlogs at its Tax Processing Centers. Efforts to reduce these backlogs are hampered in part by ongoing substantial hiring shortfalls of employees needed to fill mission-critical Tax Processing Center positions. On March 10, 2022, the IRS announced its plans to address the continuing backlog of tax returns and other tax account work during the 2022 Filing Season. These initiatives, referred to as the *Get Healthy Plan*, are intended to return the IRS to healthy inventory levels by the end of Calendar Year 2022. IRS defines "healthy" inventory levels as pre-pandemic inventory levels.

As of December 10, 2021, the Kansas City Tax Processing Center had over 751,000 unprocessed transcript requests compared to a little more than 145,000 unprocessed transcript requests at the Ogden Tax Processing Center. However, the IRS has an imbalance between available staff (183 employees in Ogden versus 70 employees in Kansas City) and the assigned inventory of unprocessed transcript requests. As of March 2022, about three months after TIGTA brought this concern to management's attention, no actions had been taken to address the significant backlog of transcript requests at the Kansas City Tax Processing Center.

The Tax Processing Centers also had almost 1.8 million amended individual returns in inventory as of April 25, 2022. The IRS sent approximately 300,000 amended individual returns to Accounts Management, which also has a significant backlog of amended individual returns.

Finally, in a prior report, TIGTA recommended that the IRS ensure that efforts to evaluate and purchase updated or new mail opening/sorting technology are executed timely. IRS management agreed stating they planned to take the necessary actions. However, because the procurement action is dependent on funding, management will reevaluate this effort if implementation is not successful within three years. In March 2022, IRS management advised us that steps are being taken to conduct market research and complete a statement of work related to the replacement of the mail processing technology.

What TIGTA Recommended

TIGTA made nine recommendations to the IRS including actions to: immediately take steps to address the imbalance of Tax Processing Center staffing for transcript requests, and evaluate alternatives for using employees detailed from the Small Business/Self-Employed Division to address the backlog of amended returns in the Submission Processing function.

The IRS agreed with all nine recommendations. The IRS plans to address the imbalance of certain transcript requests; however, their action does not specifically address our concerns. We will continue to monitor this in our continuing coverage of the IRS backlogs.

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20024

September 16, 2022

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Heather M. Hill
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Delays in Management Actions Contribute to the Continued Tax Processing Center Backlogs (Audit # 202140632)

This report presents the results of our review to continue to assess the Internal Revenue Service's (IRS) efforts to address the backlog of unworked tax returns and tax account inventories. This review is included in our Fiscal Year 2022 Annual Audit Plan and addresses the major management and performance challenge of *Responding to the COVID-19 Pandemic*.

Management's complete response to the draft report is included as Appendix II.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. If you have any questions, please contact me or Diana M. Tengesdal, Acting Assistant Inspector General for Audit (Returns Processing and Account Services).

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Background

Backlogs of tax returns and other types of tax account work from the 2020 Filing Season continued to affect the Internal Revenue Service's (IRS) ability to provide timely service to taxpayers in the 2021 Filing Season. At the end of the calendar year, significant backlog inventories associated with the 2021 Filing Season remained. Figure 1 provides a comparison of individual and business tax return inventory levels in various stages of processing that the IRS normally carries into the subsequent year filing season compared to inventory levels carried into the 2022 Filing Season.

**Figure 1: Comparison of Submission Processing Individual and Business
Tax Returns Inventory at the End of Calendar Years 2019, 2020, and 2021**

Function	December 28, 2019	December 25, 2020	December 31, 2021
Paper Returns Waiting to Be Processed	421,285	12,469,182	8,259,918
Error Resolution[1]	31,488	196,453	131,933
Processing Rejects[2]	152,449	1,799,479	622,559
Unpostable Returns[3]	504,093	2,104,335	1,805,740
Totals	1,109,315	16,569,449	10,820,150

Source: IRS Filing Season Statistics for the week ending December 28, 2019, and IRS inventory numbers provided to the Treasury Inspector General for Tax Administration (TIGTA) weekly for the week ending December 25, 2020, and the week ending December 31, 2021.

Prior audit recommended redirecting more payments to lockboxes[4]

In our prior audit,[5] we reported that while the majority of payments by check or money order to the IRS are directed to a lockbox site, some of these payments continue to be required to be sent directly to a Tax Processing Center. For example, payments with a Form 1041, *U.S. Income Tax Return for Estates and Trusts*, and Form 1065, *U.S. Return of Partnership Income*, are required to be sent to a Tax Processing Center. During Fiscal Year 2020, IRS reports showed that more than 6.9 million payments totaling more than $37.6 billion were processed at the IRS's Tax Processing Centers. More than 339,000 payments totaling $3.4 billion were received directly by an IRS field office employee, *i.e.*, employees who work in Examination,

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[1] Tax returns identified with an error condition are suspended from processing and sent to the Error Resolution function for correction by a tax examiner.

[2] Tax returns that cannot be processed, usually due to missing or incorrect information. Tax examiners correspond with the taxpayer to clarify an entry on a return. When the taxpayer responds, the tax examiner will resolve the issue and the return will continue processing.

[3] Transactions that will not post to the taxpayer's account because they failed validity checks. The unpostable condition must be resolved in order to complete processing of the transaction.

[4] An IRS lockbox is a facility operated by a Federally insured bank that the IRS has contracted for the purpose of, among other things, processing Federal tax remittances.

[5] TIGTA, Report No. 2021-46-064, *Effects of the COVID-19 Pandemic on Business Tax Return Processing Operations* (Sept. 2021).

Collection, Appeals, *etc.*, and then, per IRS guidelines, were sent to a Tax Processing Center for processing.

We also reported that lockbox sites did not shutdown during the Coronavirus Disease 2019 (COVID-19) pandemic, whereas the Tax Processing Centers closed with no payments being processed. As such, lockbox sites continued to process payments received during the time frame that the Tax Processing Centers were closed. We recommended that the IRS evaluate the feasibility of directing additional types of payments from Tax Processing Centers to lockbox sites. The IRS agreed with this recommendation. As of September 2021, the IRS stated that it directed additional payments to lockbox sites associated with an additional 23 notices and continues to identify more opportunities for additional payments that can be sent directly to a lockbox facility effective January 2023.

Results of Review

This report presents the results of our continued assessment of the IRS's efforts to reduce a significant backlog of tax returns and other types of taxpayer account work at its Tax Processing Centers. The results in this report are presented as of the end of December 31, 2021, with additional inventory information through April 2022. In May 2021, we reported[6] that the backlog of returns, taxpayer correspondence, and other types of tax account work continues to result in millions of tax returns not being processed timely, refunds not being issued timely, and taxpayers not receiving timely assistance with their tax account issues, all having a significant impact on the associated taxpayers. We have also reported that ongoing substantial hiring shortfalls of employees needed to fill mission-critical Tax Processing Center positions continue to hamper the IRS's efforts to address these backlog inventories. Figure 2 provides a summary of the staffing at the Tax Processing Centers as of the end of Calendar Years 2020 and 2021.

**Figure 2: Staffing at the Tax Processing Centers
as of the End of Calendar Years 2020 and 2021**

Tax Processing Center	Calendar Year		Percentage Change
	2020	2021	
Fresno, California	1,440	-	-100.0%[7]
Kansas City, Missouri	2,089	2,578	23.4%
Austin, Texas	2,171	2,399	10.5%
Ogden, Utah	2,415	2,862	18.5%
Totals	8,115	7,839	-3.4%

Source: Staffing statistics for Submission Processing per Tax Processing Center provided by the IRS as of December 18, 2020, and December 30, 2021.
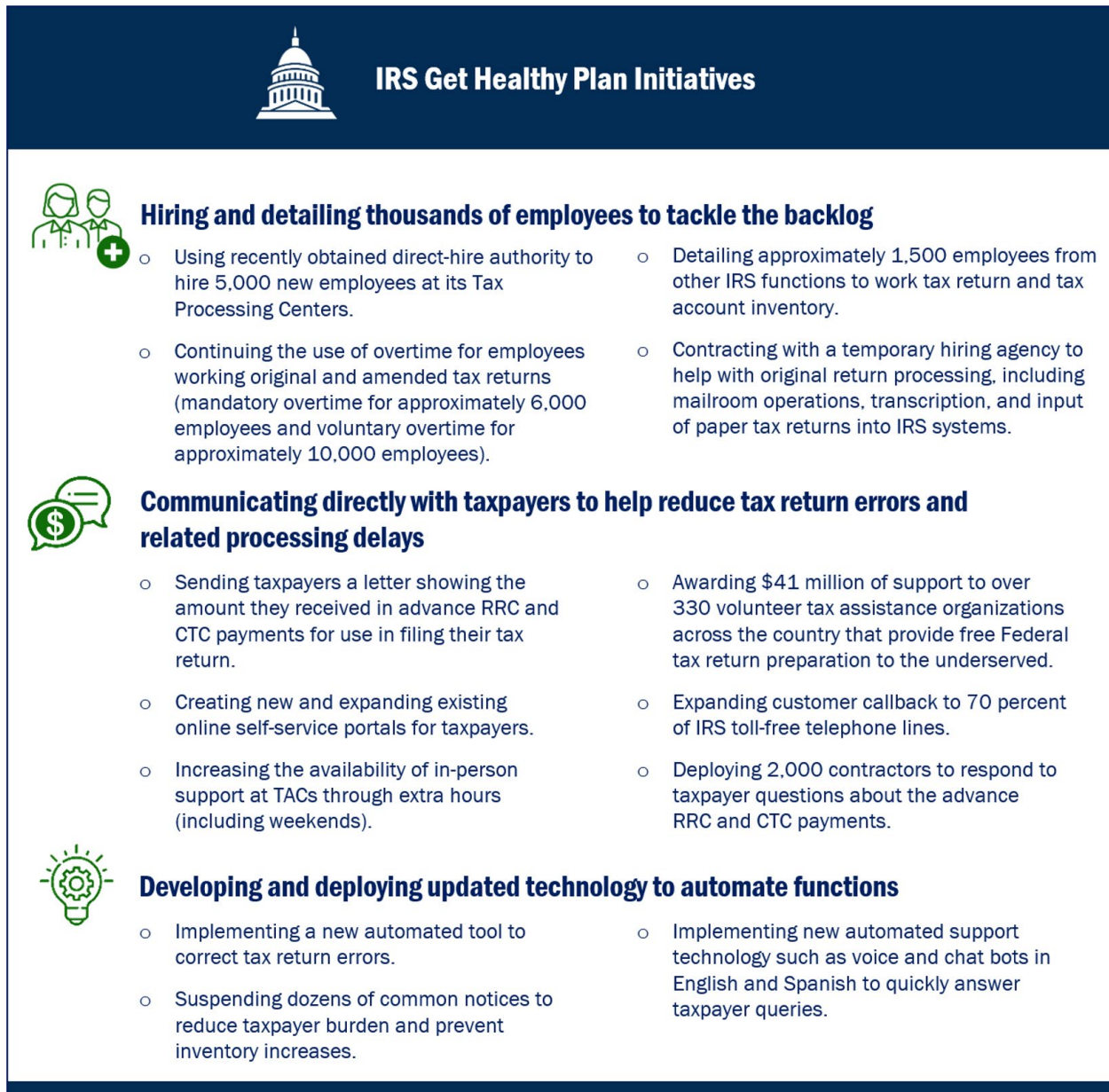
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[6] TIGTA, Report No. 2021-40-038, *Interim Results of the 2021 Filing Season* (May 2021).

[7] The IRS ended its Submission Processing function in Fresno, California as of September 2021.

In an attempt to address ongoing challenges, on March 10, 2022, the IRS announced its plans to address the continuing backlog of tax returns and other tax account work during the 2022 Filing Season. These initiatives, referred to as the *Get Healthy Plan*, are intended to return the IRS to healthy inventory levels by the end of Calendar Year 2022. IRS defines "healthy" inventory levels as pre-pandemic inventory levels. Figure 3 provides an overview of the *Get Healthy Plan* initiatives.

Figure 3: Overview of the *Get Healthy Plan* Initiatives

IRS Get Healthy Plan Initiatives

Hiring and detailing thousands of employees to tackle the backlog

- Using recently obtained direct-hire authority to hire 5,000 new employees at its Tax Processing Centers.
- Continuing the use of overtime for employees working original and amended tax returns (mandatory overtime for approximately 6,000 employees and voluntary overtime for approximately 10,000 employees).
- Detailing approximately 1,500 employees from other IRS functions to work tax return and tax account inventory.
- Contracting with a temporary hiring agency to help with original return processing, including mailroom operations, transcription, and input of paper tax returns into IRS systems.

Communicating directly with taxpayers to help reduce tax return errors and related processing delays

- Sending taxpayers a letter showing the amount they received in advance RRC and CTC payments for use in filing their tax return.
- Creating new and expanding existing online self-service portals for taxpayers.
- Increasing the availability of in-person support at TACs through extra hours (including weekends).
- Awarding $41 million of support to over 330 volunteer tax assistance organizations across the country that provide free Federal tax return preparation to the underserved.
- Expanding customer callback to 70 percent of IRS toll-free telephone lines.
- Deploying 2,000 contractors to respond to taxpayer questions about the advance RRC and CTC payments.

Developing and deploying updated technology to automate functions

- Implementing a new automated tool to correct tax return errors.
- Suspending dozens of common notices to reduce taxpayer burden and prevent inventory increases.
- Implementing new automated support technology such as voice and chat bots in English and Spanish to quickly answer taxpayer queries.

Source: *TIGTA analysis of the IRS's Get Healthy Plan. CTC = Child Tax Credit; RRC – Recovery Rebate Credit; TAC – Taxpayer Assistance Centers*

We plan to continue to monitor and report on the IRS's efforts to address its Tax Processing Center hiring challenges and its ability to reduce backlogs.[8]

Management Took Actions to Address Concerns Identified During This Review

The primary focus of our continued assessments of the IRS's efforts to reduce backlog inventory is to recommend actions the IRS can take to address challenges that create inefficiencies or increase existing backlogs, prevent the IRS from making any significant improvements in reducing these backlogs, and/or result in actions being taken to reduce taxpayer burden. During this review, we issued the following detailed e-mail alerts to IRS management outlining our concerns and are providing the actions taken by IRS management to address these concerns.

Recommendation 1 (E-Mail Alert): On September 16, 2021, we notified the Director, Submission Processing, Wage and Investment Division, that the IRS needed to identify when to stop coding and editing[9] prior year tax returns to prevent having to rework these returns (a situation that occurred during the 2020 Filing Season). For example, the IRS needed to send 822,994 business tax returns back to the Code and Edit function at the beginning of Processing Year 2021 to be re-edited to allow for processing. This occurred because these tax returns, although edited, had not been entered into the IRS's tax processing system by the end of Processing Year 2020. This resulted in an inefficient use of the IRS's resources because IRS employees needed to re-edit the tax returns. We recommended that the IRS develop a plan to not only limit the number of returns that would require rework, but also any potential downtime in the Code and Edit function so that resources can be maximized for processing tax returns.

> **Management's Response:** The IRS agreed with this recommendation and ensured on December 9, 2021, that all returns that were coded could be processed by the end of Calendar Year 2021. Additionally, on November 22, 2021, IRS management developed training materials and coding procedures to minimize rework and potential downtime in the Code and Edit function.

Recommendation 2 (E-Mail Alert): On September 29, 2021, we notified the Director, Submission Processing, Wage and Investment Division, of our observation that paper-filed information returns were being sorted and batched. According to both Tax Processing Centers, a decision had not yet been made regarding if the information return documents will be processed or destroyed. As we reported in September 2021,[10] the IRS faced similar decisions during Processing Year 2020 and destroyed approximately 30 million paper-filed information return documents around March 19, 2021, because the documents could no longer be

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[8] TIGTA Report No. 2022-16-039, *Fingerprinting and Employment Eligibility Verification Delays Due to the COVID-19 Pandemic May Increase Taxpayer Data Exposure Risks* (July 2022); TIGTA, Audit No. 202240621, *Continued Assessment of the IRS's Efforts to Address the Backlog During Filing Season 2022*; and TIGTA, Audit No. 202240622, *Continued Assessment of the IRS's Efforts to Address the Backlog of Over-Aged Accounts Management Inventory During Filing Season 2022*.

[9] IRS function that manually review returns to identify errors or missing information and preparing the returns for input to the IRS computer system.

[10] TIGTA Report No. 2021-46-064, *Effects of the COVID-19 Pandemic on Business Tax Return Processing Operations* (Sept. 2021).

processed through its systems. We recommended that the IRS determine if/when Processing Year 2021 paper-filed information return documents would be processed. As an alternative to destroying these documents, we recommended that management evaluate and consider scanning the information return documents using the Service Center Recognition Image Processing System while forgoing the data validation process.

> **Management's Response to Alert:** IRS management agreed and on October 4, 2021, the Commissioner, Wage and Investment Division, asked that all current income information return documents be processed by December 3, 2021. To accomplish this, the IRS advised that the information return program was given priority and moved staffing to accommodate this request. IRS management subsequently advised that the processing of about 28.5 million information return documents was completed on December 15, 2021.

Recommendation 3 (E-Mail Alert): On September 17, 2021, we notified the Director, Submission Processing, Wage and Investment Division, of our concerns with the processing of a backlog of taxpayer address changes using a first-in/first-out method. As of August 27, 2021, the Ogden Entity function had more than 173,000 address change requests in its ending inventory. In our discussions with Ogden Entity function management, they estimated that due to the backlog of inventory, more than 50 percent of the address change requests the staff were working had already been made by other means, *e.g.,* the filing of a tax return that automatically updates the taxpayer's address. As such, Entity function employees were needlessly expending resources working address change requests for which the address was already updated. We recommended that the IRS evaluate changing the order in which address changes are worked to a last-in/first-out method.

> **Management's Response to Alert:** The IRS agreed with the recommendation and implemented a last-in/first-out method effective January 3, 2022, to better serve the taxpayer.

Recommendation 4 (E-Mail Alert): On October 21, 2021, we notified the Director, Submission Processing, Wage and Investment Division, of our concerns related to the accuracy of information communicated to taxpayers regarding transcript request methods. For example, our review of information posted on IRS.gov found that non-paper-based methods for requesting tax transcripts were not communicated clearly. Whereas, the Form 4506-T, *Request for Transcript of Tax Return*, and Form 4506, *Request for Copy of Tax Return*, provide information for automated self-help service tools. We also found that the instructions on the Forms 4506 and 4506-T do not align with the website wording and could cause confusion for taxpayers. We recommended that IRS management update IRS.gov to provide clear communications on available resources. This includes updating the Forms 4506 and 4506-T tip sections to match IRS.gov language and conducting outreach to encourage individual taxpayers to obtain tax transcripts using the various automated methods.

> **Management's Response to Alert:** IRS management agreed and in November 2021 updated Forms 4506, 4506-T, and 4506-T-EZ, *Short Form Request for Individual Tax Return Transcript*, to match the language on IRS.gov. In addition, management developed communications that include information about Get Transcript and/or Online Account.

For this review, TIGTA continued to perform on-site walkthroughs at the Kansas City, Missouri, and Ogden, Utah, Tax Processing Centers to meet with staff and discuss challenges they are facing related to addressing backlogs. A significant concern that was raised during these walkthroughs was the lack of working printers and copiers. As we reported previously when we discussed this issue with IRS management on March 30, 2021, they indicated that they were working with the IRS's Information Technology organization to resolve the issue, and that organization had started replacing these devices. However, during this current review, we continued to identify concerns related to these devices.

Recommendation 5 (E-Mail alert): On September 16, 2021, we notified the Director, Submission Processing, Wage and Investment Division, of our concerns about the printing capacity of the new electronic fax (e-fax) equipment in the Error Resolution System functional area, noting that this new equipment can only print about 20,000 to 30,000 pages/month (approximately 240,000/year) whereas, the prior equipment printed roughly 2 million documents per year. In addition, in the three months since Ogden received this new equipment, it has burned out and needed new parts. Although Ogden ordered new multifunctional print devices, those were not to be delivered until January 2022. As a workaround, Ogden used two printers that had a capacity of about 15,000 pages per month. We recommended that the Submission Processing function collaborate with Managed Print Services and the Information Technology organization to identify and expeditiously resolve all instances of printer capacity, break/fix, *etc.* issues that are causing work stoppages in the Tax Processing Centers.

> **Management's Response to Alert:** Management advised during our subsequent walkthroughs of the Kansas City and Ogden Tax Processing Centers that they maintain a log for printer and fax issues that have been elevated for assistance. During this and our March 2022 walkthrough, no additional printer or e-fax issues were brought to our attention.

Management's response to other concerns we raised that were not adequately addressed during the course of our review are subsequently discussed, along with formal recommendations. We will continue to monitor the IRS's actions to address the concerns we raised in our ongoing reviews.

Management Has Not Taken Necessary Steps to Better Allocate Workload to Address the Significant Backlog of Tax Transcript Requests

As we reported previously,[11] the Submission Processing function provides the United States Department of Agriculture (USDA) with tax transcripts, which are used to verify income levels to help determine applicant eligibility for Federal Farm Program benefits. As a result of the closure of the Fresno, California, Tax Processing Center, the IRS transitioned this part of its tax transcript program to the Kansas City Tax Processing Center in July 2020. However, the unit to which this work was transferred, *i.e.*, Return and Income Verification Services (RAIVS), has a variety of other responsibilities apart from processing these USDA transcript requests. This includes processing requests for tax transcripts related to disaster relief, *e.g.*, the Small Business Administration

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[11] TIGTA, Report No. 2022-40-015, *Plans to Close the Austin Tax Processing Center Should Be Halted Until Hiring Challenges and Substantial Backlogs at Remaining Centers Are Addressed* (Feb. 2022).

Economic Injury Disaster Loans,[12] and processing taxpayer requests for photocopies of taxpayers' tax returns and/or copies of their tax transcript. These taxpayer tax transcript requests are most often used to validate past income and tax filing status for mortgage, student, and small business loan applications and to help with tax preparation.

Recommendation 6 (E-Mail alert): On December 17, 2021, we notified the Commissioner, Wage and Investment Division, of our concern that the resources assigned to the RAIVS unit were not commensurate between the Kansas City and Ogden Tax Processing Centers. In our discussions, IRS management advised that taxpayer tax transcript requests had been previously transshipped from the Kansas City Tax Processing Center to the Austin Tax Processing Center with the last transshipment of work occurring in October 2021.

On January 11, 2022, we notified the Director, Submission Processing, Wage and Investment Division, of the same concern noting that during our December 2021 walkthroughs, Kansas City management stated they have 70 full-time employees in the RAIVS/Income Verification Express Service's unit. Whereas, Ogden management stated they have 183 full-time employees. As of December 10, 2021, the Kansas City RAIVS unit had over 751,000 unprocessed requests compared to a little more than 145,000 unprocessed requests in the Ogden RAIVS unit.

We recommended that the IRS evaluate alternatives to address the volume of RAIVS inventory at the Kansas City Tax Processing Center. This should include an evaluation of the capacity to reallocate staffing at the Kansas City Tax Processing Center to assist the RAIVS unit, and/or realignment of work among the various Tax Processing Centers, *i.e.*, transship inventory from Kansas City to Ogden.

> **Management's Response to Alert:** IRS management agreed with our recommendation to evaluate alternatives and developed an action plan to move work to the Austin and Ogden Tax Processing Centers to allow Kansas City to focus on reducing RAIVS inventory. IRS management indicated that the resource allocation issue occurred because the Kansas City Tax Processing Center has experienced issues in hiring and adding additional staff. In addition, conflicting filing season priorities have prevented other staff from being moved over to assist with RAIVS inventory. The IRS stated that the action plan was shared with Submission Processing function management on January 11, 2022, and again on June 14, 2022.

As of March 2022, more than three months after we brought these concerns to management's attention, no actions had been taken to address the significant backlog of transcript requests in the Kansas City Tax Processing Center RAIVS inventory. Further, as of May 18 2022, the IRS did not have an action plan with target dates or time frames. IRS management indicated that they have not established target dates as all Tax Processing Center RAIVS resources are currently focused on addressing an increasing backlog of Income Verification Express Service[13] requests due to operational concerns related to the IRS's attempts to implement its Enterprise File

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[12] The Small Business Administration uses these transcripts to support individuals seeking loans to cover the costs associated with natural disasters or businesses that were seeking loans to remain in business during the pandemic.

[13] Income Verification Express Service Program participants primarily serve as an intermediary by receiving tax transcript requests from their clients such as banks or mortgage companies, submitting the requests to the IRS for processing, receiving the tax transcripts from the IRS, and then providing them to their clients that use the transcripts to verify taxpayer income in a loan application process.

Storage system.[14] Figure 4 shows the continued imbalance of transcript request inventory with 88 percent of these requests assigned to the Kansas City RAIVS unit, as of the week ending April 22, 2022.

Figure 4: Return and Income Verification Services Request Inventory

Request Type	Austin	Kansas City	Ogden	Total
USDA	-	78,020	-	78,020
SBA Disaster	159	28,050	-	28,209
RAIVS Transcripts	44,004	703,495	29,131	776,630
Photocopy	1,824	48,286	39,742	89,852
Other[15]	9	24	-	33
Totals	45,996	857,875	68,873	972,744

Source: Miscellaneous Monitoring Report as of the week ending April 22, 2022. SBA = Small Business Administration.

Between December 2021 and April 2022, the unprocessed requests inventory at Ogden RAIVS unit has been cut in half, while the Kansas City RAIVS unit had over 100,000 more unprocessed requests than it did four months before. Figure 5 shows a breakdown, by year, of the volume of backlogged RAIVS transcript requests at the Kansas City Tax Processing Center.

Figure 5: Kansas City RAIVS Request by Calendar Year of Receipt

Calendar Year Received	Volume	Percentage
2021	514,275	73%
2022	189,220	27%
Total	703,495	

Source: IRS management-provided RAIVS breakdown for the week ending April 23, 2022.

Recommendation 7: The Commissioner, Wage and Investment Division, should immediately take steps to address the imbalance of Tax Processing Center staffing and inventory to address the continued backlog of transcript requests.

> **Management's Response:** The IRS agreed with this recommendation. As of March 15, 2022, IRS management shifted the processing of transcript requests to an electronic environment, with inventory being universally accessible and workable by employees at the three tax processing centers. Transcript requests received by fax in the Income Verification Express Service program are no longer being printed. This has eliminated the need to print 33 million documents per year and no longer binds the inventory to one site.

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[14] The IRS is implementing Enterprise File Storage system for the processing of the Income Verification Express Service transcript requests. This system is intended to provide centralized document management and electronic workflow capabilities to process IRS work without paper. During implementation, the IRS has had technical issues involving server capacity and downtime that has delayed the processing of transcript requests.

[15] Other includes Taxpayer Advocate Service and Law Enforcement Assistance Program requests.

Office of Audit Comment: While the IRS agreed with this recommendation, the corrective action applies only to transcripts requested through the Income Verification Express Service program and does not specifically address our concerns over the imbalance of RAIVS transcript requests at the Kansas City Tax Processing Center. We plan to continue monitoring the IRS's efforts to address the RAIVS inventory.

A Strategy Is Needed to Address the Backlog of Amended Returns in the Submission Processing Function

Taxpayers use Form 1040X, *Amended U.S. Individual Income Tax Return*, to amend their original tax return. Form 1040X is used to add, delete, update, or change income, exclusions, deductions, credits, filing status, *etc.*, reported on an original tax return. When an amended tax return is received at an IRS Tax Processing Center, screeners in the Submission Processing function review and work the specific issues associated with the amended return filing, and route those that meet certain conditions to Accounts Management for resolution. Figure 6 shows that the number of amended returns remaining to be worked by the Submission Processing function is considerable. Of particular concern is the number of amended returns received in Calendar Years 2021 and 2022 that remain to be worked.

**Figure 6: Submission Processing
Forms 1040-X as of April 25, 2022**

Calendar Year Received	Kansas City	Ogden	Austin	Total
2021	361,567	213,209	200,585	775,361
2022	410,906	295,593	308,820	1,015,319
Totals	772,473	508,802	509,405	1,790,680

Source: IRS-provided Batch Blocking Tracking System and Correspondence Imaging System as of April 25, 2022.

In addition to the significant burden on taxpayers, the Federal Government continues to pay substantial amounts of interest due to the delays in processing these amended returns. The law generally allows the IRS 45 calendar days to process returns before interest is required to be paid. Interest is generally paid on refunds that are not processed within 45 calendar days of the return due date, the return received date, or the date the return was received and able to be processed (whichever is later).

On March 10, 2022, the IRS announced that approximately 700 employees from the Small Business/Self-Employed Division would be temporarily detailed to the Submission Processing function to provide help at the Tax Processing Centers to reduce backlogs. On March 7, 2022,[16] we raised concerns regarding the continued and growing backlogs of work in the Code and Edit function, as well as the Submission Processing amended return inventory. We recommended that the IRS consider using detailed employees to work the amended return inventory as this

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[16] IRS management advised TIGTA of the planned detail of Small Business/Self-Employed Division employees prior to the official announcement.

work is portable, *i.e.*, amended returns are scanned into the IRS's Correspondence Imaging System, meaning that these returns can be worked from an off-site location, which would also address any safety issues that may arise regarding employee spacing at the Tax Processing Centers.

Management responded that a team looked at where the detailed employees could offer support to the Submission Processing function most quickly. It was determined that having employees assist with basic paper processing tasks in Receipt and Control, Document Perfection, Data Conversion, and Input Correction offered the greatest opportunities. Management further stated that training detailed employees not familiar with the processing of amended return cases would create challenges that did not make it practical. Finally, management noted there was no concern as it relates to work space at the Tax Processing Centers as a lack of hiring has resulted in more than enough room at the Tax Processing Centers.

When we asked management their strategy and time frame for addressing the Submission Processing amended return inventory backlog, they stated that approximately 300,000 Forms 1040X have been sent to Accounts Management. In addition, management indicated that they are exploring the possibility of detailing up to 1,300 Accounts Management call site employees for a period of 18 weeks to assist in working through the amended return backlog. On May 27, 2022, IRS management advised that the Accounts Management employees are being detailed to Submission Processing and training would begin on June 6, 2022. The IRS estimates this potential initiative may result in the closure of up to 2.6 million amended returns. However, in our opinion, moving backlogged amended return work from Submission Processing to Accounts Management, which has its own substantial backlog, is not a viable solution. Further, detailing Accounts Management call site employees to work on amended returns will continue to impact the service taxpayers receive when attempting to contact the IRS. This is why we recommended using the Small Business/Self-Employed Division employees to assist in addressing these backlogs.

In relation to its *Get Healthy Plan* provided to TIGTA on February 15, 2022, the IRS shows its goal of an inventory level of approximately 22,000 to 34,000 by September 30, 2022. As of April 22, 2022, the current inventory of amended returns included almost 1.7 million returns assigned to Submission Processing and 684,173 returns assigned to Accounts Management. In addition, Accounts Management had another 6.5 million cases of other inventory[17] to be worked. For this same time frame, the IRS reports taxpayers making nearly 76.9 million total attempts and nearly 59.9 million net attempts[18] to contact the IRS by calling the various customer service toll-free telephone assistance lines. The IRS reports that 15.9 million calls were answered with automation, and telephone assistors answered more than 4.6 million calls and provided a 15.5 percent Level of Service with a 28-minute Average Speed of Answer.

Recommendation 8: The Commissioner, Wage and Investment Division, should develop a detailed strategy to show how current and future staffing resources, including available surge team members, will be used to address the significant backlog of amended returns in the Submission Processing function's inventory.

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[17] All other inventory such as Correspondence, Carrybacks, business amended returns, refund inquiries, statutes, *etc.*

[18] Total call attempts represent calls received during all hours, open or not. Total net call attempts represent calls received during open hours.

> **Management's Response:** The IRS agreed with this recommendation. In April 2022, IRS management determined approximately 1,300 additional employees would be needed to address the accumulated inventory of amended returns in the Submission Processing function and resolve the backlog within approximately 18 weeks. Management began detailing employees from the Accounts Management function in June 2022 to address the amended return inventory and estimates the backlog will be resolved by the end of Calendar Year 2022.

Delays in Replacing Outdated Mail Processing Technology Will Continue to Result in the Loss of Millions of Dollars in Interest Revenue

In February 2022,[19] we reported that the Tax Processing Centers use the Service Center Automated Mail Processing System (SCAMPS) to process incoming mail.[20] SCAMPS are used to process incoming mail daily. These systems automatically open, count, sort, and attempt to detect remittances. The system marks each selected piece of mail for the purpose of gathering statistics. The systems are used in the mainstream processing of tax returns and related taxpayer correspondence, thereby making their scheduled operations critical to the overall continued tax processing flow within the IRS Tax Processing Centers. However, SCAMPS equipment in place at these sites is 20 years old and has not had any significant technical upgrades in more than 15 years. Moreover, the IRS had not taken any substantial actions to review and assess needed equipment upgrades, replacement options, *etc.*, until we raised the numerous concerns brought to our attention by employees responsible for using this system to process incoming mail.

We also reported on the continued inability of the SCAMPS machine to effectively identify remittances included with mail being processed. Instead, the SCAMPS machine is used to open the envelopes and do a preliminary sort to identify those with a high potential for a remittance. These envelopes are then routed to staff to extract the contents and identify remittances for further processing.

In our February 2022 report, we recommended that the IRS ensure that efforts to evaluate and purchase updated or new mail opening/sorting technology are executed timely. IRS management agreed stating they planned to take the necessary actions. However, because the procurement action is dependent on funding, management will reevaluate this effort if implementation is not successful within three years. During our March 2022 walkthrough of the Ogden Tax Processing Center, we were advised that the IRS has coordinated with its Office of Procurement and initiated the necessary steps to conduct market research and complete a statement of work related to the replacement of its mail processing technology.

In May 2022, IRS management advised that they have allotted $1.36 million to extend the current maintenance contract on the existing SCAMPS machines. In addition, the IRS has a pilot program to assess the various technologies that are available to improve mail sorting capabilities. The Submission Processing function's goal is to expedite the acquisition so that the

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[19] TIGTA, Report No. 2022-40-015, *Plans to Close the Austin Tax Processing Center Should Be Halted Until Hiring Challenges and Substantial Backlogs at Remaining Centers Are Addressed* (Feb. 2022).

[20] The IRS has 12 SCAMPS machines in operation. SCAMPS machines automatically open, count, sort, and detect remittances at a rate of between 15,000 to 25,000 per hour.

test equipment can be installed between October and December 2022. Although we are not making additional recommendations related to the IRS's efforts to evaluate and purchase updated or new mail opening/sorting technology at this time, we will follow up on the status of our prior recommendations as part of our continued coverage monitoring the IRS's actions to address its backlog. As of May 11, 2022, funding to ultimately replace the SCAMPS machines has not yet been approved.

Although the IRS noted that the purchase of improved technology to identify remittances would contribute to a reduction of lost opportunity costs in future years, it continues to delay replacing this equipment, which results in further lost revenue to the Government. As we reported in February 2022, delays in depositing remittances due to SCAMPS limitations are resulting in lost interest because remittances were not deposited within 24 hours of receipt.[21] Figure 7 shows the amount of lost interest due to untimely check deposits processed through SCAMPS.[22]

Figure 7: Lost Interest Associated With Untimely Check Deposits

2019	2020	2021	2022
$13.9M	$337.5M	$55.0M	$4.3M

Source: IRS Remittance Processing System Identification Reports for Calendar Years from January 1, 2019, through April 20, 2022.

Clarification for Taxpayers on E-Fax Options Is Needed

The IRS has not published sufficient information notifying taxpayers of e-fax and its benefits. Taxpayers can use multifunctional print devices, computers, smart devices, *etc.* to fax information to the IRS. In contrast, the IRS has an entire web page that details the ways taxpayers can electronically file their tax returns, *e.g.*, Free File, commercial software, *etc.* On June 24, 2021, we notified the Director, Customer Assistance, Relationships, and Education, Wage and Investment Division, of the need to provide taxpayers with information on acceptable methods for faxing information to the IRS. We recommended that the IRS provide taxpayers with additional information on the acceptable methods for faxing information to the IRS, including revising existing language in those letters, notices, *etc.* where it provides taxpayers the option to fax. This includes explaining that the IRS has the ability to accept e-faxes. Updating this information will enable taxpayers to provide information to the IRS in a more efficient manner and may result in fewer documents being sent via mail to its Tax Processing Centers.

IRS management agreed stating that they are currently drafting language to update their various products and IRS.gov landing pages to provide references to where taxpayers can find the accepted methods for faxing and partnering with the Office of Chief Counsel to ensure that there are no copyright issues. Once the language is approved, the IRS will coordinate with all stakeholders advising them of the updated language. As of June 6, 2022, the IRS advised that

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[21] The 2020 opportunity costs are disproportionately high when compared to prior and subsequent years. We believe this is attributed to the COVID-19 pandemic when the IRS shut down its facilities, including the mail processing.

[22] The loss of interest differs from our prior report for Calendar Years 2019 and 2020 because we excluded remittances not processed through SCAMPS, such as Field Office payments.

the final language has been approved for the various products and IRS.gov landing pages. Further, the IRS indicated that it is coordinating updates and expects that all notices should be updated by December 31, 2023, and other letters updated by December 31, 2028.

Recommendation 9: The Commissioner, Wage and Investment, should ensure that the various products and IRS.gov landing pages are updated to reflect acceptable methods for faxing information to the IRS.

> **Management's Response:** The IRS agreed with this recommendation and plans to update the various products and IRS.gov landing pages to clarify guidance for faxing information to the IRS. Updating Computer Paragraph notices and Correspondex letters requires programming changes. Management expects the 63 identified Computer Paragraph notices to be completed by December 2023. Programming to update Correspondex letters is significantly more complex and time consuming as the text of the pro forma paragraphs used to compile the letters is embedded in programming code. Due to limited resources, it is estimated that the 271 Correspondex letters can be updated at the rate of approximately five per month, with the process to be completed by the end of Calendar Year 2028.

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Appendix I

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Detailed Objective, Scope, and Methodology

Our overall objective was to continue to assess the IRS's efforts to address the backlog of unworked tax returns and tax account inventories. To accomplish our objective, we:

- Assessed the IRS backlog of unworked inventory affecting both individual and business taxpayers.

- Evaluated the IRS's plans to complete the consolidation and closure of the Fresno Tax Processing Center and the effect on the backlog of inventory at the remaining processing centers.

- Evaluated the process that the IRS completes when needing assistance from the IRS Information Technology organization.

- Evaluated the IRS's ability to increase resources in the mail room.

Performance of This Review

This review was performed in the Wage and Investment Division, Submission Processing function in Kansas City, Missouri, and Ogden, Utah, during the period June 2021 through April 2022. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services); Diana Tengesdal, Director; Darryl Roth, Audit Manager; Cally Sessions, Lead Auditor; Benjamin Meeks, Senior Auditor; Chris Harding, Auditor; Cindy Hung, Auditor; Ian Maloney, Auditor; and Lorenzo Moss, Auditor.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the process for planning, organizing, directing, and controlling return processing operations. We evaluated these controls by meeting with IRS management, reviewing IRS procedures, and reviewing IRS reports.
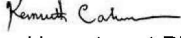
Appendix II

Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

COMMISSIONER
WAGE AND INVESTMENT DIVISION

August 8, 2022

MEMORANDUM FOR HEATHER M. HILL
 DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kenneth C. Corbin
 Commissioner, Wage and Investment Division

Digitally signed by Kenneth C. Corbin
Date: 2022.08.08 11:24:26 -04'00'

SUBJECT: Draft Audit Report – Delays in Management Actions Contribute
 to the Continued Tax Processing Center Backlogs
 (Audit # 202140632)

Thank you for the opportunity to review and provide comments on the subject draft report. During 2020, the IRS, like nearly every other organization worldwide, was adversely impacted by the effects of the Coronavirus Disease (COVID-19) pandemic. The backlog of inventory that developed at this time was created by several external factors. Our tax processing centers were shut down under local evacuation orders for approximately three months, during which time the processing of paper tax returns, remittances, and other receipts came to a standstill. As the local evacuation orders were lifted, the centers resumed operations and began to process the accumulated receipts in earnest. Our actions to address paper receipts have continued to this day, with progress being made to return to normal inventory levels. At the end of 2020, we had an unprecedented inventory of more than 16.5 million tax returns in various stages of processing. The 2021 ending inventory, which included 2021 receipts still in processing and any pre-2021 receipts that had errors to resolve, had been reduced by almost 35 percent to 10.8 million. We completed entering all individual and business tax returns received in 2020 into our processing system in December 2021. In comparison, as of July 22, 2022, all individual returns and all but 165,000 business returns received in 2021 have been input into the system.

The tight labor market affecting almost all employers nationwide has been a significant challenge in working through the backlog of accumulated inventory. After operations resumed in 2020 and employees were recalled to the office, we experienced significant difficulty in hiring staff to replace employees lost due to attrition during the pandemic and in building our workforce to the level needed to address the backlog. We set a hiring goal of 5,437 additional employees for the 2021 filing season; however, as of April 30, 2021, had been able to hire only 3,016. To compensate for reduced staffing, we

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implemented mandatory overtime requirements at the tax processing centers, along with strategic rebalancing of inventories among locations. Where possible, telework was implemented so that work such as error correction or the resolution of problems preventing returns from posting to the Master File could be done remotely. This expanded the number of employees who could complete this work, especially during the pre-vaccine period when social distancing was in effect and at-risk employees were unable to report to IRS locations.

As part of the Get Healthy Plan, an initiative we undertook to return to normal inventory levels by the end of calendar year 2022, we increased the number of employees in our processing centers by drawing from within other parts of the IRS. Those employees with recent tax processing experience have resumed their former duties and other employees without recent experience were trained to perform supporting duties. We also worked with the Department of the Treasury, the Office of Personnel Management, and the National Treasury Employees Union to secure and use direct hire authority to streamline and expedite the hiring of individuals from outside the organization. Additionally, under the Consolidated Appropriations Act of 2022[1], Congress provided funding permitted for use in recruiting and appointing qualified individuals under direct hire authority. Using this authority, we held virtual and in-person hiring events that resulted in over 6,000 tentative job offers being made to applicants for our three tax processing centers. These new employees began reporting to work in late April and will continue through August 2022.

During the 2021 filing season, as we were processing individual returns for tax year 2020, we experienced a high rate of errors made by taxpayers when reconciling their Economic Impact Payments received in 2020 and calculating additional amounts of the Recovery Rebate Credit due to them. These errors caused the returns to stop processing while waiting for an employee to manually review them. The volume of returns that were in queue for manual review overwhelmed available staff, which led to substantial processing delays as the inventory was being worked down. For the 2022 filing season, we implemented an automated treatment for this and other select errors that systemically corrects the returns, issues the appropriate notification to the taxpayers, and releases the returns to complete processing. As of July 8, 2022, almost 12.5 million returns with these errors have been corrected and released systemically, eliminating the need for them to be held for manual review and allowing processing to complete much sooner.

We are also pursuing other automation solutions with the goal of reducing paper processing to the greatest extent possible. Using funding provided by the Coronavirus Aid, Relief, and Economic Security Act[2], we automated workflows for processing tax account and tax return transcript requests through the Income Verification Express Service and third-party authorizations that designate taxpayer representatives. The

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[1] Public Law 117-103
[2] Public Law 116-136, also known as the CARES Act.

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automated workflows have eliminated the need to print over 48 million faxed documents received each year by the two programs and process them electronically. The inventory is universally accessible by employees at any of the three tax processing centers, thereby alleviating problems associated with balancing workload among the locations. Dependent on the availability of continued funding for our modernization programs, future enhancements are planned that will use optical character recognition on the documents to permit fully automated processing, which will reduce the manual resources needed for these programs and permit the redirection of those employees to other priority programs. Additionally, with continued funding, we intend to apply this paperless process, and ultimately fully automated processing, to other taxpayer and third-party facing paper-intensive programs.

For those processes where handling paper cannot be eliminated, such as processing incoming mail, we have engaged internal stakeholders in seeking a comprehensive solution that will extend beyond replacing our current mail sorting and opening equipment. We are seeking industry input and advice on technology options that will encompass the full extraction, digitization and digitalization of paper documents and correspondence received by mail. The goal is to eliminate the need to handle paper at the earliest point possible and ingest the information into our systems for processing and resolution.

The report reflects the multiple corrective actions the IRS has taken and continues to take to reduce the tax center processing backlog and to implement the Get Healthy Plan despite the many ongoing challenges to this work. Our responses to your specific recommendations are enclosed. If you have any questions, please contact me, or a member of your staff may contact Dietra D. Grant, Director, Customer Account Services, at 470-639-3504.

Attachment

Attachment

Recommendations

RECOMMENDATION 1 (E-Mail Alert)
On September 16, 2021, we notified the Director, Submission Processing, Wage and Investment Division, that the IRS needed to identify when to stop coding and editing prior year tax returns to prevent having to rework these returns (a situation that occurred during the 2020 Filing Season). For example, the IRS needed to send 822,994 business tax returns back to the Code and Edit function at the beginning of Processing Year 2021 to be re-edited to allow for processing. This occurred because these tax returns, although edited, had not been entered into the IRS's tax processing system by the end of Processing Year 2020. This resulted in an inefficient use of the IRS's resources because IRS employees needed to re-edit the tax returns. We recommended that the IRS develop a plan to not only limit the number returns that would require rework, but also any potential downtime in the Code and Edit function so that resources can be maximized for processing tax returns.

CORRECTIVE ACTION
On December 9, 2021, we ensured that all returns that were coded could be processed by the end of 2021. Additionally, on November 22, 2021, we developed training materials and coding procedures to minimize rework and potential downtime in the Code and Edit function.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 2 (E-Mail Alert)
On September 29, 2021, we notified the Director, Submission Processing, Wage and Investment Division, of our observation that paper-filed information returns were being sorted and batched. According to both Tax Processing Centers, a decision had not yet been made regarding if the information return documents will be processed or destroyed. As we reported in September 2021, the IRS faced similar decisions during Processing Year 2020 and destroyed approximately 30 million paper-filed information return documents around March 19, 2021, because the documents could no longer be processed through its systems. We recommended that the IRS determine if/when Processing Year 2021 paper-filed information return documents would be processed. As an alternative to destroying these documents, we recommended that management evaluate and consider scanning the information return documents using the Service

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Center Recognition Image Processing System while forgoing the data validation process.

CORRECTIVE ACTION
We completed processing the tax year 2020 information returns received during 2021 by December 15, 2021.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 3 (E-Mail Alert)
On September 17, 2021, we notified the Director, Submission Processing, Wage and Investment Division, of our concerns with the processing of a backlog of taxpayer address changes using a first-in/first-out method. As of August 27, 2021, the Ogden Entity function had more than 173,000 address change requests in its ending inventory. In our discussions with Ogden Entity function management, they estimated that due to the backlog of inventory, more than 50 percent of the address change requests the staff were working had already been made by other means, e.g., the filing of a tax return that automatically updates the taxpayer's address. As such, Entity function employees were needlessly expending resources working address change requests for which the address was already updated. We recommended that the IRS evaluate changing the order in which address changes are worked to a last-in/first-out method.

CORRECTIVE ACTION
Effective January 3, 2022, change of address requests are processed in last-in/first-out order.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

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RECOMMENDATION 4 (E-Mail Alert)
On October 21, 2021, we notified the Director, Submission Processing, Wage and Investment Division, of our concerns related to the accuracy of information communicated to taxpayers regarding transcript request methods. For example, our review of information posted on IRS.gov found that non-paper-based methods for requesting tax transcripts were not communicated clearly. Whereas, the Form 4506-T, Request for Transcript of Tax Return, and Form 4506, Request for Copy of Tax Return, provide information for automated self-help service tools. We also found that the instructions on the Forms 4506 and 4506-T do not align with the website wording and could cause confusion for taxpayers. We recommended that IRS management update IRS.gov to provide clear communications on available resources. This includes updating the Forms 4506 and 4506-T tip sections to match IRS.gov language and conducting outreach to encourage individual taxpayers to obtain tax transcripts using the various automated methods.

CORRECTIVE ACTION
In November 2021, Forms 4506, *Request for Copy of Tax Return*, 4506-T, *Request for Transcript of Tax Return*, and 4506-T-EZ, *Short Form Request for Individual Tax Return Transcript*, were updated to reflect the language found on IRS.gov. Additionally, the Get Transcript landing page was updated to provide information on telephone requests so that all transcript retrieval methods are mentioned in that single location.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 5 (E-Mail alert)
On September 16, 2021, we notified the Director, Submission Processing, Wage and Investment Division, of our concerns about the printing capacity of the new electronic fax (e-fax) equipment in the Error Resolution System functional area, noting that this new equipment can only print about 20,000 to 30,000 pages/month (approximately 240,000/year) whereas, the prior equipment printed roughly 2 million documents per year. In addition, in the three months since Ogden received this new equipment, it has burned out and needed new parts. Although Ogden ordered new multifunctional print devices, those were not to be delivered until January 2022. As a workaround, Ogden used two printers that had a capacity of about 15,000 pages per month. We recommended that the Submission Processing function collaborate with Managed Print Services and the Information Technology organization to identify and expeditiously

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resolve all instances of printer capacity, break/fix, etc. issues that are causing work stoppages in the Tax Processing Centers.

CORRECTIVE ACTION
As of January 3, 2022, we developed a log for printer and fax issues to be elevated for assistance.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 6 (E-Mail alert)
On December 17, 2021, we notified the Commissioner, Wage and Investment Division, of our concern that the resources assigned to the RAIVS unit were not commensurate between the Kansas City and Ogden Tax Processing Centers. In our discussions, IRS management advised that taxpayer tax transcript requests had been previously transshipped from the Kansas City Tax Processing Center to the Austin Tax Processing Center with the last transshipment of work occurring in October 2021.

On January 11, 2022, we again notified the Director, Submission Processing, Wage and Investment Division, of the same concern noting that during our December 2021 walkthroughs, Kansas City management stated they have 70 full-time employees in the RAIVS/Income Verification Express Service's unit. Whereas, Ogden management stated they have 183 full-time employees. As of December 10, 2021, the Kansas City RAIVS unit had over 751,000 unprocessed requests compared to a little more than 145,000 unprocessed requests in the Ogden RAIVS unit.

We recommended that the IRS evaluate alternatives to address the volume of RAIVS inventory at the Kansas City Tax Processing Center. This should include an evaluation of the capacity to reallocate staffing at the Kansas City Campus to assist the RAIVS unit, and/or realignment of work among the various campuses, i.e., transship inventory from Kansas City to Ogden.

CORRECTIVE ACTION
Alternatives have been evaluated to address the volume of Return and Income Verification Services (RAIVS) inventory at the Kansas City tax processing center and an action plan developed that will permit resource allocation to focus on the Kansas City RAIVS inventory once the conflicting priorities of Filing Season and Income Verification

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Express Service (IVES) processing have been resolved. The action plan was shared with management on June 14, 2022.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Accounts Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 7
The Commissioner, Wage and Investment Division, should immediately take steps to address the imbalance of Tax Processing Center staffing and inventory to address the continued backlog of transcript requests.

CORRECTIVE ACTION
As of March 15, 2022, the processing of transcript requests has been shifted to an electronic environment, with inventory being universally accessible and workable by employees at the three tax processing centers. Transcript requests received by fax in the IVES program are no longer being printed. This has eliminated the need to print 33 million documents per year and no longer binds the inventory to one site.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Accounts Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 8
The Commissioner, Wage and Investment Division, should develop a detailed strategy to show how current and future staffing resources, including available surge team members, will be used to address the significant backlog of amended returns in the Submission Processing function's inventory.

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CORRECTIVE ACTION
In April 2022, we determined approximately 1,300 additional employees would be needed to address the accumulated inventory of amended returns in the Submission Processing function and resolve the backlog within approximately 18 weeks. We began detailing employees from the Accounts Management function in June 2022 to address the amended return inventory and estimate the backlog will be resolved by the end of the year.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Accounts Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 9
The Commissioner, Wage and Investment, should ensure that the various products and IRS.gov landing pages are updated to reflect acceptable methods for faxing information to the IRS.

CORRECTIVE ACTION
We will update the various products and IRS.gov landing pages to clarify guidance for faxing information to the IRS. Updating Computer Paragraph (CP) notices and Correspondex (CRX) letters requires programming changes. We expect the 63 identified CP notices to be completed by December 2023. Programming to update CRX letters is significantly more complex and time consuming as the text of the pro forma paragraphs used to compile the letters is embedded in programming code. Due to limited resources, it is estimated that the 271 CRX letters can be updated at the rate of approximately five per month, with the process to be completed by the end of 2028.

IMPLEMENTATION DATE
January 15, 2029

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control system.

Appendix III

Abbreviations

COVID-19	Coronavirus Disease 2019
e-fax	Electronic Fax
IRS	Internal Revenue Service
RAIVS	Return and Income Verification Services
SCAMPS	Service Center Automated Mail Processing System
TIGTA	Treasury Inspector General for Tax Administration
USDA	United States Department of Agriculture

**To report fraud, waste, or abuse,
call our toll-free hotline at:**

(800) 366-4484

By Web:

www.treasury.gov/tigta/

Or Write:

Treasury Inspector General for Tax Administration

P.O. Box 589

Ben Franklin Station

Washington, D.C. 20044-0589

Information you provide is confidential, and you may remain anonymous.