



*The Taxpayer Advocate Service Can
Improve the Processing of
Systemic Burden Cases*

June 24, 2014

Reference Number: 2014-10-033

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Redaction Legend:

1 = Tax Return/Return Information

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HIGHLIGHTS

THE TAXPAYER ADVOCATE SERVICE CAN IMPROVE THE PROCESSING OF SYSTEMIC BURDEN CASES

Highlights

Final Report issued on June 24, 2014

Highlights of Reference Number: 2014-10-033
to the Internal Revenue Service National
Taxpayer Advocate.

IMPACT ON TAXPAYERS

Congress established the office of the National Taxpayer Advocate to assist taxpayers who experience difficulties resolving their tax problems with the IRS or receiving timely and appropriate responses to their inquiries. Many of these taxpayer issues fall under the category of systemic burden which involves instances in which an IRS process, system, or procedure has not operated as intended. It is important that the Taxpayer Advocate Service (TAS) effectively and efficiently assists taxpayers with systemic burden cases to ensure that taxpayers are not further harmed by problems with IRS processes.

WHY TIGTA DID THE AUDIT

This audit was initiated because TAS responses to systemic burden cases affect more than 85,000 taxpayers each year. TIGTA's overall objective was to determine whether the TAS has an effective system to process taxpayer requests for relief due to systemic burden.

WHAT TIGTA FOUND

The TAS properly exercised its authorities when taking account-related actions to assist taxpayers. For example, TAS personnel can input a change of address to a taxpayer account, but the TAS does not have the authority to accept or deny requests for penalty abatements.

However, TIGTA's review of the TAS's handling of a statistical sample of cases found several areas where taxpayer service could be improved. Specifically, TIGTA identified in more than one-half of the cases that TAS personnel bypassed taxpayers' authorized representatives,

made unauthorized disclosures to third parties, or made numerous processing errors.

To help keep its workload manageable, the TAS has policies in place as to which types of cases it will accept and which it will refer to other IRS functions. However, the TAS often accepted cases that its policies noted should have been referred to other IRS functions. Accepting these cases increases the TAS's workload; nonetheless, it is within the TAS's discretion.

TIGTA identified unreliable data that was captured on the Taxpayer Advocate Management Information System, which could affect management decisions. In the 100 cases TIGTA statistically sampled, more than one-half had incorrect criteria, primary core issues, and/or relief codes.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the National Taxpayer Advocate reissue guidance to TAS personnel explaining the requirement to contact only authorized representatives; review the three potential unauthorized disclosures of tax return information; provide training regarding their systemic burden case acceptance criteria; and reinforce the importance of ensuring that all actions taken on cases are correct and accurate.

In its response, the TAS agreed with seven of the eight recommendations and plans to take corrective actions. For the disagreed recommendation, TIGTA continues to believe that the TAS would benefit from tracking cases that were accepted using TAS's discretion.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

June 24, 2014

MEMORANDUM FOR NATIONAL TAXPAYER ADVOCATE

FROM: Michael E. McKenney
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Taxpayer Advocate Service Can
Improve the Processing of Systemic Burden Cases
(Audit # 201310004)

This report presents the results of our review on how the Taxpayer Advocate Service can improve the processing of systemic burden cases. The overall objective of this review was to determine whether the Taxpayer Advocate Service has an effective system to process taxpayer requests for relief due to systemic burden. This audit is included in our Fiscal Year 2014 Annual Audit Plan under the major management challenge of Providing Quality Taxpayer Service Operations.

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

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. If you have any questions, please contact me or Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).



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Abbreviations

FY	Fiscal Year
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
NTA	National Taxpayer Advocate
OAR	Operations Assistance Request
POA	Power of Attorney
TAMIS	Taxpayer Advocate Management Information System
TAS	Taxpayer Advocate Service
TIGTA	Treasury Inspector General for Tax Administration



The Taxpayer Advocate Service Can Improve the Processing of Systemic Burden Cases

Background

The Taxpayer Advocate Service (TAS) is an independent organization within the Internal Revenue Service (IRS) whose employees help taxpayers resolve problems with the IRS (case advocacy) and recommend changes to prevent future problems (systemic advocacy). Taxpayers may contact the TAS if they have an ongoing issue that has not been resolved through normal channels within the IRS (systemic burden). For example, if a taxpayer has not received a response or resolution by the date promised by the IRS, the case meets TAS systemic burden criteria. In addition, taxpayers may contact the TAS if they have suffered, or are about to suffer, a significant hardship or economic harm (economic burden) caused by IRS actions or inaction.

The National Taxpayer Advocate (NTA) provides overall leadership for the program. Each State has at least one local taxpayer advocate who is independent of the local IRS office. One of the TAS's goals is to protect individual and business taxpayer rights and to reduce taxpayer burden.

The Internal Revenue Code (I.R.C.) Section (§) 7803(c)(2)(C)(ii) authorizes the NTA to establish criteria for accepting cases into the TAS.¹ The TAS has divided the criteria into four categories:

- **Economic Burden (Criteria Codes 1–4)** – Economic burden cases are broadly defined as those involving a financial difficulty to the taxpayer.
- **Systemic Burden (Criteria Codes 5–7)** – Systemic burden cases are those in which an IRS process, system, or procedure has failed to operate as intended and, as a result, the IRS has failed to timely respond to or resolve a taxpayer issue.
- **Best Interest of the Taxpayer (Criteria Code 8)** – The TAS's acceptance of these cases is to ensure that taxpayers receive fair and equitable treatment and that their rights as taxpayers are protected.
- **Public Policy (Criteria Code 9)** – Acceptance of cases into the TAS under this category is determined by the NTA and is generally based on specific issues or problems of public concern.

The TAS receives cases primarily from two sources—internal referrals from IRS personnel and direct taxpayer contact. When an IRS employee identifies that a taxpayer issue meets TAS case acceptance criteria, they are to refer the issue to the TAS if they are unable to resolve the taxpayer issue within 24 hours. When a taxpayer or his or her representative calls or writes to the TAS and the taxpayer issue meets case acceptance criteria, they are to open a case to resolve the taxpayer issue.

¹ See Appendix V for more information on the criteria codes.



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The TAS also works all account-related referrals from congressional offices. When a congressional referral meets one of the criteria, the case is assigned to that criteria code in the Taxpayer Advocate Management Information System (TAMIS).² If the congressional referral does not meet any of the TAS's criteria, the case is still accepted and is coded as Criteria Code 7. Other congressional inquiries (not related to account issues), employee complaints, technical tax law questions, policy issues, *etc.*, are worked by other IRS functions.³

In Fiscal Year (FY) 2012, total case receipts and systemic burden case receipts both dropped significantly from prior fiscal years. Also, there were fewer systemic burden cases received than economic burden cases in FY 2012. Although receipts of systemic burden cases increased from FY 2012 to FY 2013, they continue to decline as a percentage of total receipts. Figure 1 shows case receipts for FY 2009 through FY 2013.

Figure 1: Systemic Burden Case Receipts as a Percentage of TAS Inventory

FY	Systemic Burden			Total	
	Receipts	Change From Previous Year	Percent of Total Receipts	Receipts	Change From Previous Year
2009	170,524	N/A	63%	272,404	N/A
2010	178,784	5%	60%	298,933	10%
2011	164,173	(8%)	55%	295,904	(1%)
2012	85,671	(48%)	39%	219,666	(26%)
2013	88,598	3%	36%	244,956	12%

Source: TAS 2012 and 2013 Annual Reports to Congress – Case Advocacy and TAS FY 2013 Objectives Report.

Since FY 2010, the TAS has changed its policies to no longer accept systemic burden cases from taxpayers who are experiencing problems with identify theft, although there are some exceptions.⁴ In addition, beginning in FY 2012, the NTA decided to no longer accept the following types of systemic burden cases on a temporary basis:

- Processing of Original Returns.
- Unpostable/Rejected Returns.

² See Appendix VIII for a glossary of terms.

³ All congressional cases are controlled on the TAMIS. Congressional cases that are worked by non-TAS IRS functions, *e.g.*, employee complaints, are controlled under Criteria Code 0.

⁴ In March 2010, the NTA made an agreement with the Wage and Investment Division to refer identity theft cases directly to the Identity Protection Specialized Unit. See Appendix VII for more information.



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- Processing of Amended Returns.
- Injured Spouse Claims.⁵

The Deputy NTA extended this policy through FY 2014 and is considering making this decision permanent by including guidance in the Internal Revenue Manual (IRM). TAS management stated that they made this change because the TAS's role on these cases is generally limited to issuing an Operations Assistance Request (OAR) to resolve the taxpayer's problem. TAS management also stated that the policy change was needed so they can focus their limited resources on economic and systemic burden cases where they play a more direct role in affecting the outcome of the case. Figure 2 shows the number of systemic burden cases received, per the TAMIS, for the five types of cases that met criteria for exclusion from the TAS program.

Figure 2: Systemic Burden Cases FY 2012 Through FY 2013

FY	Systemic Burden Cases Received				
	Identity Theft	Processing Original Returns	Unpostable/ Rejected Returns	Processing Amended Returns	Injured Spouse Claims
2012	12,755	1,989	939	4,164	538
2013	14,339	2,707	2,169	5,080	1,000

Source: Treasury Inspector General for Tax Administration's (TIGTA) queries of the TAMIS.

This review was performed with information obtained from IRS National Headquarters in Washington, D.C., and the TAS offices in Kansas City, Missouri; and Dallas, Texas, during the period July 2013 through January 2014. 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. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁵ TAS continues to accept all cases referred by congressional offices. The TAS also may accept cases with these issues if a taxpayer's inquiry is related to other issues for which TAS may advocate, such as an open examination or collection action that a refund from, or the processing of, the amended or original return or claim would resolve.



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Results of Review

While the Taxpayer Advocate Service Adhered to Delegation Orders, Improvements Are Needed in the Processing of Systemic Burden Cases

We found that for sampled cases, the TAS adhered to guidelines established under IRS delegation orders. However, our sample testing found that the TAS bypassed authorized representatives, made unauthorized disclosures, and made numerous processing errors. For example, TAS personnel did not consistently address all taxpayer issues and some case actions were not always correct or timely. Specifically, 57 of 100 systemic burden cases contained errors in the way the TAS handled the cases. Figure 3 below summarizes the errors in the handling of taxpayer requests.

Figure 3: Overview of the Types of Errors Identified in the Sample

Type of Error	Number of Cases With Errors
Cases With Unauthorized Disclosures/Bypassed Representatives	9
Cases With Processing Errors	54

Source: TIGTA review of sampled cases. Some cases had more than one error.

TAS personnel adhered to guidelines established under IRS delegation orders

As part of our sample review, we assessed whether TAS account-related actions were in accordance with the authorities delegated to the TAS by the IRS Commissioner. These authorities allow TAS personnel to make adjustments to taxpayer accounts in limited circumstances. For example, a case advocate can adjust a taxpayer's address or set up an installment agreement if the taxpayer's account is not assigned to a revenue officer or the Automated Collection System and meets other balance due considerations. However, the TAS does not have the authority to accept or deny requests for penalty abatements.

If a taxpayer's issue exceeds the TAS's delegated authority, the case advocate must prepare an OAR and send it to the appropriate IRS operating division or function for analysis and resolution. Based on our review, we did not find any instances where TAS personnel exceeded their authority when assisting taxpayers.



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TAS personnel bypassed authorized representatives and made unauthorized disclosures

Our review identified eight instances in which TAS personnel improperly contacted taxpayers directly when there was a valid power of attorney (POA) on file or a Form 2848, *Power of Attorney and Declaration of Representative*, was sent directly to the TAS.⁶ We also identified three instances in which the TAS employee made disclosures to individuals who were not the taxpayer or authorized to act on behalf of the taxpayer.⁷ IRS personnel are required to communicate with authorized representatives who are acting on behalf of taxpayers and ensure that taxpayer return information is not disclosed to unauthorized individuals.⁸ Both of these situations can result in a violation of taxpayer rights.

When a taxpayer contacts the TAS for assistance and has a valid POA on file for the applicable tax period, the case advocate must inform the taxpayer of the requirement to contact the POA. This did not occur in eight of the cases we reviewed. Also, there was no indication in the eight case files that TAS case advocates secured managerial approval to bypass the POA and deal with the taxpayer directly.

In three cases we reviewed, TAS personnel disclosed information to a third party and did not document whether the person they communicated with was authorized to receive information or act on behalf of the taxpayer involved. *****1*****

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The IRS has a process to report unauthorized disclosures to a special unit called the Situation Awareness Management Center; however, it appears this process was not followed in the cases we identified. As such, based on our sample projection, we estimate that 9,399 taxpayers potentially had their rights violated.⁹

⁶ Form 2848 is used to authorize an individual to represent taxpayers before the IRS.

⁷ *****1*****

⁸ See Appendix VI for more information.

⁹ The 9,399 point estimate is based on a 95 percent confidence level. We are 95 percent confident that the point estimate is between 3,514 and 15,283 cases involving TAS personnel bypassing authorized representatives and/or making unauthorized disclosures. See Appendix IV for more information.



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Recommendations

The NTA should:

Recommendation 1: Reissue guidance to TAS personnel explaining the requirement to only contact authorized representatives, when applicable, and emphasize this requirement in future training.

Management's Response: IRS management agreed with this recommendation. They will issue an Internal Guidance Memorandum on this matter and develop a training module to address various scenarios where authorized representatives were at risk of being bypassed.

Recommendation 2: Review the three potential unauthorized disclosures of tax return information and report as appropriate the incidents to the Situation Awareness Management Center.

Management's Response: IRS management agreed with this recommendation. They will review the three cases and, if appropriate, report the incidents to the Situation Awareness Management Center.

Processing errors were made when responding to systemic burden cases

In 54 of the 100 cases reviewed, we also found one or more case processing errors that can affect customer service and cause taxpayer burden. Based on our sample findings, we project that 56,393 of the 104,432 systemic burden cases from FY 2012 contained processing errors.¹⁰ Figure 4 summarizes the case processing errors identified in our review.

¹⁰ The 56,393 point estimate is based on a 95 percent confidence level. We are 95 percent confident that between 46,145 and 66,641 cases involved TAS personnel not timely and/or correctly addressing taxpayer issues. See Appendix IV for more information.



Case Processing Issue	Number of Cases With Errors	Case Should Be Reopened
Some Case Actions Were Not Correct	9	3
All Issues Were Not Addressed or Resolved	11	**1**
Errors Involving Document Requests	18	**1**
Action Plan Was Incomplete/Not Updated	18	-
Untimely Case Actions	15	-
Referrals to IRS Functions Misrouted or Unnecessary	8	-
Untimely Initial Contact With Taxpayers	5	-
Written Communication Errors	5	-

The TAS's IRM provides detailed guidance on how systemic burden cases should be processed, and there are specific standards designed to provide quality customer service. The guidance states that a case should not be closed until all actions are completed and all of the taxpayer's related issues are addressed. For example, the TAS could assist a taxpayer with an installment agreement and also update the taxpayer's address if he or she has moved. In addition, TAS management is required to review cases both during processing and when cases are closed to help ensure that the taxpayer's case is handled properly. Although these controls exist, they appear ineffective in some instances.

In nine cases, actions taken by TAS employees and/or other IRS employees were incorrect or incomplete to resolve the taxpayer's issue. Further, we recommended that the TAS reopen three of these cases because actions were incorrect and it appears these taxpayers continue to be harmed. The TAS's IRM explains in detail how cases should be processed. However, guidance was not followed in these cases, resulting in potential harm to the taxpayer. *****1*****

These errors were caused by

Page 7



All issues were not addressed or resolved

Errors involving document requests

Action plan was incomplete/not updated

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did not always complete or update action plans, the resolution of taxpayer cases could have been delayed.

Untimely case actions

In 15 cases, actions taken by case advocates were not timely. *****1*****
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*****1*****. Taxpayers requesting TAS assistance have often already experienced delays in dealing with other IRS functions. Delays in processing TAS cases may cause taxpayers additional burden. The TAS's IRM states that adherence to established follow-up dates is essential to achieve timely case processing. Further, case actions should aim to resolve the taxpayer's problems and move the case toward closure. In these cases, the identified delays affected the overall time necessary to resolve the taxpayer's issue.

Referrals to IRS functions misrouted or unnecessary

In eight cases, the TAS issued OARs that were unnecessary or sent to the wrong IRS location. *****1*****
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*****1*****. TAS guidance states that the TAS uses an OAR to request assistance from an IRS operating division or function to complete an action on a TAS case when the TAS does not have the authority to take the required action(s). Failure to correctly identify where an OAR should be sent, or sending an OAR that is not required, potentially causes delays in processing a taxpayer's case and could burden the taxpayer.

Untimely initial contact with taxpayers

In five cases, the TAS did not make timely initial contact upon receipt of the taxpayer's case. Specifically, the range of delays in these five cases was between two and 24 calendar days late. The TAS's IRM requires that case advocates contact the taxpayer and/or the authorized representative within five workdays of receipt of a case meeting systemic burden criteria. Making contact with the taxpayer or authorized representative timely is important to inform him or her of TAS involvement, to clarify the taxpayer's issue or problem, and to request any documentation or information needed to resolve the taxpayer's issues. By not making this contact in a timely fashion, the TAS is potentially causing additional taxpayer burden.

Written communication errors

Case advocates made five errors that involved written communication to taxpayers, including incomplete responses, factual inaccuracies, and correspondence that was omitted from the case file(s). TAS guidance requires that correspondence to taxpayers be factually accurate and complete so that taxpayers do not have to contact the IRS again for additional clarification.



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Further, the TAS's IRM states that copies of all taxpayer communications should be maintained in the TAS case file, but this was not always done. *****1*****

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1** Errors identified were caused by TAS employees not following established guidance.

Recommendations

The NTA should:

Recommendation 3: Review the results of sample findings and, where appropriate, incorporate lessons learned into future training for TAS personnel.

Management's Response: IRS management agreed with this recommendation. They will review the results of the sample findings and will incorporate any lessons learned into future training. TAS management also stated they have a quality review process; and for any cases in the TIGTA sample that were also selected for TAS quality review, they will compare the results with TIGTA's findings.

Recommendation 4: Reopen the five cases we identified to fully address the taxpayers' issues.

Management's Response: IRS management agreed with this recommendation. They stated they will reopen the five cases TIGTA recommended and will ensure that all issues are fully addressed.

The Taxpayer Advocate Service Often Uses Its Discretion to Accept Cases That Do Not Meet Its Case Acceptance Policies

We found instances where TAS accepted cases even though it had policies in place to route the cases to other IRS units, and other instances where documentation of the initial justification for accepting a case did not meet the TAS's definition of systemic burden cases. In these situations, TAS exercised its discretion in accepting cases in order to help the taxpayers. The TAS does not consider its case criteria as a means of excluding taxpayers from the TAS, but rather, as a guide to TAS case acceptance. Accepting these cases increases the TAS's workload; nonetheless, it is within the TAS's discretion.

For each of the 100 cases in our sample, we reviewed TAS case files and other information that was available on the IRS systems at the time the case was accepted. We found 23 instances where the TAS accepted cases even though it had policies in place to route the cases to other IRS units, where documentation of the initial justification for accepting a case did not meet the definition of systemic burden cases, or where the taxpayer's issue was already resolved prior to the TAS accepting the case.



The Taxpayer Advocate Service Can Improve the Processing of Systemic Burden Cases

Specifically, in six cases involving issues such as identity theft,¹² the TAS decided to accept the cases even though it has policies in place instructing that the cases be referred to other IRS business units. In 14 of the 23 cases, the facts and information documented in the case file during initial case acceptance did not meet TAS's criteria for systemic burden cases. For the remaining 3 cases, the TAS accepted the cases despite having documentation available at the time of acceptance in IRS systems which showed the taxpayer's issue had already been addressed. In all of these instances, the TAS exercised its discretion in accepting cases in order to help the taxpayers. Based on our sample findings, we project that these 23 cases equate to an estimated 24,019 cases in FY 2012 worked by the TAS.¹³ In addition, we estimate it would take approximately 121 TAS advocates to work those cases.¹⁴

The TAS stated that it made the decision not to refer some of the cases back to the IRS because the taxpayer had already been sent to the TAS and it added the case to the TAMIS. In addition, in other instances the TAS felt that the case details were complex and would likely result in a problem for the taxpayer later; thus, the TAS chose to take the case at that time. *****1*****

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Prior studies conducted by both TAS management and an independent contractor hired by the TAS also found that case acceptance policies have been an ongoing challenge. The TAS contracted with an outside organization (MITRE Corporation) to perform a comprehensive review of the case advocacy process with the goal of identifying areas for improvement. In the report dated September 26, 2008, the contractor recommended that TAS management conduct additional analysis on the number of cases accepted that did not meet TAS acceptance criteria to "ensure that TAS resources are dedicated to cases meeting the "letter" and "spirit" of TAS criteria."

¹² These cases met TAS case acceptance criteria; however, based on NTA policy decisions, systemic burden criteria cases involving identity theft, processing of original and amended returns, unpostable/rejected returns, and injured spouse claims are generally not to be referred or accepted by the TAS.

¹³ The estimate is based on 100 randomly selected cases closed in FY 2012 with a 23 percent error rate, a ± 8.29 percent precision rate, and a 95 percent confidence level. See Appendix IV for more information.

¹⁴ At the end of FY 2012, the TAS had 1,175 intake, case, and lead advocates, and the TAS closed a total of 232,508 cases. Dividing the total number of cases closed by the number of advocates results in approximately 198 cases closed per advocate in FY 2012. By dividing the estimated number of cases accepted that do not meet criteria (24,019) by the number of closures per advocate (198), it is estimated that it took 121 advocates to close those cases. In addition, we are 95 percent confident that between 77 and 164 advocates were used to close the estimated 24,019 cases.



The Taxpayer Advocate Service Can Improve the Processing of Systemic Burden Cases

Further, TAS management established a team of TAS personnel to review and assess the appropriateness of cases received through the IRS case referral process. In the report dated April 2010, the team reviewed a sample of 698 cases and determined that 61 percent of IRS referrals were appropriate and 71 percent of direct intake cases were appropriate. Our sample findings and the studies performed in the past, show that the TAS has consistently used its discretion in accepting cases where systemic burden criteria were not met.

Recommendations

The NTA should:

Recommendation 5: Provide training to TAS and IRS operating division and function personnel regarding its systemic burden case acceptance criteria and emphasize that referrals should be adequately documented to establish how they meet TAS criteria.

Management's Response: IRS management agreed with this recommendation. According to TAS management, they will expand training curriculum to include appropriate case acceptance criteria. Currently, the TAS provides training for all new case advocates and intake advocates on TAS case criteria. Local Taxpayer Advocates are also provided with materials for use in conducting outreach about the TAS to the operating division/functions, including examples of cases meeting TAS criteria. The TAS also reviews training material used by the operating division/functions to train employees on making TAS referrals, including Internal Revenue Manuals discussing TAS referrals.

Recommendation 6: Should consider developing a new or revising an existing criteria code for cases the TAS exercised its discretion and accepted cases that did not meet their systemic burden case acceptance criteria or could have been referred to other IRS units per TAS policies.

Management's Response: IRS management disagreed with this recommendation. The TAS believes that all of the cases in the TIGTA sample met TAS case criteria and were appropriately accepted because of the discretion it has in accepting cases where the TAS feels taxpayers need assistance; as such they do not see the benefits of expanding the existing case criteria code.

Office of Audit Comment: TIGTA continues to believe that all 23 cases noted did not meet TAS systemic burden case acceptance criteria or any of the specific exceptions mentioned in the TAS response to this report. Some of the specific exceptions noted by TAS in their response include the taxpayer declining referral to the Identity Protection Specialized Unit or not satisfied with assistance provided through the Identity Protection Specialized Unit, the IRS has already tried to provide relief in the past, and has failed, and cases referred by congressional offices. However, these and the other specific exceptions noted by TAS in their response did not apply to any of the 23 cases.



The Taxpayer Advocate Service Can Improve the Processing of Systemic Burden Cases

We fully support TAS's efforts to help taxpayers and, as noted in this report, do not question that it was within the TAS's discretion to accept these 23 cases. However, given that the TAS established the policies to limit the types of systemic burden cases accepted in an attempt to manage its workload, we believe the TAS should consider measuring the component of its workload that it accepts at its discretion.

Sample Testing Found Data Input Into the Taxpayer Advocate Service Management Information System Were Not Reliable

We found that 52 of the 100 cases reviewed in our sample had incorrect codes input into the TAMIS. When projected to the population of 104,432 closed cases in FY 2012, we estimate that 54,305 cases have unreliable data due to the incorrect coding.¹⁵ These errors were primarily due to TAS personnel not following guidance when inputting primary core issue codes and relief codes into the TAMIS. Unreliable data could lead to poor decisions by TAS management and incorrect information reporting in the publicized Annual Reports to Congress and Annual Objectives Reports. In addition, the TAS's Systemic Advocacy function, which identifies and addresses IRS global systemic and procedural issues, could be affected as the volume and type of cases may not be accurate. Figure 6 summarizes our review of the 100 sampled cases for reliability of data.

Figure 6: Systemic Burden Case Reliability of Data Errors

Type of Coding Error	Number of Cases With Errors
Cases With Incorrect Criteria Code	16
Primary Core Issue Code Incorrect	22
Relief Code Incorrect	30

Source: TIGTA review of sample cases. Some cases had more than one error.

Cases with incorrect criteria code

Sixteen of the 100 cases we sampled had incorrect criteria codes. The NTA has established nine criteria codes that indicate the reason a taxpayer's issue meets the requirements to be worked by the TAS.¹⁶ Five of the 16 errors were cases referred from congressional offices that were incorrectly coded as meeting the TAS's systemic burden criteria. Although the TAS has an agreement to work most congressional cases, it has not established a unique criteria code for those congressional cases that do not meet TAS criteria. As a result, TAS personnel classify all

¹⁵ The 54,305 point estimate is based on a 95 percent confidence level. We are 95 percent confident that between 44,032 and 64,577 cases involved TAS personnel incorrectly inputting criteria, core issue, and/or relief codes. See Appendix IV for more information.

¹⁶ See Appendix V for more information.



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congressional cases as meeting TAS criteria even when the taxpayer's issue does not qualify. This results in an overstatement of cases that meet the TAS's systemic burden criteria.

Primary core issue code incorrect

The primary core issue code on the TAMIS was not correct for 22 of the 100 cases sampled. Primary core issue codes are used to identify the main problem or issue facing the taxpayer. The TAS has more than 130 primary core issue codes that are used to document the taxpayer issue or problem. Because these codes were incorrect, the TAS will not have reliable data to determine which issues are causing taxpayer problems.

Relief code incorrect

Thirty of the 100 cases we sampled had incorrect relief codes. The TAS uses these codes to identify if/when a Taxpayer Assistance Order¹⁷ was issued and whether the TAS provided partial, full, or no relief to the taxpayer's problem. Because these codes are not always correct, TAS management will not have accurate information about the final disposition of taxpayer cases.

Recommendations

The NTA should:

Recommendation 7: Develop a new criteria code or revise an existing case criteria code for cases received from congressional offices that do not meet other TAS case acceptance criteria.

Management's Response: IRS management agreed with this recommendation. The NTA issued an Internal Guidance Memorandum effective April 2, 2014, which provides that congressional cases that do not meet other criteria shall be accepted under criteria 9.

Recommendation 8: Reemphasize the importance of ensuring the accuracy of criteria, primary core issue, and relief codes to TAS personnel to improve the accuracy of information used to make managerial decisions and reported to Congress and the public.

Management's Response: IRS management agreed with this recommendation. TAS management stated they regularly train and emphasize to employees the importance of accurate case coding. They will continue to review their training modules and ensure that the importance of accurately recording the criteria, primary core issue code, and relief codes is emphasized.

¹⁷ A Taxpayer Assistance Order may be issued to 1) direct the operating division/function to take a specific action, cease a specific action, or refrain from taking a specific action or 2) direct the IRS to review at a higher level, expedite consideration of, or reconsider a taxpayer's case.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the TAS has an effective system to process taxpayer requests for relief due to systemic burden. To accomplish this objective, we:

- I. Determined what guidance has been provided to TAS employees regarding the processing of Criteria Code 5–7 cases.
- II. Determined if TAS handling of Criteria Code 5–7 accepted cases was effective. Specifically, we selected a sample of Criteria Code 5–7 cases closed in FY 2012 and determined if the TAS’s acceptance of the case was appropriate.
 - A. In order to project to the population, we selected a statistical random sample of 100 Criteria Code 5–7 cases closed in FY 2012 from a population of 104,432 systemic burden cases closed in FY 2012 (using a 95 percent confidence level, a ± 6 percent desired precision rate, and a 10 percent expected error rate). We queried the TAMIS to secure the 104,432 cases closed in FY 2012 and validated the reliability of the data by using the field descriptions, reviewing the appropriateness of data within fields, and comparing population totals to information obtained from TAS reports. We found the data to be sufficiently reliable for our purposes. Also, a contracted statistician reviewed and agreed with our sampling methodology and projections. For each sampled case, we:
 1. Determined if the taxpayer’s case should have been accepted based on case acceptance criteria in place at the time the case was received for Criteria Code 5–7 requests.
 2. Determined if the TAS made timely initial contact with the taxpayer.
 3. Determined if the TAS incorrectly bypassed the authorized representatives.
 4. Determined if the TAS made unauthorized disclosures to third parties.
 5. Determined if the TAS requested the information/documentation necessary to resolve the taxpayer’s issue.
 6. Determined if the TAS documented the case course of action in the TAMIS.¹
 7. Determined if the TAS initiated the appropriate corrective action(s) if they had the requisite authority to do so.

¹ See Appendix VIII for a glossary of terms.



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8. Determined if the TAS ensured that corrective actions were fully implemented.
 9. Determined if the TAS addressed all issues to fully resolve the taxpayer's case.
 10. Determined if the TAS took timely actions and communication with taxpayers was accurate.
 11. Reviewed the TAMIS to determine if closing entries were accurately recorded on the TAMIS.
- B. Discussed potential exceptions with TAS management.

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 the following internal controls were relevant to our audit objective: the TAS' policies, procedures, and practices for processing systemic burden cases. We evaluated these controls by reviewing a random sample of 100 systemic burden cases closed in FY 2012 and interviewing TAS management.



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Appendix II

Major Contributors to This Report

Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations)

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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
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Executive Director, Case Advocacy TA:EDCA
Chief Counsel CC
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: National Taxpayer Advocate TA



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Appendix IV

Outcome Measures

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

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 9,399 taxpayers may have had their rights violated because TAS personnel bypassed representatives and/or made unauthorized disclosures (see page 4).

Methodology Used to Measure the Reported Benefit:

In nine (9 percent) of the 100 sampled FY 2012 closed TAS systemic burden cases reviewed, TAS personnel bypassed authorized representatives and/or made unauthorized disclosures. The TAS closed a total of 104,432 systemic burden criteria cases in FY 2012. We estimate that TAS personnel potentially bypassed authorized representatives or made unauthorized disclosures for 9,399 (104,432 x 9 percent error rate) taxpayers. Our review of 100 randomly selected systemic burden criteria cases for this attribute resulted in a 9 percent actual error rate and a ± 5.64 percent precision rate based on a 95 percent confidence level. Further, we are 95 percent confident that between 3,514 and 15,283 cases involved TAS personnel bypassing authorized representatives and/or making unauthorized disclosures.

Type and Value of Outcome Measure:

- Taxpayer Burden – Potential; 56,393 taxpayers may have been burdened because TAS personnel did not take correct or timely actions on cases (see page 4).

Methodology Used to Measure the Reported Benefit:

In 54 (54 percent) of the 100 sampled FY 2012 closed TAS systemic burden cases reviewed, TAS personnel did not timely and/or correctly address taxpayer issues. The TAS closed a total of 104,432 systemic burden criteria cases in FY 2012. We estimate that TAS personnel potentially did not timely and/or correctly address taxpayer issues for 56,393 (104,432 x 54 percent error rate) taxpayers. Our review of 100 randomly selected systemic burden criteria cases for this attribute resulted in a 54 percent actual error rate and a ± 9.81 percent precision rate based on a 95 percent confidence level. Further, we are 95 percent confident that between



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46,145 and 66,641 cases involved TAS personnel not timely and/or correctly addressing taxpayer issues.

Type and Value of Outcome Measure:

- Reliability of Information – Potential; 54,305 cases on the TAMIS may have unreliable criteria, primary core issue, and/or relief codes (see page 13).

Methodology Used to Measure the Reported Benefit:

In 52 (52 percent) of the 100 sampled FY 2012 closed TAS systemic burden cases reviewed, TAS personnel incorrectly input criteria, primary core issue, and/or relief codes on the TAMIS.¹ The TAS closed a total of 104,432 systemic burden criteria cases in FY 2012. We estimate that TAS personnel potentially incorrectly input criteria, primary core issue, and/or relief codes on 54,305 (104,432 x 52 percent error rate) cases. Our review of 100 randomly selected systemic burden criteria cases for this attribute resulted in a 52 percent actual error rate and a ± 9.84 percent precision rate based on a 95 percent confidence level. Further, we are 95 percent confident that between 44,032 and 64,577 cases involved TAS personnel incorrectly inputting criteria, primary core issue, and/or relief codes.

¹ See Appendix VIII for a glossary of terms.



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Appendix V

Taxpayer Advocate Service Criteria Codes

Economic Burden Criteria	
<i>Criteria</i>	<i>Description</i>
1	The taxpayer is experiencing economic harm or is about to suffer economic harm.
2	The taxpayer is facing an immediate threat of adverse action.
3	The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).
4	The taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.
Systemic Burden Criteria	
5	The taxpayer has experienced a delay of more than 30 calendar days to resolve a tax account problem.
6	The taxpayer has not received a response or resolution to their problem or inquiry by the date promised.
7	A system or procedure has either failed to operate as intended or failed to resolve the taxpayer's problem or dispute within the IRS.
Best Interest of the Taxpayer	
8	The manner in which the tax laws are being administered raise considerations of equity or have impaired or will impair the taxpayer's rights.
Public Policy	
9	The NTA determines compelling public policy warrants assistance to an individual or group of taxpayers.

Source: TAS IRM 13.1.7.2(1) (July 23, 2007).



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Appendix VI

Disclosure of Tax Return Information and Authorized Representatives

Identifying the authorized representative during a tax matter is critical for IRS personnel because I.R.C. Section (§) 6103 prohibits disclosure of tax return information to third parties unless the taxpayer has authorized the IRS to make the disclosure. In addition, the direct contact provisions of I.R.C. § 7521 generally:

- Prohibit IRS personnel from bypassing a qualified representative once a taxpayer authorizes one to act on his or her behalf and informs the IRS of that authorization.
- Require IRS personnel to stop a taxpayer interview whenever a taxpayer requests to consult with a representative.
- Require IRS personnel to obtain their immediate supervisor's approval to contact the taxpayer instead of the representative if the representative is responsible for unreasonably delaying the completion of an audit or investigation.



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Appendix VII

Systemic Burden Identity Theft Cases Still Accepted by the Taxpayer Advocate Service

The Memorandum of Understanding between the TAS and the Wage and Investment Division, signed in March 2010, requires cases meeting TAS systemic burden criteria be referred directly to the Identity Protection Specialized Unit for resolution. However, the TAS will continue to accept systemic burden identity theft cases that meet one of the following conditions:

- The taxpayer declines referral to the Identity Protection Specialized Unit.
- The IRS has already tried to provide relief in the past and has failed.
- Systemic burden cases that require advocacy which might lead to the issuance of a Taxpayer Assistance Order¹ on behalf of the taxpayer.
- Taxpayer cases added to the TAMIS will remain in the TAS and be resolved through the OAR process.
- Taxpayers not satisfied with the assistance provided through the Identity Protection Specialized Unit.
- Taxpayers assisted by Identity Protection Specialized Unit who subsequently face economic burden while the Identity Protection Specialized Unit is processing their request will come to the TAS for assistance when the Identity Protection Specialized Unit cannot provide relief within 24 hours.
- Congressional cases.
- Any cases previously open in the TAS.

¹ A Taxpayer Assistance Order may be issued to 1) direct the operating division/function to take a specific action, cease a specific action, or refrain from taking a specific action or 2) direct the IRS to review at a higher level, expedite consideration of, or reconsider a taxpayer's case.



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Appendix VIII

Glossary of Terms

Automated Collection System – A telephone contact system through which telephone assistors collect unpaid taxes and secure tax returns from delinquent taxpayers who have not complied with previous notices.

Case Advocate – A TAS employee who works within the IRS and determines actions that have been taken or need to be taken to resolve the tax problems taxpayers are experiencing.

Delegated Authorities – Authorities granted to the NTA by the IRS Commissioner which are re-delegated to TAS employees and management.

Direct Intake – Cases received through contact with TAS personnel (not cases referred by the IRS operating divisions) by telephone, correspondence, walk-in visits, etc.

Installment Agreement – The IRS allows taxpayers the opportunity to make smaller periodic payments over time if the full amount cannot be paid at once.

Internal Revenue Manual – The primary official source of IRS instructions to staff that relate to the administration and operation of the IRS.

Operations Assistance Request – Used by the TAS to ask for assistance from an IRS operating division or function to complete an action on a TAS case. An OAR is necessary when the TAS does not have the authority to take the required action(s).

Revenue Officer – Employees of the IRS who attempt to contact taxpayers and resolve collection matters that have not been resolved through notices sent by the IRS campuses or the Automated Collection System.

Taxpayer Advocate Management Information System – A database of the TAS that is exclusively dedicated to the recordation, control, and processing of TAS taxpayer cases and to the capturing and analysis of core tax issues, laws, policies, and internal IRS functional processes that are the sources of significant taxpayer hardship and other critical problems.



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Appendix IX

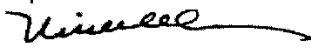
Management's Response to the Draft Report



THE OFFICE OF THE TAXPAYER ADVOCATE OPERATES INDEPENDENTLY OF ANY OTHER IRS
OFFICE AND REPORTS DIRECTLY TO CONGRESS THROUGH THE NATIONAL TAXPAYER ADVOCATE.

May 15, 2014

MEMORANDUM FOR: Michael E. McKenney
Acting Deputy Inspector General for Audit

FROM: Nina E. Olson 
National Taxpayer Advocate

SUBJECT: Draft Audit Report – *The Taxpayer Advocate Service
Can Improve the Processing of Systemic Burden
Cases* (Audit # 201310004)

Thank you for giving me the opportunity to respond to the report, *The Taxpayer Advocate Service Can Improve the Processing of Systemic Burden Cases*. I appreciate the role of TIGTA and welcome recommendations that will help my organization improve.

Processing systemic burden cases efficiently is of vital importance to the Taxpayer Advocate Service (TAS), to the IRS operating divisions, and particularly to the taxpayers we serve. Although I feel that TAS has performed well in processing the high volume of cases, I acknowledge there is room for improvement. TAS is already working on a number of initiatives to improve case processing and reduce delays and errors.

TAS Comments on Findings

*The Draft Report Does Not Adequately Describe the Many Exceptions to the
General Policy of No Longer Accepting Certain Systemic Burden Cases*

On pages 2 and 3 of the audit report, TIGTA mentions that TAS management changed its policies to no longer accept certain systemic burden cases. Indeed, in March 2010, the National Taxpayer Advocate (NTA) and the Commissioner of Wage and Investment (W&I) entered into a memorandum of understanding to transition certain identity theft cases from TAS to the Identity Protection Specialized Unit (IPSU). However, TIGTA does not adequately describe the significant exceptions to these policies that would allow TAS to properly take in cases in accordance to the MOU or the interim guidance on changes to the case acceptance criteria.



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The MOU recognizes that some identity theft victims will want to interact with TAS. According to the MOU, IRS employees will send all cases meeting TAS Criteria 1-4 (Economic Burden) to TAS for resolution, where IRS is unable to provide relief or take a substantive action towards providing relief within 24 hours of receipt. In addition, TAS will continue to resolve systemic burden identity theft cases that meet one of the following conditions:

1. The taxpayer declines referral to IPSU.
2. The IRS has already tried to provide relief in the past, and has failed.
3. Systemic burden cases that require advocacy which might lead to the issuance of a Taxpayer Assistance Order on behalf of the taxpayer.
4. Taxpayer cases added to the Taxpayer Advocate Management Information System (TAMIS) will remain in TAS and be resolved through the Operations Assistance Order (OAR) process.
5. Taxpayers not satisfied with the assistance provided through IPSU.
6. Taxpayers assisted by IPSU, who subsequently face economic burden while IPSU is processing their request, will come to TAS for assistance, when IPSU cannot provide relief within 24 hours.
7. Congressional cases.
8. Any cases previously open in TAS.

These exceptions were negotiated with W&I to ensure that taxpayers who have been traumatized by identity theft – and are often very upset and emotionally-charged when they call – receive the proper level of assistance.

Beginning in FY 2012, the Deputy NTA issued interim guidance providing that TAS will no longer accept certain types of systemic burden cases (at least on a temporary basis), including:

- Processing of Original Returns;
- Unpostable/Rejected Returns;
- Processing of Amended Returns; and
- Injured Spouse Claims.

The rationale for this change in policy was to enable TAS to focus our limited resources on Economic Burden cases and on Systemic Burden cases where we play a more direct role in affecting the outcome. Again, however, there are two notable exceptions under which TAS will continue to accept Systemic Burden cases involving the four processing issues identified above:

- TAS will continue to accept all cases referred by congressional offices.
- TAS will continue to accept all cases involving the issues listed above when the taxpayer's inquiry is related to other issues for which TAS may advocate, such as an open examination or collection action that a refund from, or the processing of, the amended or original return or claim would resolve.



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TAS Properly Accepted All of the Cases in TIGTA's Sample

TIGTA notes that it found 23 instances where TAS accepted cases even though there were policies in place to route the cases to other IRS units, where documentation of the initial justification for accepting a case did not meet the definition of systemic burden cases, or where the taxpayer's issue was already resolved prior to the TAS accepting the case. **I strongly disagree with TIGTA's premise that TAS worked systemic burden cases in contravention with existing guidance.** I personally reviewed each of these cases, and in every instance I supported TAS's decision to keep these cases based on IRM provisions. In my judgment, each of the 23 cases met TAS criteria based on a complete analysis, and TAS provided significant assistance to taxpayers in all of these cases. Thus, TIGTA's estimation that TAS accepted an additional 24,019 cases in FY 2012 (correlating to a workload of 121 case advocates) that did not fit existing case criteria is without merit.

TIGTA, on page 9 of the audit report, acknowledges that: "TAS exercised its discretion in accepting cases in order to help the taxpayers. The TAS does not consider its case criteria as a means of excluding taxpayers from the TAS, but rather, as a guide to TAS case acceptance." Congress created TAS to serve as a "safety net" to assist taxpayers experiencing problems with the IRS and to ensure that taxpayers don't fall through the cracks. While TAS adopted policies to limit its workload, it purposely gave TAS employees discretion in applying the policies. TAS's institutional bias is to assist taxpayers -- not turn them away or turn them into human ping pong balls that are cross-referred from one IRS function to another.

As a general matter, relevant TAS guidance and Internal Revenue Manual (IRM) provisions must be read together to properly determine whether TAS employees acted in accordance with procedural guidance in accepting cases. IRM 13.1.1.1 specifically offers this instruction to the NTA toll-free assistants: "Any taxpayer indication or inference of significant hardship should be taken at face value and construed to meet Taxpayer Advocate Service (TAS) criteria." The instruction is provided because IRS employees are acting as the gateway to TAS. To preserve our independence, we have decided as a policy matter to err on the side of inclusion rather than exclusion. Consistent with this view, IRM 13.1.7.1(2) states: "TAS Case Criteria should not be viewed as a means of excluding taxpayers from TAS, but rather, as a guide to TAS case acceptance."

TIGTA fails to recognize that with respect to cases referred to TAS from internal IRS units (including the NTA toll-free line), IRM 13.1.16.8.1(2) provides:

Internally referred cases not otherwise meeting TAS criteria **may** be returned to the function once received by TAS, but only with Local Taxpayer Advocate (LTA) approval. TAS will work to educate the function on why the case did not meet TAS criteria and how they could have



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addressed the issue. The LTA will determine if the incorrect referral is an anomaly or meets systemic burden criteria. A 7811 determination must still be made. An inquiry that initially doesn't meet TAS criteria may become one that meets both 7811 and TAS criteria. (emphasis added)

Note that the IRM says these cases may be returned to the IRS function. Returning an internally referred case is permissive, not mandatory. There is a great deal of discretion vested in the case advocate, and for good reason. The case advocate is the person who is interfacing with the taxpayer and can hear the stress, anxiety, and fear that the taxpayer feels. Thus, the case advocate is in the best position to judge whether this taxpayer, taken at face value, has experienced a systemic breakdown or a failure to resolve the problem. At this point in the process, case advocates deal with the facts they are given, and absent clear evidence the taxpayer is purposely misleading the advocate, we take taxpayers at their word. In doing so, the case advocate takes into consideration the taxpayer's ability to navigate IRS processes and the likelihood that the taxpayer will land back in TAS again, just much later and much more frustrated (and potentially having suffered greater harm and burden).

Thus, just as an appellate court is not in a position to second-guess the trial judge's assessment of the credibility of a witness, so TIGTA should not second guess the case advocate's decision to not refer back a case to the IRS. This is especially true because the case advocate, in deciding to keep the case, is actually increasing his or her own workload. When the case advocate keeps the case rather than referring it back, it is an acknowledgement that the taxpayer's needs are so great that it is worth adding that case to the case advocate's inventory.

TAS's Extensive Case Quality Review Program Shows 96.8 Percent Accuracy in Assigning Criteria Codes

For most data collection and analysis, TAS looks at groups of criteria codes – economic burden (1-4), systemic burden (5-7), taxpayer rights, and public policy. Throughout their “lives,” many TAS cases evolve as case advocates discover information that was not available upon intake. There is nothing nefarious about this – taxpayers may not initially know what information is important, don't know what issues may be lurking in the bowels of IRS computers, and don't know the underlying cause of their perceived problem. Because TAS pulls data about its case inventory at various points in a case's evolution, it is TAS's policy to change “incorrect” criteria codes infrequently, so as not to distort data further.

Thus, if a case has been improperly coded by an IRS function, then TAS acts on the basis of the code assigned by the function. It is only after TAS makes the first contact that we might learn that another code applies that would have warranted earlier contact. IRM 13.1.18.2.2 provides the following guidance on reviewing cases for proper use of TAS case criteria codes:





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cases. In FY 2013 and FY 2014, TARP reviewed 463 cases a month. That is, the scope of the TARP review is significantly greater than the 100-case review conducted by TIGTA.

One data point the TARP measures is the accuracy of the case acceptance criteria code (item 11). The accuracy rate of item 11 for the last three years is below:

- FY 2014 score through January: 96.8%
- FY 2013: 96.8%
- FY 2012: 95.5%

Under the guidelines used by TARP, reviewers will not change the criteria code on a case unless TAS input an incorrect criteria code on the case when TAS accepted the case into TAS and an administrative or factual error occurred. Administrative errors arise when, by mistake or accident, TAS entered an incorrect criteria code. Factual errors occur when the facts presented by the taxpayer or the authorized representative are incomplete or incorrect, and as a result, TAS entered an incorrect criteria code. An administrative or factual error does not exist when more than one criteria code applies to a case, and the code entered is not the one perceived to be “better”, will offer the most benefit, or is of most concern to the taxpayer. TARP measures this data point based on the knowledge of the facts and circumstances of the case documentation.

TAS Case Advocates Generally Make Timely Initial Contact with Taxpayers and Complete Case Actions on a Timely Basis, But Exigent Circumstances May Dictate That Other Cases Take Priority

On pages 8 and 9 of the audit report, TIGTA notes that it identified untimely initial contacts in five of the sampled cases and untimely case actions in 15 instances. Both of these attributes are included as part of the TAS’s comprehensive case quality review program (TARP, described above). As shown below, TAS has historically performed extremely well in both of these areas.¹

Timely Initial Contact

- FY 2014 thru March: 94.20%
- FY 2013: 95.63%
- FY 2012: 93.64%

Follow-up Case Actions

- FY 2014 thru March: 93.36%
- FY 2013: 93.30%
- FY 2012: 92.45%

¹ TAS’s case quality review measures the percentage of cases the case advocate meets the date based on all opportunities; there can be multiple Next Contact Dates and Follow-up Dates in each case.



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Although TAS has performed well in these quality attributes, there will be instances where case advocates must use their discretion to focus on extreme emergency situations where another taxpayer has an “immediate need.” In such cases, depending on the facts and circumstances, a case advocate may be forced to miss a scheduled contact or a scheduled action on a non-emergency case. Looking at a case in a vacuum and stating that taxpayer contact dates and case action dates were missed won’t tell the complete story. To ensure that emergency cases are treated with the appropriate level of attention, case advocates must sometimes make the difficult choice of missing important timeliness goals in non-priority cases.

In Advance of the Anticipated TISIS Roll Out in 2015, TAS Has Initiated Several Projects to Improve Case Intake Procedures

It appears that TIGTA expects TAS to do a lot of research up front. While I agree this may result in slightly more accurate criteria coding at intake, this is not feasible under our current system. To do this effectively and with minimal harm and delay to taxpayers would require a redesign of our intake process.

Fortunately, TAS is in the midst of a complete information management system redesign. Since the introduction of intake advocates nine years ago, TAS has been working toward the implementation of the Taxpayer Advocate Service Information System (TISIS), with a more robust intake process, the ability to provide taxpayers self-help instructions, and the ability to refer taxpayers back to specific functions – not to the general IRS ozone. Among other benefits, TISIS will enable TAS to:

- automate work processes and research activities, eliminate manual and redundant steps, and allow TAS employees to spend more time on their core mission of advocating for taxpayers;
- allow employees to obtain automated information from IRS systems, sparing laborious hours of researching, updating, and monitoring taxpayer accounts and records;
- support interaction between TAS employees and external customers via email, text, and fax;
- improve and provide new avenues for the process of seeking assistance from TAS; and
- support electronic collaboration between TAS employees and IRS operating divisions.

Due to unanticipated funding delays, we expect to roll out the first release of TISIS sometime in 2015. In the meantime, TAS has initiated several projects to improve case intake procedures. In early December 2013, TAS implemented a six-month Proof of Concept (POC) by which taxpayers calling into the NTA Toll-free line—staffed by W&I assistants—can now be immediately transferred to a TAS intake advocate for faster problem resolution. Previously, W&I assistants



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gathered the taxpayer's contact information and some preliminary information about the taxpayer's problem(s). This information was entered into a database which had to be downloaded and perfected by a TAS intake advocate before being assigned to a case advocate.

Under the current POC, the W&I assistor can now immediately transfer the call to a TAS intake advocate who can quickly assess the situation, gather the needed information, and more quickly have the case assign to a case advocate. This allows for more complete, accurate initial case building and ultimately quicker problem resolution for the taxpayer.

Through the end of the FY 2014 second quarter, TAS received 4,885 direct transfer calls from W&I assistors. A total of 4,774 of these calls were answered (98 percent Level of Service). The Average Speed of Answer for these calls was 128 seconds. Through the end of the FY 2014 second quarter, TAS opened 3,606 cases as a result of direct transfer calls from W&I under the POC.

TAS is also working on a Taxpayer Self-Help initiative that involves the development of alternative approaches and tools for certain taxpayer issues in Systemic Burden cases. The issues will generally be of the type that many taxpayers could resolve on their own if certain information were provided to them. Even though a case may technically meet TAS criteria, intake advocates participating in the Centralized Case Intake POC will have conversations with taxpayers to determine whether the issue is one that can be designated as a self-help issue where the taxpayer has the ability to resolve the matter on his or her own. The intake advocate would be expected to ask pertinent questions of the taxpayer to help determine if the self-help tool could be used and if necessary, walk the taxpayer through the use of the tool. If the taxpayer is unable to comprehend the issue and cannot assist himself or herself, the intake advocate will take the case into TAS.

The Taxpayer Self-Help initiative will have several benefits, including:

- Taxpayers may be able to resolve their case more quickly on their own as opposed to using TAS once they are empowered to do so through information provided by the Intake Advocate;
- TAS case work will be more efficient in that efforts are not expended on taxpayer issues that would have otherwise become TAS cases; and
- TAS case advocates can focus their efforts on cases which truly need their involvement to bring about resolution.

Additionally, TAS recently assembled a team of experienced subject matter experts to develop comprehensive Action Templates for each of the 184 Primary Issue Codes (PIC) that currently exist. These templates will serve as a ready reference and technical guide for helping TAS employees effectively advocate on behalf of taxpayers. Originally planned for implementation with the deployment



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of TASIS, TAS has taken the proactive step of making them available in the summer of 2014 on a common SharePoint site for all employees.

Response to Recommendations

We concur with seven of the report's eight recommendations. Below, we identify the actions we plan to take to implement the recommendations to which we have agreed.

Recommendation 1: *Reissue guidance to TAS personnel explaining the requirement to only contact authorized representatives, when applicable, and emphasize this requirement in future training.*

We agree with this recommendation. TAS case advocates oftentimes receive calls directly from taxpayers who have authorized representatives, and the IRS also sends cases to TAS when it receives a call from a taxpayer who has designated an authorized representative. We concur that it is important to have clear guidance to employees on the importance of contacting authorized representatives, and what steps employees should take when a taxpayer with an authorized representative on file calls TAS directly. We will (1) issue an Internal Guidance Memorandum on this matter and (2) develop a training module to address various scenarios where authorized representatives are at risk of being bypassed and why it is important to contact authorized representatives.

The TARP quality review process does look at whether proper procedures were followed at first contact (including authentication of the taxpayer or representative) and whether proper contact rules were followed when the taxpayer has designated an authorizer representative. We will continue to monitor the quality scores for these two attributes.

Recommendation 2: *Review the three potential unauthorized disclosures of tax return information and report as appropriate the incidents to the Situation Awareness Management Center.*

We agree with this recommendation. We will review these three cases and, if appropriate, report the incidents to the Situation Awareness Management Center.

Recommendation 3: *Review the results of sample findings and, where appropriate, incorporate lessons learned into future training for TAS personnel.*

We agree with this recommendation. We will review the results of the sample findings and will incorporate any lessons learned into future training. TAS also has a case quality review process; for any cases in the TIGTA sample that were also selected for TAS quality review, we will compare the results with TIGTA's findings.



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Recommendation 4: *Reopen the five cases we identified to fully address the taxpayers' issues.*

We agree with this recommendation. We will reopen the five cases TIGTA recommended and will ensure that all issues are fully addressed.

Recommendation 5: *Provide training to TAS and IRS operating division and function personnel regarding its systemic burden case acceptance criteria and emphasize that referrals should be adequately documented to establish how they meet TAS criteria.*

We agree with this recommendation. We will expand our training curriculum to include appropriate case acceptance criteria. Currently, TAS provides training for all new case advocates and intake advocates on TAS case criteria. Local Taxpayer Advocates are provided with materials for use in conducting outreach about TAS to the OD/functions, including examples of cases meeting TAS criteria. TAS also reviews training material used by the OD/functions to train employees on making TAS referrals, including IRMs discussing TAS referrals.

Recommendation 6: *Should consider developing a new or revising an existing criteria code for cases the TAS exercised its discretion and accepted cases that did not meet their systemic burden case acceptance criteria or could have been referred to other IRS units per TAS policies.*

We disagree with this recommendation. We believe that all of the cases in the TIGTA sample met our case criteria and were appropriately accepted; as such, we do not see the benefits of expanding the existing case criteria code.

Recommendation 7: *Develop a new criteria code or revise an existing case criteria code for cases received from congressional offices that do not meet other TAS case acceptance criteria.*

We agree with this recommendation. The National Taxpayer Advocate issued an Internal Guidance Memorandum effective April 2, 2014, which provides that congressional cases that do not meet other criteria shall be accepted under criteria 9.

Recommendation 8: *Reemphasize the importance of ensuring the accuracy of criteria, primary core issue, and relief codes to TAS personnel to improve the accuracy of information used to make managerial decisions and reported to Congress and the public.*

We agree with this recommendation. TAS regularly trains and emphasizes to its employees the importance of accurate case coding. We will continue to review our training modules and ensure that the importance of accurately recording the criteria, primary core issue code, and relief codes is emphasized.



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With respect to the selection of TAS Case Criteria Codes, criteria selection is not always clear-cut. In many cases, it is difficult to decide which is the correct code – there can be a hair's breadth of difference between the codes within categories 1 through 4 and those within categories 5 through 7. In many cases, more than one code can apply to a given case. As I told the audit team, the sole practical difference between economic burden and systemic burden cases is the speed with which the first contact is made and first action is taken on the case – both economic burden and systemic burden cases may receive expedited treatment as the facts and circumstances warrant.

TIGTA found that more than 22 percent of the sample cases contained incorrect Primary Core Issue Codes (PCICs). It is often difficult to designate primary and secondary issue codes, particularly when multiple issues arise. Often, the PCIC is assigned based on the taxpayer's initial description of the problem. If the issue code is entered incorrectly on TAMIS, we do ask that case advocates change the PCIC to reflect the appropriate issue.² We will provide additional guidance clarifying use of the PCIC and when it is appropriate to change it.

While we agree that case advocates may need refresher training to ensure they code cases properly, we would also like to point out that upcoming systems improvement may minimize this problem. By the end of 2015, TESIS Release 1 will be rolled out. With this new system, TAS management will have more flexibility in determining the best way to track issue codes.

Attached is a summary of our response outlining our corrective actions. If you have any questions, please contact me or call Christopher Lee, our TIGTA liaison, at (202) 317-3048.

² See IRM 13.4.5.2.1.5(5) (July 16, 2012).



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Attachment 1

Summary of TIGTA Recommendations and Management Response

RECOMMENDATION #1: *Reissue guidance to TAS personnel explaining the requirement to only contact authorized representatives, when applicable, and emphasize this requirement in future training.*

CORRECTIVE ACTION: We will develop appropriate guidance to TAS personnel explaining the requirement to only contact authorized representatives, when applicable. We will (1) issue an Interim Guidance Memorandum to our employees and (2) develop a training module to address various scenarios where authorized representatives are at risk of being bypassed and why it is important to contact authorized representatives.

IMPLEMENTATION DATE: December 2014

RESPONSIBLE OFFICIAL: Executive Director of Case Advocacy

RECOMMENDATION #2: *Review the three potential unauthorized disclosures of tax return information and report as appropriate the incidents to the Situation Awareness Management Center.*

CORRECTIVE ACTION: We will review the three potential unauthorized disclosures of tax return information and, if appropriate, report the incidents to the Situation Awareness Management Center.

IMPLEMENTATION DATE: July 2014

RESPONSIBLE OFFICIAL: Executive Director of Case Advocacy

RECOMMENDATION #3: *Review the results of sample findings and, where appropriate, incorporate lessons learned into future training for TAS personnel.*

CORRECTIVE ACTION: We will review the results of the sample findings and will incorporate any lessons learned into future training.

IMPLEMENTATION DATE: December 2014

RESPONSIBLE OFFICIAL: Executive Director of Case Advocacy



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RECOMMENDATION #4: *Reopen the five cases we identified to fully address the taxpayers' issues.*

CORRECTIVE ACTION: We will reopen the five cases TIGTA recommended and will ensure that all issues are fully addressed.

IMPLEMENTATION DATE: August 2014

RESPONSIBLE OFFICIAL: Executive Director of Case Advocacy

RECOMMENDATION #5: *Provide training to TAS and IRS operating division and function personnel regarding its systemic burden case acceptance criteria and emphasize that referrals should be adequately documented to establish how they meet TAS criteria.*

CORRECTIVE ACTION: We will expand our training curriculum to include appropriate case acceptance criteria. Currently, TAS provides training for all new case advocates and intake advocates on TAS case criteria. Local Taxpayer Advocates are provided with materials for use in conducting outreach about TAS to the OD/functions, including examples of cases meeting TAS criteria. TAS also reviews training material used by the OD/functions to train employees on making TAS referrals, including IRMs discussing TAS referrals.

IMPLEMENTATION DATE: March 2015

RESPONSIBLE OFFICIAL: Executive Director of Case Advocacy

RECOMMENDATION #6: *Should consider developing a new or revising an existing criteria code for cases the TAS exercised its discretion and accepted cases that did not meet their systemic burden case acceptance criteria or could have been referred to other IRS units per TAS policies.*

CORRECTIVE ACTION: We disagree with this recommendation. We believe that all of the cases in the TIGTA sample met our case criteria and were appropriately accepted; as such, we do not see the benefit of expanding the existing case criteria code.

IMPLEMENTATION DATE: N/A

RESPONSIBLE OFFICIAL: N/A



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RECOMMENDATION #7: *Develop a new criteria code or revise an existing case criteria code for cases received from congressional offices that do not meet other TAS case acceptance criteria.*

CORRECTIVE ACTION: The National Taxpayer Advocate issued an Internal Guidance Memorandum effective April 2, 2014, which provides that congressional cases that do not meet other criteria shall be accepted under criteria 9.

IMPLEMENTATION DATE: April 2, 2014

RESPONSIBLE OFFICIAL: National Taxpayer Advocate

RECOMMENDATION #8: *Reemphasize the importance of ensuring the accuracy of criteria, primary core issue, and relief codes to TAS personnel to improve the accuracy of information used to make managerial decisions and reported to Congress and the public.*

CORRECTIVE ACTION: We will review our training modules and ensure that the importance of accurately recording the criteria, primary core issue code, and relief codes is emphasized.

IMPLEMENTATION DATE: December 2014

RESPONSIBLE OFFICIAL: Executive Director of Case Advocacy