



*Fiscal Year 2014
Statutory Review of Restrictions
on Directly Contacting Taxpayers*

September 16, 2014

Reference Number: 2014-30-079

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

FISCAL YEAR 2014 STATUTORY REVIEW OF RESTRICTIONS ON DIRECTLY CONTACTING TAXPAYERS

Highlights

**Final Report issued on
September 16, 2014**

Highlights of Reference Number: 2014-30-079 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

The direct contact provisions of Internal Revenue Code Section 7521 generally require IRS personnel to stop a taxpayer interview whenever a taxpayer requests to consult with a representative, and prohibits IRS personnel from bypassing a qualified representative without supervisory approval once a taxpayer authorizes one to act on his or her behalf and informs the IRS of that authorization. A taxpayer can file a civil suit seeking monetary damages against the IRS if an IRS employee intentionally disregards these provisions by denying the taxpayer the right to appropriate representation.

WHY TIGTA DID THE AUDIT

This audit was initiated because TIGTA is required to annually report on the IRS's compliance with the direct contact provisions of the Internal Revenue Code. The overall objective of this review was to determine whether the IRS complied with legal guidelines addressing the direct contact of taxpayers and their representatives as set forth in Internal Revenue Code Sections 7521(b)(2) and (c).

WHAT TIGTA FOUND

The IRS has a number of policies and procedures in place to help ensure that taxpayers are afforded the right to designate an authorized representative to act on their behalf in dealing with IRS personnel in a variety of tax matters.

Each year, TIGTA focuses on one IRS office or function that interacts with taxpayers and their representatives on a routine basis. For this

review, TIGTA analyzed how well the Small Business/Self-Employed Division's Examination function has ensured that its personnel are appropriately including taxpayers' representatives in its office audit activities. A review of a statistical sample of 96 tax return audits out of 77,817 office audits closed in Fiscal Year 2013 showed that tax compliance officers are generally involving the authorized representatives in case activities.

TIGTA did find one issue that warrants clarification in the IRS's procedures. Two Internal Revenue Manual procedures provide slightly different requirements concerning what actions must be delayed while the taxpayer is obtaining representation.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS ensure that consistent guidance is provided in the Examination sections of the Internal Revenue Manual, detailing the procedures for allowing taxpayers adequate time to obtain representation and for documenting case actions.

The IRS agreed with TIGTA's recommendation and plans to provide consistent guidance in the Small Business/Self-Employed Division's Examination sections of the Internal Revenue Manual detailing the procedures for allowing taxpayers adequate time to secure representation before taking any follow-up action to schedule an appointment. The guidance will clarify actions the examiner can take during the 10-business-day period and clarify adequate case file documentation.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 16, 2014

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

FROM:

Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Fiscal Year 2014 Statutory Review of Restrictions
on Directly Contacting Taxpayers (Audit # 201430008)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) complied with legal guidelines addressing the direct contact of taxpayers and their representatives as set forth in Internal Revenue Code Sections 7521(b)(2) and (c). The Treasury Inspector General for Tax Administration is statutorily required to conduct this audit. This audit is conducted as part of our Fiscal Year 2014 Annual Audit Plan and addresses the major management challenge of Taxpayer Protection and Rights.

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

Copies of this report are also being sent to the IRS managers affected by the report recommendation. If you have any questions, please contact me or Bryce Kisler, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations).



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Abbreviations

I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
SB/SE	Small Business/Self-Employed
TCO	Tax Compliance Officer
TIGTA	Treasury Inspector General for Tax Administration



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Background

As reported in prior years,¹ neither we nor the Internal Revenue Service (IRS) know with any degree of certainty how well the IRS is complying with Internal Revenue Code (I.R.C.) Sections (§§) 7521(b)(2) and (c) (hereafter referred to as the direct contact provisions) because its management information systems are not capable of identifying situations in which a taxpayer is denied the right to appropriate representation. The Treasury Inspector General for Tax Administration's (TIGTA) Office of Investigations receives and investigates taxpayer complaints that allege IRS employees bypassed taxpayer representatives and contacted taxpayers directly. These investigations are tracked by the Office of Investigations on the Performance and Results Information System.² During Fiscal Year 2013, the Office of Investigations closed eight direct contact complaints involving IRS employees, of which three were counseled for their actions by IRS management officials.³

To designate power of attorney authority to a representative, a taxpayer files Form 2848, *Power of Attorney and Declaration of Representative*, with the IRS. Once received and validated, the IRS records the representative authorization in its Centralized Authorization File system, where it is linked to other automated information systems that are accessed and used by IRS personnel to identify authorized representatives. A taxpayer can file a civil suit seeking monetary damages against the IRS if an IRS employee intentionally disregards these provisions by denying the taxpayer the right to appropriate representation.

***Taxpayers use Form 2848,
Power of Attorney and
Declaration of Representative,
to designate qualified
representatives to act on their
behalf in dealing with the IRS.***

Identifying the authorized representative during an audit is critical for IRS personnel because the I.R.C. 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 enacted in 1988 as part of the Omnibus Taxpayer Bill of Rights generally:⁴

- 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.

¹ See Appendix IV for a list of previous audit reports.

² See Appendix V for a glossary of terms.

³ The three counseled employees were in the Small Business/Self-Employed Division's Field Collection function.

⁴ Pub. L. No. 100-647, 102 Stat. 3730 (1988) (codified as amended in scattered sections of 5 U.S.C. and 26 U.S.C.).



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- 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.

Congress, through the IRS Restructuring and Reform Act of 1998,⁵ directed the IRS to revise Publication 1, *Your Rights as a Taxpayer*, to better inform taxpayers of these rights. In addition, this Act added I.R.C. § 7803(d)(1)(A)(ii), which requires TIGTA to annually evaluate the IRS's compliance with the direct contact provisions. This is the sixteenth year we have conducted this review.

This review was performed with information obtained from the IRS National Headquarters in the offices of the Commissioner and the National Taxpayer Advocate in Washington, D.C., and the Small Business/Self-Employed (SB/SE) Division Headquarters in New Carrollton, Maryland, during the period February through May 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 Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).



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Results of Review

Internal Controls Have Helped Ensure Compliance With the Direct Contact Provisions of the Internal Revenue Code

Ultimately, the IRS relies on its employees to properly consider and protect taxpayer rights when conducting audits and taking collection actions. The IRS has implemented an array of policies, procedures, and techniques to assist its employees in meeting these responsibilities.

The IRS's mission statement "*...to provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all*" describes the IRS's role and the public's expectation about how the IRS should perform that role. Supporting policy statements provide guidance to all IRS compliance and other personnel who have contact with taxpayers. For example, IRS Policy Statement 5-2, which covers core principles for collecting unpaid taxes, includes a Taxpayer Rights principle that states: "*We will observe taxpayers' rights, including their rights to privacy and to fair and courteous treatment.*" The description goes on to affirm the IRS's "*...commitment to observe both the spirit as well as the letter of all legal requirements, including the Taxpayer Bill of Rights I and II and the IRS Restructuring and Reform Act of 1998.*"

The IRS's mission is "...to provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all."

The Internal Revenue Manual and taxpayer publications are important control components

To supplement agency-level mission and policy statements, the IRS uses, and periodically updates, the Internal Revenue Manual (IRM) and numerous taxpayer publications. Both the IRM and taxpayer publications are available online and are designed to provide guidance nationwide to IRS personnel and taxpayers. From a control perspective, both the IRM and taxpayer publications are important because they provide detailed explanations and instructions of the statutory, business, and administrative procedures that the IRS follows in administering the tax laws.

The *Examining Officers Guide, Power of Attorney Rights and Responsibilities*⁶ and *Examination of Returns, Pre-contact Responsibilities*⁷ emphasize that examiners must ensure that they do not

⁶ IRM 4.11.55.2.1.1(3) (April 20, 2010).

⁷ IRM 4.10.2.7.5(1)d (August 1, 2007).



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violate or give the perception of violating the taxpayer's right to representation. The *Examining Officers Guide*⁸ asserts that taxpayers have a right to representation at any time during the audit process. If during any interview the taxpayer requests to consult with his or her authorized representative, the examiner will immediately suspend the interview regardless of whether the taxpayer may have answered one or more questions. It further directs the examiner to allow the taxpayer a minimum of 10 business days to secure representation before taking any follow-up action to schedule an appointment. It also cautions that a taxpayer can file a civil suit against the IRS under I.R.C. § 7433 if an IRS employee intentionally or recklessly disregards the provision of the tax code by denying the taxpayer the right to consult with representation or bypassing the representative without proper approval. In addition, the *Examining Officers Guide*⁹ provides procedures to follow if it becomes necessary for an examiner to bypass a representative.

The IRS uses Publication 1 as the main document to inform taxpayers of their rights and to explain the audit, collection, appeals, and refund processes. Publication 1 also includes a contact number for TIGTA, where suspected violations of the direct contact provisions and other potential misconduct or abuse by IRS personnel can be reported. The IRS has also included information on these rights in other publications such as:

- Publication 17, *Your Federal Income Tax*.
- Publication 334, *Tax Guide for Small Business*.
- Publication 556, *Examination of Returns, Appeal Rights, and Claims for Refund*.
- Publication 3498, *The Examination Process*.

In addition, the IRS uses Publication 947, *Practice Before the IRS and Power of Attorney*, to inform taxpayers of their representatives' responsibilities and to notify taxpayers that the IRS has the authority to bypass representatives who are uncooperative.

First-line managers are a key control at the operational level

At the operational level, first-line managers are a key control because they are responsible for ensuring that the personnel they supervise follow procedures and that their work meets acceptable standards. To ensure that procedures are followed and standards are met, the IRM requires managers to conduct reviews over the work of the personnel they supervise, both while it is in process and after it is completed. These control techniques help identify problems so prompt corrective actions can be taken.

In response to prior TIGTA reports, the IRS has taken a number of steps to emphasize the need for first-line managers to ensure that the personnel they supervise are adhering to the direct

⁸ IRM 4.11.55.2.1.2 (April 20, 2010).

⁹ IRM 4.11.55.3.3 (April 20, 2010).



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contact provisions. For example, in May 2010 and January 2013, the IRS updated the IRM¹⁰ to include specific directions on how to ensure compliance with the direct contact provisions for SB/SE Division managers in its Collection and Examination functions.

Office Examination Function Personnel Are Generally Following Procedures Intended to Protect Taxpayer Rights

We selected a statistically valid sample of 96 tax return audits from a population of 77,817 office audits closed by the SB/SE Division during Fiscal Year 2013. These returns had been examined by the SB/SE Division’s tax compliance officers (TCO) using face-to-face office interviews with the taxpayers and/or their authorized representatives. For the 96 tax return audits, 44 taxpayers eventually obtained an authorized representative to assist them. We reviewed the audit case files associated with the 96 tax return audits and found that the TCOs were generally involving the authorized representatives in case activities.

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The TCOs have the capability to research the Centralized Authorization File which clearly identifies the correct authorized taxpayer representative.

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¹⁰ IRM 1.4.40.3.8.2 (May 19, 2010) and IRM 1.4.50.3.2.1 (January 25, 2013).



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When the sample results based on ***1*** where taxpayer rights were not fully protected is projected to the population of 77,817 tax return audits, we calculate there were 811 tax return audits where the TCOs may not have adhered to IRM procedures regarding the direct contact provisions.¹¹

Clarification in the IRM would be beneficial as to what actions to delay when taxpayers state that they are going to obtain representation

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Two IRM procedures provide slightly different requirements concerning what actions must be delayed for 10 days while the taxpayer is obtaining representation. The *Examination of Returns, Pre-contact Responsibilities* section of the IRM prescribes that examiners “should” allow the taxpayer a minimum of 10 business days to secure representation before any follow-up actions.¹² This conflicts with the *Examining Officers Guide, Power of Attorney Rights and Responsibilities*, which specifically directs examiners to allow the taxpayer 10 business days to obtain representation before taking any follow-up action to schedule a new appointment.¹³ While the second IRM directive is the latest provided, and specifically points to scheduling a new appointment, it is still critical that the cautionary statement provided in the *Examination of Returns, Pre-contact Responsibilities* be considered when taking any follow-up action within 10 business days of the taxpayer’s request – “The examiner must ensure that they take no actions that would violate or **give the perception of violating the taxpayer’s right to representation.**”¹⁴

Recommendation

Recommendation 1: The Director, Examination Policy, SB/SE Division, should ensure that consistent guidance is provided in the SB/SE Division Examination sections of the IRM,

¹¹ The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the actual number of cases in which the taxpayer’s right to representation may have been violated falls between 21 and 4,409.
¹² IRM 4.10.2.7.5(1)d (August 1, 2007).
¹³ IRM 4.11.55.2.1.2 (April 20, 2010).
¹⁴ IRM 4.10.2.7.5(1)d (August 1, 2007).



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detailing the procedures for allowing taxpayers adequate time to secure representation before taking any follow-up action and documenting the reasons for taking follow-up action within 10 business days of the taxpayer's request.

Management's Response: IRS management agreed with this recommendation and will ensure that consistent guidance is provided in the SB/SE Division Examination sections of the IRM that detail the procedures for allowing taxpayers adequate time to secure representation before taking any follow-up action to schedule an appointment. The guidance will clarify actions the examiner can take during the 10-business-day period and clarify adequate case file documentation.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the IRS complied with legal guidelines addressing the direct contact of taxpayers and their representatives as set forth in I.R.C. Sections 7521(b)(2) and (c).¹ To accomplish this objective, we:

- I. Determined if an IRS system and/or process has been implemented since our last review to identify those cases for which taxpayers have requested to consult with a representative or for which IRS employees bypassed a representative and directly contacted the taxpayer.
 - A. Interviewed IRS management personnel in the SB/SE Division to identify whether the IRS has implemented a system to identify those cases for which taxpayers have requested to consult with a representative or for which IRS employees bypassed a representative and directly contacted the taxpayer.
 - B. Conducted searches on the IRS intranet to identify guidance provided to IRS Office Examination function employees addressing the requirements of the direct contact provisions.
 - C. Researched the IRS's website (IRS.gov) to identify how the IRS informs taxpayers of the IRS's prohibition on directly contacting taxpayers.
 - D. Reviewed prior TIGTA reports² related to the direct contact provisions to identify any recommendations and the IRS's corrective actions taken.
- II. Determined how well the IRS is ensuring that taxpayer rights under the direct contact provisions are protected during office audits.
 - A. Obtained a download of 77,817 tax returns audited by SB/SE Division TCOs during Fiscal Year 2013 from closed Audit Information Management System data files on TIGTA's Data Center Warehouse. The criteria used to identify these returns include records with Employee Group Codes 2100 to 2849 (indicating TCO groups), Activity Codes 266 to 281 (indicating individual returns), Primary Business Codes 201 to 207 (indicating SB/SE Division Examination function), Special Project Code not equal to 0204 (to remove training cases), Examination Technique Code 1 (indicating that an office interview was held), and Disposal Dates in Fiscal Year 2013.

¹ See Appendix V for a glossary of terms.

² See Appendix IV for a list of previous audit reports.



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- B. Determined the data were reliable and appropriate for our analysis by validating the accuracy of the data file by:
1. Designing and running queries on the data to verify that all records met the criteria set in Step II.A.
 2. Selecting a random sample of 15 unique records and comparing selected key data fields from the 15 selected records with information on the IRS's Individual Master File.
- C. Reviewed electronic and hard copy audit workpapers associated with a statistically valid sample of 96 out of 77,817 tax returns audited and closed by SB/SE Division TCOs during Fiscal Year 2013 to determine whether Office Examination function employees were complying with the direct contact provisions. A statistically valid sample was taken so we could project the results to the population of tax returns. Our sampling plan, which was reviewed by TIGTA's contract statistician, was based on a two-sided 95 percent confidence interval, a ± 5 percent precision, and a 5 percent expected error rate.
- D. Reviewed TIGTA's Office of Investigations' complaints and investigations closed in Fiscal Year 2013 and tracked on the Performance and Results Information System to identify what actions the IRS had taken on subject personnel as well as the number of taxpayers who may have had their rights and entitlements infringed upon.

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 agency-level internal control activities:
 - a. The IRS's mission statement and supporting policy statements along with the IRM guidelines providing guidance to IRS employees to ensure compliance with the direct contact provisions.
 - b. Numerous publications informing taxpayers of their rights.
- The operational-level internal control activities, which include the first-line managers responsible for ensuring that the personnel they supervise follow procedures and that their work meets acceptable standards. This is accomplished by reviewing the work of the personnel they supervise, both while it is in process and after it is completed.



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We evaluated these controls by reviewing the IRM guidelines provided to managers and employees along with reviews of examination workpapers associated with the 96 sampled tax return audits.



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Appendix II

Major Contributors to This Report

Nancy Nakamura, Assistant Inspector General for Audit (Compliance and Enforcement Operations)
Bryce Kisler, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations)
Alan D. Lund, Acting Director
Julia Tai, Acting Audit Manager
David Hartman, Lead Auditor
Carol Gerkens, Senior Auditor



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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Small Business/Self-Employed Division SE:S
Director, Exam Policy, Small Business/Self-Employed Division SE:S:EP
Director, Examination, Small Business/Self-Employed Division SE:S:E
Director, Communications and Stakeholder Outreach, Small Business/Self-Employed Division
SE:S:COSS:CSO
Chief Counsel CC
National Taxpayer Advocate TA
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 Liaisons:
 Commissioner, Small Business/Self-Employed Division SE:S
 National Taxpayer Advocate TA



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Appendix IV

*Previous Audit Reports Related to
This Statutory Review*

TIGTA, Ref. No. 1999-10-076, *The Internal Revenue Service Needs to Enhance Guidance on and Monitoring of Compliance With Procedures for Directly Contacting Taxpayers and Their Representatives* (Sept. 1999).

TIGTA, Ref. No. 2000-10-132, *Letter Report: Improvements Have Been Implemented for Directly Contacting Taxpayers and Their Representatives* (Sept. 2000).

TIGTA, Ref. No. 2001-10-116, *Letter Report: The Internal Revenue Service Has Not Implemented a Process to Monitor Compliance With Direct Contact Provisions* (Jul. 2001).

TIGTA, Ref. No. 2002-40-177, *The Internal Revenue Service Cannot Monitor Its Compliance With the Direct Contact Provisions* (Sept. 2002).

TIGTA, Ref. No. 2003-40-131, *Fiscal Year 2003 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Jun. 2003).

TIGTA, Ref. No. 2004-40-059, *Fiscal Year 2004 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Feb. 2004).

TIGTA, Ref. No. 2005-40-040, *Fiscal Year 2005 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Feb. 2005).

TIGTA, Ref. No. 2006-40-136, *Fiscal Year 2006 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Aug. 2006).

TIGTA, Ref. No. 2007-40-118, *Fiscal Year 2007 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Jul. 2007).

TIGTA, Ref. No. 2008-40-090, *Fiscal Year 2008 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Mar. 2008).

TIGTA, Ref. No. 2009-30-054, *Fiscal Year 2009 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Mar. 2009).

TIGTA, Ref. No. 2010-30-060, *Fiscal Year 2010 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Jun. 2010).

TIGTA, Ref. No. 2011-30-090, *Fiscal Year 2011 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Sept. 2011).



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TIGTA, Ref. No. 2012-30-089, *Fiscal Year 2012 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Sept. 2012).

TIGTA, Ref. No. 2013-30-080, *Fiscal Year 2013 Statutory Review of Restrictions on Directly Contacting Taxpayers* (Aug. 2013).



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Appendix V

Glossary of Terms

Term	Definition
Activity Code	A three-digit code that categorizes classes of returns selected for audit.
Audit Information Management System	A computer system designed to give Examination function information about returns open to examination.
Centralized Authorization File	The Centralized Authorization File contains information about the type of authorizations taxpayers have given their representatives for their tax returns.
Employee Group Code	Part of the Audit Information Management System Assignee Code, it is a four-digit code used to identify groups in the Examination function.
Examination Technique Code	A code that identifies the type of examination conducted.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
Individual Master File	The IRS database that maintains transactions or records of individual tax accounts.
Internal Revenue Code	The Federal statutory tax law, enacted as Title 26 of the U.S. Code, is organized according to topic and covers all relevant rules pertaining to income, gift, estate, payroll, and excise taxes. The IRS is the implementing agency.
Internal Revenue Manual	The primary official source of instructions to staff relating to the organization, administration, and operation of the IRS.
Performance and Results Information System	A management information system that provides TIGTA with the ability to manage complaints received and investigations initiated.
Primary Business Code	Part of the Audit Information Management System Assignee Code, it is a three-digit field that identifies the Area/Industry Office.



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Term	Definition
Special Project Code	A four-digit number indicating that a case belongs to a special program that allows monitoring of the program by project code.
Tax Compliance Officer	Employees in the Office Examination function who primarily conduct audits of individual taxpayers through interviews at IRS field offices.
TIGTA Data Center Warehouse	A collection of IRS databases containing various types of taxpayer account information that is maintained by TIGTA for the purpose of analyzing data for ongoing audits and investigations.



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Appendix VI

Management's Response to the Draft Report

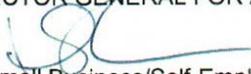


DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

SEP 02 2014

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Karen Schiller 
Commissioner Small Business/Self-Employed Division

SUBJECT: Draft Audit Report – FY2014 Statutory Review of Restrictions on
Directly Contacting Taxpayers (Audit # 201430008)

Thank you for the opportunity to review your draft report titled: "Fiscal Year 2014 Statutory Review of Restrictions on Directly Contacting Taxpayers". We appreciate your recognition that the IRS has implemented a number of policies, procedures and techniques to help ensure taxpayers are afforded the right to designate an authorized representative to act on their behalf on a variety of federal tax matters.

The controls we have in place help to ensure compliance with the direct contact provisions of the Internal Revenue Code. These controls include the Internal Revenue Manual (IRM), numerous taxpayer publications, and managerial reviews of both in process and closed cases. Our procedures require examiners to check appropriate internal records to determine if a valid power of attorney is on file for the years under examination before making initial contact with the taxpayer. Our managers are responsible for ensuring procedures are followed and casework meets acceptable standards.

We agree with your findings and will ensure consistent guidance is provided in the SB/SE Examination sections of the IRM, detailing the procedures for allowing taxpayers adequate time to secure representation before taking any follow-up action to schedule an appointment. The guidance will clarify actions the examiner can take during the 10 business day period.

Attached is a detailed response outlining our corrective actions to address your recommendation.

If you have any questions, please contact me, or a member of your staff may contact Shenita L. Hicks, Director, Examination, Small Business/Self-Employed Division at (240) 613-2849.

Attachment



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Attachment

RECOMMENDATION 1:

The Director, Exam Policy, SB/SE Division should ensure that consistent guidance is provided in the SB/SE Examination sections of the IRM, detailing the procedures for allowing taxpayers adequate time to secure representation before taking any follow-up action and documenting the reasons for taking follow-up action within 10 business days of the taxpayer's request.

CORRECTIVE ACTION:

We will revise IRM 4.10.2, *Pre-contact Responsibilities*, to ensure it is consistent with IRM 4.11.55, *Power of Attorney Rights and Responsibilities*, and details the procedures for allowing taxpayers adequate time to secure representation before taking any follow-up action to schedule an appointment. The guidance in IRM 4.10.2 will clarify actions the examiner can take during the 10 business day period and will clarify adequate case file documentation.

IMPLEMENTATION DATE:

March 15, 2016

RESPONSIBLE OFFICIAL:

Director, Examination Policy, Small Business/Self-Employed Division (SB/SE)

CORRECTIVE ACTION MONITORING PLAN:

IRS will monitor this corrective action as part of our internal management system of controls.