



*Fiscal Year 2015 Statutory Audit of
Compliance With Notifying Taxpayers
of Their Rights When Requested to
Extend the Assessment Statute*

August 31, 2015

Reference Number: 2015-30-071

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 2015 STATUTORY AUDIT OF COMPLIANCE WITH NOTIFYING TAXPAYERS OF THEIR RIGHTS WHEN REQUESTED TO EXTEND THE ASSESSMENT STATUTE

Highlights

Final Report issued on August 31, 2015

Highlights of Reference Number: 2015-30-071 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

The IRS is required by law to notify taxpayers of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties. Taxpayers might be adversely affected if the IRS does not follow the requirements to notify both the taxpayers and their representatives of the taxpayers' rights related to assessment statute extensions.

WHY TIGTA DID THE AUDIT

TIGTA is required by law to annually determine whether the IRS complied with Internal Revenue Code Section 6501(c)(4)(B), which requires that the IRS provide notice to taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues.

WHAT TIGTA FOUND

TIGTA's review of a statistical sample of 60 closed taxpayer audit files with assessment statute extensions found that the IRS is generally compliant with Internal Revenue Code Section 6501(c)(4)(B). However, in ****1**** instances, there was no documentation to support that the IRS complied with procedures requiring the notification of a taxpayer's representative when an authorization for third-party representation exists. Specifically, TIGTA's review of 43 taxpayer audit files that had authorizations for third-party representation found that ****1**** of the taxpayer audit files did not contain documentation to support that the

taxpayers' representatives were provided with the required notification.

WHAT TIGTA RECOMMENDED

TIGTA did not make any recommendations in this report because the number of errors was relatively small and the recommendations made in previous TIGTA audit reports are still valid for the issues reported.

IRS officials were provided an opportunity to review the draft report and did not provide any comments.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 31, 2015

**MEMORANDUM FOR DEPUTY COMMISSIONER FOR SERVICES AND
ENFORCEMENT**

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Fiscal Year 2015 Statutory Audit of Compliance
With Notifying Taxpayers of Their Rights When Requested to Extend
the Assessment Statute (Audit # 201530009)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) complied with Internal Revenue Code Section 6501(c)(4)(B), which requires that the IRS provide notice to taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues. The Treasury Inspector General for Tax Administration is statutorily required to provide information annually regarding the IRS's compliance with this provision. This audit is included in our Fiscal Year 2015 Annual Audit Plan and addresses the major management challenge of Taxpayer Protection and Rights.

Although we made no recommendations in this report, we provided IRS officials an opportunity to review the draft report. IRS management did not provide us with any report comments.

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



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Abbreviations

| | |
|--------|---------------------------------------------------|
| BMF | Business Master File |
| FY | Fiscal Year |
| IMF | Individual Master File |
| I.R.C. | Internal Revenue Code |
| IRS | Internal Revenue Service |
| RRA 98 | Restructuring and Reform Act of 1998 |
| TIGTA | Treasury Inspector General for Tax Administration |



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Background

The Internal Revenue Service (IRS) is required by the IRS Restructuring and Reform Act of 1998 (RRA 98)¹ and the Internal Revenue Code (I.R.C.)² to notify taxpayers of their rights when requesting an extension of the statute of limitations for the assessment of additional taxes and penalties. When the IRS audits a tax return and determines that there is an additional tax liability, the additional tax assessment must generally be processed within three years from the date the return was due or from the date on which the return was actually filed, whichever is later. This three-year assessment statute of limitations normally cannot be extended without the taxpayer's written consent.

The IRS is required to notify taxpayers of their rights when requesting an extension of the statute of limitations for the assessment of additional taxes and penalties.

To extend the statute, the IRS generally requests that the taxpayer(s) provide a signed consent form, such as Form 872, *Consent to Extend the Time to Assess Tax*, or Form SS-10, *Consent to Extend the Time to Assess Employment Taxes*. These consents extend the assessment statute of limitations to either a specific period of time or an unlimited, indefinite period. The statute is usually extended for a period of time that both the IRS and the taxpayer agree is reasonable to complete the examination. The consent can also be negotiated to apply only to certain audit issues.

In passing the RRA 98, Congress expressed concern that taxpayers had not always been fully aware of their rights to refuse to extend the statute of limitations or to request that a statute extension be limited to a specific period of time or specific issues. Some taxpayers might believe that they are required to agree to an extension upon the request of the IRS. Congress wanted to ensure that taxpayers were informed of their rights to refuse the proposed statute extension or to have it limited to specific issues.

¹ RRA 98 § 3461(b)(2)(B), 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.).

² I.R.C. § 6501(c)(4)(B).



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A taxpayer might agree to extend the assessment statute of limitations for the following reasons:

- The taxpayer might want to pursue additional audit issues that are in the taxpayer's favor in offsetting a proposed tax assessment or that might allow for a tax refund.
- If the remaining time before the statute expires is too short, the IRS might have to prematurely stop the audit process and issue a notice of deficiency that limits the time for the normal appeals process before the taxpayer must file a petition with the U.S. Tax Court.

A taxpayer might decide to limit or refuse to extend the assessment statute of limitations because the taxpayer might not want to:

- Provide the IRS more time to consider additional audit issues.
- Allow the IRS the opportunity to further develop audit issues already under consideration after the normal statute period has expired.

Specifically, RRA 98 Section (§) 3461(b)(2)(B) requires the IRS to "...notify the taxpayer of the taxpayer's right to refuse to extend the period of limitations, or to limit such extension to particular issues or to a particular period of time, on each occasion when the taxpayer is requested to provide such consent." To implement this statutory requirement, the IRS revised its procedures to direct IRS employees to provide the taxpayer with Letter 907, *Request to Extend Assessment Statute*, or Letter 967, *Letter Transmitting Consent Extending Period of Limitation*. Included with these letters should be the actual consent forms to be signed, as well as Publication 1035, *Extending the Tax Assessment Period*, which includes a more detailed explanation of the taxpayer's rights and consequences of the taxpayer's choices.

The consent forms include a prominent statement informing taxpayers of their rights regarding assessment statute extensions and provide information about Publication 1035. Figure 1 shows that the consent forms also include a statement for the taxpayer's representative to sign, confirming they were notified of their rights regarding assessment statute extensions and the taxpayers were made aware of the same rights.



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Figure 1: Excerpt of Form 872

| | | |
|----------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------|
| Form 872 (Rev. January 2014) | Department of the Treasury-Internal Revenue Service Consent to Extend the Time to Assess Tax | In reply refer to: TIN |
|----------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------|

Your Rights as a Taxpayer

You have the right to refuse to extend the period of limitations or limit this extension to a mutually agreed-upon issue(s) or mutually agreed-upon period of time. **Publication 1035, Extending the Tax Assessment Period**, provides a more detailed explanation of your rights and the consequences of the choices you may make. If you have not already received a Publication 1035, the publication can be obtained, free of charge, from the IRS official who requested that you sign this consent or from the IRS' web site at www.irs.gov or by calling toll free at 1-800-TAX-FORM (1-800-829-3676). Signing this consent will not deprive you of any appeal rights to which you would otherwise be entitled.

YOUR SIGNATURE HERE → _____ (Date signed)
 _____ (Type or Print Name)

I am aware that I have the right to refuse to sign this consent or to limit the extension to mutually agreed-upon issues and/or period of time as set forth in I.R.C. § 6501(c)(4)(B).

TAXPAYER'S REPRESENTATIVE SIGN HERE → _____ (Date signed)
 (Only needed if signing on behalf of the taxpayer.) _____ (Type or Print Name)

I am aware that I have the right to refuse to sign this consent or to limit the extension to mutually agreed-upon issues and/or period of time as set forth in I.R.C. § 6501(c)(4)(B). In addition, the taxpayer(s) has been made aware of these rights.

If this document is signed by a taxpayer's representative, the Form 2848, Power of Attorney and Declaration of Representative, or other power of attorney document must state that the acts authorized by the power of attorney include representation for the purposes of Subchapter C of Chapter 63 of the Internal Revenue Code in order to cover items in paragraph (4).

Source: IRS Form 872. Note: The wording on the Form SS-10 is consistent with that shown on Form 872.

IRS procedures require that any notice or other written communication required to be given to a taxpayer also be given to the taxpayer's representative (unless restricted by the taxpayer).³ IRS employees are instructed to document in their audit file activity log whether the taxpayer was notified of his or her rights each time the IRS requested an assessment statute extension. In addition, IRS internal procedures require employees to provide copies of any correspondence with a taxpayer's representative to the taxpayer.

The Treasury Inspector General for Tax Administration (TIGTA) is required by the RRA 98 to provide information annually regarding the IRS's compliance with I.R.C. § 6501(c)(4)(B). This report presents the results of our sixteenth annual review of the IRS's compliance with the statute extension provisions of the law.⁴

This review was performed with information obtained from the Office of Appeals, the Large Business and International Division, and the Tax Exempt and Government Entities Division

³ Conference and Practice Requirements, Statement of Procedural Rules, 26 C.F.R. § 601.506 (2002).

⁴ See Appendix V for a list of our most recent prior reports issued from Fiscal Years 2004 through 2014.



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Headquarters in Washington, D.C.; the Small Business/Self-Employed Division Headquarters in New Carrollton, Maryland; and the Wage and Investment Division Headquarters in Atlanta, Georgia, during the period January through June 2015. 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.



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Results of Review

***The Internal Revenue Service Is Generally Compliant With Legal
Requirements Related to Requests to Extend the Assessment Statute***

The IRS is required to notify taxpayers of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties. Based on the results of this review, TIGTA believes that the IRS is generally compliant with legal requirements.⁵ Our review of a sample of 60 closed taxpayer audit files did not identify any instances in which the IRS failed to provide notice to taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues. In addition, we identified only ****1**** instances out of the same sample of 60 closed audits in which the taxpayer audit files lacked documentation that the taxpayers' representatives were properly notified of the taxpayers' rights. Taxpayers might be adversely affected if the IRS does not follow the requirements to notify both the taxpayers and their representatives of the taxpayers' rights related to assessment statute extensions.

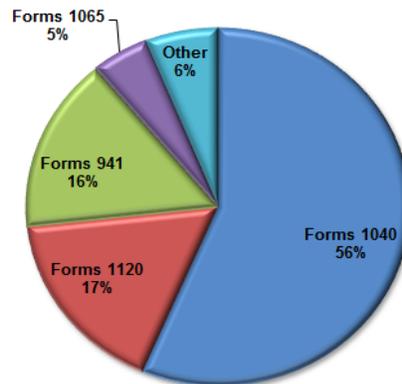
TIGTA's evaluation included identification of a universe of 14,310 closed taxpayer audit files with statute extensions during Fiscal Year (FY) 2014. Figure 2 shows the majority of these consents were obtained for individual (Form 1040, *U.S. Individual Income Tax Return*) returns, with nearly equal numbers of consents received during examinations of both employment tax (Form 941, *Employer's Quarterly Federal Tax Return*) and corporate tax (Form 1120, *U.S. Corporation Income Tax Return*) returns.

⁵ I.R.C. § 6501(c)(4)(B).



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Figure 2: Number of Extensions by Form⁶



Source: Analysis of TIGTA Data Center Warehouse Individual Master File (IMF) and Business Master File (BMF) records for FY 2014.

The audit files contained documentation to support that taxpayers were notified of their rights as required by law

We reviewed a sample of 60 closed taxpayer audit files in which taxpayers signed consents to extend the assessment statute date and found that all 60 included evidence that the IRS provided notice to taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues.⁷ Therefore, we concluded that the IRS is compliant with I.R.C. § 6501(c)(4)(B). When determining whether IRS employees had advised taxpayers of their rights, we considered the notification to be sufficient if any of the required documentation appeared to have been given to the taxpayers or a log entry to that effect was found in the related taxpayer audit files.

Figure 3 shows the number of instances in which the IRS did not document that taxpayers were directly advised of their rights has steadily decreased in recent years. This decrease can be attributed in part to the corrective actions the IRS made in response to our prior reviews.⁸ Specifically, the IRS revised the taxpayer consent form in FY 2004 and issued a memorandum in FY 2007 reminding employees of their responsibilities.

⁶ Form 1065, *U.S. Return of Partnership Income*. The remaining forms in “Other” include forms such as Form 990, *Return of Organization Exempt From Income Tax*, Form 709, *United States Gift (and Generation-Skipping Transfer) Tax Return*, and Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*.

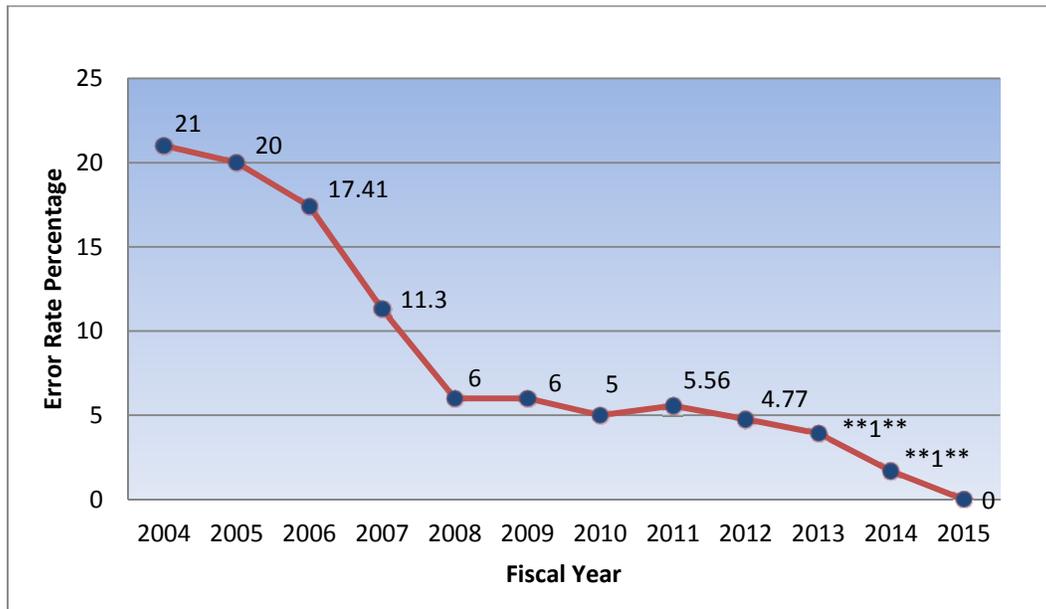
⁷ See Appendix IV for details on our sampling methodology.

⁸ TIGTA, Ref. No. 2004-40-108, *Fiscal Year 2004 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jun. 2004) and TIGTA, Ref. No. 2007-40-167, *Fiscal Year 2007 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2007).



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Figure 3: Error Rates – No Documentation to Support the Taxpayer Being Informed



Source: Prior TIGTA audit reports (see Appendix V).

Some taxpayer audit files lacked documentation to support that the taxpayers' representatives were properly notified of the taxpayers' rights as required by IRS procedures

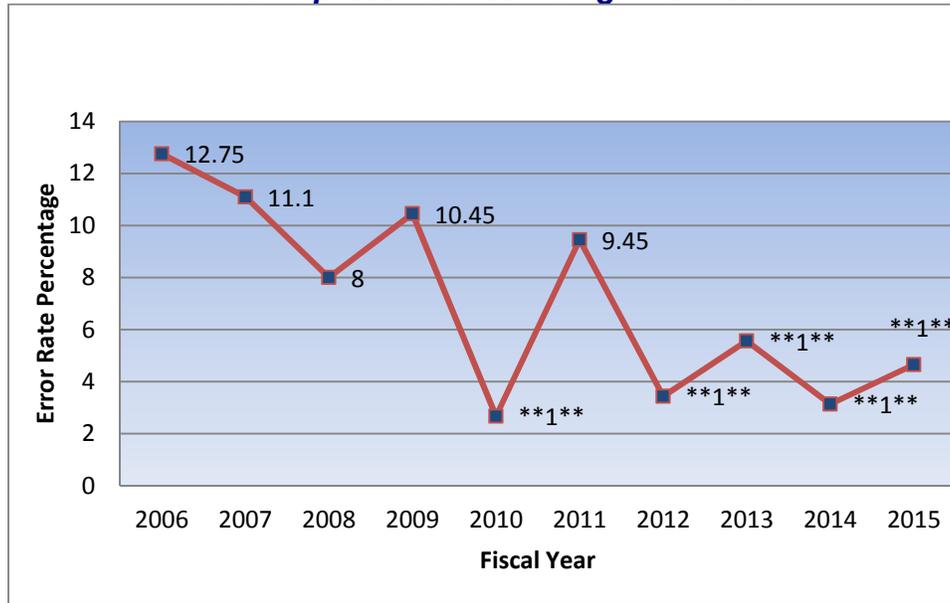
IRS procedures require that any notice or other written communication required to be given to a taxpayer should also be given to the taxpayer's representative (unless restricted by the taxpayer). This requirement applies to all computer-generated or manually generated notices or other written communications. IRS employees are also instructed to document in their audit file activity log whether the taxpayer and the taxpayer's authorized representative were notified of the taxpayer's rights each time the IRS requested an assessment statute extension. These responsibilities were stressed in the issuance of a memorandum in FY 2007, which was recommended as a result of TIGTA's FY 2007 review.

As noted in Figure 4, since the issuance of the FY 2007 memorandum, the error rate regarding the taxpayer representatives being informed has decreased by more than one-half. Specifically, the error rate was 11 percent in FY 2007 and about 5 percent in FY 2015.



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Figure 4: Error Rates – No Documentation to Support the Representatives Being Informed



Source: Prior TIGTA audit reports (see Appendix V).

While IRS employees documented that the taxpayers were informed of their rights and the taxpayers signed the extensions, we found that the taxpayer audit files did not always contain documentation to support that the IRS complied with procedures related to notifying the taxpayer’s representatives of the taxpayer’s rights when an authorization for third-party representation existed. Specifically, our review of a statistical sample of 60 taxpayer audit files included 43 taxpayer audit files that had authorizations for the third-party representation before the IRS. Of these 43 files, ***1*****⁹ of the taxpayer audit files did not contain documentation to support that the taxpayers’ representatives were provided with the required notifications. Without the required documentation in these taxpayer audit files, we could not determine if the IRS properly notified the taxpayers’ representatives. Based on our sample results, from a universe of 14,310 taxpayer audit files with statute extensions, we projected there were approximately **1** taxpayer audit files that did not contain documentation to support that the taxpayers’ representatives were provided with the required notifications.¹⁰

Taxpayers could be adversely affected if the IRS does not follow requirements to notify both the taxpayers and their representatives of the taxpayers’ rights related to statute extensions.

⁹ The error rate of **1** percent is rounded to the nearest hundredth percent, with a 90 percent confidence interval between 0.5 percent (lower limit) and 7.8 percent (upper limit). The rate used for projecting to the population is **1** percent, which is further explained in Appendix IV.

¹⁰ We are 90 percent confident that the number of taxpayer audit files that did not contain documentation to support that the taxpayers’ representatives were provided with the required notifications is between 72 and 1,116 (where the 72 and 1,116 represent the lower and upper range, respectively). See Appendix IV for additional details.



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However, because the small number of errors is consistent with TIGTA's prior years' audit results and the recommendations made in our previous audit reports are still valid for the issues reported, we are not making any new recommendations.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall audit objective was to determine whether the IRS complied with I.R.C. § 6501(c)(4)(B), which requires that the IRS provide notice to taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues. To accomplish this objective, we:

- I. Determined whether taxpayers and their designated representatives are being advised of their rights when the IRS requests to extend the assessment statute of limitations.
 - A. Reviewed the Internal Revenue Manual¹ and consulted with IRS officials to determine if there were any changes to existing policies and procedures for processing requests to extend the assessment statute of limitations since our last audit.
 - B. Identified a universe of 14,310 taxpayer audit files from the combined IMF² and BMF³ with closed examinations for which the assessment statute was extended and the examination subsequently closed. The period covered IMF and BMF taxpayer audit files for which the assessment statute was extended between October 1, 2013, and September 30, 2014.
 1. Analyzed the universe of 14,310 taxpayer audit files and determined that all four business operating divisions were represented in our population. Additionally, we determined the types and volume of tax return forms represented in the total population of 14,310 taxpayer audit files which met our sampling criteria.
 2. Validated the IMF and the BMF data by examining a judgmental sample of 30 (15 from each extract) taxpayer audit files. This judgmental sample was used for data validation and not for projecting or reporting results. The validation test results demonstrated that the data extracts were reliable and could be used to meet the objective of this audit.
 3. Developed a statistical sampling plan using a 90 percent confidence level, a 6 percent expected error rate, and a ± 6 percent precision to identify a sample size of 60 taxpayer audit files. A statistical sample was taken because we wanted to estimate the number of taxpayers in the universe for which taxpayer rights were potentially affected.

¹ Internal Revenue Manual 25.6.22 (Aug. 26, 2011).

² The IRS database that maintains transactions or records of individual tax accounts.

³ The IRS database that consists of Federal tax-related transactions and accounts for businesses. These include employment taxes, income taxes on businesses, and excise taxes.



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4. Used RAT-STATS⁴ to select a sample of 180 taxpayer audit files from the universe identified in Step I.B. We selected more than our sample of 60 taxpayer audit files in the event that some of the files received were incomplete, *e.g.*, did not include all related tax years, audit file history notes, *etc.*, which would prevent us from performing our review of such files. We screened 79 of the taxpayer audit files received. Of those 79 taxpayer audit files, we identified 60 complete taxpayer audit files that had statute extensions with the taxpayer's written consent.
- C. Reviewed the sample of 60 taxpayer audit files and related audit files for the necessary documentation to determine whether taxpayers and their representatives, if applicable, were properly advised of their rights regarding assessment statute extensions. We then discussed exceptions with the appropriate business unit coordinator to obtain agreement to the facts.
1. Projected our sample results to the universe of 14,310 taxpayer audit files from which we selected our sample to identify the number of taxpayer audit files that potentially did not contain documentation to support that the taxpayers or taxpayers' representatives were properly advised of the taxpayers' rights when assessment statutes were extended. TIGTA's contracted statistician reviewed our methodology and projections.

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 policies, procedures, and practices used by the Office of Appeals, the Large Business and International Division, the Small Business/Self-Employed Division, the Tax Exempt and Government Entities Division, and the Wage and Investment Division as they relate to notifying taxpayers, and their designated third-party representatives, of their rights to decline to extend the assessment statute of limitations or request that any extension be limited to a specific period of time or specific issues. We evaluated these controls by reviewing applicable Internal Revenue Manual sections and documentation, interviewing management from these divisions, and reviewing a statistical sample of 60 taxpayer audit files.

⁴ The Office of Inspector General for the Department of Health and Human Services, Regional Advanced Techniques Staff (RATS) in San Francisco, California, initially developed the RAT-STATS statistical software package.



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Appendix II

Major Contributors to This Report

Matthew Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations)
Glen Rhoades, Director
Michelle Philpott, Audit Manager
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Donald Meyer, Information Technology Specialist



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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Chief, Appeals AP
Commissioner, Large Business and International Division SE:LB
Commissioner, Small Business/Self-Employed Division SE:S
Commissioner, Tax Exempt and Government Entities Division SE:T
Commissioner, Wage and Investment Division SE:W
Acting Deputy Commissioner, Large Business and International Division (Domestic) SE:LB
Deputy Commissioner, Large Business and International Division (International) SE:LB:IN
Deputy Commissioner, Small Business/Self-Employed Division SE:S
Deputy Commissioner, Tax Exempt and Government Entities Division SE:T
Deputy Commissioner, Wage and Investment Division SE:W
Acting Director, Assistant Deputy Commissioner (Government Entities/Shared Services), Tax
Exempt and Government Entities Division SE:T:GE
Acting Director, Pre-Filing and Technical Guidance, Large Business and International Division
SE:LB:PFTG
Director, Campus Compliance Services, Small Business/Self-Employed Division SE:S:CCS
Director, Communications and Liaison, Large Business and International Division SE:LB:M:CL
Director, Communications and Liaison, Wage and Investment Division SE:W:C
Director, Communications and Stakeholder Outreach, Small Business/Self-Employed Division
SE:S:OS:CSO
Director, Employee Plans, Tax Exempt and Government Entities Division SE:T:EP
Director, Examination, Small Business/Self-Employed Division SE:S:E
Director, Exempt Organizations, Tax Exempt and Government Entities Division SE:T:EO
Director, Return Integrity and Compliance, Wage and Investment Division SE:W:RICS
Director, Specialty, Exam Policy, and Quality, Small Business/Self-Employed Division
SE:S:E:S:EPQ
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Director, Office of Audit Coordination OS:PPAC:AC
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaisons:
Deputy Commissioner for Services and Enforcement SE
Chief, Appeals AP
Commissioner, Large Business and International Division SE:LB



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Commissioner, Small Business/Self-Employed Division SE:S

Commissioner, Tax Exempt and Government Entities Division SE:T

Commissioner, Wage and Investment Division SE:W



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Appendix IV

Sampling Methodology

Sampling Methodology Used for Taxpayer Representative Notifications

To determine the number of taxpayer audit files for which there was no documentation to support that the taxpayers were advised of their rights, we identified 14,310 taxpayer audit files from the combined universe of IMF and BMF closed taxpayer audit files in which the assessment statute was extended and the examination subsequently closed. The period covered the IMF and BMF taxpayer audit files for which the assessment statute was extended between October 1, 2013, and September 30, 2014. We used a 90 percent confidence level, a 6 percent expected error rate, and a ± 6 percent precision to select a statistical sample size of 60 taxpayer audit files.

After screening 79 taxpayer audit files, we met our sample size of 60 taxpayer audit files. The remaining 19 taxpayer audit files were not included in our sample as the files were not complete and did not meet our criteria.

We reviewed the same sample of 60 taxpayer audit files and identified 43 taxpayer audit files that contained an authorization for a third party to represent the taxpayer before the IRS. In *****1***** of the 43 taxpayer audit files, there was no documentation to support that the employees provided the representatives with a copy of the written communications provided to the taxpayers. Although we were able to determine that there were 43 taxpayer representatives in our sample of 60 taxpayer audit files, we were unable to determine the true number of taxpayer representatives in our universe of 14,310 taxpayer audit files with statute extensions. In addition, because we determined that a percentage of our population included taxpayer audit files that did not meet our criteria, *i.e.*, the audit file lacked a statute extension consent form, we had to account for this when projecting our results to the population. Therefore, our rate to project to the population was based on the 60 taxpayer audit files we reviewed as well as the 19 taxpayer audit files we screened that did not meet our criteria ($19 + 60 = 79$ taxpayer audit files). We then calculated our rate by dividing **1** by 79 and used that percentage (**1** percent) to project to the population. Next, we multiplied **1** percent by the population size to project the total number of taxpayer audit files that did not contain documentation that the taxpayers' representatives were advised of the taxpayers' rights ($14,310 \times 1 =$ approximately **1** taxpayer audit case files).

The range of lower and upper limits was then calculated using this rate to produce a 90 percent confidence interval between 1.9 percent (lower limit) and 17.1 percent (upper limit). We are 90 percent confident that the range of errors is between 272 and 2,447 taxpayer audit files.



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Appendix V

*Prior Reports on Compliance With
Requests to Extend the Assessment Statute*

1. TIGTA, Ref. No 2014-30-066, *Fiscal Year 2014 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2014).
2. TIGTA, Ref. No. 2013-30-071, *Fiscal Year 2013 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jul. 2013).
3. TIGTA, Ref. No. 2012-30-102, *Fiscal Year 2012 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Sept. 2012).
4. TIGTA, Ref. No. 2011-30-055, *Fiscal Year 2011 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jun. 2011).
5. TIGTA, Ref. No. 2010-30-103, *Fiscal Year 2010 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2010).
6. TIGTA, Ref. No. 2009-30-113, *Fiscal Year 2009 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2009).
7. TIGTA, Ref. No. 2008-40-127, *Fiscal Year 2008 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jun. 2008).
8. TIGTA, Ref. No. 2007-40-167, *Fiscal Year 2007 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2007).
9. TIGTA, Ref. No. 2006-40-163, *Fiscal Year 2006 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Sept. 2006).
10. TIGTA, Ref. No. 2005-40-112, *Fiscal Year 2005 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jul. 2005).



*Fiscal Year 2015 Statutory Audit of Compliance With Notifying
Taxpayers of Their Rights When Requested to Extend the
Assessment Statute*

11. TIGTA, Ref. No. 2004-40-108, *Fiscal Year 2004 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jun. 2004).



*Fiscal Year 2015 Statutory Audit of Compliance With Notifying
Taxpayers of Their Rights When Requested to Extend the
Assessment Statute*

Appendix VI

Audit Review Results by Division

| Noncompliance With Requirement to Notify Taxpayers and Their Representatives of Taxpayer Rights | Division¹ | | | | | Total |
|--------------------------------------------------------------------------------------------------------|-----------------------------|-----------------|--------------|--------------|----------------|-----------------|
| | Appeals | LB&I | SB/SE | TE/GE | W&I | |
| Noncompliance With Requirement to Notify Taxpayers | 0 | 0 | 0 | 0 | 0 | 0 |
| Noncompliance With Requirements to Notify Taxpayer Representatives | **1** | 0 | 0 | 0 | 0 | **1** |
| Number of Taxpayer Audit Files Reviewed | 5 | 14 | 37 | 0 | 4 | 60 ² |

¹ Office of Appeals, Large Business and International (LB&I) Division, Small Business/Self-Employed (SB/SE) Division, Tax Exempt and Government Entities (TE/GE) Division, and Wage and Investment (W&I) Division.

² Of the 60 taxpayer audit files reviewed, 43 taxpayer audit files contained an authorization for a third party to represent the taxpayer before the IRS.