



*Improvements Are Needed in the Taxpayer
Advocate Service Process to Implement
Recommended Corrective Actions*

November 22, 2016

Reference Number: 2017-10-005

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Redaction Legend:

1 = Tax Return/Return Information

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HIGHLIGHTS

IMPROVEMENTS ARE NEEDED IN THE TAXPAYER ADVOCATE SERVICE PROCESS TO IMPLEMENT RECOMMENDED CORRECTIVE ACTIONS

Highlights

Final Report issued on November 22, 2016

Highlights of Reference Number: 2017-10-005 to the National Taxpayer Advocate and the Chief, Planning, Programming, and Audit Coordination.

IMPACT ON TAXPAYERS

As the primary overseer of all aspects of activity related to the Federal tax system, TIGTA conducts audits of IRS operations and makes recommendations for improvement. Implementation of TIGTA recommendations can improve the efficiency and effectiveness of IRS operations and improve service to taxpayers.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether prior TIGTA audit recommendations addressed to the Taxpayer Advocate Service (TAS) have been addressed and documented.

WHAT TIGTA FOUND

Of the 20 corrective actions reviewed, seven had been completed as reported by the TAS. However, the TAS has not completed seven corrective actions that it had reported were completed, did not have support to substantiate that three corrective actions had been completed, and completed three corrective actions after the reported completion date.

According to IRS guidance, the TAS should have closed the corrective actions after implementation was complete and retained supporting documentation of actions taken. For example, the TAS agreed to develop procedures to verify that licensed practitioners serving on the Taxpayer Advocacy Panel are in good standing with the IRS. This would help ensure that tax professionals making recommendations

to the IRS have not been disbarred, suspended, or censured. Despite reporting this action as complete, the TAS has not developed formal guidance to ensure that panel members are in good standing with the IRS.

In another instance, the TAS agreed to formalize guidance that would require employees to consider a taxpayer's financial circumstances when deciding the best way to assist the taxpayer; however, it did not update its interim guidance or issue formal guidance as agreed. This guidance would help TAS management enhance taxpayer service based on taxpayer circumstances such as expediting a refund to a taxpayer who is unemployed.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS change the status of the incomplete corrective actions from closed to open; develop formal written policies requiring submission of verifiable supporting documentation, including the Form 13872, *Planned Corrective Action Status Update for TIGTA/GAO/MW/SD/TAS/REM Reports*, when the corrective action is closed based on a management response to a TIGTA report; and provide additional training to staff for approving and closing corrective actions.

In their response, IRS management agreed with our recommendations. Management noted that TIGTA's recommendations, in conjunction with the procedural changes they have implemented, will improve how their organization tracks planned corrective actions they have committed to take in response to TIGTA recommendations.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 22, 2016

MEMORANDUM FOR NATIONAL TAXPAYER ADVOCATE
CHIEF, PLANNING, PROGRAMMING, AND AUDIT
COORDINATION

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Improvements Are Needed in the Taxpayer
Advocate Service Process to Implement Recommended Corrective
Actions (Audit # 201610007)

This report presents the result of our review to determine whether prior Treasury Inspector General for Tax Administration audit recommendations addressed to the Taxpayer Advocate Service have been addressed and documented. This audit was included in our Fiscal Year 2016 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

Management's complete response to the draft report is included as Appendix VII. In their response, management concurred with all of our recommendations and identified their corrective actions; however, management also summarized their disagreement with some of our findings. Our response to management's disagreement with certain findings is provided in Appendix VIII.

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

IRM	Internal Revenue Manual
IRS	Internal Revenue Service
JAMES	Joint Audit Management Enterprise System
LITC	Low Income Taxpayer Clinic
NTA	National Taxpayer Advocate
TAP	Taxpayer Advocacy Panel
TAS	Taxpayer Advocate Service
TIGTA	Treasury Inspector General for Tax Administration



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Background

Since Fiscal Year¹ 2007, the Treasury Inspector General for Tax Administration (TIGTA) has issued eight² audit reports containing 44 recommendations directed at the operations of the Taxpayer Advocate Service (TAS). In response, the TAS provided written agreement to 41 recommendations with descriptions of its planned corrective actions,³ which were recorded and tracked in the Department of the Treasury's Joint Audit Management Enterprise System (JAMES).⁴

The JAMES is an audit tracking and management control system maintained by the Treasury Department. The information on the JAMES is used to assess the effectiveness and progress of the Internal Revenue Service (IRS) in correcting its internal control deficiencies and implementing audit recommendations. The JAMES allows users to run reports to assess the effectiveness of their programs. Tracking issues, findings, recommendations, and the current status of corrective actions is mandatory to comply with the intent of the standard of internal control.⁵

In addition, the Treasury Department sets yearly goals for the percent of corrective actions expected to be timely closed. According to IRS guidance, this report⁶ receives a great amount of attention from senior management across the Treasury Department, including the Deputy Secretary. In addition, the IRS has developed guidance and assigned responsibilities to help ensure that its corrective actions are completed. For example, the IRS Commissioner has the overall organizational responsibility to ensure that recommendations are completed, corrective actions are taken in a timely fashion through independent verification, and that validation occurs.

Based on the IRS's procedures, it must notify TIGTA if it plans to significantly revise or cancel a corrective action, and TIGTA must consent to the change. While IRS management is ultimately responsible for ensuring that corrective actions are completed, the IRS Office of Audit Coordination⁷ tracks the corrective actions taken by the various IRS business units. IRS

¹ 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.

² See Appendix V for a list of the eight TIGTA reports. The TAS was the primary stakeholder addressing TIGTA's recommendations.

³ A recommendation can have more than one corrective action depending on the IRS's management response.

⁴ The TAS disagreed with three of TIGTA's recommendations in the eight audit reports.

⁵ The Federal Managers' Financial Integrity Act of 1982, 31 U.S.C. §§ 1105, 1113, and 3512 (2013).

⁶ This report, referred to as a scorecard, reflects monthly and year-to-date corrective action audit activities and the total number of corrective actions due in upcoming quarters.

⁷ This function was previously performed by the Office of Internal Control. Responsibility was transferred to the Office of Audit Coordination on October 1, 2015.



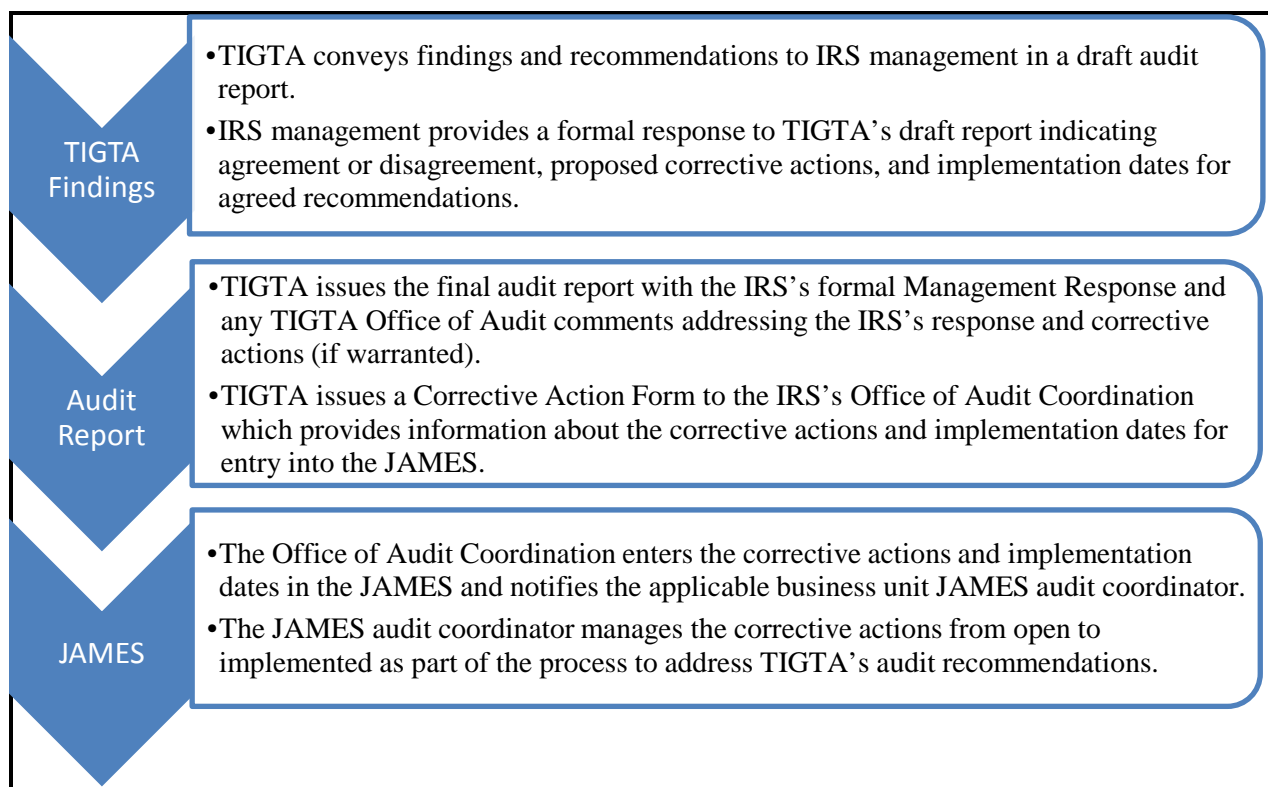
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management assigns individuals within their respective business units to serve as JAMES audit coordinators whose responsibilities include:

- Assisting management with the internal control program and serving as their function's primary liaison with the Office of Audit Coordination.
- Preparing and submitting verification when corrective actions are completed and entering the status into the JAMES when actions are implemented.
- Uploading the Form 13872⁸ and supporting documentation into the JAMES.
- Ensuring that sufficient supporting documentation is maintained.

Figure 1 describes the JAMES process.

Figure 1: The JAMES Process



Source: TIGTA analysis of the JAMES process.

⁸ Form 13872, *Planned Corrective Action Status Update for TIGTA/GAO/MW/SD/TAS/REM Reports* (Revision 10/2010).



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Over time, the Treasury Department has updated its requirements regarding supporting documentation for corrective actions on the JAMES. Prior to Fiscal Year 2010, the Treasury Department did not require the IRS to upload supporting documentation into the JAMES because the system lacked this functionality. When the system was upgraded on November 1, 2010, the Treasury Department mandated that supporting documentation be uploaded and stored in the JAMES. In response, the IRS implemented requirements for JAMES users to upload supporting documentation, including the Form 13872 or other executive certification, when a corrective action status was updated or closed.

On October 1, 2014, the IRS mandated that the only acceptable form of executive certification to update the status of, or close, a corrective action was via the Form 13872. Later, in October 2015, the IRS issued formal guidance requiring that additional supporting documentation be uploaded and stored in the JAMES, along with a completed, signed, and dated Form 13872.

Effective October 16, 2015, before a corrective action can be closed on the JAMES, the JAMES audit coordinator is required to submit supporting documentation to the Office of Audit Coordination which can include:

- Written policy, guidance, procedures, and Internal Revenue Manual (IRM)⁹ updates.
- Letters written on official letterhead and signed documents.
- Contracts and computer screen prints.
- Copies of presentations and meeting minutes, with date, time, and place of meeting.

⁹ The IRM is the primary, official source of IRS “instructions to staff” related to the organization, administration, and operation of the IRS. It details the policies, delegations of authorities, procedures, instructions, and guidelines for daily operations for all IRS divisions and functions.



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Figure 2 shows the timeline for JAMES documentation requirements.

Figure 2: Timeline for JAMES Documentation Requirements

Prior to 2010	Although IRS management was required to maintain documentation verifying implementation of a corrective action, the Treasury Department did not require users to upload supporting documentation into the JAMES because the JAMES did not have this functionality.
November 1, 2010	After a system upgrade, the Treasury Department mandated storing of supporting documentation. The IRS requires users to upload Form 13872 or other executive certification when a corrective action status is updated in the JAMES.
April 26, 2013	The IRS issues IRM 1.4.30, <i>Monitoring Internal Control Planned Corrective Actions</i> , which formalizes the requirement to upload executive certifications via executive memorandum or Form 13872.
October 1, 2014	The Office of Internal Control mandates that the only acceptable form of executive certification is the Form 13872.
October 16, 2015	<ul style="list-style-type: none"> ➤ The IRS requires additional supporting documentation to be uploaded and stored in the JAMES, along with a completed, signed, and dated Form 13872. ➤ The IRS requires business units to retain supporting documentation for five years after the fiscal year the corrective actions are implemented. ➤ The IRS does not require Form 13872 or any other documentation to support implementation of corrective actions that are closed with the management response to a draft report.
January 6, 2016	<ul style="list-style-type: none"> ➤ The Treasury Department releases JAMES 16.1 into production which requires users to upload attachments when the corrective action Status field value is set to Implemented, Cancelled, or Replaced. ➤ The IRS still does not require Form 13872 with supporting documentation for the corrective actions closed with a management response to a draft report; instead, the Office of Audit Coordination uploads a copy of the audit report with the embedded management response letter as the supporting documentation.

Source: TIGTA analysis of the IRM and other internal guidance.



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This review was performed at the IRS National Headquarters in the Office of the TAS and the Office of Audit Coordination in Washington, D.C., during the period September 2015 through June 2016. 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

Selected Corrective Actions Were Not Completed, Not Adequately Supported, or Not Completed by the Dates Reported

The TAS had completed seven of the 20 corrective actions reviewed by the date shown on the JAMES. However, the TAS had not completed seven corrective actions as reported, did not substantiate that three corrective actions had been completed, and implemented three corrective actions after the completion date reported. As a result, the TAS incorrectly reported that 13 corrective actions had been completed. Examples of these actions include revising forms to ensure that Operations Assistance Requests¹⁰ are routed appropriately, ensuring that Taxpayer Advocacy Panel (TAP)¹¹ members are in good standing with the IRS, and ensuring that Low Income Taxpayer Clinic (LITC)¹² grant recipients expend funds appropriately.

According to IRS guidance, the TAS should have closed the corrective actions after implementation was complete and should have retained supporting documentation of actions taken. Not timely addressing recommendations could negatively affect taxpayer services and TAS operations.

TAS management agreed that some actions were closed prematurely on the JAMES, but they did not know why this occurred. In some instances, corrective actions were closed on the JAMES after the actions were initiated, but before they were completed. In other instances, the TAS revised its corrective actions without consulting with TIGTA as required. TAS management explained that in some instances, they decided to approach the corrective action from a different direction, but because the TAS JAMES Audit Coordinator at the time is now retired, they were unsure why TIGTA was not contacted. Additionally, TAS management stated that they had taken steps to address some corrective actions, but a lack of funding prevented them from completing the corrective actions. Figure 3 provides a summary of our review:

¹⁰ Operations Assistance Requests are used by the TAS to request assistance from a business unit or functional unit to complete an action on a TAS case when the TAS does not have the authority to take the required action(s).

¹¹ The TAP, a Federal Advisory Committee to the IRS, helps to identify tax issues of importance to taxpayers and to provide a taxpayer perspective to the IRS on key programs, products, and services. It also serves as a focus group that makes recommendations to the IRS and the National Taxpayer Advocate.

¹² The LITCs assist low-income individuals who have a tax dispute with the IRS, and provide education and outreach to individuals who speak English as a second language.



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Figure 3: Summary of the Corrective Actions in TIGTA's Sample

TIGTA Analysis of Corrective Actions Status	Number of Corrective Actions
Corrective Actions Not Completed ¹³	7
Lack of Documentation to Support That Action Was Completed ¹⁴	3
Corrective Actions Completed After Date Stated by the TAS ¹⁵	3
Corrective Actions Completed As Stated ¹⁶	7
Total Corrective Actions	20

Source: TIGTA analysis of the JAMES and the TAS's supporting documentation for the corrective actions.

TIGTA's recommendations can improve the efficiency and effectiveness of IRS operations and improve service to taxpayers. We found the TAS completed the appropriate corrective action for seven of the 20 corrective actions included in our judgmental sample which we believe helped improve IRS operations and service to taxpayers.¹⁷ These seven completed corrective actions included development of new performance measures, updating of TAS forms and publications, and issuance of interim guidance to employees. For example, we recommended that the TAS reinforce the use of faxing or other expeditious methods to exchange Operations Assistance Requests¹⁸ with other IRS business units.¹⁹ By completing this recommendation, the TAS would be better positioned to quickly assist taxpayers who come to it for help. TAS management agreed and worked with IRS functional management to alert their employees of this requirement.

Seven corrective actions were not completed

We determined that seven of the 20 corrective actions in our sample have yet to be completed, despite the TAS stating the actions were complete in the JAMES. To determine whether the TAS completed corrective actions, we reviewed supporting documentation the TAS provided as evidence, IRM sections, and the TAS's program guidelines and procedures. In each of these seven instances, the TAS had not fully completed the corrective actions, yet had closed them in the JAMES as implemented. IRS criteria require that corrective actions be closed in the JAMES when corrective actions have been completed. Further, IRS management is required to obtain concurrence from TIGTA before making significant modifications to the corrective actions.

¹³ See Appendix VI, sample numbers 1, 3, 8, 9, 13, 18, and 19.

¹⁴ See Appendix VI, sample numbers 4, 6, and 15.

¹⁵ See Appendix VI, sample numbers 5, 16, and 17.

¹⁶ See Appendix VI, sample numbers 2, 7, 10, 11, 12, 14, and 20.

¹⁷ A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.

¹⁸ Operations Assistance Requests are the forms used by the TAS to request assistance from other IRS business units in resolving an issue raised by a taxpayer to the TAS.

¹⁹ TIGTA, Ref. No. 2007-10-068, *Inefficiencies in Processing Operations Assistance Requests Caused Taxpayers Unnecessary Delays* (May 2007).



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For example, the TAS agreed to develop procedures to verify that licensed practitioners serving on the TAP are in good standing with the IRS.²⁰ This would help ensure that tax professionals making recommendations to the IRS have not been disbarred, suspended, or censured. Despite reporting this action as completed, the TAS has not developed formal guidance to ensure that panel members are in good standing with the IRS. Additionally, TIGTA recommended in one report that the TAS reopen and fully assist taxpayers in five cases in which taxpayer concerns had not been resolved.²¹ The TAS agreed to reopen the cases and fully address all taxpayer issues. *****1*****
*****1*****.

In another instance, the TAS agreed to formalize guidance that would require employees to consider a taxpayer's financial circumstances when deciding the best way to assist the taxpayer;²² however, it did not update its interim guidance or issue formal guidance as agreed. Establishing formalized guidance would help TAS management ensure that employees are providing the level of assistance commensurate to the taxpayer's circumstances, such as expediting a refund to a taxpayer who is unemployed. Otherwise, taxpayers experiencing an economic hardship may not be provided timely relief.

Finally, we identified an instance in which the TAS made progress towards completing a corrective action, but had not finalized the necessary action. In this case, the TAS agreed to develop an electronic format for Operations Assistance Requests to assist taxpayers requesting account adjustments through its Case Advocacy Program.²³ However, work on this initiative is still ongoing and has not been finalized, despite the TAS listing this action as complete in the JAMES. TAS management stated they have been unable to complete the action as agreed due to a lack of funding and they are considering other alternatives.

TAS management agreed that some actions were closed prematurely on the JAMES, but they did not know why this occurred. The TAS agreed that some actions should be reopened on the JAMES to ensure that corrective actions are completed. The National Taxpayer Advocate (NTA) also confirmed that the TAS did not retain documents showing whether it obtained written approval from TIGTA (as required) prior to taking alternative actions to address our findings. While TAS management contends the alternative actions adequately addressed our recommendations, we do not agree.

²⁰ The IRS's Office of Professional Responsibility publishes all disciplinary actions in the Internal Revenue Bulletin. Published sanctions include censure, suspension, or disbarment from practice before the IRS.

²¹ TIGTA, Ref. No. 2014-10-033, *The Taxpayer Advocate Service Can Improve the Processing of Systemic Burden Cases* (June 2014).

²² TIGTA, Ref. No. 2008-10-088, *The Taxpayer Advocate Service Needs to Improve Its Processing of Economic Burden Cases* (Apr. 2008).

²³ TIGTA, Ref. No. 2007-10-068, *Inefficiencies in Processing Operations Assistance Requests Caused Taxpayers Unnecessary Delays* (May 2007).



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The TAS could not support the completion of three corrective actions

During this review, the TAS was unable to provide adequate supporting documentation for three of the 20 corrective actions in our judgmental sample; as a result, we could not confirm whether they addressed our recommendations. Although the TAS responded to our requests for documentation, the information it provided did not establish that the three corrective actions were implemented when they were closed. For example, the TAS reported that the LITC Program Office had developed and implemented procedures to follow up with clinics that did not timely file required reports. However, the information it provided did not establish that these procedures were implemented when the corrective action was closed. Management stated that because the former JAMES Audit Coordinator for the TAS retired several years ago, the supporting documentation for some corrective actions was unavailable.

For the other two corrective actions, the IRS closed the recommendation in the JAMES without requiring any supporting documentation from the TAS. Both were instances in which an IRS business unit stated that it had addressed the corrective action prior to TIGTA's issuance of the final audit report. The Office of Audit Coordination stated that it has a policy of closing corrective actions as implemented based solely on the IRS management response to the TIGTA audit report or a memorandum signed by an IRS executive.

The Office of Audit Coordination stated that it is in the process of developing guidance and intends to formalize its policy of closing TIGTA recommendations (identified as previously implemented in response to a TIGTA audit report) without supporting documentation from the business units. However, as of June 30, 2016, the Office of Audit Coordination had not yet incorporated this guidance into the IRM. We have concerns about this practice because it enables IRS business units to identify actions as completed without providing documentation to establish that the corrective actions were implemented.

The TAS completed three corrective actions after the closed dates listed in the JAMES

During our review, we also found that three corrective actions had inaccurate dates in the JAMES showing they had been closed before the TAS completed the corrective actions. For example, we recommended that the TAS take appropriate action to address noncompliance for three LITCs that failed to provide support for \$43,577 in grant funds. The documentation provided by the TAS establishes that it took action to obtain the missing reports and support for \$43,577 in grant funds; however, this occurred after it had closed the corrective action on the JAMES.

According to the IRS's guidance, corrective actions should remain open on the JAMES until they are fully implemented as agreed to in the TIGTA reports or cancelled with the appropriate concurrence from TIGTA. The guidance also states that corrective actions pertaining to the IRM or Standard Operating Procedure actions may only be closed in the JAMES once the documents



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have been sent for publication.²⁴ IRS procedures allow business units to request an extension from the Office of Audit Coordination when an IRS business unit cannot complete a corrective action by the original due date.

Closing corrective actions prematurely creates the risk that the corrective actions will not be completed because the JAMES incorrectly identifies them as implemented by the established due dates. Furthermore, inaccurate reporting on the JAMES is misleading to stakeholders, including the Treasury Department which relies on JAMES data to assess the IRS's effectiveness in correcting its internal control deficiencies and implementing TIGTA's audit recommendations. While TIGTA's recommendations are not directives, they provide the IRS assistance in solving problem areas and help to improve the IRS's programs.

TAS management was unsure why these three corrective actions had inaccurate dates on the JAMES; however, in April 2016, the NTA stated that due to findings from this audit, the NTA initiated a new process retroactive to January 2016 to ensure that corrective actions will not be closed before they are fully implemented. The new process will require TAS staff to submit a briefing paper describing the actions taken, available supporting documentation, and other pertinent details of the corrective actions taken. Once the NTA approves the briefing document, the NTA will authorize the closure of the corrective action on the JAMES. The briefing paper will be uploaded and maintained on the JAMES along with other supporting documentation. Going forward, we believe these changes will improve internal controls over the JAMES process for the TAS and help ensure that corrective actions are completed before they are closed on the JAMES.

Documentation for status updates and closures was not always properly completed

We also reviewed the required forms to determine whether the appropriate TAS officials signed off on all corrective actions which were closed or extended after November 1, 2010. At our request, TAS management provided copies of each of the 22 Forms 13872²⁵ completed for actions taken after November 1, 2010. Our review found four instances in which the Forms 13872 were not signed by an authorized official.

We also noted various other discrepancies in the documentation submitted by the TAS for updating the status of, or closing of, a corrective action. For example, we noted the TAS submitted a Form 13872 to close a corrective action, but it was not signed by an executive, had no implementation date, and the narrative indicated the actions had not been completed.

²⁴ IRM 1.4.30.8.5(9) (Oct. 16, 2015).

²⁵ Our review was limited to 22 total corrective actions related to 44 recommendations because they were closed after October 2010 when the IRS began requiring that a properly completed Form 13872 be uploaded into the JAMES. In addition, corrective actions can have more than one Form 13872 in the JAMES, depending on the number of status changes and when the corrective action is closed.



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Furthermore, when the update was entered into the JAMES, it was done 10 calendar days late. Figure 4 shows the four corrective actions affected by these errors.

Figure 4: Summary of the JAMES Update Discrepancies

TIGTA Reference Number	Finding, Recommendation, and Corrective Action	Status of the Corrective Action	Problem With Form As Submitted
2012-10-052	1-1-1	Implemented	Not signed by executive
2014-10-033	1-1-1	Delayed	Not signed by executive
2014-10-033	1-3-1	Delayed	Not signed by executive
2014-10-033	3-2-1	Delayed	Not signed by executive

Source: TIGTA analysis of the JAMES and Forms 13872, April 2016.

Effective November 1, 2010, IRS procedures require business units to upload Form 13872 to the JAMES when a corrective action is extended or implemented. This form must be signed by the business unit JAMES audit coordinator and an approving official. The approving official must be the executive official (or equivalent) responsible for the corrective action.

IRS guidance also stipulates that requests for status updates (including closures) should be rejected if the executive certification on Form 13872 has not been uploaded within five workdays of the entry date, signatures are missing or invalid, or the status does not adequately address the corrective action.

TAS management was unsure why these errors occurred, but indicated that the person who was acting as the JAMES Audit Coordinator is now retired. Having the proper management signatures on the Form 13872 helps ensure that management is aware of the time frames and actions needed to complete corrective actions and fosters accountability. Additionally, discrepancies regarding completion of the corrective actions and the dates status updates occur affect the accuracy and integrity of the JAMES. The new review process implemented recently by the NTA is a positive step to ensure proper oversight of the JAMES process and maintain integrity of the system.



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Recommendations

Recommendation 1: The NTA should coordinate with the Office of Audit Coordination and the Treasury Department to change the status of the corrective actions from closed to open on the JAMES for corrective actions TIGTA identified as incomplete. These corrective actions should remain open until they are fully implemented unless the TAS obtains concurrence from TIGTA to modify or cancel the corrective actions.

Management's Response: TAS management agreed with this recommendation. For planned corrective actions which the NTA agrees should remain open until they are fully implemented, the NTA will coordinate with the Office of Audit Coordination and the administrators of the JAMES to inquire about changing the status of the planned corrective actions from closed to open. If permissible, TAS management will request that these corrective actions remain open until they are fully implemented (or obtain concurrence from TIGTA to modify or cancel the corrective actions).

Recommendation 2: The Office of Audit Coordination should develop formal written policies that require business units, including the TAS, to submit verifiable supporting documentation, including the Form 13872, when the corrective action is closed based on a management response to a TIGTA audit report.

Management's Response: The Office of Audit Coordination agreed with this recommendation. In order to ensure consistent treatment of all corrective actions, the Office of Audit Coordination will update its IRM guidance to require that all business units provide supporting documentation (to be uploaded into the JAMES) for corrective actions closed at the time management's response is signed. This requirement is already in place for corrective actions implemented after the final report is issued.

Recommendation 3: The NTA should provide additional guidance and training to staff to reinforce the requirements for proper approval and processing of Form 13872 and related corrective action status updates and closures.

Management's Response: TAS management agreed with this recommendation. After the commencement of this audit, the NTA issued a memorandum that provided additional guidance and training to reinforce the requirements for proper approval and processing of Form 13872 and related corrective action status updates and closures. This April 13, 2016, memorandum had a retroactive effective date to January 1, 2016.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether prior TIGTA audit recommendations addressed to the TAS have been addressed and documented. To accomplish our objective, we:

- I. Determined the process for reporting and closing recommendations on the JAMES used by the Office of Audit Coordination and the TAS.
 - A. Reviewed applicable governing authorities and guidance, and identified criteria for reporting information to the JAMES.
 - B. Interviewed Office of Audit Coordination staff to gain an understanding of the process for JAMES reporting of corrective actions.
 - C. Interviewed TAS staff to gain an understanding of the process for JAMES reporting of corrective actions.
- II. Determined whether the TAS and Office of Audit Coordination maintained required documentation to support actions taken on TIGTA recommendations.
 - A. Determined whether TIGTA recommendations addressed to the TAS between Fiscal Year 2008 and Fiscal Year 2015 had been reported to the JAMES and identified the status of the recommendations.
 - B. Determined that four of 22 Forms 13872¹ were not signed by a responsible executive official as required.
- III. Determined whether TAS actions taken on selected corrective actions addressed TIGTA's audit report findings and recommendations.
 - A. Selected a judgmental sample² of 20 of 41 agreed recommendations from eight TIGTA reports closed from May 2007 through May 2014 to determine whether the TAS addressed the corrective actions by the dates it established. We used a judgmental sample to enable us to review a cross section of TAS programs and the related corrective actions for TIGTA's recommendations. We also will not project our findings to the population of agreed recommendations.

¹ Form 13872, *Planned Corrective Action Status Update for TIGTA/GAO/MW/SD/TAS/REM Reports* (Revision 10/2010).

² A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.



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- B. For each recommendation selected, evaluated the TAS's supporting documentation and determined:
 - 1. Whether the corrective actions were implemented as reported in the JAMES.
 - 2. Whether the TAS obtained concurrence from TIGTA on the corrective actions that were cancelled or significantly modified.
- C. Confirmed 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 that the following internal controls were relevant to our audit objective: Office of Audit Coordination policies, procedures, and practices for the identification, tracking, and closing of the corrective actions reported in the JAMES. We evaluated these controls by reviewing the guidance related to the JAMES process, interviewing Office of Audit Coordination and TAS management, and reviewing documents which support the closure of the corrective actions.



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Appendix II

Major Contributors to This Report

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

Jonathan T. Meyer, Director

Janice M. Pryor, Audit Manager

Yasmin B. Ryan, Lead Auditor

Mary F. Herberger, Senior Auditor



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Appendix III

Report Distribution List

Commissioner
Office of the Commissioner - Attn: Chief of Staff
Deputy Commissioner for Operations Support
Deputy National Taxpayer Advocate
Director, Office of Audit Coordination



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Appendix IV

Outcome Measure

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

Type and Value of Outcome Measure:

- Reliability of Information – Potential; 13 corrective actions that were closed prematurely or not adequately supported (see page 6).

Methodology Used to Measure the Reported Benefit:

We selected a judgmental sample¹ of 20 corrective actions of 41 agreed recommendations from eight TIGTA audit reports closed between May 2007 and June 2014 in which the TAS was the primary stakeholder. All 20 corrective actions were identified as implemented on the JAMES, along with a narrative description of the actions taken by the TAS to address the recommendations.

For each of the 20 recommendations, we determined whether 1) the corrective actions were completed as reported in the JAMES; 2) there was adequate supporting documentation to verify the corrective action was completed as agreed to; and 3) whether the TAS obtained concurrence from TIGTA when it modified corrective actions.

- Because 10 corrective actions were closed before the TAS completed the corrective actions and three other corrective actions were unsupported, the information on the JAMES for these corrective actions is not reliable to stakeholders such as the Department of the Treasury, the IRS, and TIGTA personnel.

¹ A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.



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Appendix V

*Eight Treasury Inspector General for Tax
Administration Reports Issued Between
May 2007 and June 2014*

- TIGTA, Ref. No. 2007-10-068, *Inefficiencies in Processing Operations Assistance Requests Caused Taxpayers Unnecessary Delays* (May 2007).
- TIGTA, Ref. No. 2008-10-088, *The Taxpayer Advocate Service Needs to Improve Its Processing of Economic Burden Cases* (Apr. 2008).
- TIGTA, Ref. No. 2008-10-142, *Improved Controls Over Grants Provided to Low Income Taxpayer Clinics Would Lower the Risk of the Inappropriate Use of Federal Government Funds* (July 2008).
- TIGTA, Ref. No. 2009-10-121, *The Taxpayer Advocate Service Should Reevaluate the Roles of Its Staff and Improve the Administration of the Taxpayer Advocacy Panel* (Sept. 2009).
- TIGTA, Ref. No. 2011-10-052, *The Identification and Evaluation of Systemic Advocacy Projects Designed to Resolve Broad-Based Taxpayer Problems Can Be Improved* (June 2011).
- TIGTA, Ref. No. 2011-10-067, *The Taxpayer Advocate Service Can More Effectively Ensure Low Income Taxpayer Clinics Are Appropriately Using Grant Funds* (July 2011).
- TIGTA, Ref. No. 2012-10-052, *The Taxpayer Advocate Service's ASK-TAS1 Toll-Free Line Has Evolved Over Time, but Additional Steps Are Necessary to Evaluate Its Impact* (June 2012).
- TIGTA, Ref. No. 2014-10-033, *The Taxpayer Advocate Service Can Improve the Processing of Systemic Burden Cases* (June 2014).



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Appendix VI

*Treasury Inspector General for Tax Administration
Assessment of Planned Corrective Actions*

Audit Report Reference Number and Sample Number	Recommendation	Corrective Action	TIGTA's Assessment
2007-10-068 #1	The NTA should request that the Taxpayer Advocate Management Information System be reprogrammed to allow Operations liaisons the ability to directly input the information they are currently required to provide to the TAS in hardcopy, including the return of completed Requests. In addition, the Operations liaisons should use the Taxpayer Advocate Management Information System web portal for the receipt of Requests being issued by the TAS.	The TAS submitted a work request to the Modernization and Information Technology Services organization on December 29, 2006, to enable electronic routing of Operations Assistance Requests by moving Operations Assistance Requests information back and forth from the Taxpayer Advocate Management Information System to the Desktop Integration. The Modernization and Information Technology Services organization had until April 30, 2007, to respond to the work request. (corrective action 1-1-1)	Action was not completed when the corrective action was closed on the JAMES. An alternative action was taken after the corrective action was closed, but this action does not fully address the recommendation.



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Audit Report Reference Number and Sample Number	Recommendation	Corrective Action	TIGTA's Assessment
<p>2007-10-068 #2</p>	<p>Until the Operations Assistance Request process is fully automated, the TAS and Operations should reinforce the use of faxing or other expeditious methods to deliver and return Requests and clarify expectations for the return of completed Forms 12412, <i>Operations Assistance Request</i>, to the TAS.</p>	<p>A Small Business/ Self-Employed Division management official will work with the TAS to reinforce the use of fax or other expeditious methods to deliver/return Form 12412 requests and clarify expectations. Specifically, the Small Business/Self-Employed Division Examination function will publish an article in its Technical Digest to reinforce to its Examination function employees the use of fax and/or other expeditious methods to deliver completed Forms 12412 to the TAS at the conclusion of casework. (corrective action 1-2-2)</p>	<p>Corrective action has been taken as stated.</p>
<p>2007-10-068 #3</p>	<p>Revise Form 12412 to allow Requests to be closed as completed or as misrouted only if they had been sent to the wrong Operations liaison.</p>	<p>The TAS is in the process of revising the Form 12412. (corrective action 3-1-1)</p>	<p>Action was not completed when the corrective action was closed on the JAMES. The action is not completed and no alternative actions have been taken.</p>
<p>2008-10-142 #4</p>	<p>The NTA, in coordination with the IRS Office of Chief Counsel, should develop and implement procedures to address instances in which grant funds have been disbursed to a clinic that cannot, or will not, document that grant funds were used appropriately.</p>	<p>The LITC Program Office has developed and implemented procedures for following up with clinics that fail to file interim and year-end reports in a timely or complete manner. (corrective action 1-1-1)</p>	<p>Corrective action was not fully documented/or supported. TIGTA could not determine if corrective action was completed when it was closed on the JAMES.</p>



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Audit Report Reference Number and Sample Number	Recommendation	Corrective Action	TIGTA's Assessment
<p>2008-10-142 #5</p>	<p>The NTA should take appropriate action to address the noncompliance of the three clinics which failed to provide support for \$43,577 in grant funds.</p>	<p>The TAS maintains records of those clinics that do not submit timely reports. The LITC Program Office will continue its current practice of performing a management review of all applications before clinic funds are awarded and using the timeliness of reports as a factor on which it bases its funding decisions. Clinics that continue to fail to submit reports after repeated contact from the LITC Program Office will be referred to TIGTA for possible investigation. (corrective action 1-1-1)</p>	<p>Actions were not complete when the issue was identified as implemented on the JAMES. Corrective action was completed after the corrective action was closed.</p>
<p>2008-10-142 #6</p>	<p>Develop and implement a process to conduct periodic, random on-site financial reviews of a sample of clinics. The financial reviews should include the verification of a sample of reported expenditures with source documents, such as invoices and receipts.</p>	<p>The LITC Program Office has developed and is implementing procedures to randomly sample invoices and receipts during LITC site assistance visits. (corrective action 2-1-1)</p>	<p>Corrective action was not fully documented/or supported. TIGTA could not determine if corrective action was completed when it was closed on the JAMES.</p>
<p>2008-10-142 #7</p>	<p>Update the guidelines provided to program participants to include information regarding the performance of periodic grant audits or reviews by the IRS, and the potential disallowance and recovery of improper/unsupported costs identified as a result of these reviews.</p>	<p>IRS Publication 3319, <i>LITC Low Income Tax Clinic Grant Application Package and Guidelines</i>, has been updated and now includes language referring to periodic sampling and verification of expenses. The LITC Program Office will draw attention to the language in the current Publication 3319 regarding periodic reviews and audits during site assistance visits and during upcoming LITC conferences. (corrective action 2-2-1)</p>	<p>Corrective action has been taken as stated.</p>



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Audit Report Reference Number and Sample Number	Recommendation	Corrective Action	TIGTA's Assessment
2008-10-088 #8	Develop and implement procedures to ensure that 1) cases are worked accurately and in a timely manner; 2) all issues are addressed; and 3) errors are detected, especially when online adjustments are made. These policies and procedures should address the following: before approving manual refunds, management should ensure that case advocates have thoroughly researched the Integrated Data Retrieval System to prevent duplicate refunds; online adjustments should be reviewed for accuracy and to ensure that the TAS does not violate its delegated authorities; and a formal policy should be implemented to expand the use of pre-closure reviews to ensure that all taxpayer issues are addressed before the taxpayer's case is closed.	We will formalize review procedures and include guidance to our employees on the various types of case reviews in IRM 13. (corrective action 1-1-1)	Action was not completed when the corrective action was closed on the JAMES. An alternative action was taken after the corrective action was closed. This action does not fully address the intent of the recommendation.
2008-10-088 #9	Assist TAS management in conducting case reviews by updating the Memorandum on Early Intervention Review Guidelines, dated February 22, 2006, to include a requirement that the taxpayer's financial circumstances be considered as part of the determination of the "best approach" for each case. The NTA should also update IRM 13 to reflect all Early Intervention Review Guidelines.	The TAS will update the Memorandum on Early Intervention Review Guidelines to include a requirement that the taxpayer's financial circumstances be considered as part of the determination for the "best approach" for each case. The TAS will also update the IRM to reflect Early Intervention Review Guidelines. (corrective action 2-2-1)	Action was not completed when the corrective action was closed on the JAMES. The TAS agreed to take two actions and neither is complete. No alternative actions taken.



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Audit Report Reference Number and Sample Number	Recommendation	Corrective Action	TIGTA's Assessment
<p>2008-10-088</p> <p style="text-align: center;">#10</p>	<p>Update Form 911, <i>Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order)</i>, to require the initiator to include a detailed description of the taxpayer's situation (including the taxpayer's financial status) and the circumstances that are creating the economic burden/hardship. This should include how the taxpayer could be adversely affected if the requested assistance is not provided.</p>	<p>TAS management will change Form 911 to include a field to enter a detailed description of the taxpayer's situation, the circumstances that are creating the economic burden, and how the taxpayer could be adversely affected if the requested assistance is not provided. (corrective action 2-3-1)</p>	<p>Corrective action has been taken as stated.</p>
<p>2009-10-121</p> <p style="text-align: center;">#11</p>	<p>Reevaluate the roles of the staff assigned to assist the Panel and establish guidance to ensure that the Panel functions independently.</p>	<p>Include guidance on the liaison role of the TAP staff in the bylaws and the IRM. (corrective action 2-1-1)</p>	<p>Corrective action has been taken as stated.</p>
<p>2009-10-121</p> <p style="text-align: center;">#12</p>	<p>Revise the charter to clarify the liaison role that TAS employees provide Panel members and accurately reflect the dual roles of members. Specifically, the charter should be updated in Section B, Objectives and Scope, as well as Section F, Duties and Responsibilities. These changes can be made when the current charter expires in March 2010.</p>	<p>Amend the TAP charter to clarify the liaison role of the TAP staff and to accurately reflect the dual roles of members. (corrective action 2-2-1)</p>	<p>Corrective action has been taken as stated.</p>



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Audit Report Reference Number and Sample Number	Recommendation	Corrective Action	TIGTA's Assessment
<p>2009-10-121 #13</p>	<p>Develop procedures for verifying the good standing of licensed practitioners serving on the Panel. These procedures should address: revising the Panel application form to ask if the applicant is a tax practitioner; confirming, during the interview process, if applicants are tax practitioners; and accessing the IRS Office of Professional Responsibility website and/or contacting the Office of Professional Responsibility to determine if applicants that are licensed tax practitioners have been subject to disciplinary actions.</p>	<p>Develop procedures for verifying the good standing with the IRS of licensed practitioners serving on the Panel. (corrective action 4-2-1)</p>	<p>Action was not completed when the corrective action was closed on the JAMES. Action is not completed and no alternative action has been taken.</p>
<p>2011-10-052 #14</p>	<p>Develop and implement additional performance measures that capture the Systemic Advocacy Projects' effectiveness in identifying and resolving systemic issues affecting taxpayers.</p>	<p>TAS management agreed that the current Systemic Advocacy quality measures do not adequately capture the systemic problem resolution work that occurs throughout the TAS and is in the process of revising its measures. (corrective action 2-1-1)</p>	<p>Corrective action has been taken as stated.</p>
<p>2011-10-067 #15</p>	<p>Require that all clinics capture and maintain a minimum level of information to support income and controversy determinations. TAS personnel should review applicable documentation during site visits to ensure that clinics are providing assistance to the low-income taxpayers as intended by Congress.</p>	<p>LITC program guidelines already require grantees that provide controversy services to capture, maintain, and report aggregate information about income and controversy determinations. TAS personnel will review internal controls and procedures during site assistance visits, but TAS personnel will not access taxpayer-specific information. (corrective action 1-2-1)</p>	<p>Corrective action was not fully documented or supported. TIGTA could not determine if corrective action was completed when it was closed on the JAMES.</p>



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Audit Report Reference Number and Sample Number	Recommendation	Corrective Action	TIGTA's Assessment
2011-10-067 #16	Develop and document a formalized process for identifying which clinics will be selected for site visits to ensure that limited TAS resources are focused on those clinics that may not be adhering to LITC program requirements. TAS management should also evaluate whether information provided by the clinics can be used to assist management in prioritizing the site visitations.	TAS management stated they have restructured the LITC Program Office, are implementing performance measures and revising reporting forms for the 2012 grant cycle, and are developing and implementing a new database to capture information obtained during the systematic review of program plans, budgets, reports, and results. (corrective action 1-3-1)	Action was not completed when the corrective action was closed on the JAMES. Corrective action was completed after the corrective action was closed.
2012-10-052 #17	Develop a formalized process to track and analyze the impact of any targeted outreach efforts that result in calls received by the ASK-TAS1 toll-free line. In addition, TAS management should document the results of their analyses assessing whether they are achieving their stated goal and what, if any, benefit this information is to TAS management.	Enhance tracking and analysis relative to the source of ASK-TAS1 calls and compare them to outreach efforts. (corrective action 1-1-2)	Action was not completed when the corrective action was closed on the JAMES. An acceptable alternative action was taken after the corrective action was closed.
2012-10-052 #18	Ensure that a process is implemented to periodically analyze call statistics captured by the Wage and Investment Division for the new process to determine whether TAS personnel are answering incoming and transferred calls to the ASK-TAS1 toll-free line in an efficient manner.	Formalize the process to use statistics available through the IRS toll-free network, administered by the Joint Operations Center of the Wage and Investment Division, for monitoring the new TAS Intake Line Proof of Concept. (corrective action 1-3-1)	Action was not completed when the corrective action was closed on the JAMES. Action is not completed, no alternative action taken.



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Audit Report Reference Number and Sample Number	Recommendation	Corrective Action	TIGTA's Assessment
2014-10-033 #19	Reopen the five cases we identified to fully address the taxpayers' issues.	TAS management stated they would reopen the five cases TIGTA recommended and will ensure that all issues are fully addressed. (corrective action 1-4-1)	Action was not completed when the corrective action was closed on the JAMES. . *****1***** *****1***** *****1***** *****1***** *****1***** *****1*****
2014-10-033 #20	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.	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. (corrective action 3-1-1)	Corrective action has been taken as stated.

Source: TIGTA analysis of the TAS's corrective actions.



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Appendix VII

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.

September 28, 2016

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Nina E. Olson

National Taxpayer Advocate

SUBJECT:

Draft Audit Report – *Improvements Are Needed in the Taxpayer Advocate Service Process to Implement Recommended Corrective Actions* (Audit # 201610007)

Thank you for giving me the opportunity to respond to the report, *Improvements Are Needed in the Taxpayer Advocate Service Process to Implement Recommended Corrective Actions*. I appreciate the role of TIGTA and welcome recommendations that will help my organization improve.

Over the years, TIGTA has reviewed various aspects of the Taxpayer Advocate Service (TAS) organization, making numerous recommendations. While TAS has done a good job of addressing these recommendations by taking appropriate corrective actions, I acknowledge there is room for improvement in our processes. TAS has already implemented new procedures (which I have shared with your team) that will enable us to better comply with the planned corrective actions to which we have committed to taking. Specifically, I issued a memorandum on April 13, 2016, providing additional guidance and training to reinforce the requirements for proper approval and processing of Form 13872 and related corrective action status updates and closures. Under this new procedure, prior to the closure of any planned corrective action stemming from TIGTA recommendation, the National Taxpayer Advocate must receive a briefing paper outlining the steps taken to address the recommendation and approve the closure of the corrective action.

TAS Comments on Findings

I concur with each of the recommendations TIGTA makes in this audit report. These recommendations, in conjunction with the procedural changes TAS has



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already implemented, will improve how our organization tracks planned corrective actions that we have committed to take in response to TIGTA recommendations. The attachment lists the planned corrective actions, responsible official, and implementation dates.

However, I do not concur with some of the findings the audit team published in the draft report.

The Draft Report Overstates Instances Where TAS Improperly Closed Planned Corrective Actions on JAMES

On pages 7 and 8 of the audit report, TIGTA states that TAS had not fully completed the planned corrective actions before marking them as closed on the Joint Audit Management Enterprise System (JAMES) for seven of the 20 corrective actions in the sample.

In some instances, TAS took the necessary steps to address a planned corrective action, but circumstances beyond our control have prevented the action from being completed. For example, TAS had committed to developing an electronic format for Operations Assistance Requests (OARs) in response to a recommendation from a 2007 TIGTA audit.¹ TAS had taken significant steps to implement these planned corrective actions by the agreed upon date. However, the enhancements we requested to the OAR form required significant programming changes. We submitted the proper funding requests with the IRS to allow us to develop an electronic OAR system, but to date these requests have been denied. We did everything in our control to address this recommendation, and continue to advocate for electronic submission of OARs.² In situations such as this, I concur with TIGTA that we should have requested permission from the auditors to amend our planned corrective action, or sought guidance on how we should report this on JAMES. That said, I believe TIGTA should recognize the efforts and resources we spent in addressing this recommendation.

In several other instances, I disagree with TIGTA's findings that TAS improperly closed planned corrective actions on JAMES. For example, in response to a recommendation from a 2009 audit, TAS agreed to develop procedures to verify that licensed practitioners serving on the Taxpayer Advocacy Panel (TAP) are in good standing with the IRS.³ TIGTA asserts that TAS improperly closed this action as completed on JAMES – that TAS had not developed formal guidance to ensure that TAP members are in good standing with the IRS. I disagree with this finding. TAP management stated that new members who are tax practitioners will be checked on

¹ TIGTA, Ref. No. 2007-10-068, *Inefficiencies in Processing Operations Assistance Requests Caused Taxpayers Unnecessary Delays* (May 2007).

² See National Taxpayer Advocate FY 2017 Objectives Report to Congress 195-98.

³ TIGTA, Ref. No. 2009-10-001, *The Taxpayer Advocate Service Should Reevaluate the Roles of Its Staff and Improve the Administration of the Taxpayer Advocacy Panel* (Sept. 2009).



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the Office of Practitioner Responsibility website to ensure the new practitioner is in good standing with the IRS and has not received any disciplinary action(s). Prior to 2015, TAP maintained an Access data base containing this information for new members. In 2015, TAP transitioned to using SharePoint; now, the information is maintained in a separate document on SharePoint. The TAP recruitment period for the 2017 Panel opened April 11, 2016. All marketing materials for recruitment include a statement that applicants who are tax practitioners must be in good standing with the IRS. These are steps the TAP has taken in vetting new members, and address the planned corrective action that the TAP would “develop procedures for verifying the good standing with the IRS of licensed practitioners serving on the Panel.”

In another audit, TIGTA had recommended that TAS reopen and fully assist taxpayers in five cases in which taxpayer concerns had not been resolved.⁴ TAS had agreed to reopen the cases and fully address all taxpayer issues. ***** I ***** . I disagree with TIGTA's finding here. After reviewing the case history, it is clear to me that the Local Taxpayer Advocates fully addressed the issues in all five of the relevant cases after reopening them, and properly closed the cases.

In another instance, TAS agreed to formalize guidance that would require employees to consider a taxpayer's financial circumstances when deciding the best way to assist the taxpayer.⁵ TIGTA asserts that TAS had not updated our interim guidance or issued formal guidance before closing the corrective action as completed on JAMES. However, the draft Internal Revenue Manual (IRM) 1.4.13, TAS Manager's Handbook, does contain guidance on early intervention reviews. This guidance has been included as attachments to the TAS Program Letter annually, while the IRM section is still in draft. The Program Letter is a formal statement of TAS priorities for the relevant fiscal year and is discussed with all TAS managers in detail each year. It is one of several methods of issuing guidance to our employees other than via IRM revisions.

I would like to address a statement made on page 8 of the audit report, where TIGTA notes that “[w]hile TAS management contends the alternative actions adequately addressed our recommendations, we do not agree.” This statement relates to a planned corrective action from a 2008 audit on TAS processing of economic burden cases.⁶ In April 2016, we had responded to TIGTA that we

⁴ TIGTA, Ref. No. 2014-10-033, The Taxpayer Advocate Service Can Improve the Processing of Systemic Burden Cases (June 2014).

⁵ TIGTA, Ref. No. 2008-10-088, The Taxpayer Advocate Service Needs to Improve Its Processing of Economic Burden Cases (Apr. 2008).

⁶ TIGTA, Ref. No. 2008-10-088, The Taxpayer Advocate Service Needs to Improve Its Processing of Economic Burden Cases (Apr. 2008). Recommendation 1 stated:

The National Taxpayer Advocate should develop and implement procedures to ensure that 1) cases are worked accurately and in a timely manner; 2) all issues are addressed; and 3) errors



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partially agreed with this potential exception because we had no documentation substantiating that TIGTA was consulted prior to revising our planned corrective action. But we also pointed out that TAS does follow all procedures for initiating, approving, and monitoring manual refunds that are included in IRM 21.4.4, *Manual Refunds*. These are servicewide requirements for all employees that initiate and approve manual refunds. In fact, the TAS delegated authorities (IRM 13.1.4.2.2.1) explicitly states that TAS employees should follow IRM 21.4.4. Thus, there was no need to include them in a TAS IRM, since the procedures are already published in an existing IRM, and our authority to act in manual refund cases is derived from and delineated by that IRM.

TAS Provided Adequate Supporting Documentation for a Planned Corrective Action from the 2008 Audit of the Low Income Taxpayer Clinic Program

In this report, TIGTA asserts that TAS was unable to provide adequate supporting documentation for three of the 20 corrective actions in its sample, and as a result, could not confirm whether TAS addressed TIGTA's recommendations. One example TIGTA cited was our response to a 2008 TIGTA audit on the Low Income Taxpayer Clinic (LITC) program. TAS had committed to developing and implementing procedures for following up with clinics that fail to file interim and year-end reports in a timely or complete manner.

After the conclusion of the 2008 audit, the LITC Program Office developed procedures (which we provided to the audit team) for following up with clinics that failed to file required reports timely. These procedures were updated in 2014, when clinics began filing reports directly through the Grant Solutions system rather than submitting reports by mail, so the procedures we shared with TIGTA were made obsolete.

The LITC Program Office continues to publicize the importance of clinics complying with all terms and conditions of their award, including the filing of timely, complete, and accurate reports. The guidance in Publication 3319 informs applicants and grantees that they are required to comply with all terms and conditions of the grant and states the consequences for failure to comply. For example on p. 56, it states: "Grantees are responsible for performing in accordance with the standards of operation, meeting all compliance requirements, proper expenditure and accounting for Federal and matching

are detected, especially when online adjustments are made. These policies and procedures should address the following:

- Before approving manual refunds, management should ensure that case advocates have thoroughly researched the Integrated Data Retrieval System to prevent duplicate refunds.
- Online adjustments should be reviewed for accuracy and to ensure that the TAS does not violate its delegated authorities.
- A formal policy should be implemented to expand the use of pre-closure reviews to ensure that all taxpayer issues are addressed before the taxpayer's case is closed.



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funds, and complete, timely, and accurate reporting of grant activities and financing." And later on the same page, "If the grantee fails to comply with terms of the award, the LITC Program Office may impose additional conditions on the award. If the noncompliance cannot be remedied by imposing additional conditions, the Program Office may take one or more of the following actions: [list of actions, including restriction of grant funds, disallowance of costs, termination or suspension of the award, etc.]." In addition, the Publication 3319, on p. 52, states that the Program Office will consider "Timeliness, accuracy, and completeness of Interim and Year-End reports" when conducting a Program Office evaluation of a funding request.

The LITC Program Office has also informed grantees about their compliance requirements during site assistance visits, during trainings on how to complete and submit reports using the Grant Solutions system, and at the annual LITC conference.

TIGTA did not feel that the information TAS provided established that these procedures were implemented when the corrective action was closed on JAMES. I disagree.

TAS Fully Complied with a Planned Corrective Action from the 2008 Audit of the Low Income Taxpayer Clinic Program When We Reported It as Completed in JAMES

In this report, TIGTA identifies as problematic situations where the audit subject closes corrective actions prematurely, creating the risk that the corrective actions will not be completed because JAMES incorrectly identifies them as implemented by the established due dates. We agree that this is a concern and believe our new procedures will greatly minimize if not eliminate this occurrence. TIGTA states that it found three corrective actions had inaccurate dates in JAMES showing they had been closed before the TAS completed the corrective actions.

As one example of premature closure of a planned corrective action, TIGTA points to the recommendation from its 2008 audit of the LITC Program. One of the recommendations from that audit was that TAS take appropriate action to address noncompliance for three LITCs that failed to provide support for \$43,577 in grant funds. Here is the planned corrective action TAS committed to take to address this recommendation: "TAS maintains records of those clinics that do not submit timely reports. The LITC Program Office will continue its current practice of performing a management review of all applications before clinic funds are awarded, and using the timeliness of reports as a factor on which it bases its funding decisions. Clinics that continue to fail to submit reports after repeated contact from the LITC Program Office will be referred to TIGTA for possible investigation."



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At the time of the TAS response to this recommendation, the three clinics that had failed to provide reports for their grant activities in 2006 were no longer participating in the LITC program. The corrective action states that the LITC Program Office "will continue its current practice of performing a management review of all applications before clinic funds are awarded, and using the timeliness of reports as a factor on which it bases its funding decisions." I stand by our determination that this planned corrective action was met at the time of the response.

Response to Recommendations

TIGTA makes three recommendations in this audit, one of which is directed to the IRS Office of Audit Coordination.

Recommendation 1: *The NTA should coordinate with the Office of Audit Coordination and the Treasury Department to change the status of the corrective actions from closed to open on the JAMES for corrective actions TIGTA identified as incomplete. These corrective actions should remain open until they are fully implemented unless the TAS obtains concurrence from TIGTA to modify or cancel the corrective actions.*

We agree with this recommendation.

Recommendation 2: *The Office of Audit Coordination should develop formal written policies that require business units, including the TAS, to submit verifiable supporting documentation, including the Form 13872, when the corrective action is closed based on a management response to a TIGTA audit report.*

The Office of Audit Coordination agrees with this recommendation.

Recommendation 3: *The NTA should provide additional guidance and training to staff to reinforce the requirements for proper approval and processing of Form 13872 and related corrective action status updates and closures.*

We agree with this recommendation.

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.



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Attachment 1

Summary of TIGTA Recommendations and Management Response

RECOMMENDATION #1: *The NTA should coordinate with the Office of Audit Coordination and the Treasury Department to change the status of the corrective actions from closed to open on the JAMES for corrective actions TIGTA identified as incomplete. These corrective actions should remain open until they are fully implemented unless the TAS obtains concurrence from TIGTA to modify or cancel the corrective actions.*

CORRECTIVE ACTION: For planned corrective actions which the National Taxpayer Advocate agrees should remain open until they are fully implemented, the National Taxpayer Advocate will coordinate with the Office of Audit Coordination and the administrators of JAMES to inquire about changing the status of the planned corrective actions from closed to open. If permissible, we will request that these corrective actions remain open until they are fully implemented (or obtain concurrence from TIGTA to modify or cancel the corrective actions).

IMPLEMENTATION DATE: January 15, 2017

RESPONSIBLE OFFICIAL: National Taxpayer Advocate

RECOMMENDATION #2: *The Office of Audit Coordination should develop formal written policies that require business units, including the TAS, to submit verifiable supporting documentation, including the Form 13872, when the corrective action is closed based on a management response to a TIGTA audit report.*

CORRECTIVE ACTION: In order to ensure consistent treatment of all corrective actions, the Office of Audit Coordination will update its IRM guidance to require that all business units provide supporting documentation (to be uploaded into JAMES) for corrective actions closed at the time management's response is signed. This requirement is already in place for corrective actions implemented after the final report is issued.

IMPLEMENTATION DATE: March 15, 2017

RESPONSIBLE OFFICIAL: Chief, Planning, Programming and Audit Coordination (PPAC)



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RECOMMENDATION #3: *The NTA should provide additional guidance and training to staff to reinforce the requirements for proper approval and processing of Form 13872 and related corrective action status updates and closures.*

CORRECTIVE ACTION: After the commencement of this audit, the National Taxpayer Advocate issued a memorandum that provided additional guidance and training to reinforce the requirements for proper approval and processing of Form 13872 and related corrective action status updates and closures. This April 13, 2016, memorandum had a retroactive effective date to January 1, 2016.

IMPLEMENTATION DATE: April 13, 2016

RESPONSIBLE OFFICIAL: National Taxpayer Advocate



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Appendix VIII

Office of Audit Comments on Management's Response

During our review, we found the TAS closed corrective actions before they were fully implemented. As a result, we recommended that the TAS reopen six planned corrective actions on the JAMES to ensure that they are fully completed. In response to our draft report, the TAS agreed to our recommendation, but disagreed with some of our findings. Specifically, the TAS disagreed with our finding that the TAS had improperly closed planned corrective actions and disagreed with our finding that the TAS could not support with documentation the completion of other corrective actions. We have included portions of management's response and our related comments below.

Management's Response: The TAS disagreed with our finding that it had not developed procedures for verifying the good standing of licensed practitioners serving on the TAP. The TAS stated it had agreed to develop these procedures in response to TIGTA's recommendation in 2009.¹ The TAS stated that new TAP members who are tax practitioners will be checked on the Office of Practitioner Responsibility website to ensure that they are in good standing and that starting in 2015, information on TAP members is now maintained on a SharePoint site. In addition, the TAS stated TAP marketing materials mention that practitioners need to be in good standing with the IRS.

Office of Audit Comment: In this instance, TAS management closed the planned corrective action on the JAMES as implemented in October of 2010, although they have yet to issue any formal, written guidance that includes procedures for requiring verification of Panel members' good standing with the IRS. In our 2009 report, we recommended that the TAS develop procedures for verifying the good standing of licensed practitioners serving on the Panel. This included accessing the IRS Office of Practitioner Responsibility website and/or contacting the Office of Practitioner Responsibility to determine if applicants who are licensed tax practitioners have been subject to disciplinary actions. While the TAS stated that it would perform this action in its response to our recommendation, it has not issued guidance to require the check on Panel members. Specifically, IRM 13.7.1, *Taxpayer Advocacy Panel Program*, dated September 2014, makes no mention of a requirement to contact the Office of Practitioner Responsibility. As a result, we concluded that the actions are incomplete and recommend that the JAMES be reopened pending the completion of the corrective action.

¹ TIGTA, Ref. No. 2009-10-121, *The Taxpayer Advocate Service Should Reevaluate the Roles of Its Staff and Improve the Administration of the Taxpayer Advocacy Panel* (Sept. 2009).



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Management's Response: *****1***** The TAS stated, "After reviewing the case history, it is clear to me that the Local Taxpayer Advocates fully addressed the issues in all five of the relevant cases after reopening them, and properly closed the cases."

Office of Audit Comment: In our 2014 audit of TAS Systemic Burden Cases,2 we identified five cases in which TAS actions or inactions potentially harmed taxpayers, and recommended that the TAS reopen five cases to ensure that all issues were fully addressed. *****1*****

Management's Response: In another instance, the TAS disagreed with the TIGTA finding that the TAS had not formalized guidance that would require employees to consider a taxpayer's financial circumstances when deciding the best way to assist the taxpayer.4 The TAS stated that the draft IRM 1.4.13, TAS Manager's Handbook, does contain guidance on early intervention reviews and has been included as attachments to the TAS Program Letter annually, while the IRM section is still in draft.

Office of Audit Comment: In our 2008 report on TAS Economic Burden cases, we recommended that the TAS update the Memorandum on Early Intervention Review Guidelines and the IRM to include a requirement that the taxpayer's financial circumstances be considered as part of the determination of the "best approach" for each case. The TAS closed the corrective action as completed in June 2010 stating that it had incorporated the Early Intervention Guidelines in the draft IRM 1.4.13. However, to date, the IRM has not been published and is still in draft form. Consequently, we believe

2 TIGTA, Ref. No. 2014-10-033, The Taxpayer Advocate Service Can Improve the Processing of Systemic Burden Cases (June 2014).

3 Internal Revenue Code § 6323(j) gives the IRS the authority to withdraw a Notice of Federal Tax Lien under certain circumstances and to provide notice of the withdrawal to credit agencies. (IRM 5.12.9.2 (Oct. 14, 2013)).

4 TIGTA, Ref. No. 2008-10-088, The Taxpayer Advocate Service Needs to Improve Its Processing of Economic Burden Cases (Apr. 2008).



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the TAS should reopen the JAMES for this planned corrective action and that the recommendation should remain open until the action is complete.

Management's Response: The TAS disagreed with TIGTA's finding that it had closed prematurely a planned corrective action associated with issuing formal managerial guidance to TAS employees processing manual refunds on economic burden cases. The TAS agreed it could not produce documentation showing it had consulted with TIGTA about alternative corrective actions it had taken to close the recommendation. However, the TAS also stated in its management response to this report that corrective actions were not necessary because IRS IRMs already address the procedures for manual refunds, and that TAS employees are required to follow those procedures according to relevant IRM sections.

Office of Audit Comment: In response to our 2008 report⁵ on TAS Economic Burden cases, the TAS agreed to our recommendation to formalize its review procedures for account adjustments, manual refunds, and pre-closure reviews. The TAS stated it intended to incorporate these policies into a Managers Guide that would be included in the IRM in Fiscal Year 2008. The TAS identified the corrective action as completed in April 2010 noting, "TAS incorporated its Early Intervention, Manual Refund, Pre-Closure, and Online Adjustment Review Guidelines that includes the TIGTA recommendations in the draft IRM 1.4.13, Taxpayer Advocate Service Guide for Manager." This is another instance in which the TAS closed the planned corrective action prematurely because it had not issued guidance to its managerial employees about expediting refunds to taxpayers in need. To date, this IRM section has not been published and, as such, the corrective action should not have been identified as completed. The TAS refers to other IRM sections that address its authority to issue manual refunds although we do not question the TAS's authority to issue manual refunds. Our recommendation pertained to formalizing managerial review procedures due to the numerous processing errors we identified during our audit. As a result, we believe the TAS should reopen the JAMES to indicate the action has not yet been completed.

Management's Response: In another instance, the TAS disagreed with TIGTA's finding pertaining to procedures for following up with the LITCs that do not file interim and year-end reports in a timely or complete manner. The TAS stated it had developed procedures for following up with clinics that did not file required reports timely in 2008. Subsequently, the TAS stated that the procedures were updated in 2014 when clinics began filing reports directly through the Grant Solutions system rather than submitting reports by mail. The TAS also stated that it informs LITC grantees of their requirements to timely file reports as a condition of their grants.

⁵ TIGTA, Ref. No. 2008-10-088, *The Taxpayer Advocate Service Needs to Improve Its Processing of Economic Burden Cases* (Apr. 2008).



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Office of Audit Comment: In our July 2008 report,⁶ we recommended that the TAS, in coordination with the IRS Office of Chief Counsel, develop and implement procedures to address instances in which grant funds have been disbursed to a clinic that cannot, or will not, document that grant funds were used appropriately. In the management response, the TAS agreed with this recommendation and stated that the “LITC Program office has developed and implemented procedures for following up with clinics that fail to file interim and year-end reports in a timely or complete manner.” However, when we asked for supporting documentation to validate the 2008 actions, the TAS could not provide support. The TAS did develop informal guidance associated with LITC grantee report filing when it transitioned to the use of the Grant Solutions system in 2014. However, the 2014 guidance is still informal, and although the TAS has administered the LITC program for more than 10 years, it has yet to publish any formal guidance on the administration of the program.

Management’s Response: In the last example, the TAS disagreed with TIGTA’s finding that it had not addressed the noncompliance of three LITCs that failed to provide support for \$43,577 in grant funds at the time the TAS closed the recommendation. The TAS stated in its response to the recommendation made in the 2008 report that it agreed to continue its current practice of performing a management review of all applications before clinic funds are awarded and using the timeliness of reports as a factor on which it bases its funding decisions. Further, TAS management stated the three clinics that had failed to provide reports for their grant activities in 2006 were no longer participating in the LITC program, and thus no further action was taken.

Office of Audit Comment: In this instance, the TAS closed the planned corrective action 10 months before it actually addressed TIGTA’s recommendation. The TAS agreed with the recommendation in its June 2008 response to our draft report and stated that the corrective action had already been implemented.⁷ As part of the current audit, we asked the TAS to provide documentation pertaining to the \$43,577 in grant funds. The TAS advised TIGTA that, “...subsequent to the issuance of the TIGTA report, the program office took action to obtain missing reports and support for \$43,577 in grant funds disbursed to three clinics. All reports were secured and funds accounted for by April 27, 2009.” As such, we acknowledge that TAS management took corrective action, but they closed the planned corrective action prematurely.

⁶ TIGTA, Ref. No. 2008-10-142, *Improved Controls Over Grants Provided to Low Income Taxpayer Clinics Would Lower the Risk of the Inappropriate Use of Federal Government Funds* (July 2008).

⁷ TIGTA, Ref. No. 2008-10-142, *Improved Controls Over Grants Provided to Low Income Taxpayer Clinics Would Lower the Risk of the Inappropriate Use of Federal Government Funds* (July 2008).