

**Opportunities Exist to Reduce the Time to
Respond to Taxpayers Who Protest
Examiners' Findings and Request an
Appeals Conference**

September 2001

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

September 13, 2001

MEMORANDUM FOR CHIEF, APPEALS
COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

Gordon C. Milbauer

FROM: (for) Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Opportunities Exist to Reduce the Time to
Respond to Taxpayers Who Protest Examiners' Findings and
Request an Appeals Conference

This report presents the results of our review to evaluate the timeliness of the Internal Revenue Service's (IRS) response to taxpayers who request an Appeals conference. Our overall objective was to identify barriers that hamper the IRS' efforts to promptly respond to taxpayers who request a conference with the IRS Office of the Chief, Appeals.

In summary, we found that the Compliance function of the Small Business/Self-Employed Division needs to streamline the process of forwarding cases to the Appeals function. In addition, both the Compliance and Appeals functions should enhance the timeliness of their communications with taxpayers on the status of their appeals. Improving the process and communications should increase overall customer satisfaction with the Appeals function. Since 1998, taxpayers have expressed their dissatisfaction with the Appeals function's timeliness by consistently giving it very low scores in customer satisfaction surveys.

Management generally agreed with the recommendations presented in this report and plans to take appropriate corrective action. Management's comments have been incorporated into the report where appropriate, and the full text of their comments is included as an appendix.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or

Joseph Edwards, Acting Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-5916.

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Executive Summary

Taxpayers who are subject to a tax examination by the Internal Revenue Service (IRS) have the right to appeal the findings by requesting that the examining office send the case to the office of the Chief, Appeals, for a conference. Once the Appeals function receives the case, an Appeals employee will contact the taxpayer.

The Appeals function is the administrative dispute resolution forum for taxpayers who exercise their right to protest findings from an IRS examination. It is independent of the IRS offices that examined and proposed the findings. The Appeals function's mission is to resolve tax controversies, without litigation, on a basis that is fair and impartial to both the Government and the taxpayer in a manner that will enhance voluntary compliance and public confidence in the integrity and efficiency of the IRS. One goal is to carry out this mission in a timely manner.

Our overall objective was to identify barriers that hamper the IRS' efforts to provide a prompt response to taxpayers who request that the findings from their income tax examinations be reviewed by the Appeals function. We specifically focused on the barriers to timely forward cases from the Small Business/Self-Employed (SB/SE) Division to the Appeals function and the effectiveness of the IRS' communications from the date of receipt of the request to the date of the first contact by the Appeals function. At the beginning of Fiscal Year 2001, the Appeals function had 11,650 cases from taxpayers who protested their examination findings and requested an Appeals conference.

Results

Since 1998, taxpayers have expressed their dissatisfaction with the Appeals function's timeliness by consistently giving it very low scores in customer satisfaction surveys. The time to hear from the Appeals function is a combination of two components: the time for the Compliance function to send the case to the Appeals function and the time for the Appeals function to contact the taxpayer.

The time to hear from the Appeals function also offers the greatest opportunity for the IRS to improve overall customer satisfaction. The Compliance and Appeals functions had jointly conducted several studies to improve timeliness and made various recommendations to reduce the processing time and improve monitoring. Actions such as these, together with improved communications with taxpayers, should assist the IRS in its goal of providing top quality service to each taxpayer requesting help. We believe the IRS can significantly reduce the time it takes to transfer cases to the Appeals function and improve overall customer satisfaction.

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The Compliance Function Should Streamline Its Process for Forwarding Cases to the Appeals Function

The process for forwarding the cases from the Compliance functional groups to the Appeals function takes extensive time. An analysis of the Appeals function's inventory data showed that sending cases from the Compliance function took an average of 80 days from the date taxpayers requested an Appeals conference to the date the cases were received in the Appeals function.

Case reviews and routing by the Compliance function before cases are forwarded to the Appeals function can be redundant and time consuming. While some Compliance functional groups input computer updates and sent cases directly to the Appeals function, most groups sent cases through the Examination Support Processing (ESP) function. The ESP function performed case reviews and updated computer statuses before cases were forwarded to the Appeals function.

The IRS has conducted several studies to evaluate the timeliness of processing cases to the Appeals function. Several of these studies have recommended that the Compliance functional groups send cases directly to the Appeals function, bypassing the ESP function. One obstacle to closing cases at the group level has been lack of clerical support. Another reason cited was the impact of the major reorganization within the IRS. Compliance and Appeals function management delayed implementing their study recommendations to focus on the reorganization.

The Compliance and Appeals Functions Should Enhance the Timeliness of Communications

Compliance functional groups did not promptly acknowledge receipt of taxpayer requests for an Appeals conference, and some Compliance functional groups sent letters when they forwarded cases to the ESP function for further case reviews and computer updates. However, these letters were sent over 2 months after the taxpayer requested the conference.

The Appeals function informed taxpayers that their requests had been received by either the Case Processing Section sending taxpayers an acknowledgement letter or by Appeals Officers contacting taxpayers by telephone or letter. The letters appropriately contained the Appeals Officer's name and telephone number. However, none of the Case Processing Section letters and only about 40 percent of the Appeals Officer letters in the 45 cases we reviewed stated the expected time frame for the next action.

As for the timeliness of the contacts, we found in our sample of 45 cases that the Appeals function contacted 78 percent of the taxpayers within an average of 9 days. From that sample, 17 taxpayers were promptly contacted in an average of 4 days through Case Processing Section acknowledgement letters. In the remaining 28 cases where

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acknowledgements were not sent, taxpayers were not promptly contacted. Appeals Officers contacted 18 taxpayers within an average of 13 days, and in the remaining 10 cases, Appeals Officers did not contact taxpayers until 72 days on average.

Summary of Recommendations

The Commissioner, SB/SE Division, should analyze the results of offices using or testing streamlined case processes to the Appeals function and determine if the benefits of the streamlined process warrant implementing the process nationwide. Both the SB/SE Division and Appeals function need to improve communications so that taxpayers are aware that their Appeals conference requests have been received and that they are informed of the expected dates of the next action on their cases.

Management's Response: Management plans to further analyze the results of this audit and previous studies to determine appropriate closing procedures with a goal to reduce processing time to 30 days. Management has also planned appropriate corrective action to improve its communications with taxpayers. Management's complete response is included as an appendix to the report.

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Objective and Scope

Our overall objective was to identify barriers that hamper the IRS' efforts to promptly respond to taxpayers who request an Appeals conference.

Our overall objective was to identify barriers that hamper the Internal Revenue Service's (IRS) efforts to promptly respond to taxpayers who request a conference with the IRS office of the Chief, Appeals. Taxpayers ask for the conference to protest the findings of their tax examination. We specifically focused on the barriers in timely forwarding cases from the Small Business/Self-Employed (SB/SE) Division Compliance examining offices to the Appeals function and the effectiveness of the IRS' communications from the date of receipt of the protest to the date of the first contact by the Appeals function.

We performed our audit work in the Indianapolis, Phoenix, and Seattle offices of the Appeals function and the SB/SE Division. This audit was performed from November 2000 to June 2001 in accordance with *Government Auditing Standards*.

We obtained data from the Appeals Consolidated Data System on all cases open as of September 30, 2000. We limited our scope to cases received from the former field and office examining functions that are now part of the SB/SE Division. At the beginning of Fiscal Year (FY) 2001, the Appeals function's inventory contained 11,650 cases in which taxpayers requested an Appeals conference. We judgmentally selected 45 cases to review and interviewed Appeals function and SB/SE Division managers from the 3 offices. We also reviewed IRS studies that evaluated the time to transfer cases to the Appeals function.

Details of our objective, scope, and methodology are presented in Appendix I. Major contributors to this report are listed in Appendix II.

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Background

Taxpayers who are examined by IRS examiners have the right to appeal the examiners' findings by requesting that the Compliance function send the case to the Appeals function. Once the Appeals function receives the case, an Appeals employee will contact the taxpayer.

The Appeals function is the administrative dispute resolution forum for taxpayers who request a hearing because they do not agree with findings made by the IRS examiners. The Appeals function has offices nationwide, separate from and independent of the IRS offices that proposed the adjustments to the tax returns.

The Appeals function's mission is to resolve tax controversies, without litigation, on a basis that is fair and impartial to both the Government and the taxpayer and in a manner that will enhance voluntary compliance and public confidence in the integrity and efficiency of the IRS. One goal of the Appeals function is to carry out its mission timely.

One goal of the Appeals function is to carry out its mission in a timely manner.

Results

Taxpayers have consistently rated the time to hear from the Appeals function as, or next to, the lowest element in all of the 11 customer satisfaction surveys taken by the IRS since 1998. The time to hear from the Appeals function is a combination of two components: the time for the Compliance function to send the case to the Appeals function and the time for the Appeals function to contact the taxpayer.

The Compliance and Appeals functions had jointly conducted several studies to identify ways to improve timeliness and made several recommendations to reduce the processing time and improve monitoring. Most of these studies were completed in 1999. About that time, the IRS began its massive organizational restructuring and systems modernization. Because of these activities,

Taxpayers have consistently rated the time to hear from the Appeals function as, or next to, the lowest in customer satisfaction surveys taken since 1998.

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The IRS' new centralized focus is designed to help ensure uniform and consistent practices nationwide.

the Compliance and Appeals functions postponed implementing the study recommendations.

One reason the Congress gave for reorganizing the IRS was that its traditional structure did not adequately support taxpayer demands. The IRS' new centralized focus is designed to help ensure uniform and consistent practices nationwide.

The results of our discussions, analyses of case files, and review of prior studies showed that:

- The Compliance function should streamline its process for forwarding cases to the Appeals function.
- The Compliance and Appeals functions should enhance the timeliness of communications.

The Compliance Function Should Streamline Its Process for Forwarding Cases to the Appeals Function

The process for forwarding cases from the Compliance functional groups to the Appeals function takes extensive time.

The process for forwarding cases from the Compliance functional groups to the Appeals function takes extensive time. Currently there is no specific time standard for this process.

An analysis of the Appeals function's inventory data showed that sending cases from the Compliance function took an average of 80 days from the date taxpayers requested an Appeals conference to the date the cases were received in the Appeals function.

The Compliance function's case reviews and the routing of cases within the Compliance function before cases are forwarded to the Appeals function can be redundant and take extensive time. Traditionally, when a taxpayer's request for an Appeals conference is received, the examiner and the group manager will review the case and the protest for completeness and for the issues raised at that time by the taxpayer. The case is then forwarded

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to the Examination Support Processing (ESP) function, which reviews the case for completeness and updates the computer inventory before the case is forwarded to the Appeals function.

Thirteen of the 18 groups we visited used this method while the 5 other groups updated the computer and sent their cases directly to the Appeals function. These latter groups had an employee with the training and capability to process the cases and update the computer system.

The Compliance and Appeals functions had conducted several studies to improve and reduce the timeliness of processing cases to the Appeals function.

The Compliance and Appeals functions had jointly conducted several tests and recommended in several studies that cases bypass the ESP function to avoid redundant reviews and expedite the processing of cases to the Appeals function. For example:

- Since 1993, the Compliance function in a California District has assigned ESP function personnel to several groups to input the computer updates and close cases directly to the Appeals function.
- In 1999, a study determined that the Compliance functional groups and the ESP function took an equal amount of time to process cases to the Appeals function. The study concluded that direct referral to the Appeals function would eliminate duplicate efforts by the groups and the ESP function, and the need for inventory control. The study showed that an average of 17 days could be saved with their new procedures.

The above study also charted the process in one office and determined that there were six steps in the process including computer updates, and that there could be delays in the ESP function between each of these steps.

- Another study completed in 1999 reported that an average of 64 days was taken to process cases through the ESP function to the Appeals function. The study found that a large number of individuals were charged with reviewing the same items repeatedly. The study recommended transmitting

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cases to the Appeals function, thus bypassing the ESP function.

- In 2000, an Appeals function staffing study again recommended processing cases directly to the Appeals function, thus bypassing the ESP function.
- Two Compliance offices¹ have been forwarding cases directly to the Appeals function without ESP function processing. The Compliance function has not conducted formal analyses of the use of these methods. The Appeals function inventory data indicated that one office has the lowest time frame for forwarding cases to the Appeals function (47 days), while the other office showed a processing time higher (101 days) than the national average of 80 days.

One reason cited by Compliance function managers for not closing cases at the group level was a lack of clerical support. Another reason cited was the impact of the major reorganization within the IRS. Management delayed implementing the study recommendations to focus on the reorganization.

Twenty-seven of the 29 Compliance and Appeals function managers we interviewed generally indicated that it would be feasible to bypass the ESP function in the processing of these types of cases to the Appeals function.

Taxpayers unnecessarily waiting for their cases to be received by the Appeals function may incur additional interest and practitioners' fees that could be costly. During FY 2000, the Appeals function received 10,185 cases from the Compliance function in which taxpayers requested an Appeals conference.

¹ These offices were apart from the three offices included in the scope of the audit tests.

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Recommendation

1. The Commissioner, SB/SE Division, should analyze the results of the Compliance functional groups using the streamlined process and determine the costs and benefits of alternative processing of cases to the Appeals function, as recommended in its previous studies. If appropriate, the streamlined process should then be implemented nationwide.

Management's Response: IRS management will further analyze the results of this audit and their previous studies to determine appropriate closing procedures.

The Compliance and Appeals Functions Should Enhance the Timeliness of Communications

"Time to hear from Appeals" offers the greatest opportunity to improve overall customer satisfaction.

Customer satisfaction surveys have indicated that reducing the time to hear from the Appeals function offers the greatest opportunity to improve overall customer satisfaction.

The Compliance function has no procedures for promptly acknowledging receipt of the taxpayer's request for an Appeals conference, and the Appeals function has no procedures for keeping the taxpayer informed about what actions to expect next from the Appeals function and when to expect them.

Communications from the Compliance function

The Compliance function did not acknowledge receipt of a taxpayer's request for an Appeals conference or routinely inform the taxpayer that the case was being sent to the Appeals function.

The Compliance function did not acknowledge the receipt of a taxpayer's request for an Appeals conference. However, in the 45 cases we reviewed, some Compliance functional groups did send letters to taxpayers when the cases were being forwarded to the Appeals function. Unfortunately, under current processing practices, case reviews and computer updates are completed first. Therefore, it could be more than 2 months after the taxpayer requested the conference before the Compliance function would send the letter.

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Taxpayers received letters informing them that their cases had been sent to the Appeals function in 12 of the 45 cases we reviewed. These letters were generally sent more than 2 months after the taxpayer requested the Appeals' conference. In addition, usually the letters were only issued on office examination cases, as required by the Internal Revenue Manual.

The Compliance function procedures did not require any correspondence with the taxpayer acknowledging the receipt of the Appeals conference requests. We believe it is reasonable that the Compliance function timely acknowledge the receipt of taxpayers' requests. We believe this lack of communication contributes to the dissatisfaction that taxpayers may have with the appeals process.

Communications from the Appeals function

The Appeals function used several methods to inform taxpayers that their requests for Appeals conferences had been received. The Case Processing Section sometimes sent taxpayers a general acknowledgement letter. At other times, the Appeals Officers contacted taxpayers either by telephone or letter. The Appeals function does not have any requirement regarding the type or content of communications to be used.

The Case Processing Section and Appeals Officer letters generally contained the Appeals Officer's name and telephone number. However, in the 45 cases we reviewed, none of the Case Processing Section letters and only about 40 percent of the Appeals Officer letters provided the taxpayers with the expected time frame for the next action. We believe that keeping taxpayers informed by providing information on the date of the next action would provide better customer service and improve taxpayer satisfaction.

As for the timeliness of the contacts, we found in the 45 cases reviewed that Appeals contacted 78 percent of the taxpayers within an average of 9 days. The Case Processing Section promptly sent 17 acknowledgement letters within an average of 4 days. In the remaining

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28 cases where acknowledgements were not sent, taxpayers were not promptly contacted. Appeals Officers contacted 18 taxpayers within an average of 13 days, and in the remaining 10 cases, Appeals Officers did not contact taxpayers until 72 days had elapsed on average.

Recommendations

2. The Commissioner, SB/SE Division, should establish procedures to immediately send a letter to the taxpayer acknowledging the receipt of a request for an Appeals conference.

Management's Response: IRS management does not believe an additional letter is necessary if revised procedures to expeditiously move cases to Appeals are followed. Management plans to revise its procedures to reduce processing time to 30 days. Management has revised the Appeals Transmittal Letter and the Internal Revenue Manual that requires the letter to be issued when cases are forwarded to the Appeals function.

Office of Audit Comment: We believe that these actions will enhance the timeliness of communications with taxpayers.

3. The Chief, Appeals, should send a standard acknowledgement letter to taxpayers immediately upon assignment of the case. The communications should inform the taxpayer of the expected date for the next action.

Management's Response: The Appeals Customer Service Oversight Committee has requested the numerous acknowledgement letters used nationwide. They will select the letter that best suits the Appeals function's needs. The letter will inform taxpayers of the expected date for the next action and identify a contact person.

Appeals will design a system that will assure the standard acknowledgement letter is issued immediately upon assignment of the case. The inventory control

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system will include a data field for the date the letter is issued to measure its timely delivery.

Conclusion

The IRS' new centralized focus was designed to help ensure uniform and consistent practices nationwide and provide world class customer service. With the new management in place, we believe that the Appeals function and the SB/SE Division now have an opportunity to establish new and consistent procedures that should reduce the time for taxpayers to hear from the Appeals function. The IRS can also improve its customer service goal by keeping taxpayers timely and adequately informed on the status of their appeal.

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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to identify barriers that hamper the Internal Revenue Service's (IRS) efforts to promptly respond to taxpayers who request a conference with the IRS office of the Chief, Appeals. Taxpayers ask for the conference to protest the results of their tax examination. We specifically focused on the barriers in timely forwarding cases from the Small Business/Self-Employed (SB/SE) Division Compliance examining offices to the Appeals function and the effectiveness of the IRS' communications from the date of receipt of the protest to the date of the first contact by the Appeals function.

Sampling Methodology

Using an extract from the Appeals Consolidated Database System (ACDS) of all records (66,881) open in the Appeals function as of September 30, 2000, we performed limited data validation to give us reasonable assurance that the data met our selection criteria. Our scope focused on cases received from either the office or field examination functions in which the taxpayer requested an appeal since January 1, 1999, or if there was no date, those cases received in the Appeals function since January 1, 1999. We excluded those records that the Appeals function had in its inventory for reference purposes only. The above criteria gave us a population of 11,650 open cases in the Appeals function as of September 30, 2000.

We identified 191 records in the open inventory in the Indianapolis, Phoenix and Seattle Appeals offices as of September 30, 2000, which were received in the Appeals function in either August or September 2000. We excluded 69 innocent spouse cases due to known delays unique to processing these. We judgmentally selected 15 cases from each office to review. We used judgmental samples due to the limited number of cases (122) that fell within the scope of our test.

Sub-Objectives and Audit Tests

- I. To validate the delays and potential barriers to quickly sending cases to Appeals for dispute resolution, we:
 - A. Interviewed 21 Compliance function managers and identified the steps (clerical processing, computer updates, technical and managerial review) used to process requests for an Appeals conference.
 - B. Interviewed eight Appeals function managers and Chiefs, Records Unit, and identified the steps of the Appeals process (case receipt, assigning cases to Appeals officers, and the first contact with the taxpayer).

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- II. To assess the timeliness of processing cases from the date the protest is received in Compliance to the date of the first contact with the taxpayer in the Appeals function, we:
 - A. Interviewed national Compliance and Appeals function management and determined actions taken to timely process protested cases.
 - B. Obtained a list of cases received in each of the selected Appeals function offices during August and September 2000 and judgmentally selected 15 cases in each site. Using the Case Activity Record, we analyzed the data and determined how long it takes to send acknowledgement letters to the taxpayer.
 - C. Analyzed the ACDS data to determine the number of taxpayers who requested appeals and the length of the delays.

- III. To evaluate the effectiveness of the IRS communications with taxpayers from the date the IRS receives the taxpayer's request in the Compliance functional groups to the Appeals function acknowledging receipt of the case, we:
 - A. Interviewed Compliance and Examination Support Processing (ESP) function managers and determined if acknowledgement letters are used to keep taxpayers notified of the status of their appeal.
 - B. Interviewed Appeals function managers and determined if and how taxpayers are informed of the progress of the appeal and advised of any delays.
 - C. Determined if the Appeals function sent acknowledgement letters as a matter of routine and whether the letters are standardized or customized.
 - D. Reviewed the case files of the selected records in Test II.B, and determined:
 - 1) If the Compliance functional group and/or the ESP function sent the acknowledgement letter and the date it was sent.
 - 2) If the communications from the Compliance and Appeals functions (identified in Test II.B) were clear and specific; that is, would the taxpayer be able to determine who to contact and the expected time frames of the next action on the request.

- IV. To identify ways the IRS can streamline the protest process, improve communications, and overcome the barriers, we:
 - A. Identified and reviewed Appeals and Compliance function national studies, initiatives and process analyses conducted to improve the protest processing.
 - B. Solicited and discussed potential solutions and options with Compliance and Appeals function management on streamlining the process of forwarding cases directly to the Appeals function.

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Appendix II

Major Contributors to This Report

Maurice S. Moody, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)

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Appendix III

Report Distribution List

Commissioner N:C
Deputy Commissioner N:DC
Director, Appeals SB/SE-TEGE Operating Unit AP
Director, Compliance S:C
Director, Compliance Services S:C
Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:F:M
Audit Liaisons:
 Commissioner, Small Business/Self-Employed Division S
 Chief, Appeals AP

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Appendix IV

Management's Response to the Draft Report

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Daniel L. Black, Jr. *by Jeffrey Albertson
Director of Appeals Operations
SBSE 8/17/01*
Chief Appeals

SUBJECT: Draft Audit Report – Opportunities Exist to Reduce the Time to Respond to Taxpayers Who Protest Examiners' Findings and Request an Appeals Conference (Audit Number 200010043)

We appreciate the opportunity to respond to your draft audit report. We agree with your overall findings that we can reduce the time we respond to taxpayers who protest examiners' findings and request an appeals conference.

Various joint task teams involving Compliance and Appeals personnel have been conducting independent studies on P1 processing time (time span from the receipt of a taxpayer's protest until the case file is received in Appeals). I have briefly summarized of the findings of 3 additional task teams that addressed this subject:

1. *North Florida (Jacksonville) Task Team* – The team focused on the processing delays attributed to the Exam Special Process Branch function. They drafted a procedure for directly transmitting cases from the group to Appeals. During a trial period, their streamlined procedure successfully reduced ESPB processing time from 22.7 days to 5.9 days per case.
2. *Greensboro, North Carolina Task Team* – The overall P1 time for all cases sampled from the former Greensboro District was 106 days. The team found some inconsistencies, however, with the P1 time calculation process. For example, they discovered in most instances, extensive delays within the groups were attributed to cases returned to the examiner for further development, whereas they continued to calculate the P1 time from the original protest receipt date. In addition, they eliminated "out of control" data (cases with extremely high processing time as computed by the *Statistical Process Control Software*), which reduced the P1 time for field examination cases from 117 days to 84 days.

Recommendations included:

- Changing the definition of the start date of the P1 measurement process,
- Having groups follow the Exam Quality Measurement System requirement of a 20-day (calendar) maximum limit on group processing time
- Requesting new guidelines for handling multiple protests filed by taxpayers.

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3. *Connecticut/Rhode Island Task Team* – This team's findings addressed delays within the groups. They recommended additional procedures that would expedite the processing of all unagreed cases.

The findings consistently show significant delays can occur in closing cases from the group to Appeals when the protest raises new information the examiner must address and/or develop. The time spent in further case development has been included in the time calculated from receipt of protest to receipt in Appeals. Thus, processing delays are not attributed only to administrative processing, but also often to further case development.

Further, the report does not address the significant discrepancies documented between processing time in the various studies you commented on. It is clear that regardless of where the case is closed, we must develop clear procedures and ensure appropriate training for the personnel responsible for closing the cases. We have concerns with frequent personnel turnover and lack of clerical personnel at group level, which could contribute to closing delays. ESP groups or other central processing units have many employees with the needed expertise who provide backup of personnel. However, we must eliminate any potential duplication of review and processing.

In addition, SB/SE has a Project Support Design Team that is looking at the redesign effort for the compliance support functions including Case Processing. The group recently started Phase II.

Our comments on the recommendations in this report are as follows:

IDENTITY OF RECOMMENDATION 1: The Commissioner, SB/SE should analyze the results of Compliance functional groups using the streamlined process and determine the costs and benefits of alternative processing of cases to Appeals function, as recommended in it previous studies. If appropriate, the streamlined process should be implemented nationwide.

ASSESSMENT OF CAUSE: Several factors contribute to the time span for processing cases from the receipt of a taxpayer's protest until the case file is received in Appeals. These factors include the time spent in additional case development, significant discrepancies documented between processing time in the various groups, and deficiencies in the administrative process.

CORRECTIVE ACTION: SB/SE will further analyze the results this review and our previous studies to determine appropriate closing procedures.

IMPLEMENTATION DATE: 6/30/02

RESPONSIBLE OFFICIALS: Commissioner, SB/SE

CORRECTIVE ACTION MONITORING PLAN: None

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IDENTITY OF RECOMMENDATION 2: The Commissioner, SB/SE, should establish procedures to immediately send a letter to the taxpayer acknowledging the receipt of a request for an Appeals conference.

ASSESSMENT OF CAUSE: Customer satisfaction surveys show that quicker responses from Appeals would greatly improve overall customer satisfaction.

CORRECTIVE ACTION: SB/SE also agrees that prompt communication with the taxpayer and efficient, timely processing of protests should improve customer satisfaction. However, do not believe we should issue an additional letter. SB/SE will issue a memorandum to reinforce the existing procedures and require expedited handling of Appeals cases. We recently revised Letter 2280, Appeals Transmittal Letter, and our IRMs, which now requires us to issue this letter when we forward cases to Appeals.

Our current guidelines allow up to 60 days to move the case from the group through ESP and/or QMS to Appeals. We plan to analyze and revise our procedures to reduce this to a total of 30 days. We believe if we follow the revised procedures to quickly move the cases to Appeals, the acknowledgment letter will not be necessary.

IMPLEMENTATION DATE: The corrective action will be fully implemented by 6/30/02.

RESPONSIBLE OFFICIAL: Commissioner, SB/SE

CORRECTIVE ACTION MONITORING PLAN: None

IDENTITY OF RECOMMENDATION 3: The Chief, Appeals, should send a standard acknowledgement letter to taxpayers immediately upon assignment of the case. The communications should inform the taxpayer of the expected date for the next action.

Assessment of Cause: Appeals used to have a standard acknowledgement letter on our old database system. However, the new system was not programmed to have such a letter. Each of the regions under our old organizational structure devised its own requirements for acknowledging new cases.

Customer satisfaction surveys show that quicker responses from Appeals would greatly improve overall customer satisfaction. We agree Appeals should develop a standard acknowledgement letter and track our performance.

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Agreed Actions:

- The Appeals Customer Service Oversight Committee requested the numerous acknowledgement letters used in each Area nation wide. The National Customer Service Workgroup reviewed these letters during the week of August 6, 2001, and will recommend to the Oversight Group the letter they believe best suit our needs. As recommended by your report, the letter will give taxpayers the expected date for the next action and a contact person. The National Workgroup will address the following issues:
 - Do we need different letters for different types of cases?
 - Who will be the contact person, (Appeals Officer, Customer Service Outreach Representative or Records person)?
 - What is a reasonable time period before the next action?

We expect to complete of the letter(s) by 9/30/01.

- Appeals will design a system to assure the standard acknowledgement letter is issued immediately when they assign the case. A data field in our ACDS system includes the date we issue this letter so we can measure its timely delivery.
- To provide national consistency, Appeals will include timeframes for acknowledging cases in our manual.

Implementation Date:

Draft and review of letter - 9/30/01

Forward letter to notice clarity -- 9/30/01

Request made to ACDS for enhancement of system--9/30/01

Final Implementation date - 2/1/02

Responsible Official:

Chief Appeals

If you have any questions concerning this response, you can contact Chuck Dazols, Appeals SBSE Operations Analyst at (415) 575-2023.