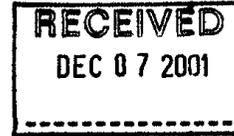




COMMISSIONER  
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308



December 7, 2001

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX  
ADMINISTRATION

FROM:

John M. Dalrymple  
Commissioner, Wage and Investment Division

SUBJECT:

Draft Audit Report – "Implementation of the Remote  
Examination Toll-Free Telephone Program Is Ongoing"  
(Audit #200140041)

The new Examination Toll-Free Telephone Program enables taxpayers to phone the IRS during the correspondence audit process. We are in the early stages of implementing the program and have identified a number of areas of concern, including higher than projected volumes of calls. As we discussed with you, we are conducting a comprehensive process analysis to improve this telephone service. For example, we have assigned a senior manager full-time responsibility for Compliance telephone operations, including daily monitoring of telephone activities at the IRS Joint Operation Center (JOC).

We are establishing specialized work groups to handle refund and general inquiries and to direct specific, case-related inquiries to our technical examiners. This will improve customer service, increase employee satisfaction and enable us to focus our technical employees on more complex work. Furthermore, we are revising our scripts and enabling more taxpayers to secure information through automated telephone services.

As you pointed out, inventories grew during the year and we were not able to ensure timely assignment of cases. Therefore, when many taxpayers called in with case-specific questions, examiners who did not yet have the case were unable to respond. We have taken steps to bring inventories up to date and assign cases earlier this filing season. This challenge will be magnified this year with the implementation of the Service Center Transition Plan, which will increase the Earned Income Tax Credit (EITC) examination workload in the five Wage and Investment (W&I) Division sites from 50 to 80 percent of all EITC cases.

Your report expressed concern that under existing statutes, the Remote Examination operation's ability to complete audits expeditiously is diminished

because the IRS does not have the authority to accept verbal information provided by taxpayers. This is an area that challenges existing audit procedures, disclosure and privacy statutes. The W&I Division Counsel is working with us to determine what, if any, opportunities exist to expand authority.

Our comments on the specific recommendations in your report are as follows:

**RECOMMENDATION 1**

The Commissioner, W&I Division, should ensure that Remote Examination sites comply with RRA 98 mandates relating to the assignment of audits and the inclusion of specific contact information on IRS audit correspondence. This compliance may be ensured by the National Remote Examination Office reviewing monthly telephone activity reports in conjunction with local Quality Review staff assessments of site compliance with RRA 98 provisions.

**ASSESSMENT OF CAUSE**

Management did not assign cases to a specific IRS auditor to provide taxpayers with a single point of contact during the audit process.

**CORRECTIVE ACTION**

We have issued Operational Guidelines to all W&I Campuses to ensure managers assign cases appropriately and promptly to a specific tax examiner.

**IMPLEMENTATION DATE**

Completed. We issued the W&I Compliance FY 2002 Operating Guidelines to each of the sites on November 20, 2001.

**RESPONSIBLE OFFICIAL**

Director, Reporting Compliance, W&I Division

**RECOMMENDATION 2**

The Commissioner, W&I Division, should ensure that auditors attempt telephone contact with taxpayers who provide the IRS with a telephone number when additional information is needed to complete the audit.

**ASSESSMENT OF CAUSE**

IRS auditors did not try to contact taxpayers by telephone when they needed additional information to complete the audit.

**CORRECTIVE ACTION**

Implementation of the toll-free telephone operation in examination has required changes in audit processes and examiner mindsets. Correspondence had long

been the preferred and often, only means of communication. In fact, Remote Examination was previously titled "Correspondence" Exam. We will continue to encourage our examiners to use the telephone as appropriate. In response to your feedback, we have updated IRM 4.19.1 to state, "If the taxpayer telephone number is provided, call taxpayer to request additional information instead of sending Letter 692. However, after three attempts to reach the taxpayer by telephone are unsuccessful, send Letter 692 for additional information."

**IMPLEMENTATION DATE**

Completed. We updated IRM 4.19.1.5.3(2) in October 2001.

**RESPONSIBLE OFFICIAL**

Director, Reporting Compliance, W&I Division

**RECOMMENDATION 3**

The Commissioner, W&I Division, should ensure that National Remote Examination Quality Review procedures are revised to require on site reviewers to assess and provide feedback on whether attempts are made to contact taxpayers by telephone, if a telephone number was provided, when additional information is needed to complete the audit.

**ASSESSMENT OF CAUSE**

National Remote Examination Quality Review Guidelines did not alert quality reviewers to the need to assess and provide feedback to sites on whether auditors were trying to contact taxpayers who provide telephone numbers when they needed additional information to complete the audit.

**CORRECTIVE ACTION**

We base Quality Review procedures on the procedural guidelines outlined in the IRM 4.19.1, which we have updated to include the monitoring of attempts to contact the taxpayer telephonically.

**IMPLEMENTATION DATE**

Completed. IRM 4.19.1 was updated in October 2001.

**RESPONSIBLE OFFICIAL**

Director, Reporting Compliance, W&I Division

**CORRECTIVE ACTION MONITORING PLAN**

The W&I Division will monitor corrective actions through assurance reviews scheduled during the fiscal year.

**RECOMMENDATION 4**

The Commissioner, W&I Division, should ensure procedures are developed and implemented for the verification of information recorded in tax information messages included in the Remote Examination Toll-Free Telephone Program.

**ASSESSMENT OF CAUSE**

Pre-recorded Audit-related messages were not always accurate.

**CORRECTIVE ACTION**

The W&I Division led a team including Small Business/Self-Employed and JOC Compliance personnel in conducting a review and revision of the current Exam scripts and announcements. This resulted in a reduction of the number of current scripts from 50 to approximately 20. We have emphasized friendly language and simple messages. We will record all but one of these scripts commercially, providing uniformity at each site. The exception is a Wage and Investment message, which will give taxpayers the most recent correspondence review date. This will allow taxpayers to determine a time when the IRS will contact them based on the date the IRS received their information. To test the scripts, from late November to December 31, 2001, we will use local recordings, but will periodically check the scripts to ensure they are professionally delivered and consistent from site to site.

On a monthly basis, JOC Compliance will perform on-line reviews of the scripts and announcements for Exam. Reviews will include making test calls to our toll-free numbers and selecting options that will allow the reviewers to listen to the majority of scripts available. Additionally, a review will be done to ensure any locally recorded announcements are accurate and provide the information exactly as it was written and approved.

**IMPLEMENTATION DATE**

Proposed: February 1, 2002

**RESPONSIBLE OFFICIAL**

Director, Reporting Compliance, W&I Division

**CORRECTIVE ACTION MONITORING PLAN**

The W&I Division will monitor corrective actions through assurance reviews scheduled during the fiscal year.

If you have any questions about this response, please contact William Zachery, Director, Reporting Compliance, at (404) 338-7684, or your staff can contact Tim Lynn, Chief, Policy, Monitoring, and Analysis, at (404) 338-7068.