

**Providing Incomplete Taxpayer Complaint
Information Increases the Risk That Statutory
Reporting Requirements Are Not Met**

September 2001

Reference Number: 2001-10-186

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

September 25, 2001

MEMORANDUM FOR DIRECTOR, COMMISSIONER'S COMPLAINT PROCESSING
AND ANALYSIS GROUP

Pamela J. Gardiner

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Providing Incomplete Taxpayer Complaint
Information Increases the Risk That Statutory Reporting
Requirements Are Not Met

This report presents the results of our review of the development of an interim Integrated Complaint Tracking and Reporting System (ICTRS) for taxpayer complaints. The objective of this review was to determine if the Internal Revenue Service's (IRS) proposed ICTRS is on schedule to improve the accuracy of the number of taxpayer complaints reported to the Treasury Inspector General for Tax Administration (TIGTA). The 26 U.S.C. Section (§) 7803 (d)(2)(A) (2000) requires that the TIGTA include in each TIGTA Semiannual Report to the Congress the number of taxpayer complaints received and the number of employee misconduct and taxpayer abuse allegations received by the IRS or the TIGTA from taxpayers, IRS employees, and other sources.

In summary, IRS management developed the ICTRS as an interim system to consolidate data from the Automated Labor and Employee Relations Tracking System (ALERTS) and from the Executive Correspondence Management System (ECMS). These systems track a wide range of labor relations activity, including actions taken based on findings of IRS employee misconduct or performance problems, and a wide variety of complaints received by the IRS Commissioner. The ICTRS is also designed to include data on formal Equal Employment Opportunity complaints.

IRS management has made significant efforts to develop the ICTRS; however, the system is not yet fully operational. The IRS has initiated testing of the ICTRS and determined that it can identify taxpayer complaints from the ALERTS and the ECMS, as well as potential duplicate complaints between the two systems. Eliminating duplicate

complaints would enable the IRS to provide more accurate information to the TIGTA. However, because the ALERTS and ECMS do not encompass all taxpayer complaints received by the IRS, there is a risk that incomplete data will be provided for the TIGTA Semiannual Reports to the Congress. As of July 2001, there are complaint data on other IRS computer systems that are not included in the ICTRS. Decisions to not include complaints from other systems were based on TIGTA and IRS management's interpretation of the reporting requirements, which do not specify what types of taxpayer complaints need to be reported.

We recommended that the Commissioner's Complaint Processing and Analysis Group (CCPAG) management meet with the TIGTA to identify the types of taxpayer complaints that should be reported in the TIGTA Semiannual Reports to the Congress. The CCPAG management should then consider including these complaints in the future development of the ICTRS.

Management's Response: The CCPAG management agreed to take appropriate action for the recommendations in this report, including meeting with the TIGTA to identify the types of taxpayer complaints to be reported and determining whether to include taxpayer complaints in the ICTRS. Management's complete response to the draft report is included as Appendix IV.

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 John R. Wright, Acting Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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Background

The 26 U.S.C. Section (§) 7803 (d)(2)(A) (2000) requires that the Treasury Inspector General for Tax Administration (TIGTA) include in each TIGTA Semiannual Report to the Congress (SAR) the number of taxpayer complaints received and the number of employee misconduct and taxpayer abuse allegations received by the Internal Revenue Service (IRS) or the TIGTA from taxpayers, IRS employees, and other sources.

The four TIGTA SARs issued through September 30, 2000, have included a footnote that the number of complaints reported by the IRS may contain duplicate information. Prior to enactment of the IRS Restructuring and Reform Act of 1998 (RRA 98),¹ the IRS used multiple systems and procedures to record taxpayer complaints. Because the systems did not interface or communicate with each other, the IRS could not be sure that the reported taxpayer complaints were not duplicated among the different systems.

In September 1999, the IRS Commissioner advised the TIGTA that a specific action plan to improve the accuracy of the taxpayer complaint information reported to the TIGTA would be developed within 60 days. Also, by the second quarter of Fiscal Year 2000, architecture would be developed to allow for the appropriate interfaces necessary to integrate the databases used to record taxpayer complaints.

On April 12, 1999, the Commissioner's Complaint Processing and Analysis Group (CCPAG) was created and given the responsibility of consolidating, validating, and reporting complaint information required by 26 U.S.C. § 7803 (d)(2)(A) to the TIGTA. The CCPAG was also given responsibility for coordinating the development of the Integrated Complaint Tracking and Reporting System (ICTRS). The CCPAG contracted with a vendor, MicroPact Engineering, Inc., to develop the system

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

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and to work closely with the IRS Systems Support Division to ensure that the new system met the IRS' approved design, system, and documentation standards.

CCPAG management developed the ICTRS as an interim system to consolidate data from the following computer systems:

- **The Automated Labor and Employee Relations Tracking System (ALERTS)** tracks a wide range of labor relations activity, including actions taken based on findings of IRS employee misconduct or performance problems.
- **The Executive Correspondence Management System (ECMS)** contains a wide variety of complaints received by the IRS Commissioner.

The ICTRS is also designed to include data on formal Equal Employment Opportunity (EEO) complaints.

Our audit tests included interviewing key personnel in the CCPAG, the IRS Systems Support Division, the National Taxpayer Advocate office, and MicroPact Engineering, Inc. We also reviewed ICTRS design information.

This audit was conducted between April 2001 and August 2001 in accordance with *Government Auditing Standards*. We did not perform tests to validate the accuracy of taxpayer complaint data identified by the ICTRS. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Complaint Information Exists on Computer Systems That Are Not Included in the Integrated Complaint Tracking and Reporting System

IRS management has made significant efforts to develop the ICTRS; however, the system is not yet fully operational. The ICTRS hardware, operating system, and database software have been installed, and some ECMS and ALERTS data have been loaded into the system. In addition, the IRS has initiated testing of the ICTRS. It performed some queries of the data and identified some potential duplicate complaints from the ALERTS and the ECMS, as well as potential duplicate complaints between the two systems. Eliminating duplicate complaints would

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enable the IRS to provide more accurate information to the TIGTA.

The scheduled implementation date for the ICTRS was July 31, 2001. However, as of August 2001, the ALERTS data are the only data that have been fully loaded onto the ICTRS. The ECMS data on the ICTRS are incomplete because the associated scanned images for each record are inaccessible for loading onto the ICTRS. The scanned images are maintained on a separate computer from the text data. These images cannot be readily linked to their related text records. In addition, EEO data on the Department of the Treasury's computer system were to be included in the ICTRS, but electronic access to these data has been denied by the Department of the Treasury and IRS EEO officials because of concerns about the sensitivity and potential misuse of the data.

Because the ALERTS and ECMS do not encompass all taxpayer complaints received by the IRS, there is a risk that incomplete data will be provided for the TIGTA SARs. As of July 2001, there are complaint data on other IRS computer systems, such as the Taxpayer Advocate Management Information System, that are not included in the ICTRS.

Before and during development of the ICTRS, similar criteria were not always used to identify taxpayer complaints. This resulted in inconsistency in the type of complaint information identified by the IRS for the TIGTA SARs. The different types of complaints reported in the TIGTA SARs included the following:

- **March 31, 1999, through September 30, 2000, SARs**
 - Behavioral attribute complaints, such as discriminatory treatment, excessive aggressiveness/intimidation, incompetence, discourteous and unprofessional language, and telephone disconnect complaints.
 - Non-employee specific taxpayer complaints, inquiries, problems, or systemic issues acquired from the Taxpayer Advocate System.

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- EEO and diversity-related complaints.
- IRS employee misconduct or performance problems and some general taxpayer complaints.

March 31, 2001, SAR

- “Serious”² employee misconduct complaints.

In February 2001, a decision was reached by representatives of the TIGTA, the CCPAG, Strategic Human Resources, and the Information Technology Services to no longer provide the TIGTA with EEO data or information extracted from the Taxpayer Advocate System.

Decisions to not include complaints from other systems were based on TIGTA and IRS management’s interpretation of the 26 U.S.C. § 7803 (d)(2)(A) reporting requirements, which do not specify what types of taxpayer complaints need to be reported. Not reporting these complaints increases the risk that incomplete data are being provided for the TIGTA SARs. Continued coordination between the IRS and the TIGTA is needed to determine the types of taxpayer complaints to be reported. If additional complaints are being tracked on other IRS systems, the IRS will need to determine if the complaint data can be integrated with the ICTRS.

Recommendations

1. CCPAG management should meet with the TIGTA to identify the types of taxpayer complaints that should be reported in the TIGTA SARs.

Management’s Response: IRS management will meet with the TIGTA to review the requirements for reporting taxpayer complaints.

² A “serious” employee misconduct case is any case entered in the ALERTS that has been categorized as “A” (Administrative), “C” (Employee Tax Compliance), or “I” (TIGTA investigation).

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2. CCPAG management should consider including these complaints in the future development of the ICTRS.

Management's Response: IRS management officials will determine whether to include taxpayer complaints in the ICTRS.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine if the Internal Revenue Service's (IRS) proposed Integrated Complaint Tracking and Reporting System (ICTRS) is on schedule to improve the accuracy of the number of taxpayer complaints reported to the Treasury Inspector General for Tax Administration (TIGTA). We performed the following work:

- I. Determined if the testing and implementation of the ICTRS was on schedule.
 - A. Interviewed the ICTRS Project Manager, the vendor's representative, and Information Technology Services representatives to identify the completion schedule and to determine if the project was on schedule to be fully functional by those dates.
 - B. Reviewed the ICTRS Project Tracking Schedule to identify the system testing schedule.
- II. Determined if all computerized sources of taxpayer complaints had been identified and if these systems could be accessed by the ICTRS.
 - A. Interviewed the ICTRS Project Manager to determine if all sources of computerized data had been identified.
 - B. Interviewed the ICTRS Project Manager and TIGTA personnel to determine if the ICTRS will contain the same data identified for past TIGTA Semiannual Reports to the Congress (SAR).
 - C. Interviewed TIGTA personnel, the Commissioner's Complaint Processing and Analysis Group personnel, and other IRS computer systems owners and reviewed IRS documents to determine if there was a consistent definition of "taxpayer complaint" among the various offices.
 - D. Interviewed the ICTRS Project Manager and TIGTA personnel to determine if they had identified the types of complaints required by the Congress.
- III. Determined if there was potential for improvement in the accuracy of the number of taxpayer complaints reported to the TIGTA by comparing the methodology used to report complaints in prior TIGTA SARs with the proposed system for gathering complaint information using the ICTRS.

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Appendix II

Major Contributors to This Report

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Appendix III

Report Distribution List

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Appendix IV

Management's Response to the Draft Report



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

September 21, 2001

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Stephen Whitlock 
Director, Commissioner's Complaint Processing and
Analysis Group

SUBJECT: Draft Audit Report – Providing Incomplete Taxpayer
Complaint Information Increases The Risk That Statutory
Reporting Requirements Are Not Met

I appreciate the opportunity to review and comment on the subject draft audit report. Your report addresses the development of the Integrated Complaint Tracking and Reporting System (ICTRS) and the legislative requirements for TIGTA to report taxpayer complaints to the Congress.

The focus of the draft report is on the capacity of ICTRS to meet the two reporting requirements of 26 U.S.C. §7803(d)(2)(A). Section 7803(d)(2)(A) contains the requirements that TIGTA include in their semiannual report to the Congress:

- (i) The number of taxpayer complaints during the reporting period.
- (ii) The number of employee misconduct and taxpayer abuse allegations received by the IRS and the TIGTA during the period from taxpayers, IRS employees and other sources.

We designed the ICTRS to be an interim solution to integrate data from existing systems used to control allegations of employee misconduct and taxpayer abuse. We receive these "complaints" from taxpayers, IRS employees and other sources (i.e., TIGTA Complaint Referrals). This integrated database is being designed to improve the reliability and accuracy of information about alleged employee misconduct and taxpayer abuse, as required by 26 U.S.C. §7803(d)(2)(A)(ii).

As an interim solution, we did not intend ICTRS to provide a new capability to collect information on "the number of taxpayer complaints" as characterized by 26 U.S.C. §7803(d)(2)(A)(i). Meeting this reporting requirement depends on the IRS defining when a taxpayer's dissatisfaction with their interaction with the IRS becomes a

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reportable complaint. Currently the IRS is working on several fronts to identify new business processes that would properly escalate and resolve taxpayer complaints.

These efforts are an integral part of the overall effort to redesign the new business operating models for all types of interactions with taxpayers. The IRS is not at this time planning a stand-alone system to track and monitor complaints that is separate from the overall new Tax Administration Vision and Strategy (TAVS) effort. The TAVS effort is currently underway with teams of IRS employees and managers as well as consultants supported by the PRIME contract.

These teams are working to design business operating models for each and every type of interaction with taxpayers. Each of these business-operating models is factoring in the need to escalate and refer taxpayer complaints/unresolved issues to appropriate staff. Therefore, more accurate data will be available on taxpayer issues/complaints handled by front-line employees and mid-level management. Due to the large-scale nature of this project the timeframe for beginning implementation of the first operating models will begin in FY2006.

The IRS is also studying the role of the National Headquarters and Operating Division Headquarters in receiving and resolving taxpayer complaints. This effort will take into consideration not only information systems requirements and access to data, but also all necessary business process enabler required to successfully handle complaints received by high-level executives.

In addition to the above mentioned plans to create new business processes and supporting technology, the IRS is also working to update its current TAMIS system so that it provides improved reporting on the taxpayer complaints that meet Taxpayer Advocate Service's criteria. This effort will be completed by the end of FY2003.

I agree that more discussions between TIGTA and IRS management involved in these initiatives are needed to ensure that we agree on the meaning of the reporting requirement and the identification of an appropriate source for information. As part of these discussions, I believe that TIGTA should consider a reasonable interpretation of this provision would mean that TIGTA report only the number of taxpayer complaints TIGTA receives directly from taxpayers. Also, these discussions should determine whether the information the Taxpayer Advocate provides to the Congress according to 26 U.S.C. §7803(c)(2)(B) meets the requirement of 26 U.S.C. §7803(d)(2)(A)(i).

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

IDENTITY OF RECOMMENDATION 1

IRS management should meet with TIGTA to identify the types of taxpayer complaints that should be reported in the TIGTA Semiannual Report to the Congress.

ASSESSMENT OF CAUSE

TIGTA's reporting requirement under 26 U.S.C. §7803(d)(2)(A)(i) needs to be clarified.

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CORRECTIVE ACTION

IRS management will meet with TIGTA to review the requirements for reporting taxpayer complaints.

IMPLEMENTATION DATE

December 1, 2001

RESPONSIBLE OFFICIALS

Director, Commissioner's Complaint Processing and Analysis Group

CORRECTIVE ACTION MONITORING PLAN

The Director, Commissioner's Complaint Processing and Analysis Group will facilitate a meeting between the appropriate representatives of IRS and TIGTA to discuss the reporting requirement.

IDENTITY OF RECOMMENDATION 2

IRS management should consider including these complaints in the future development of the ICTRS.

ASSESSMENT OF CAUSE

TIGTA's reporting requirement under 26 U.S.C. §7803(d)(2)(A)(i) needs to be clarified.

CORRECTIVE ACTION

IRS management officials will determine whether to include taxpayer complaints in the ICTRS system.

IMPLEMENTATION DATE

April 1, 2002

RESPONSIBLE OFFICIALS

Director, Commissioner's Complaint Processing and Analysis Group

CORRECTIVE ACTION MONITORING PLAN

The Director, Commissioner's Complaint Processing and Analysis Group will facilitate a meeting between the appropriate IRS representatives to determine whether to include all taxpayer complaints in the ICTRS system.