



Highlights of [GAO-06-396](#), a report to the Committee on Finance, U.S. Senate

TAX ADMINISTRATION

Opportunities to Improve Compliance Decisions and Service to Taxpayers through Enhancements to Appeals' Feedback Project

Why GAO Did This Study

Taxpayers disagreeing with Internal Revenue Service (IRS) compliance decisions can request an independent review by IRS's Appeals Office (Appeals). In 2004 the Commissioner requested that Appeals establish a feedback program to share the results of Appeals' reviews with the compliance programs.

GAO was asked to assess whether (1) information on Appeals results would provide useful feedback to IRS operating divisions to benefit compliance programs, Appeals, and taxpayers through better case resolution and (2) the feedback project is being effectively managed to maximize its potential to improve IRS's performance and thereby reduce disputes with taxpayers.

What GAO Recommends

GAO recommends that IRS (1) perform an initial analysis of feedback data to identify areas most likely to generate benefits for compliance programs, Appeals, and taxpayers, (2) investigate whether additional actions are needed to improve the consistency of decisions, (3) further develop results-oriented objectives and measures for the feedback project, and (4) build upon current efforts to improve feedback data by establishing internal controls to verify data accuracy on an ongoing basis. In commenting on a draft of this report, IRS agreed with our recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-396.

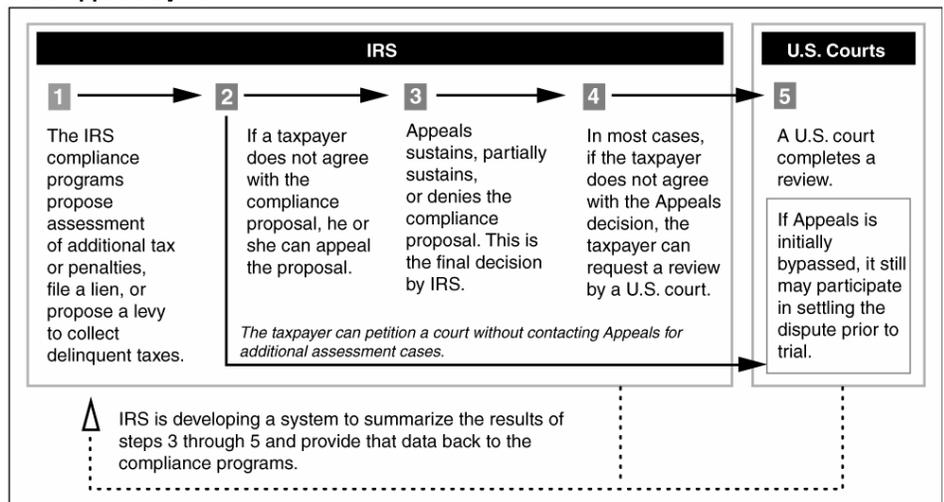
To view the full product, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

What GAO Found

Appeals' case result information has the potential to help compliance programs improve taxpayer service, but realizing improvements requires investments in data collection and analysis that must be considered in light of the likely benefits. Based on a review of 153 Appeals cases, GAO estimates that 41 percent of the 102,623 cases closed in fiscal year 2004 were not fully sustained. Of these, about half were not sustained because Appeals applied a law or regulation differently than the programs. Lacking such information, officials could not assess whether actions like additional guidance were needed. However, identifying specific provisions that were interpreted differently would require data gathering and analysis. Because the differences span a host of laws and regulations, corrective action may only affect a small number of cases. Improved decision making, however, can benefit compliance programs, Appeals, and taxpayers. An initial data analysis, such as identifying programs with high nonsustention rates due to differences in applying laws or regulations, would help to target areas most likely to benefit from feedback.

Appeals has taken several initial steps to launch the feedback project. During 2005, for example, Appeals and the compliance programs began to identify additional information needs. In addition, Appeals and the compliance programs could refine the feedback project's objectives to target the results-oriented improvements that are logical benefits of information sharing. Obtaining agreement between Appeals and the programs on objectives may not be easy because their perspectives differ on the steps needed to improve operations, but is necessary. Also, Appeals' plans to update its information system to provide additional data on case results will be hindered by inaccurate data. We found that several important data fields had error rates up to 14 percent. Appeals staff cited several reasons for this, including weak data verification procedures.

IRS's Appeals System



Source: GAO.