

Federation of Tax Administrators

IRS Pre-Refund Program Strategy

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 Internal Revenue Service



 Internal Revenue Service

PRP Mission

Create and implement re-engineered business processes and information technology solutions to improve the effectiveness and efficiency of the Service's pre-refund compliance activities

PRP Vision

The Pre-Refund Program provides enterprise coordination of pre-refund compliance activities to ensure timely issuance of refunds and credits that are legally due to filers, while preventing issuance of refunds and credits that are not legally due to filers

PRP Operational Goals

- ▶ Develop a comprehensive long-range vision and strategy for IRS pre-refund compliance activities
- ▶ Prevent the issuance of refunds that are not legally due through upfront detection and resolution
- ▶ Minimize delays issuing refunds to legitimate tax filers
- ▶ Provide cross-functional, Service-wide coordination, communication, and governance of pre-refund compliance processes
- ▶ Ensure participation, input, and buy-in from internal and external stakeholders
- ▶ Assume stewardship of pre-refund compliance data
- ▶ Develop performance and operational measures for pre-refund compliance activities
- ▶ Identify and execute Business Process Improvement (BPI) efforts to streamline processes, implement efficiencies, and eliminate redundancies

Since its inception, PRP has made tangible impacts on multiple programs across the Service...

Pre-Refund Program Impacts

- ▶ Defined the Service's vision for the pre-refund future state, including the development of a pre-refund lifecycle that coordinates detection, resolution, and prevention efforts
- ▶ Facilitated the realignment of non-core Criminal Investigation revenue protection processes to Wage and Investment Accounts Management (AM) to create a more coordinated and balanced approach to IRS pre-refund activities, improve the detection of non-compliant returns, and ensure timely processing of compliant returns
- ▶ Streamlined business procedures and developed modifications to systems to ensure transferring processes could function in the civil operating environment
- ▶ Created an automated notification tool to generate the required Third Party Notification letter (4464C) that reduced overall cycle time by 17 days

Since its inception, PRP has made tangible impacts on multiple programs across the Service

Pre-Refund Program Impacts

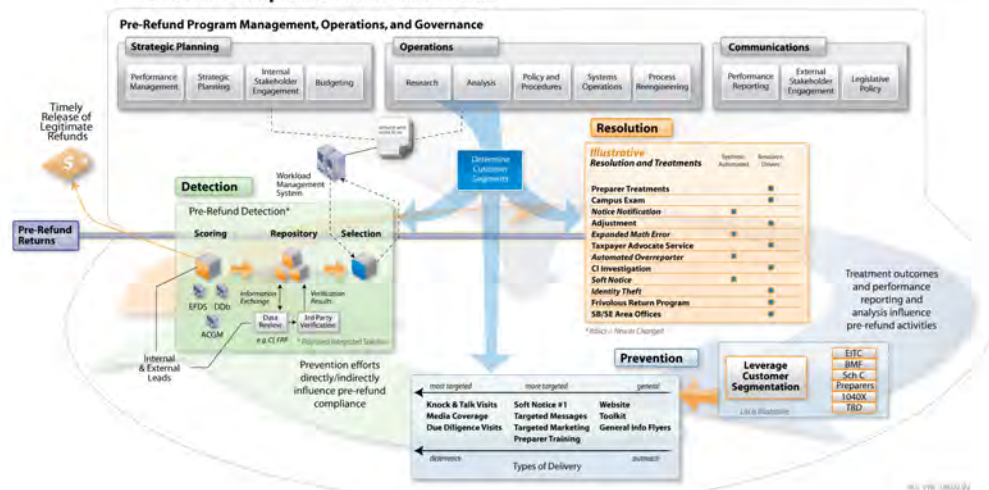
- ▶ Defined the scope and capabilities for the Return Review Program (RRP), incorporating input from stakeholders
- ▶ RRP, when implemented, will:
 - Ease scheme identification and development
 - Incorporate both data mining and business rules based models to improve identification of potentially non-compliant refund claims
 - Enable the optimization of resources by routing cases for treatment based on relevant issues and resource constraints

Since its inception, PRP has made tangible impacts on multiple programs across the Service

- ▶ Implemented several improvements to pre-refund processes, including:
 - Automation of account adjustments and taxpayer notification of refund claim disallowance
 - Adaptation of the same automation process to resolve thousands of false claims before sending through processing
- ▶ Assisted in developing the compliance processes for freezing thousands of First Time Homebuyer Credit returns and subsequently protecting nearly millions in revenue in 2009

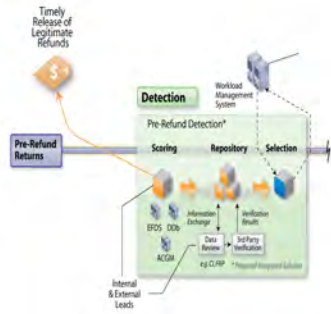
The Pre-Refund future state incorporates three phases and a coordinating program management function

Pre-Refund Compliance Future State Vision



Source: IRS_PRP_BPR_Revised_CONOPS_Exec_Summary_051508.ppt

The future state of the pre-refund life cycle...



Detection Phase

- ▶ Improves detection of non-compliant refund claims by incorporating both data mining and business rules based models
- ▶ Decreases the percentage of legitimate refunds delayed
- ▶ Enables up-front identification of all compliance issues
- ▶ Provides for real-time updates to return scoring, scheme identification, and case selection algorithms/business rules
- ▶ Enhances scheme identification by improving trending, analysis, and review capabilities

Resolution

<i>Illustrative Resolution and Treatments</i>	Systemic Automated	Resource Driven
Preparer Treatments		●
Campus Exam		●
<i>Notice Notification Adjustment</i>	■	●
<i>Expanded Math Error</i>	■	●
Taxpayer Advocate Service		●
<i>Automated Overreporter</i>	■	●
CI Investigation		●
<i>Soft Notice</i>	■	●
<i>Identity Theft</i>		●
Frivolous Return Program		●
SB/SE Area Offices		●

* Italics = New or Changed

Resolution Phase

- ▶ Uses a set of systemic and resource driven resolution options to increase the number of cases that can be worked
- ▶ Expands treatment options to balance workload and resource capacity
- ▶ Proposes treatment options that focus on data-matching, eliminating hand-offs, consolidated resolution, etc.
- ▶ Enhances taxpayer communications by allowing transparency throughout the resolution process
- ▶ Supports improvement of future pre-refund activities through the capture of resolution outcomes and performance results

Prevention

most targeted	more targeted	general
Knock & Talk Visits	Soft Notice #1	Website
Media Coverage	Targeted Messages	Toolkit
Due Diligence Visits	Targeted Marketing	General Info Flyers
	Preparer Training	
deterrence		outreach

Types of Delivery

Prevention Phase

- ▶ Implements a research-based, data-driven strategy for customer segmentation
- ▶ Encourages compliance through targeted outreach and education activities that are based on customer segments
- ▶ Leverages resolution outcomes and performance results to target outreach, education, and deterrence activities

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...effectively addresses current state issues and facilitates the ongoing improvement of Service-wide pre-refund compliance activities

Pre-Refund Compliance Future State Vision

Pre-Refund Program Management, Operations, and Governance

Strategic Planning: Performance Management, Strategic Planning, Internal Stakeholder Engagement

Operations: Research, Analysis, Policy and Procedures, System Operations, Process Improvement

Communications: Performance Reporting, External Stakeholder Engagement, Legislative Policy

Pre-Refund Returns: 1. Timely Receipt of Legitimate Refunds, 2. Pre-Refund Detector, 3. Scoring, 4. Repository, 5. Detection, 6. Internal & External Links, 7. Prevention effects directly/indirectly influence pre-refund compliance

Resolution: 8. Resolution, 9. Illustrative Resolution and Treatments (Prepare Treatments, Contact Exam, Notice Satisfaction, Adjustment, Expedited Bank Drop, Program Account Service, Automated Overpayment, Overpayment, Soft Notice, Preparer Return Program, SSI Area Offices)

Prevention: 8. Prevention, 9. Leverage Customer Segmentation (ETIC, BNF, Sch C, Preparers, 1040X, TBD)

Types of Delivery: Deterrence, Outreach

Future State Benefits

- 1 Reduces the percentage of legitimate refund claims that are delayed
- 2 Coordinates detection of non-compliance across functions
- 3 Enhances up-front issue detection by integrating legacy systems
- 4 Establishes a defined, service-wide approach to verification of wages and withholding
- 5 Balances workload and resources across all IRS pre-refund compliance functions
- 6 Enhances ability to review and analyze program performance by tracking data and making it easily accessible
- 7 Facilitates development and implementation of innovative treatments and outreach activities by enabling research and analysis of resolution outcomes
- 8 Promotes increased taxpayer compliance through targeted educational information and deterrent activities
- 9 Maximizes revenue protection

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The Pre-Refund Program will focus on five key objectives for Fiscal Year 2010

- 1) Implement improved processes and tools that facilitate the prevention, detection and resolution of non-compliant refund claims
- 2) Implement a data strategy to evaluate the quality and use of internal and external data sets to ensure the efficient management and use of data across all pre-refund activities
- 3) Lead stakeholder engagement to gather business requirements for modernized processing systems such as RRP
- 4) Continue the design and development of Pre-Refund Program Management capabilities defined in the PRP Concept of Operations
- 5) Continue to support the Accounts Management Taxpayer Assurance Program and other functions with pre-refund compliance responsibilities

QUESTIONS?

