



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.4.16

OCTOBER 13, 2023

EFFECTIVE DATE

(10-13-2023)

PURPOSE

- (1) This transmits revised IRM 4.4.16, Audit Information Management System (AIMS) - Validity and Consistency, Inventory Control

MATERIAL CHANGES

- (1) Minor editorial changes have been made throughout this IRM. Website addresses and IRM references were reviewed and updated as necessary.
- (2) The Chapter Title for this IRM has been changed to Audit Information Management System (AIMS) - Validity and Consistency, Inventory Control.
- (3) Internal Controls have been added to this IRM section.
- (4) In transit statuses have been updated to include Status 61 BBA unit, Status 71 BBA Appeals, and Status 81 Appeals.
- (5) Information pertaining to Partnership Bipartisan Budget Act (PBBA) has been added to validation items.

EFFECT ON OTHER DOCUMENTS

This revision supersedes the previous IRM 4.4.16, issued December 20, 2011.

AUDIENCE

Large Business and International (LB&I), Small Business/Self-Employed (SB/SE), Tax Exempt and Government Entities (TE/GE), Wage and Investment (W&I), and Appeals employees that use the Audit Information Management System (AIMS).

Signed by Mike J. Maltby
Director, Technology Solutions
Small Business/Self-Employed

4.4.16
Inventory Control

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4.4.16.1
(10-13-2023)
Program Scope and Objectives

- (1) Purpose: The section provides general instructions and guidelines for Examination inventory control and validation of AIMS record.
- (2) Audience: The audience for this IRM section includes AIMS users in:
 - a. Appeals
 - b. Large Business and International (LB&I)
 - c. Small Business / Self-Employed (SB/SE)
 - d. Tax Exempt / Government Entities (TE/GE)
 - e. Wage and Investment (W&I)
- (3) Policy Owner: The Director, SB/SE Technology Solutions, who is under the Director, Operations Support.
- (4) Program Owner: Exam Systems and Project, Customer Service.
- (5) Program Goal: Provide basic knowledge of Examination inventory control and requirements for conducting the annual inventory validation.

4.4.16.1.1
(10-13-2023)
Background

- (1) The AIMS programming has specific values and consistency checks for tracking AIMS inventory controls. Updating and maintaining AMDIS field values, will provide correct record keeping throughout the Examination audit process and final Examination report processing.

4.4.16.1.2
(10-13-2023)
Authority

- (1) IRM 2.8.1.1.1, Introduction to AIMS Realtime Processing, AIMS Processing Background. This IRM provides the requirement request for a new information management system, for Examination.

4.4.16.1.3
(10-13-2023)
Roles and Responsibilities

- (1) Users of AIMS have the responsibilities of maintaining the data fields, on the AIMS record by, updating field values and correctly reporting closing actions taken on the taxpayers account, as determined during the audit process.

4.4.16.1.4
(10-13-2023)
Related Resources

- (1) Document 6209, IRS Processing Codes and Information, Section 12 Examination and Section 13 Appeals and TE/GE
- (2) IRM 2.8.2, Audit Information Management System (AIMS) Command Code AM424
- (3) IRM 2.8.3, AIMS Command Code AMDIS
- (4) IRM 2.8.4, AIMS Command Code AMSTU
- (5) IRM 2.8.5, AIMS Command Code AMSOC
- (6) IRM 2.8.6, AIMS Command Code AMAXU
- (7) IRM 2.8.6, AIMS Command Codes AMNON, AMTIN, AMBLK, AMFRZ, AMREQ, and AMLAB

4.4.16.2
(10-13-2023)
Preparation and Use of Form 5345-B or Form 5345-D

- (1) Form 5345-B, Examination Request Non-ERCS Users, and Form 5345-D, Examination Request ERCS (Examination Returns Control System) Users, are the most commonly used forms to request examination controls on AIMS and ERCS.

4.4 Audit Information Management System (AIMS) – Validity and Consistency

- (2) The forms listed in paragraph 1 must be maintained according to Document 12990, Records Control Schedule (49) Examination Record/Control Cards. This document provides instructions for maintaining the control cards.
- (3) AIMS and ERCS users should utilize the weekly TC 424 Reject Register and TC 424 Overage Report to assist in the identification and resolution of skeletal records that have not fully established or have dropped from AIMS. See IRM 4.4.27, TC 424 Reject Register. Additionally, ERCS users should utilize the “Check AIMS Results” menu option located on the ERCS Examination Main Menu, to promptly review and resolve any rejected requisitions for their AIMS Assignee Code (AAC). See IRM 4.7.5.4.1(8), Administrative Support Staff.
- (4) ERCS users must reconcile the ERCS Overage Requisition Report, at least monthly, to verify that ERCS-AIMS upload and reject problems are resolved. See IRM 4.7.5.4.1(8), Administrative Support Staff.

4.4.16.3 (10-13-2023) Inventory Validation Listing (IVL)

- (1) An inventory validation means each validating organization performs a physical review of each case held in its possession (or shown on its inventory lists) with the purpose of determining the physical presence of the returns and the accuracy of certain data elements with respect to the returns. The purpose of this review is to ensure the accuracy and integrity of the AIMS and ERCS databases.

Note: Inventory established using Compliance Data Environment (CDE) is not exempt from the IVL. There can be inconsistencies between what is in CDE and what is on AIMS if there were errors when establishing, updating, or delivering a return. A return may no longer be in virtual inventory but maybe on AIMS/ERCS or vice versa. For CDE there may not be a physical case file, however, the AIMS record fields must be validated to make sure they are consistent with the taxpayer return.

- (2) For group Status Code 09 through 19 a validation of 100 percent of the inventory must be conducted at least once each calendar year.
- (3) For in-transit Status Codes 21 - Technical Services (TS) and Joint Committee Review (JCR), 41 - Planning and Special Programs (PSP) and 51 - Centralized Case Processing (CCP), Campus closing function, 61 - BBA Unit, 71 - BBA Appeals, and 81 - Appeals; a 100 percent validation of the inventory must be conducted at least once each calendar year.. Inventory in the in-transit Status Code 21, 41, 51, 61, 71, and/or 81 remain the responsibility of the closing group or function until the case has been physically received in TS, PSP, CCP Campus closing function, or Appeals. This responsibility shifts to TS, PSP, CCP, Campus closing function, BBA Unit, BBA Appeals, or Appeals respectively, when the Form 3210, Document Transmittal, is acknowledged or AIMS and/or ERCS are updated to another status within the receiving function.

Note: Although TS, PSP, CCP, Campus closing function, BBA Unit, BBA Appeals, and Appeals must perform a 100 percent IVL of the above statuses at least once yearly, they have the option to conduct quarterly validations of inventory in these statuses that exceed 21 days.

- (4) For **ALL** other status codes, a validation of inventory that exceeds normal time frames, must be conducted quarterly, or a 100 percent IVL may be conducted

at least once a year. If choosing the quarterly time frame validation, validate all records that exceed the following time frames:

Status Code	Days Overage
00 – 07	– over 90 days
08	– over 180 days
20	– over 60 days for field cases
20	– over 30 days for office cases
22	– over 75 days
23	– over 60 days
23	– over 30 days for field cases
24	– over 135 days (210 days if addressed to person outside of the United States)
25	– over 60 days
27	– over 60 days
28	– over 165 days
29	– over 1 year
30 – 34	– over 1 year
36	– over 1 year
38 – 39	– over 1 year
42 – 44	– over 180 days
52	– over 45 days
53	– over 60 days
54	– over 10 days
55	– over 45 days
56	– over 60 days
57	– over 45 days
58 – 59	– over 60 days
61 – 65, 69	– over 60 days (EGCs 1XXX and 2XXX only)
70 – 73	– over 60 days (EGCs 1XXX and 2XXX only)

- (5) The Statistical Sampling Inventory Validation Listing (SSIVL) program may be used as an alternative to the annual 100 percent inventory validation or the time frame validation. See IRM 4.4.16.5, Statistical Sampling Inventory, Validation Listing (SSIVL).

4.4 Audit Information Management System (AIMS) – Validity and Consistency

4.4.16.3.1 (10-13-2023) Requesting an IVL

- (1) IVLs are generated by the AIMS/ERCS Analyst or AIMS Coordinator using the SSIVL Program. The AIMS/ERCS Analyst or AIMS Coordinator should refer to the SSIVL chapter in the ERCS Technical Reference Manual. See <https://irsgov.sharepoint.com/sites/ETD-KMT-KB091>
- (2) To request an IVL for cases in PBC 19X or 29X or cases in a field PBC but physically located at a campus, for example Employee Group Code (EGC) 1000 or 2000, contact the Campus AIMS Coordinator. A listing of Campus AIMS Coordinators can be found at: <https://irsgov.sharepoint.com/sites/ETD-KMT-KB091>
- (3) To request an IVL for field cases, contact your local Small Business/Self-Employed (SB/SE) Area AIMS/ERCS Analyst. A listing of Area AIMS/ERCS Analysts can be found at: <https://irsgov.sharepoint.com/sites/ETD-KMT-KB091>

4.4.16.3.2 (10-13-2023) Conducting the Validation

- (1) The 100 percent validation package distributed to Examination groups/functions should include the following items (this list is not all-inclusive):
 - IVL instructions
 - AIMS IVL
 - Form 8721, AIMS Inventory Validation Discrepancy List 1- Case Files in Your Inventory - Not on Your AIMS and/or ERCS IVL
 - Form 8722, AIMS Inventory List 2 - Databases on Your AIMS IVL - Case File Not Located
- (2) The manager charged with the returns should start the validation within 2 working days of receipt of the list and it must be completed no later than 25 calendar days from receipt of the listing.
- (3) Verify the physical possession of all returns (case files should be located for non-filed returns) listed on the validation listing. This may include an original or copy of return or any other electronic facsimile of the return (TRDBV/TRPRT, RTVUE/BRTVU, MeF, etc.).
- (4) In offices where ERCS is used in conjunction with AIMS to maintain inventory control, the AIMS IVL must be compared to an ERCS inventory listing. Discrepancies must be annotated and corrected.
- (5) Review each element on the validation list to verify its accuracy. See IRM 4.4.16.3.2.1.

Note: It is recommended that ERCS users also validate these elements for all collateral, penalty, and non-AIMS records in their inventory. Any variances found are not counted when computing the error rate.

- a. Line through any incorrect information and enter the correction above the line item. Additional information or comments should be written in red ink under the “Comments” section of the validation list.
- b. Enter a “C” and date of action in the “Comments” section on the validation list if the case has been closed. Closed means from the group to Planning and Special Programs (PSP), Technical Services (TS), Centralized Case Processing (CCP), or Status Code 90.

- c. Enter a "T" and the date of the action in the "Comments" section if the case has been transferred. Transferred means updated to another AIMS Assignee Code (AAC) or Primary Business Code (PBC).
 - d. Enter an "R" in the "Comments" section if the return or electronic facsimile of the return is located.
- (6) Timely update the appropriate database to correct identified errors. Corrections may require managerial approval.
- (7) Use Form 8721 to list the original returns not presently charged to the organization but actually in its possession.
- (8) If a skeletal record exists on AIMS for a return or case file listed on Form 8721, conduct further research to determine if the skeletal condition is due to an error when establishing the AIMS record. If so, and the record/case file has been in the possession of the validating group or function greater than 30 days, then the record is counted as an error.
- (9) If no skeletal record exists on AIMS and the return has been in the possession of the group/function greater than 30 days, then the record is counted as an error.
- (10) Locate returns charged to the validating group/function not found in the physical inventory.
 - a. After a complete search in the group or function, list these returns on the Form 8722.
 - b. Conduct IDRS and/or ERCS research to determine other potential locations of the return or case file.
- (11) Completed IVLs (with supporting documentation), Form 8721, and Form 8722 should be given to the manager for review and approval before forwarding to the Area AIMS/ERCS Analyst or AIMS Coordinator. This can be done in writing or by signing electronically in a PDF file.

4.4.16.3.2.1
(10-13-2023)

Elements to be Validated

- (1) The data elements listed below must be verified for accuracy:

Verified elements required
Returns charged to group or function, but not present in inventory. Exception: Electronic cases files.
Returns present in inventory, but not charged to group or function
MFT
Tax Period
Status Code
Statute Date
Primary Business Code (PBC), Secondary Business Code (SBC), and Employee Group Code (EGC)
Aging Reason Code

4.4 Audit Information Management System (AIMS) – Validity and Consistency

Verified elements required
Activity Code Note: Activity Codes are generally systemically generated and should only be changed for records brought back from Retention Register, Activity Code 203, or SFR.
Tracking Code
Source Code
Project Code
Claim Amount
Large Corporate Compliance (LCC) Code Indicator
TEFRA (Tax Equity and Fiscal Responsibility Act of 1982) Indicator, in conjunction with Partnership Investor Control File(PICF) Indicator should be validated for partnership returns (MFT 06 or 35), in Status Code 10 (Campus) or 12 over 60 days. Tax periods prior to 201812, unless the taxpayer has early elected into the Partnership Bipartisan Budget Act (PBBA) regime.
PBBA fields

- (2) Operating divisions may have differing guidelines for determining errors within each element. These guidelines should be considered when determining whether an error situation exists. Questions should be referred to your local AIMS/ERCS staff or AIMS Coordinator for resolution.

4.4.16.4 (12-20-2011) Error Rates and Revalidation Requirements

- (1) The AIMS/ERCS Analyst or AIMS Coordinator computes an error rate for each validated IVL package returned by the groups and determines whether revalidation is necessary. The error rate is computed by line items (or returns), not data elements. Although each line item (or return) may have multiple data element errors present, the maximum error charged per line is one.

4.4.16.4.1 (12-20-2011) Computing the Error Rate

- (1) If using the 100 percent validation, divide the total number of returns with errors by the total number of returns on the IVL, plus returns in inventory but not on the IVL. Multiply this number by 100 to determine the error rate percentage.
- (2) If using the Quarterly Time Frame Validation, divide the number of returns with errors by the total number of returns exceeding the time frames specified in IRM 4.4.16.3. Multiply this number by 100 to determine the error rate percentage.

4.4.16.4.2 (08-01-2003) Acceptable Error Rates

- (1) Error rate of 5 percent or lower is acceptable.

4.4.16.4.3
(08-01-2003)
**Revalidation
Requirements**

- (1) Revalidation requirements depend on whether a 100 percent annual validation or the quarterly time frame validation was performed.

4.4.16.4.3.1
(12-20-2011)
100 Percent Annual IVL

- (1) If the initial error rate for any validating organization was more than 5 percent and all errors have been resolved within 3 months, revalidation must be made within 6 months from original IVL.
- (2) The first revalidation will be a sampling of returns selected by the AIMS/ERCS Analyst or AIMS Coordinator for the organization.
- (3) The method of return selection can be done using local procedures. However, the minimum sample size as discussed in IRM 4.4.16.4.3.1(4).
- (4) The size of the sample is determined using the sample size table below. The sample of returns selected must represent a mix of the class of returns present in the inventory of the validating organization. If this can be accomplished by selecting returns alphabetically from the inventory validation list or by selecting every nth return (for example every 5th return), this method of selection is acceptable. If this method of selection does not meet this objective, the AIMS/ERCS Analyst or AIMS Coordinator will enlarge the number of returns in the sample until each class of returns in an originator's inventory is represented in the sample. If the error rate is within the acceptable number of returns with errors, no further sample or validation is due until the next scheduled validation period. If it is not, a complete validation is required every 3 months until the error rate is reduced to the acceptable level.

Inventory	Size of Sample	Acceptable Number of Returns with Errors
1 - 30	All	0
31 - 50	30	0
51 - 100	37	0
101 - 200	40	0
201 - 300	95	2
301 - 400	145	4
401 - 500	150	4
501 - 600	175	5
601 - 800	200	6
801 - 1,000	225	7
1,001 - 2,000	280	9
2,001 - 3,000	370	13
3,001 - 4,000	420	15
4,001 - 5,000	440	16

4.4 Audit Information Management System (AIMS) – Validity and Consistency

Inventory	Size of Sample	Acceptable Number of Returns with Errors
5,001 - 7,000	490	18
7,001 - 10,000	535	20
10,001 - 20,000	610	23
20,001 - 50,000	700	27

4.4.16.4.4 (12-20-2011) **Quarterly Time Frame Validation**

- (1) If the initial error rate for any validating organization was more than 5 percent, but all errors have been resolved by the next quarterly IVL, no revalidation is required.
- (2) For offices that have a greater than 5 percent error rate, for 2 consecutive quarters, a 100 percent validation of the status codes with the high error rate is required during the subsequent quarterly time frame validation, until the error rate is below 5 percent, which is the acceptable level.

4.4.16.5 (08-01-2003) **Statistical Sampling Inventory Validation Listing (SSIVL)**

- (1) The statistical sampling application, of the SSIVL, may be used as an alternative to the annual 100 percent inventory validation. To ensure validation of returns, which are not controlled on AIMS, a physical search of all returns related to the sampled return will be performed to ensure the appropriate controls are in place.

4.4.16.5.1 (10-13-2023) **Selection of the SSIVL**

- (1) If using the statistical sampling application of the SSIVL as an alternative to the annual 100 percent IVL, each Area must validate a minimum of 100 returns every other week. Exceptions to the minimum sample size and frequency must be approved by the Area PSP or Campus AIMS Coordinator.

4.4.16.5.2 (10-13-2023) **Conducting the SSIVL**

- (1) The AIMS/ERCS Analyst or AIMS Coordinator will distribute the listings to the groups/functions within two workdays of generating the sample.
- (2) The validation will follow the procedures as outlined in IRM 4.4.16.3.2, conducting the SSIVL.
- (3) The manager charged with the sample returns will be responsible for ensuring the sample is accurately completed and returning the listing to the AIMS/ERCS Analyst or AIMS Coordinator within four workdays of receipt.
- (4) The AIMS/ERCS Analyst or AIMS Coordinator will compute an error rate on the completed listing.

4.4.16.6 (10-13-2023) **Reporting the IVL Results**

- (1) Within 15 days of receipt of the completed IVL packages, the AIMS/ERCS Analyst or AIMS Coordinator will review and reconcile the packages and forward to the responsible manager. Within 15 days of receipt of these packages, the AIMS/ERCS manager, Campus AIMS Coordinator, or the responsible PSP manager will prepare the validation report and send to the manager of the validating group or function.

Note: These time frames can be adjusted by the Examination Areas due to workload (such as the business organizations performing the IVLs concurrently).

- (2) For LB&I groups, a copy will be sent to the responsible manager, as well as the LB&I Headquarters Analyst responsible for AIMS.
- (3) For Field Examination the IVL results should be sent to the Area PSP annually for 100 percent validation and quarterly for Time Frame validation. CCP and TS are excluded from this requirement. CCP IVL results should be sent to the CCP Headquarters Analysts. TS IVL results are maintained by TS AIMS/ERCS Analyst. Campus validation results are maintained by the Campus AIMS Coordinator.

4.4.16.6.1
(12-20-2011)
**100 Percent Validation
and Time Frame
Validation Reports**

- (1) The report will contain the following information for each organization.
 - Number of returns in validating function
 - Number of returns in error
 - Error rate by function/group
 - Error trends
 - Number of returns reported to the AIMS/ERCS Analyst or AIMS Coordinator as missing

4.4.16.6.2
(12-20-2011)
**Statistical Sampling
SSIVL Report**

- (1) The report will contain the following information.
 - Number of completed SSIVL's for the period
 - Number of returns validated for the quarter
 - Number of returns in error
 - Error rate by function/group
 - Error trends
 - Number of returns reported to the AIMS/ERCS Analyst or AIMS Coordinator as missing

4.4.16.6.3
(10-13-2023)
**Disposition of Validation
Listings**

- (1) The validation lists and reports of the IVL results (including revalidation documents) should be destroyed after one year plus the current year.
Example: If the group has completed the IVL for fiscal year 2022, they should retain their 2021 and 2022 documents.

- (2) See Document 12990, Records Control Schedules Section 23 for more information.

4.4.16.7
(12-20-2011)
**Other Inventory
Monitoring Tools**

- (1) Prior to the performance of the IVL, groups can use various programs in conjunction with AIMS to monitor and analyze inventory. Listed below is a brief description of some of the programs.
- (2) SSIVL - The SSIVL program allows for the review and analysis of inventory. This information is updated weekly and should be worked on a consistent basis by the AIMS/ERCS Analyst or AIMS Coordinator. Examples of things to look for on the SSIVL are:
 - BAD_AAC list - identifies cases in your PBC with an invalid AAC
 - PSP group errors—status greater than 09

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- Field Exam group errors—status less than 09
- Source Code 45 with status greater than 09 (campus Exam), 10 (Field Exam)
- Potential 424 rejects—skeletal records pending
- Statute reports
- Overage case listing—overage criteria can be established by user
- Database reports based on an AIMS field

- (3) ERCS - See IRM 4.7, ERCS.
- (4) AIMS Computer Information System (A-CIS) - The A-CIS database program provides monthly AIMS data on both open and closed cases.
- (5) Issue Management System (IMS) - Issue Management System (IMS) is a case management application sponsored by Large Business and International (LB&I). IMS provides case management functionality to LB&I, SBSE Specialty groups and Appeals.
- (6) Issue Based Management Information System (IBIMS) - The Issue Based Management Information System (IBMIS) is a reporting and data management tool containing day to day information gathered on the Audit Information Management System (ACIS/AIMS), the Issue Management System (IMS), the Specialist Referral Systems (SRS), and others. The system provides Team Managers, Territory Managers, Executives and Analysts a centralized system for managing case information for tracking, planning, and reporting.