EFFECTIVE DATE

(01-01-2024)

PURPOSE

(1)   This transmits revised IRM 4.19.20 Liability Determination, Automated Correspondence Exam (ACE) Processing Overview.

SCOPE

(1)   This IRM section contains information on procedures and administrative matters relative to Examination Report Generation Software (RGS).

MATERIAL CHANGES

(1)   Revised IRM 4.19.20.2.7(7), Closing to add clarifying information for the same content.

(2)   Minor grammatical changes made throughout the IRM section to improve the overall understandability of the text.

EFFECT ON OTHER DOCUMENTS

IRM 4.19.20 dated November 22, 2022(effective January 1, 2023) is superseded.

AUDIENCE

Wage and Investment (W&I) and Small Business/Self-Employed (SB/SE) Examination

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Wage and Investment Division

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Internal Revenue Manual

4.19.20

4.19.20
Automated Correspondence Exam (ACE) Processing Overview

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4.19.20.1 (01-01-2023) **Program Scope and Objectives**	(1)	Program Overview: Automated Correspondence Exam (ACE) is an IRS developed, multifunctional software application that fully automates the initiation and movement of Earned Income Tax Credit (EITC) and Non-EITC cases through the audit process.
	(2)	Purpose: This IRM provides guidance to personnel responsible for overseeing the daily functioning of the ACE processing system.
	(3)	Audience: Wage and Investment (W&I) and Small Business/Self-Employed (SB/SE) Examination.
	(4)	Policy Owner: The Director of Refundable Credits Program Management (RCPM),Wage and Investment Division and The Director of Operations Support, Small Business/Self Employed (SB/SE).
	(5)	Program Owner: The Director of Refundable Credits Program Management (RCPM).
	(6)	Primary Stakeholders: Wage and Investment (W&I), Small Business/Self Employed (SB/SE).
	(7)	Contact Information: To recommend changes or make any other suggestions for this IRM section send an email to the IRM author or utilize the SERP Feedback Application.
4.19.20.1.1 (12-13-2018) **Background**	(1)	In 2007, the ACE system replaced Batch Processing (BP). ACE was created to process specified cases with minimal to no tax examiner (TE) involvement until a reply is received from the taxpayer. ACE processes cases from the issuance of the Initial Contact Letter (ICL) through the Statutory Notice of Deficiency until closing. Cases can be reintroduced into ACE after a reply has been reviewed.
4.19.20.1.2 (01-01-2023) **Authority**	(1)	Congress has delegated to the IRS the responsibility of administering the tax laws, known as the Internal Revenue Code, found in Title 26 of the United States Code.
	(2)	As IRS, Tax Examination employees, we must provide the best possible service to the public and are expected to perform our duties with integrity and fairness to all. See Policy Statement 1-236, Fairness and Integrity in Enforcement Selection at *General News - Policy Statement 1-236, Fairness and Integrity... (irs.gov)*.
4.19.20.1.3 (12-14-2020) **Acronyms**	(1)	Some acronyms used in Examination are listed below:

ACA	Affordable Care Act
ACE	Automated Correspondence Exam
ACTC	Additional Child Tax Credit
AIMS	Audit Information Management System (IDRS)

BOD	Business Operating Division - the four divisions are: • W&I - Wage and Investment • LB&I - Large Business and International • SB/SE - Small Business /Self Employed • TE/GE - Tax Exempt/Government Entities
CEAS	Correspondence Examination Automation Support
CIS	Correspondence Imaging System
IAT	Integrated Automated Technologies
RGS	Report Generation Software
RIVO	Return Integrity Verification Operation
SNOD	Statutory Notice of Deficiency
TIN	Taxpayer Identification Number
TY	Tax Year

(2) Additional Acronyms can be found on *Acronyms Database (irs.gov)*.

4.19.20.1.4
(12-16-2019)
Related Resources

(1) Other IRMs related to the Examination Process are listed.

- IRM 4.19.10, Examination General Overview
- IRM 4.19.11, Examination Classification of Work
- IRM 4.19.12, Centralized Files and Scheduling
- IRM 4.19.13, General Case Development and Resolution
- IRM 4.19.14, Refundable Credits Strategy
- IRM 4.19.15, Discretionary Programs
- IRM 4.19.16, Claims
- IRM 4.19.19, Campus Examination Telephones Contacts
- IRM 4.19. 21, Clerical

4.19.20.2
(01-01-2021)
Automated Correspondence Exam Overview (ACE)

(1) **Automated Correspondence Exam (ACE)**, is an IRS-developed, multifunctional software application that fully automates the initiation, Aging and Closing of certain Earned Income Tax Credit (EITC) and Non-EITC cases. Using ACE, Correspondence Exam can process specified cases with minimal to no tax examiner (TE) involvement until a taxpayer reply is received. Because the ACE system will automatically process the case through creation, statutory notice and closing, TE involvement is eliminated entirely on no-reply cases. Once a taxpayer reply has been considered, the case can be reintroduced into ACE for automated Aging and Closing in most instances.

(2) ACE processing provides the service with four significant capabilities:

- Audit cases can be processed without TE involvement until taxpayer correspondence is received, unless a case filters out or manual classification is required.
- ACE will, on a weekly basis, create inventory records and case data (address and return information) for every case that has been opened on the Audit Information Management System (AIMS).

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- ACE initiated cases can be reintroduced (returned to ACE after being removed for mail processing or case correction) to ACE Group B0 for systemic Aging and Closing, if the case is a Project Code that goes through Create II.
- After the report is created, manually initiated cases can be introduced to ACE Group B0 for systemic Aging and Closing. If the case is a Project Code that goes through Create II, it can be manually created and introduced in Status 10 and then aged through Create II.

(3)   Within ACE, the following actions take place automatically without human intervention.

1. ACE Create

- Inventory records are created.
- Report Generation Software (RGS)/work center files are created.
- Audit issues are created.
- Tax is computed.
- Initial Contact Letter (ICL), and reports are generated (Letter 525, Form 886-H, Form 11652, Form 4549, Form 886-A).
- AIMS update records are generated.
- Suspense date to trigger the next action, either Create II or Statutory Notice of Deficiency is entered in RGS.

2. ACE Create II

- Tax is computed.
- No Reply Letters (Letter 525, Form 886-H, Form 11652, Form 4549, and Form 886-A) and reports are generated on cases that received a CP 75 notice series letter on EITC cases or a Letter 566-S on a Discretionary case as an ICL.
- AIMS update records are created.
- Suspense date to trigger the Statutory Notice of Deficiency issuance is entered in RGS.

3. Aging

- AMSTUS request for Statutory Notice generation using either;
- STN 01 program (local mailout of Statutory Notice).
- STN 02 program (Correspondence Production Services (CPS) mailout of Statutory Notice).

4. ACE Closing

- Form 5344 is generated.
- Closing process is run by ACE Coordinator or a designated clerk to interface with Integrated Data Retrieval System (IDRS).
- Cases are archived.

Note: In most instances, cases in Statuses 10, 22, 23, 24, 25, and 53 can be reintroduced into the ACE process for automated Aging and Closing.

(4)   CPS provides printing, inserting, sorting and mailing of IRS notices. The two consolidated print sites are CPS East in Detroit and CPS West in Ogden. The campuses are aligned to a print site based on their location (see chart below).

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CPS East -- Detroit CPS	CPS West -- Ogden
Andover	Austin
Atlanta	Fresno
Brookhaven	Kansas City
Cincinnati	Ogden
Philadelphia	
Memphis	

(5) How CPS works at the ACE Stage - Each case is systemically reviewed to determine if the individual package meets the print requirements (the individual package is within the 15 printed page limit (3 oz.)) and the required schedules are templated for CPS. If the case meets these requirements, it is marked for processing through CPS. If the case does not meet these requirements it is marked for local mailout through print manager.
If the ICL package is processed through CPS:

- The ICL package will be printed and mailed by the CPS site on the 3rd Monday after the Create program is run.

If the ICL package is not mailed through CPS:

- The ACE Created letter and report will create in the Print Manager Program for local printing and mailing.

(6) Weekly files are received for cases selected through Dependent Database (DDB) pre-refund filters, as well as for Recertification cases, Pickup cases, AM424 files and the Tickler Files. They are assigned to one of three groups used in ACE processing. See below:

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ACE Group	Actions	Description
B0	Cases from all ACE processes may be filtered to or assigned to this group.	The process systemically: • generates the letters and reports for mailing or review • computes tax • creates RGS work center files (RTF data, etc.) • creates an inventory record in RGS Groups B0, B1 or B2 • inputs RGS case history items • updates the RGS summary record (with four tabs: up-dateable data, case data; return information and historical data) • inputs RGS issues with associated paragraphs, mandatory issues, work paper notations and penalty consideration • generates reports (found in UCP and Print Manager) • generates pending AIMS updates
B1	Cases from ACE processes may be filtered to or assigned to this group.	Some cases are directed to Group B1 for manual input of the issues and creation of the letters and reports by the examiners. Rejects may be directed to this group.

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ACE Group	Actions	Description
B2	Cases from ACE processing may be filtered to or assigned to this group.	Some cases are directed to Group B2 for programs that require a report to be sent with the initial contact letter. The report must be reviewed prior to issuance to the taxpayer. Other cases are filtered to Group B2 and require a reject condition and an associated notice.

(7)   The first step in ACE processing is the filter process. B0 processing is suspended on all cases meeting an unresolved filter condition.

- Cases originally created in Group B0 will default to Group B2 if they encounter a filter condition.
- Cases originally created in Group B2 will remain in Group B2 even if they encounter a filter condition.

(8)   The following is the list of Exam project codes that are currently processed:

Project Code	Type of Case	EITC Disallowed	Schedule C Disallowed	RGS Grp
0000 (SC 26)	Alternative Minimum Tax	NO	NO	B2
0027	EITC Recertification with proposed 2 - year ban	YES	NO	B0
0028	EITC Recertification – Schedule C with proposed 2 - year ban	YES	YES	B0
0029	EITC DDB Pickup	YES	NO	B0
0058	EITC Dup TIN Pickup "Related Party"	YES	NO	B0
0059	Related pickup of Non-EITC Dup TIN	NO	NO	B0
0061	EITC DDB Pickup	YES	NO	B0

Project Code	Type of Case	EITC Disallowed	Schedule C Disallowed	RGS Grp
0097	Non-EITC Dup TIN Dependent claimed by more than one taxpayer	NO	NO	B0
0098	Non-EITC Dup TIN TP claimed himself and so did another	NO	NO	B0
0099	DDB - EITC & FTHBC	YES	NO	B0
0123	10% Individual Retirement Account (IRA)	NO	NO	B2
0124	Self-Employment Tax	NO	NO	B2
0141	Alimony Paid - TIN	NO	NO	B0
0173	Questionable Refund Program (QRP) Schedule C/EITC	YES	YES	B0
0231	Alimony - Payer	NO	NO	B0
0257	Schedule C - Recertification	YES	YES	B0
0259	Non EITC DEP/DEP (FS)	NO	NO	B0
0260	Non EITC DEP/PRT w/ Filing Status Issue	NO	NO	B0
0261	EITC DDB (Pre-Refund)	Yes	NO	B0
0277	Non-Filer	NO	NO	B0
0288	Schedule C-Disallowance	YES	YES	B0
0289	DDB EITC	YES	NO	B0
0291	EIC - Native American	YES	NO	B0

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Project Code	Type of Case	EITC Disallowed	Schedule C Disallowed	RGS Grp
0292	EIC -Native American with Schedule C Net Profit	YES	YES	B0
0381	Employee Business Expense	NO	NO	B0
0578	Late Filed EITC Certifications	YES	NO	B0
0579	Filing Status	YES	YES	B0
0580	EITC Post Refund	YES	NO	B0
0584	EITC QRP One False income document IDOC	YES	NO	B0
0585	Single Issue Audit/Control Group	YES	NO	B0
0586	EITC Single Issue- Post Refund	YES	NO	B0
0587	EITC Dup TIN Pickup	YES	NO	B0
0603	EITC QRP General Agreement of Tariffs and Trade (GATT)	YES	NO	B0
0621	Dependent Database – Post Refund	YES	NO	B0
0623	EITC Schedule C Full Scope Pre-Refund	YES	YES	B0
0624	EITC Schedule C ALLOWABLE PROFIT for Tax Year 2001	YES	YES	B0
0628	Child Tax Credit	YES	YES	B0
0629	Schedule A Con-tributions	NO	NO	B0

Project Code	Type of Case	EITC Disallowed	Schedule C Disallowed	RGS Grp
0631	Alternative Minimum Tax	NO	NO	B2
0639	Schedule A Deductions	NO	NO	B0
0652	EITC Dup TIN Repeater (Same child claimed by more than one person)	YES	NO	B0
0694	EITC Recertification	YES	NO	B0
0697	2 Year EITC Ban	YES	NO	B0
0698	10 Year EITC Ban	YES	NO	B0
0903	EITC Recertification Pickups	YES	YES	B0
0906	SB Full Scope Schedule C Pickups	YES	YES	B0
0907	SB EITC Recertification Schedule C Pickup	YES	YES	B0
0908	SB EITC Schedule C only Pickup	YES	YES	B0
0909	SB EITC Full Scope No Schedule C Pickup	YES	NO	B0
1300	Premium Tax Credit Pre-Refund	YES	NO	B0
1301	Premium Tax Credit EITC Pre-Refund	YES	NO	B0
1302	Premium Tax Credit EITC & Sch. C Pre-Refund	YES	YES	B0

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Project Code	Type of Case	EITC Disallowed	Schedule C Disallowed	RGS Grp
1303	Premium Tax Credit QRP Pre-Refund	NO	NO	B0
1304	Premium Tax Credit QRP & Sch. C Pre-Refund	NO	YES	B0
1305	Premium Tax Credit EITC Recert Pre-Refund	YES	NO	B0
1306	Premium Tax Credit EITC Recert & Sch. C Pre-Refund	YES	YES	B0
1307	Premium Tax Credit EITC Native American Pre-Refund	YES	NO	B0
1308	Premium Tax Credit EITC Native American & Sch. C Pre-Refund	YES	YES	B0
1309	Premium Tax Credit EITC DupTin	YES	NO	B0
1312	Premium Tax Credit EITC Pre-Refund	YES	NO	B0
1313	Premium Tax Credit Proposed 2-yr Ban	YES	NO	B0
1314	Premium Tax Credit Proposed 2-yr Ban Sch. C	YES	YES	B0
1315	Premium Tax Credit EITC 2-yr Ban	YES	NO	B0
1316	Premium Tax Credit EITC 10-yr Ban	YES	NO	B0

Project Code	Type of Case	EITC Disallowed	Schedule C Disallowed	RGS Grp
1317	Premium Tax Credit EITC Pickup	YES	NO	B0
1318	Premium Tax Credit EITC Sch. C Pickup	YES	YES	B0
1319	Premium Tax Credit EITC Post Refund	YES	NO	B0
1320	Premium Tax Credit EITC & Sch. C Post Refund	YES	YES	B0
Claims				
0367	EITC Amended Return Project			B0
SC 30	Claims introduced into ACE after manual ICL			B0

(9)   The following list of filters are currently applied to cases in ACE . The parameters can be changed through the use of the Filter Configuration Tool. Analysts in Both SB/SE and W&I have access to make needed changes. Application of filters can be changed at any time.

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4.19.20.2.1
(01-01-2023)
B0 – ACE Create/Tax Computation

(1) The ICL for EITC cases is the CP 75 notice series. The ICL for Discretionary cases is the Letter 566-S. The CP 75 notice series also serves as the refund delay letter. The CP 75 notice series and Letter 566-S address the specific issues selected for examination on the return, and include the appropriate paragraphs describing the documentation needed to substantiate the issues under examination. No report (Form 4549) is issued as part of the CP 75 notice series or Letter 566-S mail out. The CP 75 notice series will be generated at master file, while the Letter 566-S package will be generated

during Create I for CPS mailing. As a result of this ICL processing, the ACE Create process is broken down to two separate processes.

- ACE Create I
- ACE Create II

Only programs which use the CP 75 notice series or Letter 566-S as the ICL require both Create I and Create II processing.

Letter 2194, Letter 1862, and Letter 525 with report Form 4549 are used as the ICL on some of the other Discretionary programs. Programs using these letters for initial contact will only process through Create I.

For those programs where the ICL is the CP 75 notice series, or the Letter 566-S , the ACE Create I process will:

- Create Inventory Records
- Create Program related Issues and paragraphs
- Create History Items
- Create pending AIMS update to Status 10
- Create appropriate suspense dates, based on the type case

When the Create II process runs, it will identify those cases in Status 10 with the appropriate suspense date for generating the Letter 525 and report, Form 4549.

For those programs where the Letter 566-B, Letter 2194, or Letter 525 with report is the ICL, the Create I process will:

- Create Inventory Records
- Create Issues and paragraphs
- Create History Item
- Create pending AIMS update to Status 22
- Create appropriate suspense date, based on the program
- Route the case to Group B2 for review and future processing if necessary

(2)   The system will consist of four user profiles - ACE Create Examiner, ACE Create Clerk, ACE Aging Clerk and ACE Closing Clerk. See chart below:

Description	Profile
ACE Create Examiner profile, Group B0 and B2	Use this profile when interfacing ICL stage
ACE Aging Clerk profile Group B0	Use this profile when interfacing aging/Statutory Notice of Deficiency (SNOD)
ACE Closing Clerk profile Group B0	Use this profile when interfacing closing
ACE Create Clerk Group B1	Used to create the RGS skeletal records for manual cases

(3)   Cases created in Group B0 will have actions automated and the ACE Create process will:

- Create Inventory Records

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- Create work center files with address and return information
- Create program related issues
- Create ACE History
- Create Statutory Adjustment Issues
- Compute Tax
- Notate Case History and work papers with automated actions
- Generate AIMS update records
- Generate inventory and filter reports
- Generate and save local or CPS print file for letters and reports (Letter 566-B, Form 4549), Form 886-H (Various), Form 14824 (beginning in TY 2021), Form 886-A, and Form 11652 or the Letter 566-S package with the appropriate Form 886-A
- Generate inventory and filter reports
- Send automated emails with inventory summary reports

(4) The Filter process is run in Tennessee Computing Center (ECC-MEM), and individual tickler files are sent to the sites for processing. The cases are created using the ACE Create Examiner profile. The following RGS Case Summary Record fields are updated during the ACE Create I process:

- Status Code updated to Status 10 or 22 (depending on letter stream)
- Status date updated to the letter date of the CP 75 notice series or other ICL
- Employee Group Code (EGC) updated to the EGC from the Return Transaction File
- Project code (PC) updated to the PC on the Return Transaction File
- Action text updated to read ICL
- Action date updated to ACE run date
- Type Code updated to "I" to reflect Initial contact
- Suspense date updated to the letter date plus 30 or 45 days depending on the program requirements
- Assignment to the ACE Create Examiner

(5) The Create II Unattended Case Processing (UCP) filter process is run in ECC-MEM and the RGS System Administrator (SA) will run the Create II Tickler files. The following actions are taken during the ace Create II process:

- Status Code updated to Status 22
- Status date updated to the letter date (third Monday following the week the ACE program is run)
- Action text updated to read Letter 525
- Action date updated to Letter date
- Type Code updated to 'I' to reflect Initial contact
- Suspense date updated to the letter date plus 30 or 45 days depending on the program requirements

Note: If correspondence is received prior to the trigger date, the Letter 525 will need to be deleted from Print Manager. In addition the AIMS update will need to be rejected from the approval screen to prevent the record from updating.

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| 4.19.20.2.2
(12-16-2019)
Filter Criteria - ACE Create Group B0 | (1) ECC-MEM runs the UCP filter process which identifies certain conditions that exist on the module and displays the filter condition on the inventory/filter reports. Based on the condition, the case may be created in Group B0 or Group B2. |

(2) Cases can either

- Reject to group B2 or B1 for correction – if the filter condition requires correction or manual processing, or
- Remain in B0 and have the filter condition notated on a separate listing.

(3) For filter conditions see IRM 4.19.20.2.

| 4.19.20.2.3
(01-01-2007)
B1 ACE Create Only | (1) Cases in B1 inventory have limited automated actions and therefore require manual initiation. The following actions take place during B1 Create: |

- Creation of inventory records
- Creation of work center files with address and return information

(2) Many of the manually initiated project codes can be introduced into ACE Group B0 to take advantage of the automated Statutory Notice of Deficiency and closing functions.
If all of the following conditions apply, the non-ACE started project codes can successfully be introduced to Group B0:

a. The ICL and report have been created and mailed to the taxpayer
b. The case does not contain a filter condition, as outlined in IRM 4.19.20.2.4, B2 ACE Create/Tax Computation/Manual Review of Reports, that would cause the case to reject at the Statutory Notice or Closing process
c. The case is correctly updated on RGS and AIMS

Caution: If project codes are identified that could potentially be introduced to Group B0, test a few cases at the Aging and Closing stages to be sure that the letters and reports are accurate before you move a large quantity of inventory into the automated Group B0.

| 4.19.20.2.4
(12-14-2020)
B2 ACE Create/Tax Computation/Manual Review of Reports | (1) During the ACE Create processes, cases meeting certain filter conditions will be created in Group B2. These cases will appear on an inventory/filter listing, on the CEAS UCP website, with literals identifying all filter conditions that caused the case to be created in Group B2. Cases do not reject to Group B1 during the create process for a filter condition. They are created in Group B2 with all included B2 automation. |

(2) Cases filtered from the Create I process fall into two categories:

- Project codes with a CP 75 notice series
- Project codes with Letter 566-S as the ICL and a status code update to 10, or Project codes with reports and a Status code update to 22.

Project codes where the CP 75 notice series or Letter 566-S is generated will have an AMSTU update to Status 10. The update will need to be interfaced with AIMS. There are no reports generated on these cases, but the Letter 566-S will have packages that should be reviewed for accuracy.

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(3)   All other cases will have the ICL and report systemically generated. An AIMS update to Status 22 will be sent to the Need Approval Screen. Reports need to be reviewed aided by the literals on the filter listing.

    a.   If the report is correct the letter will be printed and mailed locally. The ACE Coordinator will continue with the AIMS interface to update the status. If the case has no potential rejects, it may be reintroduced to B0 to continue ACE processing.

    b.   If the report is incorrect, it must be assigned to an examiner who will take the following steps:

        1.   Delete the incorrect report and letter from the Case Files Documents folder.

        2.   Revise the report and save as a .pdf in the Case Files Documents folder.

        3.   Print and mail the letter.

        4.   Ensure that the mailout date matches the pending AIMS update (If it does not match, the ACE coordinator must delete the pending update so the examiner can create the correct one).

        5.   Forward the case to group B0 if it has no potential rejects.

(4)   Cases filtered from the Create II Process to Group B2 will have the ICL and report systemically generated. These cases are the second phase of the CP 75 notice series or the Letter 566-S process. Tax examiners must review the reports from each Group B2 case, aided by the literals on the filter listing.

If a determination is made to mail the ACE created letter and report, the letter is generated locally using the print manager function. The RGS Coordinator should place the original package in the case file document folder. If it is determined the original package will not be mailed, the case needs to be corrected. The tax examiner will prepare the letter and report and save the pdf files to the Case File Documents so that they can be accessed in CEAS. If there are no reject conditions, the case may be reintroduced to the ACE process.

(5)   Cases meeting any of the established filter conditions will be filtered from Group B0 ACE Create to Group B2 and the condition will be displayed on the filter/inventory listing. The filter/inventory listing will display the literal of all filters encountered. Therefore, a case may have several literals. All of them must be corrected before a case is reintroduced to ACE processing.

(6)   The ACE filter process will also get information from CFOL. These cases are created in Group B0.

4.19.20.2.5
(01-08-2015)
Status Updates -
Interfacing with AIMS
using the Legacy
Access Provider (LAP)

(1)   During the ACE Create I process, cases receiving an ICL in Groups B0 and B2 will have an AIMS request generated in RGS to update AIMS to Status 10. After the ACE Create process is completed, the Legacy Access Provider (LAP) process must be run to update AIMS. Coordination between the ACE Coordinator and the local System Administrator is necessary to reduce problems with the ACE process.

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- **Do Not** run the LAP process for Status 10 updates while the ACE Create process is running.
- **Do Not** run the LAP process for the Status 10 updates on the same day as the Status 10 date.
- **Do Not** run the LAP interface before the AIMS database goes to full display, or the request will be rejected.

The LAP interface should be run on the Friday following the ACE Create process for the ACE Create Status 10 updates.

(2) During the ACE Create process, cases receiving a report as first contact, in Groups B0 and B2, an AIMS request is generated in RGS to update AIMS to Status 22. After the ACE Create process is completed, the LAP process must be run to update AIMS. Coordination between the ACE Coordinator and the local System Administrator is necessary to reduce problems with the ACE process.

- **Do Not** run the LAP process for Status 22 updates while the ACE Create process is running.
- **Do Not** run the LAP process for the Status 22 updates on the same day as the Status 22 date.
- **Do Not** run the LAP interface before the AIMS database goes to full display, or the request will be rejected.

The LAP Interface should be run on the Monday following the ACE Create process for the ACE Create Status 22 updates.

Note: If the case is removed/rejected from the CPS transmission you should remove the pending update (shown with a "P" on the RGS record) before the interface is done. This will prevent AIMS from being updated incorrectly.

4.19.20.2.6
(03-09-2022)
Aging

(1) The ACE Aging process takes place in Group B0 and accomplishes the following actions:

- Identifies Group B0 inventory in Status 22, 23, or 25, where the suspense dates are ready to age to Status 24. The Aging program searches for all cases that are prior to and 8 days forward from the day the Aging program is run
- Searches inventory for cases in Status 53 (previously rejected from ACE, Status 24)
- Creates warning lists
- Filters cases to Group B1 if a filter condition is met and the case is ready to age
- Creates filter reject lists for cases in Group B1
- Automates aging from Status 22, 23, 25 or 53 to 24
- Generates AMSTUS (Status 24) AIMS update record
- Generates print job and saves copy of Form 4549 and Form 886-A in the case file documents folder
- Generates ACE AMSTUS Inventory Reports
- Generates the AMSTUS request for Statutory Notice of Deficiency generation through the STN 01
- Identifies and "marks" cases that will process through STN 02
- Requests Statutory Notice generation through STN 01 for cases not going to CPS (STN information explanations below) Requests Statutory Notice generation through STN 02 to the CPS site

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Note: If the case is removed/rejected from the CPS transmission, remove the pending update (shown with a "P" on the RGS record) before the interface is done. This will prevent AIMS from being updated incorrectly.

Note: Once the case is reintroduced into Group B0 the Aging program will recognize Status 53 and it will be picked up for aging to Status 24 the next time it is run.

(2) **How CPS works at the Aging (Statutory Notice) stage:** When the ACE Aging filters (STN Filter program) are run, the program identifies the usual "filter reject conditions" and moves the case to Group B1 for TE action. It also reviews each case to determine if the individual package meets the requirements for inclusion in CPS. If the case meets the CPS requirements, it is marked for processing through the STN 02 process. If either of the conditions is not met, the case will not be processed through CPS and the case is processed through the STN 01 process.

	If the Statutory Notice of Deficiency package is processed through STN 02/CPS:
1	The ACE created letter and report will be printed and mailed by the CPS site.
2	The Statutory Notice and report package will be printed and mailed by the CPS site on the 3rd Monday after the Aging program is run.
3	The RGS and AIMS Status date will be the 3rd Monday date.

	If the Statutory Notice of Deficiency package is generated through STN 01:
1	A Statutory Notice file will print locally and the report will be created in the Print Manager Program for local printing and mailing.
2	The Statutory Notice will be dated for the following Friday after the Aging program is run.
3	The RGS and AIMS Status date will be the following Friday date.
4	Cases processed through STN 01 will be automatically updated on RGS to Status 2491.

(3) The following RGS Case Summary Record fields are updated during the ACE Aging process:

	Status Code to 24 (if additional 2 digits of the Status Code are present on Status 22, they will also display on Status 24):
1	Status Date to the date of the 90 Day Letter

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	Status Code to 24 (if additional 2 digits of the Status Code are present on Status 22, they will also display on Status 24):	
2	For STN 01 cases – Action text updated to Auto Statutory
3	For STN 02 cases – Action text updated to Auto Statutory NPS
4	Action Date to ACE run date
5	Suspended date to the letter date plus 105/165

(4)   The ACE Aging program provides a copy of the report for the Statutory Notice mail out package in one of two ways.

	Extracted:
	The report for ACE Aging will be extracted if the following conditions apply:
1	If the original report was created by ACE,
2	the "RAR_mmddhhmmss.pdf" is present in the Case File Doc folder,
3	the Tax Comp run date/time is earlier than date/time of the "RAR_mmddhhmmss.pdf",
4	the Status on the RGS Case Summary record is not 23XX,
5	then a copy of the report will be extracted from the original ACE created PDF file.

	Regenerated:
	The report for ACE Aging will be regenerated based on the Forms/Schedules that are present in the Reports/Tax Computation screen for the following situations:
1	The ACE created PDF file "RAR_mmddhhmmss.pdf" is not present in the Case File Documents folder
2	The Status on the RGS Case Summary record is 23XX (this is regardless of whether the ACE Created PDF file is present or not)
3	The ACE Created PDF file "RAR_mmddhhmmss.pdf" is present in the Case File Documents folder, but the Tax Comp run date/time is later than the date/time on the ACE created PDF file.

If the additional two digits of the Status Code are present at the time of the ACE AMSTUS Aging process, it will update the Status in RGS to 2498.

Note: XX99 should not be used prior to the issuance of the Statutory Notice of Deficiency. The Technique Code 7 means Undeliverable Statutory Notice.

Caution: If the case is being updated to Status 2598 (reply report not revised) and the report was previously revised and in Status 23, then the PDF file in the Case File Documents folder **must** be deleted. Also, delete the PDF (if it exists) file from the Case File Documents folder.

(5)   Warning lists will be generated for cases in Group B0 in Statuses 22, 23 or 25 with a Suspend Date within 24 days from the current date. The listing will display the number of days in Status 22, 23, or 25, and if there is a filter

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condition present. Cases with filter conditions should be reviewed and resolved within two weeks of the running of the AMSTUS process.

- Review the warning lists weekly for all reject conditions and take actions needed to resolve the issue (i.e., make correction and place case back into B0 or work manually).
- Identify cases with a Power of Attorney (POA)/Taxpayer Information Authorization (TIA) on file.
- Update the Report Generation Software (RGS) Contacts section to reflect the name, address and other relevant information shown on CAF. Check the POA box to ensure that the Letter 937 and copy of the correspondence letter is generated to be sent to the authorized POA on file.

Note: Ensure Letter 937 is always saved in RGS Case File Documents when issued to the taxpayer.

(6)   Command Code AMSTUS will be generated for each case in Group B0 in Status 22, 23, or 25 where the suspense date indicates that the case is ready to age to Status 24. The Aging program searches for all suspense dates prior to and 8 days forward from the day the Aging program is run.

- The filter program searches the Taxpayer Information File (TIF) and Corporate File On-Line (CFOL) for each case for conditions that would require a tax examiner to take additional action.

If the filter condition cannot be resolved (i.e., EGC TC 290, Z Freeze) the ACE program will not automate the Statutory Notice and non-ACE procedures should be used to issue the Statutory Notice.

- Cases with a filter condition will automatically be reassigned to Group B1.

4.19.20.2.6.1
(12-16-2019)
Taxpayer Correspondence Received PRIOR TO the Issuance of the Statutory Notice of Deficiency Non-CPS

(1)   If taxpayer correspondence is received for cases in ACE Group B0, and the case Status is 10, 22, 23, or 25:

1.   Reassign case from Group B0.
2.   After the case is received in the Correspondence Group, make the following updates to RGS and AIMS using the LAP process, and reassign the case to an examiner. See the update and value table below:

Update	Value
Status Code	54, 55, 57
Status Date	Leave blank
Correspondence Received Date	Earliest IRS received date of taxpayer's response
Action Text	Local decision
Employee Group Code	Correspondence Group Code
RGS Group	Corresponding one to EGC

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Note: Follow general Examination program guidelines and procedures when evaluating taxpayer correspondence.

(2) If, after evaluation of the taxpayer correspondence, the examination remains open, the case will be reintroduced to ACE processing for aging. Review the taxpayer's account for filter conditions. If there is a filter condition present, do not reassign the case to Group B0.

Note: If there is a penalty assessed on the case and the penalty has been calculated within RGS, the case can be reassigned to Group B0 for the automated Aging/AMSTUS process. The ACE/Aging/AMSTUS process will recognize the correct penalty to input on the Statutory Notice of Deficiency.

(3) Update RGS and AIMS using the LAP process as follows:

Update	Value
Status code	2298 - if Status prior to 54, 55, 57 was 10 2398 (Revised Report) or 2598 (Report not Revised)
Status date	Date of letter for Status 2298 Date of letter for Status 2398. Leave blank for Status 25
Suspend date	See Taxpayer Responses in IRM 4.19.13.11, *Taxpayer Replies*
Action text	Description of action taken
Employee Group Code	EGC determined by campus
RGS Group	B0

Note: Updating the RGS Case Summary Record with an additional two digits will generate the correct disposal code and technique code for the ACE Closing process. The cases will remain in group B0 but MUST have the proper Status Code on RGS to close with the correct Blocking Series, Technique and Disposal Code information on Form 5344.

4.19.20.2.6.2
(01-08-2015)
Taxpayer Correspondence Received AFTER the Issuance of the Statutory Notice of Deficiency Non - CPS Generated Mailing

(1) If taxpayer correspondence is received for cases in ACE Group B0, after the Statutory Notice is issued,

    a. Reassign case from Group B0.
    b. After the case is received in the Correspondence Group, make the following updates in the tables below to RGS and AIMS using the LAP process, then reassign the case to an examiner:

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Update	Update Value
Status Code	Update to Status 2498 (in RGS Only) if Taxpayer correspondence received while case in Status 24
Status Code	Update to Status 2497 (in RGS Only) if the 90 Day letter was returned "Unclaimed" or "Refused." Do not update the case to 2497, if already in 2498, because the taxpayer replied during the examination.
Status Code	Update to Status 2499 (in RGS Only) if 90 Day letter is returned "Undeliverable" and no new address can be secured. Do not update to 2499, if already in 2498, the taxpayer replied during the examination.
Correspondence **(only when updating to 2498)**	Earliest IRS received date of the taxpayer's response
Action Text	Description of action taken
Employee Group Code	Group code of Correspondence unit to which the case is assigned – if mail is being assigned for review
RGS Group	Corresponding one to EGC

Note: Updating the RGS Case Summary Record with an additional 2 digits will generate the correct disposal code and technique code for the ACE Closing process. The cases will remain in group B0 but MUST have the proper Status Code on RGS to close with the correct Blocking Series Technique and Disposal Code information on Form 5344.

Reminder: Follow general Examination program guidelines and procedures when evaluating taxpayer correspondence.

(2) Because the case has already aged through ACE processing (Status 24), the correct suspense date should already be present. Verify that the suspense date is correct before reassigning the case to Group B0. The suspense date will control when the case is aged to close (Status 51).

•   Reassign case to group B0.

The case will remain in group B0 until a reply is received or the case systemically ages to default.

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4.19.20.2.6.3
(01-08-2015)
**Taxpayer
Correspondence
Received PRIOR TO the
Issuance of the
Statutory Notice of
Deficiency - But After
the Case Has Been
Updated to ST 24 - CPS
Generated Mailing**

(1) If taxpayer correspondence is received for cases in ACE Group B0 that are scheduled to go to the Consolidated Print Site (CPS) after the case has been updated to Status 24 on AIMS but prior to the transmission of the file to the CPS.

   a.   Reassign case from Group B0.
   b.   Manually back the status down to Status 53 on AIMS and update RGS to Status 53.
   c.   Delete the record in the Print Manager program to prevent it being transmitted to CPS (coordination with the ACE Coordinator is required).
   d.   Make the following updates to RGS and AIMS using the LAP process:

Update	Update Value
Status Code	Update to Status 54, 55, 57
Correspondence Received Date	Earliest IRS received date of the taxpayer's response
Action Text	Description of action taken
Employee Group Code	Group code of Correspondence unit to which the case is assigned
RGS Group	Corresponding one to EGC

4.19.20.2.6.4
(01-08-2015)
**Taxpayer
Correspondence
Received AFTER the
Issuance of the
Statutory Notice of
Deficiency CPS
Generated Mailing**

(1) If correspondence is received after the transmission of the file to CPS, the Statutory Notice cannot be deleted.

   a.   Reassign the case from Group B0.
   b.   Make the following updates to RGS and AIMS using the LAP process:

Update	Update Value
Status Code	Update to Status 2498 (in RGS Only)
Correspondence Received Date on RGS and AIMS	Earliest IRS received date of the taxpayer's response correspondence
Action text	Description of action taken
Employee Group Code	Group code of Correspondence unit to which the case is assigned
RGS Group	Corresponding one to EGC

(2) Once the file has been transmitted to CPS the Statutory Notice of Deficiency will be considered as mailed even if the letter carries a future date.
All correspondence received will be:

   •   Held until the letter date of the Statutory Notice
   •   Worked as priority basis based on the date of the Statutory Notice
   •   Worked within 5 days of the Statutory Notice date

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4.19.20.2.7
(12-04-2023)
Closing

(1) The closing filter program searches the TIF and CFOL for each case in Group B0, Status 24 or 24XX with a suspense date prior to and one (1) day forward from the day the Closing program runs.

(2) Warning lists, detailing those cases which meet ACE closing filters, are generated two weeks before for cases in Group B0 and in Status 24 or 24XX with a suspended date within 24 days from the day the closing filter program runs. The listing displays the number of days in Status 24 and lists any filter conditions present.

    a. Many of these filter conditions can be corrected prior to the suspended date and the case reintroduced to ACE processing to close when the suspense date is reached.

    b. If the filter condition cannot be corrected, the case must be removed from ACE processing and closed manually.

Note: When using the warning list to identify cases that require manual closing, care must be taken to ensure that the case is not closed early.

- Review the warning lists weekly for all reject conditions and take the actions needed to resolve the issue (i.e., make corrections and place case back into B0 or work case manually).
- Identify cases with a Power of Attorney (POA)/Taxpayer Information Authorization (TIA) on file.
- Update the Report Generation Software (RGS) Contacts section to reflect the POA's/TIA's name, address and other relevant information shown on CAF. Check the POA box to ensure that the Letter 937 and copy of the correspondence letter is generated to be sent to the authorized POA on file.

Note: Ensure Letter 937 is always saved in RGS Case File Documents when issued to the taxpayer.

(3) An AMCLS command will be generated for each case in Status 24 and 24XX where the suspense date indicates that the case is ready to close. The case status is updated to 51XX in CEAS/RGS only. AIMS will not be updated to Status 51.

(4) If a case is still in B0 when the case is ready to close and it has a filter condition that prevents automated closure, the case will move to group B1 at the end of the process. A tax examiner must review, research, and address the filter conditions and close the case manually.

(5) The following fields are updated on the RGS Case Summary Record during the ACE Closing process:

- **Status Code** = 51 changes to Status 90 when the interface is done
- **Status date** = ACE run date
- **Action text** = Auto Close
- **Action date** = ACE run date
- **Historical Data** = .1 (1/10) time added to the Exam time to reflect the default time

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(6) The four-digit status on the RGS Case Summary Record at the time of closing will determine the Disposal Code and the Technique Code that will generate on Form 5344, Examination Closing Record.

(7) Cases that have no filter condition will have Form 5344 automatically prepared and validated, however, cases that are worked solely through the ACE process will not save Form 5344 to CEAS. The Disposal Code and the Technique Code that will generate is based on the RGS Summary Record Status.

Status	Disposal Code	Technique Code
24	10	6
24 - telephone response	10	8
2490 SNOD issued using AMSTUS	10	6
2491 SNOD issued manually	10	6
2493 Paper no reply	10	6
2497 Unclaimed/refused	10	6
2498 response	10	2
2499 undeliverable	13	7

(8) Updating the RGS Case Summary Record with an additional 2 digits will generate the correct disposal code and technique code for the ACE Closing process.

(9) Once the case is closed:

- The case will automatically archive.
- A Closing Information Cover Sheet (CICS) is generated and printed by the Print Manager Program and forwarded to files.

The requirements for sending closed cases to files using the CICS is different for cases that went through STN 01 versus STN 02. See IRM 4.19.21, Clerical, for disposition information.

4.19.20.2.8
(01-01-2007)
Reports

(1) Various ACE Summary reports are generated during the ACE Create, Aging, and Closing processes. Automated emails are sent to those individuals designated to receive the ACE Summary reports. The system Administrator provides the email information for each designee. Refer to ACE User Guide Revision, Part IV, Print Manager for report listings and instructions for viewing and printing the filter and inventory reports.

4.19.20.2.9
(08-07-2013)
Reviews

(1) Sites will conduct the following **mandatory** review of ACE cases:

New RGS Program Releases and New Functionality

- 10% or no more than 50 of the Create 1 cases produced for every project code will be processed in the first cycle of the new release

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- 10% sampling of mixed project codes in the Create 2, Aging and Closing will be processed in the first cycle of the new release

Weekly reviews

- Five Cases – per project code, per process, of cases routed to Group B0.
- 100% review of cases routed to Group B2

Note: All cases for review will be randomly selected from those available. If significant problems are encountered, additional review may be needed. Review will be performed by the ACE team leader or person(s) designated by the operation. Certification of the reviews will be provided to the Operations Manager. The Operations Managers will retain a record of the certification.

(2) When performing the output review, all of the following will be considered:

- Letter, Report, all variations of Form 886, and any schedules
- Entity Information
- Tax computation
- Applicable issues addressed
- Appropriate explanation given for each issue adjusted

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4.19.20.2.9