



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.50.3

SEPTEMBER 27, 2022

EFFECTIVE DATE

(09-27-2022)

PURPOSE

- (1) This transmits revised IRM 4.50.3, LB&I Compliance Integration, Large Corporate Compliance Program.

MATERIAL CHANGES

- (1) Updated references to Large Corporate Compliance (LCC) program pointing criteria to IRM 4.50.2.2.1.1, Large Corporate Compliance Program - Point Criteria Factors.
- (2) Updated verification performed by case manager in IRM 4.50.3.2.2, Steps Performed in Preparation of LCC Case Assignment, paragraph (3).
- (3) Added new subsection 4.50.3.2.1.1 regarding project and tracking codes for related returns.
- (4) Added subsection 4.50.3.3.1.2 regarding approval by Risk Identification Control Board (RICB).
- (5) Editorial corrections made throughout.

EFFECT ON OTHER DOCUMENTS

IRM 4.50.3 dated May 24, 2021 is superseded.

AUDIENCE

All LB&I employees and IRS examination functions.

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4.50.3

Large Corporate Compliance Program

Table of Contents

4.50.3.1 Program Scope and Objectives

4.50.3.1.1 Background

4.50.3.1.2 Authority

4.50.3.1.3 Responsibilities

4.50.3.1.4 LCC Program Objectives and Review

4.50.3.1.5 Terms/Definitions/Acronyms

4.50.3.1.6 Related Resources

4.50.3.2 LCC Program Administration

4.50.3.2.1 Project Codes

4.50.3.2.1.1 Related Returns Project Codes and Tracking Codes

4.50.3.2.2 Steps Performed in Preparation for LCC Case Assignment

4.50.3.3 LCC Examination Steps and Process

4.50.3.3.1 Practice Area Decision Process (PAD)

4.50.3.3.1.1 PAD Process Steps

4.50.3.3.1.2 Risk Identification Control Board (RICB)

4.50.3.3.2 Related Guidance

Exhibits

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4.50.3-2 LB&I Practice Area Decision Process Template

4.50.3.1
(05-24-2021)
Program Scope and Objectives

- (1) This IRM provides an overview of the Large Corporate Compliance (LCC) Program which was implemented by LB&I in May 2019.
- (2) **Purpose:** LCC is a component of LB&I's mission to identify the highest potential compliance risks among LB&I's largest corporate taxpayers and to assign resources to address these risks. LCC uses data analytics and examiner feedback to select work.
- (3) **Audience:** All LB&I personnel.
- (4) **Policy Owner:** Assistant Deputy Commissioner Compliance Integration (ADCCI).
- (5) **Program Owner:** ADCCI is responsible for administration, procedures and updates to the program.
- (6) **Primary Stakeholders:** In addition to LB&I personnel, SB/SE and TE/GE examiners who work on large cases may also be impacted.

4.50.3.1.1
(05-24-2021)
Background

- (1) The LCC program replaced the Coordinated Industry Case (CIC) program within LB&I for the selection of large corporate cases beginning with 2017 tax returns. The LCC program uses automated pointing criteria to identify the LCC population of taxpayers. (See IRM 4.50.2.2.1.1, Large Corporate Compliance Program – Point Criteria Factors.) The LCC program further improves case selection using advanced data analytics to determine LCC categories as defined in IRM 4.50.3.1.5. The LCC program is continually monitored and improved based on feedback from stakeholders including analysts, examiners, practice networks and data scientists.
- (2) The LCC program uses the LB&I examination process as specified in IRM 4.46, LB&I Examination Process. However, prior CIC cases are completed and closed as CIC cases. Over time, all IRM provisions currently addressing procedures for CIC cases will be updated. Until such updates are completed, LB&I employees are instructed to treat all IRM references to the CIC program as applying to the LCC program.

4.50.3.1.2
(05-24-2021)
Authority

- (1) See IRM 4.46.1.1.2, LB&I Examination Process - General Information and Definitions, Authority.

4.50.3.1.3
(05-24-2021)
Responsibilities

- (1) LCC is one of the primary compliance programs managed at the portfolio level in LB&I. Portfolio management operations reside in Office of the ADCCI in LB&I.
- (2) Governance over LB&I's portfolio of compliance programs is ultimately held by the Compliance Strategy Council whose members include senior LB&I leadership. The Council is advised by teams that perform quarterly reviews of all compliance programs. LCC is evaluated against the performance of other parts of the portfolio.

4.50.3.1.4
(05-24-2021)
LCC Program Objectives and Review

- (1) **Program Goals:** The LCC program's primary goal is to improve selection of large corporate cases by focusing on the characteristics of the largest Form 1120 filers in LB&I's taxpayer population. LCC automates the IRM pointing criteria and uses an algorithm to assign categories for LB&I's largest corporate returns. See the flowchart in Exhibit 4.50.3-1.

- (2) Objectives of the LCC program are to:
- Apply automated pointing and data analytics** to the entire LB&I corporate (Form 1120) filing population in support of data-driven prioritization of workload selection.
 - Establish standard processes and metrics**, facilitating comparison of LCC performance against other selection methods.
 - Promote optimization of resource assignment** to the most productive work.
- (3) **Program Reports:** LCC monitoring, performance, and quality reports are provided to LB&I management for program evaluation. Employee feedback is also considered via the methods described in paragraph (4) below. LCC is evaluated against standards set for LB&I compliance programs and workload selection.
- (4) Monthly reports are used to monitor results of LCC returns. LCC case risk analyses will be reviewed and focus group sessions with examination groups will gather case-specific feedback and recommendations for program improvement. In addition, LCC algorithm attributes are reviewed to determine if modifications or adjustments may be required. Documented feedback ensures the LCC program can be evaluated in an objective, accountable way.
- (5) **Quarterly Review:** To ensure validation, accuracy, and consistency factors in the LCC program, quarterly operational reviews are performed. Changes or modifications to the program are governed by the Compliance Strategy Council.
- (6) LCC complies in all respects to fairness and integrity standards established in IRM 1.2.1.2.36, Policy Statement 1-236.
- (1) As this IRM introduces many new concepts and cross-references, the tables below are provided as references.

4.50.3.1.5
(09-27-2022)
**Terms/Definitions/
Acronyms**

Definitions

Term	Definition
Attribute	Issue-based tax compliance characteristic as identified by subject matter experts
Audit Risk Analysis (Risk Analysis)	The Audit Risk Analysis is performed by the examination team. It identifies the likelihood that a specific issue or item reported on a tax return contains a material error.
Case-Built File	The Case-Built File (CBF) is a repository for case related information that is available to employee(s) assigned to examine a return.

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Term	Definition
Pointing	Method for stratifying corporate returns based on relative size and other factors. See IRM 4.50.2
Portfolio Management	Portfolio management is a tool for managing large and complex programs and projects. LB&I adopted the Portfolio Management framework for prioritizing work and allocating resources.
Practice Area Decision (PAD)	Tool to help practice areas decide whether to survey or examine an LCC return (See Exhibit 4.50.3-1).

Acronyms

Acronym	Definition
LCC	Large Corporate Compliance
CIC	Coordinated Industry Case (legacy term)
CAP	Compliance Assurance Program
CBF	Case-Built File
CEP	Coordinated Examination Program (legacy term)
CMC	Content Management & Collaboration
LECS	LB&I Electronic Classification System
LWIS	LB&I Workload Identification System
PAD	Practice Area Decision

Note: Definitions of other acronyms used in this IRM may be found in IRM Exhibit 4.46.1-3, Quick Reference Guide - Acronyms Only.

4.50.3.1.6
(05-24-2021)
Related Resources

- (1) LB&I's website is: <https://irssource.web.irs.gov/LBI/Pages/Home.aspx>
- (2) Questions about the LCC Program can be sent to: **LB&I LCC Program*.
- (3) The IRS Virtual Library is a resource for more detailed information.

4.50.3.2
(09-27-2022)
**LCC Program
Administration**

- (1) LCC as a program is administered by a program manager in ADCCI and monitored for program performance and improvements. The LCC Program includes the processes and oversight required to identify, prioritize and allocate resources among LB&I's largest and most complex Form 1120 taxpayers. Monitoring tools and feedback are used to assess effectiveness and make adjustments as warranted.
- (2) In addition to monitoring program work, program staff brief LB&I management on results, resource requirements and coordinate guidance and training. A central mailbox for the LCC Program is available to provide comments, questions and feedback about the program. LCC automates the pointing process and utilizes data analytics to categorize LB&I's largest corporate returns. See IRM 4.50.2.2.1.1, Large Corporate Compliance Program – Point Criteria Factors.

4.50.3.2.1
(05-24-2021)
Project Codes

- (1) The following project and tracking codes are assigned to Large Corporate Compliance Program work:

Practice Area	Description	Project Code	Tracking Code	Project Contact	Multiple Years	Related Return
Geographic Practice Areas		0548		*LCC Project Team	Consult with Project Contact	Consult with Project Contact

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4.50.3.2.1.1
(09-27-2022)
**Related Returns Project
Codes and Tracking
Codes**

- (1) Generally, related returns will carry the same project and tracking code as the
- (2) Generally, LCC primary returns (2017 and 2019 returns) are updated with project code and tracking code (if available and appropriate) before they are assigned to the field. Related return pick-ups may need updates to project code, tracking code and ERCS CIC LCC code. For any LCC return questions, including LCC project code and tracking codes, please contact the **LB&I LCC Program*.

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4.50.3.2.2
(09-27-2022)
**Steps Performed in
Preparation for LCC
Case Assignment**

- (1) **Pointing:** Pointing criteria are automatically applied to all LB&I Form 1120 returns as they are filed. Returns with a point total of 15 or greater qualify as LCC taxpayers. Refer to IRM 4.50.2.2.1.1, Large Corporate Compliance Program - Point Criteria Factors.

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- (3) **Inventory Controls:** Managers will work with Planning and Special Programs (PSP) analysts to obtain LCC cases for audit. LCC returns will be delivered to examination groups through the LECS/LWIS/CMC system. The case manager will verify the project and tracking codes (IRM 4.50.3.2.1). The case will be assigned to an examiner via the ERCS/AIMS system. The associated Case Built File (CBF) contains a Decision Matrix, the Practice Area Decision template, document indicating possible areas of risk (Word file name starting with "0002 LCC") and other relevant materials. The case manager will verify the CIC/LCC code in ERCS (as of Jan. 2021, "CIC Indicator" changed to "LCC/CIC Code").

4.50.3.3
(05-24-2021)
**LCC Examination Steps
and Process**

- (1) LCC audits are performed using the LEP procedures described in IRM 4.46.
- (2) The LCC audit planning phase needs to follow the administrative procedures found in IRM 4.46.3.10, Coordinated Industry Case (CIC) Information.
- (3) LCC audits do not utilize the Issue Selection and Collaboration Process (ISCP) process (i.e. – MIRA/SIRA), but the Collaboration Assessment Matrix (CAM) is available. The Specialist Referral System (SRS) should be used to request specialist resources. Refer to IRM 4.46.3.2.1 and IRM 4.46.3.2.6.
- (4) **Audit Risk Analysis:** LCC works in tandem with LB&I examiners who apply their experience in undertaking compliance actions of the largest and most complex corporate taxpayers. The examination team performs an audit risk assessment (analysis) to identify issues or items that may contain a material error.
- (5) **Decision Matrix:** The exam team is to review the Decision Matrix recommended action for an LCC case. If the exam team seeks to deviate from the Decision Matrix recommended action, the Practice Area Decision Process (PAD) documents the team's reasons for an alternate course of action. Refer to IRM 4.50.3.3.1

4.50.3.3.1
(05-24-2021)
**Practice Area Decision
Process (PAD)**

- (1) The PAD process is initiated when the exam team seeks to deviate from the Decision Matrix recommendations for an LCC return.
- (2) The Practice Area Decision Process Template tool documents examination team decisions regarding compliance risk and proposed treatment, including survey decisions. Exhibit 4.50.3-2 provides a sample template.
- (3) The PAD process is not required for ordinary case level decisions such as working on prior and subsequent year examinations or for delays in starting the examination.

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4.50.3.3.1.1
(05-24-2021)

PAD Process Steps

- (1) The first step in the PAD process is the case manager informing the territory manager that the examination team seeks to deviate from the recommended action per the Decision Matrix (available in the CBF).
- (2) The case manager establishes a PAD team and coordinates its actions. A PAD team consists of:
 - Territory manager (required)
 - Case manager (required)
 - Team coordinator (required)
 - Issue team managers (as applicable)
 - Any other managers (as applicable)
- (3) After the team is established, the team members use the PAD template to inform the Director of Field Operations (DFO) regarding their reasoning not to follow the Decision Matrix recommended course of action. Items to consider include, but are not limited to:
 - Prior cycle status and results, including issues considered and resolved
 - Resources
 - Any significant compliance risk of related returns
 - Effectiveness of a limited scope audit
 - Reasons for the proposed action
 - Other factors deemed necessary
- (4) The completed PAD must be signed by the team manager and territory manager.
- (5) DFO approval is required before any deviation from the recommended action is allowed. A DFO email is sufficient documentation.
- (6) The completed PAD template and DFO approval are to be uploaded into IMS under SAIN 003, with the file name "003-00-00 PAD".

Note: PAD template can be added to IMS as an existing document before the case is surveyed.

4.50.3.3.1.2
(09-27-2022)

Risk Identification Control Board (RICB)

- (1) The LCC data analytics method must be approved by the Risk Identification Control Board (RICB). See IRM 4.50.2.1.5, Program Controls, paragraph (3).

4.50.3.3.2
(05-24-2021)

Related Guidance

- (1) Regarding Revenue Procedure 94-69 (regarding disclosure of items to avoid certain penalties in lieu of a qualified amended return for certain taxpayers): Continue to apply to any taxpayer that had an open CIC exam as of May 21, 2019 and the taxpayer's 2017 return was LCC. On August 29, 2020, the IRS announced it was considering obsoleting Rev. Proc. 94-69 and was seeking comments by October 19, 2020. LB&I is reviewing the comments, suggestions and may obsolete, modify, or replace Rev. Proc. 94-69.

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Exhibit 4.50.3-2 (05-24-2021)**LB&I Practice Area Decision Process Template**

Purpose: The Practice Area Decision Process (PAD) is a tool for use by each practice area, territory and team in reaching a decision regarding the disposition of a Large Corporate Compliance (LCC) taxpayer audit, whenever the team's proposed treatment of a particular taxpayer deviates from the recommended action (decision matrix).

Factors for Consideration: Some items for consideration by the team are the status and results of prior cycles, including issues considered and resolved in prior cycles, area resources, the significant compliance risk of other returns, estimated resources required to complete the audit, effectiveness of a limited scope audit, reasons for the proposed action, and other factors that should be considered.

Members: The composition of the PAD is a determination made on a case by case basis, but must include:

Territory Manager

Case Manager

Team Coordinator

Other team members can include:

Manager

Specialist manager

Specialist

OTHER

OTHER

TAXPAYER:

MFT:

FYE:

Recommended Action

(From Decision Matrix):

Proposed Action

(From Exam Team):

Factors:

PAD Recommendation:

Team Manager: _____

Territory Manager: _____