



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.70.7

OCTOBER 8, 2021

EFFECTIVE DATE

(10-08-2021)

PURPOSE

- (1) This transmits revised IRM 4.70.7, TE/GE Examinations, Special Review (SR) and Tax Exempt Quality Measurement System (TEQMS) Procedures.

BACKGROUND

- (1) This manual section identifies Special Review's responsibilities and the TEQMS procedures, for reviewing, measuring and reporting, on the quality of TE/GE examinations (exams).

MATERIAL CHANGES

- (1) Deletes mandatory review cases from the TEQMS population. (Removed status 20 from IRM 4.70.7.1 (1)(a), updated IRM 4.70.7.2 (3) and IRM 4.70.7.5.3 (1)(c)).
- (2) Updated the instructions for completing the Form 5456. (IRM 4.70.7.5.1.1)
- (3) Minor editorial changes, addition of business function acronyms, and addition of links.
- (4) Deleted the TE/GE Letter for Exam Reconsideration exhibit and provided a link to the new catalogue Letter 6109. (IRM 4.70.7.5.2, IRM Exhibit 4.70.7-1)
- (5) Removed final paragraph (IRM 4.70.7.5.3 (2)) because Special Review does not receive unagreed cases.

EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 4.70.7 dated August 22, 2018.

AUDIENCE

Tax Exempt and Government Entities

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4.70.7

Special Review (SR) and Tax Exempt Quality Measurement System (TEQMS) Procedures

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4.70.7.1
(10-08-2021)
Program Purpose and Authority

- (1) **Purpose:** IRM 4.70.7 identifies SR's responsibilities and TEQMS procedures, for reviewing, measuring and reporting on the quality of TE/GE exams. SR will:
 - a. Apply TEQMS to their review of closed exams (status 51 or 90) selected for review.
 - b. Offer suggestions to improve the quality in TE/GE exams.
 - c. Report the organizational scores.
 - d. Analyze and prepare an error trends report for each function.
- (2) **Audience:** This IRM gives procedural guidance for TE/GE employees in SR.
- (3) **Stakeholders:** TE/GE Examination and Closing Unit functions.
- (4) **Program Owner:** Director, Compliance Planning & Classification
- (5) **Program Authority:** Treasury Regulation Part 801, *Balanced Measurement System for Measuring Organizational and Employee Performance*, put in place the IRS Balanced Measurement System. This system supports the IRS's overall mission by:
 - a. Assessing organizational performance through key measures
 - b. Scoring cases numerically for quality

4.70.7.1.1
(08-22-2018)
Background

- (1) Treasury Regulation Part 801 mandates certain quality measures for TE/GE exams.
 - a. The CP&C Operation was created in May 2017.
 - b. EP and EO Special Review groups, under the former Examination Planning and Review unit in the respective Exam functions were moved to CP&C.
 - c. CP&C and SR responsibility to review and report case quality for all TE/GE exams was established.

4.70.7.1.2
(10-08-2021)
Acronyms and Forms

- (1) This manual uses the following acronyms and references the following forms.

Acronyms

Acronym	Definition
AIMS	Audit Information Management System
BMF	Business Master File
CP&C	Compliance Planning and Classification
DCI	Data Collection Instrument
EP	Employee Plans
EPMF	Employee Plans Master File
EO	Exempt Organizations
GE	Government Entities
IDRS	Integrated Data Retrieval System
FSL/ET	Federal State and Local Governments/Employment Tax

Acronym	Definition
IMF	Individual Master File
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
ITG	Indian Tribal Government
MFT	Master File Tax Account
MR	Mandatory Review
NMF	Non-Master File
POD	Post of Duty
RCCMS	Reporting Compliance Case Management System
SR	Special Review
SS	Shared Services
TEB	Tax Exempt Bonds
TE/GE	Tax Exempt & Government Entities
TEQMS	Tax Exempt Quality Measurement System
TIN	Taxpayer Identification Number
TUG	TEQMS User Guide
WebETS	Web-based Employee Technical time System

Forms

Form	Name
Form 886-A	Explanation of Items
Form 3198-A	TE/GE Special Handling Notice
Form 5456	Reviewer's Memorandum
Form 5457	Response to Reviewer's Memorandum
Form 5595	TE/GE Update

4.70.7.1.3
(08-22-2018)

Program Overview

- (1) TEQMS measures the quality of TE/GE Examinations and offers ratings and comments at the national level.
- (2) TEQMS has three quality measures:
 1. Proper Identification, Development and Resolution of Issues
 2. Taxpayer Communication (Internal & External)
 3. Timeliness

- (3) Each quality measure evaluates elements essential to an exam. Elements are:
 - a. Individually rated (20 total).
 - b. Written as questions for the specific measure.
 - c. Coded with specific reason codes (quality priorities) for the reviewers to consider when rating an element, NO.
- (4) The reviewer:
 - a. Evaluates the managerial, technical and procedural actions taken in the exam case.
 - b. Rates each element YES, NO or N/A according to the instructions in the function specific appendices of the TUG (<https://portal.ds.irsnet.gov/sites/TEGE/Pages/lib/HQ/tege-teqms-ep-user-guide-0118.pdf>).
 - c. Uses his/her professional judgment when rating each element.
- (5) Reviewers, group managers and examiners, should reference the TUG (<https://portal.ds.irsnet.gov/sites/TEGE/Pages/lib/HQ/tege-teqms-ep-user-guide-0118.pdf>) for their specific business function for a complete list of:
 - a. Elements
 - b. Reason codes
 - c. Explanations
 - d. Examples

4.70.7.1.4
(08-22-2018)
**Program
Responsibilities and
Benefits**

- (1) SR evaluates exam cases and reports TEQMS results.
- (2) SR alerts management of areas that need attention and recommends quality improvements.
- (3) SR duties are to:
 - a. Review randomly selected, closed exam cases for quality.
 - b. Compile and analyze quality review results.
 - c. Give U.S. statistical and error trends analysis to managers, and examiners through the area managers.
 - d. Identify quality improvement opportunities.
 - e. Train new reviewers.
 - f. Participate in consistency reviews.
 - g. Communicate with employees via reports and presentations.
- (4) SR expects the following benefits from exam quality review reporting:
 - a. Improve customer satisfaction and protection of taxpayer rights in TE/GE examinations.
 - b. Obtain data to give quality management reports and address improvement opportunities.
 - c. Increase consistency in exams.
 - d. Identify possible training or continuing professional education needs.

4.70.7.1.5
(08-22-2018)
Staffing

- (1) Reviewers in SR should be experienced and highly competent employees who:
 - a. Have a comprehensive knowledge of accounting and auditing principles and superior skill in interpreting and applying tax laws, regulations, and court decisions.

- b. Know the exam IRM's policies and procedures for the function specific cases.
- c. Can perform managerial case reviews.
- d. Have a fair and impartial attitude.
- e. Merit the highest respect and cooperation of other employees.
- f. Assume responsibility and act positively.
- g. Communicate ideas and opinions clearly, tactfully and objectively.
- h. Apply good judgment.
- i. Exercise individual initiative.

(2) Applicants may be selected for an SR reviewer detail as follows:

- a. Full-time, 3-year assignment (may be extended to meet workload demands).
- b. Full-time, 90-day or longer assignment (to handle sudden increases in workload).
- c. Collateral Duty Reviewer assignment, not to exceed 25% of the examiner's time during a one to three-year period.

4.70.7.2
(10-08-2021)

TEQMS Case Selection

- (1) SR only reviews closed examinations. They don't review surveyed cases.
- (2) The Reporting Compliance Case Management System (RCCMS) samples and selects TEQMS cases for each function by: MFT, activity codes, disposal codes and project codes.
- (3) Mandatory Review (MR) cases are not part of the TEQMS sample universe.
- (4) All taxpayer returns, related returns and prior/subsequent year returns count as one review case.
- (5) SR determines the number of cases selected for review by multiplying an annual selection rate to the anticipated number of RCCMS case closures.
- (6) Exam cases are sampled for review selection when the exam group closes them to status 51 or 90 on RCCMS.
- (7) The TE/GE Closing Unit processes the selected closed cases and sends the paper file, if any to SR. RCCMS automatically transfers the electronic case file to SR upon closure.

4.70.7.3
(10-08-2021)

Review Procedures

- (1) SR conducts exam reviews using the guidance in the <https://portal.ds.irsnet.gov/sites/TEGE/Pages/lib/HQ/tege-teqms-ep-user-guide-0118.pdf>.
- (2) The Data Collection Instrument (DCI) is embedded in RCCMS. Reviewers answer DCI questions on each selected case. The DCI automatically populates the taxpayer information for the key/primary case, the reviewer's name and time applied, the evaluative elements and four non-measured questions. See the TUG (<https://portal.ds.irsnet.gov/sites/TEGE/Pages/lib/HQ/tege-teqms-ep-user-guide-0118.pdf>) for specific instructions for completing the DCI.
- (3) After completing the DCI, the reviewer transfers the electronic RCCMS case to the SR manager and returns the paper file, if any, to the Closing Unit.

4.70.7.4
(08-22-2018)
Program Controls

- (1) The annual sample size is statistically valid, although it has a reasonable margin of error.
- (2) The SR manager reviews the reviewer's work.
- (3) SR does consistency reviews to ensure that reviewers are consistent in the way they evaluate cases.
 - a. Each reviewer reviews the same case.
 - b. The SR group compares and discusses the reviewed case.
 - c. The SR group discusses discrepancies in their TEQMS ratings and agrees on the final rating.
 - d. The SR manager or reviewer takes minutes to record the rationale used to evaluate and rate the case based on its specific set of facts and circumstances. SR considers the minutes when updating the TUG (<https://portal.ds.irsnet.gov/sites/TEGE/Pages/lib/HQ/tege-teqms-ep-user-guide-0118.pdf>).
- (4) SR runs RCCMS case selection reports and tests them to ensure the RCCMS algorithm has captured the complete and appropriate population.
- (5) SR tests and validates the DCI and TEQMS reports when changes are made to the RCCMS TEQMS algorithm or the DCI.
- (6) The SR manager reviews and approves TEQMS reports and case returns.

4.70.7.5
(08-22-2018)
Case Return Criteria

- (1) SR may reopen and return cases they review to the group if:
 - a. There is clear evidence that an incorrect determination was reached about qualification. SR doesn't return an underdeveloped case unless there is clear evidence that a qualification issue exists.
 - b. There is a clearly defined material error based on an established IRS position at the time of the exam.

Note: "Clearly defined" means the error is clearly apparent as opposed to being vague or uncertain. "Material" refers to the dollar amount of tax that IRS would assess if the case was returned (regardless of the number of years involved). Any proposed change should involve net additional tax of at least \$10,000. Don't include penalties and interest when calculating the \$10,000. SR may return a case without an exact dollar amount if the anticipated deficiency appears to meet the dollar return criteria.

 - c. There is evidence of taxpayer or representative fraud, malfeasance, collusion, concealment or misrepresentation that the examiner didn't address.
 - d. The case can't be processed (for example, needs AIMS establishment).
 - e. The adjustment is favorable to the taxpayer and SR staff can't readily correct the report.
 - f. The error will likely result in serious criticism of the IRS's administration of the tax laws.
 - g. The error will likely establish a precedent that would seriously hamper subsequent IRS attempts to take corrective action.
 - h. The error will likely result in inconsistent treatment of similarly situated taxpayers.

- (2) The SR manager may, at his/her discretion, return related and any prior/ subsequent year returns in RCCMS associated with a returned TEQMS case considering:
 - a. Whether the separating of related return(s) would complicate case closure.
 - b. Whether a return in the file has a statute of limitation date which will expire within one year.
 - c. Which year(s) were affected by the failure(s) that warrants the case return.
 - d. Whether the failure(s) were corrected per a closing agreement.
 - e. The area and group manager's input.
- (3) The SR manager keeps a log of cases returned to the exam groups.

4.70.7.5.1
(08-22-2018)

**Special Review
Procedures for Returned
Cases**

- (1) Reviewer: After reviewing the case per the TUG (<https://portal.ds.irsnet.gov/sites/TEGE/Pages/lib/HQ/tege-teqms-ep-user-guide-0118.pdf>), determine whether the case meets the return case criteria in IRM 4.70.7.5, Case Return Criteria.
- (2) If you determine the case meets the return case criteria:
 - a. Prepare a summary and discuss it with the SR manager for concurrence.
 - b. The SR manager will ask the Issue ID and Review manager to approve sending the case summary to the director and the area manager for their agreement to reopen the exam.
 - c. If approved, the reviewer prepares Form 5456 (or similar form) to the examiner who worked the case. See IRM 4.70.7.5.1.1, Completion of Form 5456, for instructions.
 - d. Provide detail on the Form 5456 to indicate the reasons the case is being returned. Explain the facts, law, conclusion, and the reviewer's position.
 - e. Include Forms 5456 in the case file.
 - f. The SR manager contacts the Director or area manager of the exam group that conducted the exam to discuss the case return process.
 - g. If the case is still on AIMS, the reviewer prepares Form 5595 (or similar forms) to reopen the exam and updates the case status on AIMS. See IRM 4.70.7.5.1.2, instructions for completing Form 5595.
 - h. SR e-mails Form 5595 to the TE/GE AIMS coordinator for input.

Note: The TE/GE AIMS coordinator can't reopen cases per AIMS programming until after 40 days but not beyond six months of the status 90 date.

 - i. The TE/GE AIMS coordinator processes Form 5595 (or similar forms) and updates the case to the applicable AIMS status code and gives the SR manager an IDRS AMDISA print to show the update. The SR manager adds the AMDISA to the RCCMS case file.
 - j. The SR manager will update the case to the applicable RCCMS status code, and transfers the case in RCCMS to the group. (The case stays in the updated (reopened) status until closed from the group).
 - k. The SR manager mails the paper case file, if any, to the manager of the group that conducted the exam.

4.70.7.5.1.1
(10-08-2021)

Instructions for Completing Form 5456

- (1) Complete Form 5456 as follows:
 - a. Insert the group number after the group manager salutation
 - b. Box 1: Check advisory, correction, or inquiry
 - c. Box 2: identify the last agent to work the case
 - d. Box 3: enter the date returned to the group
 - e. Box 4: list the name, form, EIN, and plan name and number (EP only)
 - f. Box 5: enter the year, use hyphens if multiple periods
 - g. Box 6: indicate whether the case has a short statute
 - h. Box 7: check examination
 - i. Box 8: check sample review
 - j. Box 9: check applicable box
 - k. Box 10: enter date and initials if indicating an error in the agent's computations, if applicable
 - l. Box 11: enter the pages of the agent's report that have computation errors, if applicable
 - m. Box 12: write a detailed explanation why the case is being returned.
 - n. Box 13: electronically sign (e-sign the memo (on all pages) after completing the remaining boxes
 - o. Box 14: electronically signed by the SR Manager
 - p. Box 15: check the type of error
 - q. Box 16: check the specific error, if applicable

4.70.7.5.1.2
(08-22-2018)

Instructions for Completing Form 5595

- (1) Complete Form 5595 as follows:
 - a. Line 1 (P1-6) – Check the box “CC AMSTU”. Insert definer “R”.
 - b. Line 8 Originator – reviewer signs.
 - c. Line 9 Approved by – SR manager (or designee) signs.

Note: The form can be electronically signed.

 - d. In the numbered boxes, beginning with Box 00, include the following information for all accounts which need to be reopened: the taxpayer's name, taxpayer identification number (TIN), MFT, tax period, name control, and status code. Input different TIN types separately. Complete a separate Form 5595 for each EPMF, IMF, BMF, and NMF account
 - e. If there is a Plan/Report Number (For EP Enter the plan number for both MFT 74 and MFT 76 accounts).

4.70.7.5.2
(10-08-2021)

Group Procedures for Returned Cases

- (1) Group: When you receive a returned case:
 - a. Control the case on AIMS, RCCMS and the examiner's WebETS report.
 - b. If the AIMS account was not reopened, contact classification to get the return properly re-established.
 - c. Control the case's statute of limitations.
- (2) Examiner: Reopen Closed Examination Cases
 - a. Issue Letter 6109, Reopened Closed Examination Case, to the taxpayer with your director's signature.
 - b. Include a Form 886-A or similar attachment with the Letter 6109 to explain: why the case is being re-examined, what issues the taxpayer must address, and what actions the taxpayer must take.
 - c. Monitor and extend the statute of limitations, as applicable.

- (3) Examiner: When you're ready to re-close the case:
 - a. Prepare Form 5457 (or similar form) detailing the resolution and correction of the reviewer's issues and/or any other response.
 - b. Keep Form 5456 in the case file.
 - c. Include a copy of Form 5457 in the paper case file and in the RCCMS Office Documents folder.
 - d. Update the closing record in RCCMS.
 - e. Revise other input items in the closing record as necessary.
 - f. Prepare Form 3198-A (in RCCMS and paper file) indicating "Reopened Case and Response to Reviewer's Memorandum."
 - g. Comment in the RCCMS closing record to send both the electronic file and the paper file, if any, to SR.

- (4) Examiner: Prepare a revised closing letter if you contacted the taxpayer or representative and/or if previously issued closing letter conclusions changed:
 - a. Clearly indicate on the revised closing letter that it supersedes and replaces the prior closing letter issued on MM/DD/YYYY, due to the case being reopened.
 - b. Keep the original closing letter in the file and add the revised closing letter to RCCMS.
 - c. If including a paper letter, don't date stamp the revised letter.
 - d. Do not mail the revised closing letter to the taxpayer or representative, the SR will mail it.

- (5) Group: Reclosing the case:
 - a. Send an e-mail to the SR manager alerting him/her of the case re-closure.
 - b. Manually update the case to status 20 in AIMS using CC AMSTU.
 - c. Update the case to status 49 in RCCMS and transfer the RCCMS case file to the SR group.
 - d. Send the electronic files and paper files, if any, to SR.

4.70.7.5.3
(10-08-2021)

Final Closure by Special Review and Closing Unit for a Reopened Case Returned from the Group

- (1) SR receives and reviews the returned case and completes the following actions for agreed cases:
 - a. The reviewer dates, signs and mails the revised closing letter to the taxpayer and the taxpayer's representative (if applicable).
 - b. SR closes the case to TE/GE Closing Unit with Form 5595 requesting manual update to status 51.
 - c. SR closes the "reopened" RCCMS file to TE/GE Closing Unit in **status 51** with the "Update AIMS" box unchecked.
 - d. If the examiner established additional years or related returns (for example they examined returns in addition to the reopened exam(s)), SR sends the "new" cases to TE/GE Closing Unit requesting status 51 updates with the "Update AIMS" box checked.
 - e. SR mails the paper case file, if any, to the TE/GE Closing Unit as follows:

Function	Address
EO	Internal Revenue Service TE/GE EO Closing Unit MC: 4980 DAL 1100 Commerce St. Dallas, Texas 75242
EP	Internal Revenue Service TE/GE EP Closing Unit 2 Metrotech Center 100 Myrtle Avenue Sixth Floor Brooklyn, NY 11201
FSL/ET, ITG & TEB	Internal Revenue Service GE Closing Unit MS 6510, Attn: Tricia Wilson 1973 N Rulon White Blvd Ogden, UT 84404

Note: When TE/GE Closing Unit receives a closed case, they update the AIMS account(s) manually.

