



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.22.5

APRIL 15, 2020

## EFFECTIVE DATE

(04-15-2020)

## PURPOSE

- (1) This transmits a revised IRM 4.22.5, Examination of National Research Program, Campus Compliance Operations Site.

## MATERIAL CHANGES

- (1) IRM 4.22.5, Purpose – Simplified and shortened for clarity, and to use standard language.
- (2) IRM 4.22.5, Audience – Added “employees involved with the National Research Program.”
- (3) IRM 4.22.5, Signature – Updated to current NRP Chief.
- (4) IRM 4.22.5.1, Program Scope and Objectives – Added a new subsection to describe the internal control framework in the required format.
- (5) IRM 4.22.5.1.1, Background – Added a new subsection to describe the internal control framework in the required format. Incorporates content previously located in 4.22.5.2.
- (6) IRM 4.22.5.1.2, Authority – Added a new subsection to describe the internal control framework in the required format.
- (7) IRM 4.22.5.1.3, Roles and Responsibilities – Added a new subsection to describe the internal control framework in the required format. Incorporates content previously located in 4.22.5.3.2.
- (8) IRM 4.22.5.1.4, Program Management – Added a new subsection to describe the internal control framework in the required format.
- (9) IRM 4.22.5.1.5, Terms and Acronyms – Added a new subsection to describe the internal control framework in the required format.
- (10) IRM 4.22.5.1.6, Related Resources – Added a new subsection to describe the internal control framework in the required format.
- (11) 4.22.5.2, Background – Deleted subsection and moved all content to subsection 4.22.5.1.1, except for language detailing the replacement of TCMP examinations because it is no longer relevant.
- (12) 4.22.5.3, Program Responsibility – Deleted Subsection. Content moved into subsection 4.22.5.1.
- (13) 4.22.5.3.1, Headquarters – Deleted Subsection and moved content into subsection 4.22.5.1.
- (14) 4.22.5.3.2, Campus Compliance Operations – Deleted Subsection, reordered paragraphs and moved all content to subsection 4.22.5.1.3 including additional language detailing the role and responsibility of a campus headquarters policy analyst and a new paragraph defining the Inventory Control Manager.
- (15) 4.22.5.2, NRP Examination Process – Changed “Cycle” to “Process” in the title.
- (16) 4.22.5.2(1) – Removed this paragraph from previous version to exclude the NRP time frame.
- (17) 4.22.5.2(2) – Added a paragraph and subsequent alpha list to update and more accurately describe the NRP examination process.

- (18) 4.22.5.2(3) – Added this paragraph to give instructions for communication between NRP staff.
- (19) 4.22.5.2.1(1) – Updated content to reflect current operating procedures regarding the shipment, transcription, and receipt of NRP returns.
- (20) 4.22.5.2.1(2) – Added instructions for NRP coordinator regarding missing, incomplete, or extra case files.
- (21) 4.22.5.2.1(3) – Changed the word “returned” to “sent” in the last sentence.
- (22) 4.22.5.2.1(5) – Deleted tracking codes associated with tax years prior to 2013.
- (23) 4.22.5.2.2(1) – Added information about the NRP Case Tracking System, and instructions for the NRP Coordinator regarding discrepancies between on-line systems as well as any local reports.
- (24) 4.22.5.2.2(2) – Added instruction for gaining access to NRP Case Tracking System. The second sentence, detailing NRP Coordinators’ responsibility to reconcile discrepancies, has been moved to paragraph 1.
- (25) 4.22.5.2.2(3) – Revised to identify the NRP Office as the point of contact for identified discrepancies instead of the NRP Coordinator and included a link.
- (26) 4.22.5.2.3, Processing of NRP Returns – Added “NRP” to the title.
- (27) 4.22.5.2.4, Assignment of NRP Returns in Campus Exam – Added “NRP” to the title.
- (28) 4.22.5.2.4(1) – Added instructions for the development of a case assignment strategy to ensure SBSE Campus Analysts timely completion of NRP returns.
- (29) 4.22.5.2.4(2) – Content was updated to reflect current NRP procedures including the case assignment strategy.
- (30) 4.22.5.2.4(5) – Added instructions for mandatory training requirements.
- (31) 4.22.5.2.4(6) – Deleted excess language for clarity.
- (32) 4.22.5.2.4(7) – Updated instructions to direct the NRP Coordinator’s review for the presence of a Partnership Investor Control File code and included a link to the TEFRA web page.
- (33) 4.22.5.2.4(8) – Revised language for clarity.
- (34) 4.22.5.3(4) – The exhibit mentioned has been deleted. Users are now directed to a separate IRM to obtain information about requesting an exclusion of NRP returns.
- (35) 4.22.5.3(8) – Updated instructions to direct the NRP Coordinator’s review for the presence of a Partnership Investor Control File code and included a link to the TEFRA web page.
- (36) 4.22.5.3(9) – Deleted paragraph to exclude instructions relating to a completion date.
- (37) 4.22.5.3(11) – Revised language to allow comments to be communicated at any point during the study.
- (38) 4.22.5.3.3(6) – Replaced RGS with the NRP case tracking system (CTS).
- (39) 4.22.5.3.3(10) – Removed all language regarding a completion date and replaced with a reference to the IRM where procedures can be found.
- (40) 4.22.5.3.3(11) – Removed instructions regarding a six-month time frame.

- (41) 4.22.5.4.1 – Changed title from “De minimis Adjustments” to “Individual Income Tax Examination Reports.”
- (42) 4.22.5.4.1(1) – Replaced instructions regarding adjustments with a reference to the IRM that details reporting adjustments more thoroughly.
- (43) 4.22.5.4.1(2) – Deleted paragraph because it is no longer accurate.
- (44) 4.22.5.4.1(3) – Added language to say that Letter 1156 should be issued with any no change or zero deficiency report.
- (45) 4.22.5.4.1(5) – Deleted paragraph because it is no longer accurate.
- (46) 4.22.5.4.2(2)(d) – Added an additional reason for capturing a wrong line adjustment.
- (47) 4.22.5.4.3(1) – Changed RGS status number for completed examination reports from 56 to 43.
- (48) 4.22.5.4.4(3) – Removed first sentence detailing RGS database being updated to status 51 after validation has been completed because it is duplicated in the following paragraph.
- (49) 4.22.5.4.4(4) – Added language detailing the need to update the NRP AIMS freeze code once validation is complete. Added a sentence at the end to then close the case.
- (50) 4.22.5.4.5(1) – Removed “see Exhibit 4.22.5-2” because exhibit is no longer relevant and has been deleted from the IRM.
- (51) 4.22.5.4.5.2 – Removed “see Exhibit 4.22.5-2” because exhibit is no longer relevant and has been deleted from the IRM.
- (52) 4.22.5.5.2(2) – Content of this paragraph and subsequent alpha list was previously incorporated in subsection 4.22.5.8.5.1(5) and reorganized here for relevancy and order.
- (53) 4.22.5.5.2.1, Examples of Items to Consider When Evaluating NRP In-Process Cases – Subsection has been deleted and content moved to a new subsection 4.22.5.8.2.
- (54) 4.22.5.6.1(2) – Added a sentence to define a “new” employee.
- (55) 4.22.5.6.1(3) – Deleted this paragraph and subsequent alpha list and moved the content to subsection 4.22.5.8.5(2).
- (56) 4.22.5.6.2, Examples of Items to Consider when Evaluating NRP In-Process Cases – The content of this new subsection was previously incorporated in subsection 4.22.5.7.2.1 and moved here for order.
- (57) 4.22.5.6.4(2) – This paragraph gives instructions to PAS reviewers and their managers regarding the need for NRP training. It was formerly IRM 4.22.5.8.5(1) and moved here to a more relevant subsection.
- (58) 4.22.5.6.5(1) – This paragraph has been reorganized to subsection IRM 4.22.5.8.4(2).
- (59) 4.22.5.6.5(2) – This paragraph and subsequent alpha list was formerly located in subsection 4.22.5.8.1(3) and reorganized here for relevancy.
- (60) 4.22.5.6.1, NRP Case Closing Process – Changed the title from Review Process to NRP Case Closing Process.
- (61) 4.22.5.6.5.1(4) – Revised NRP case closing instructions for the clerk.
- (62) 4.22.5.6.5.1(5) – Content of this paragraph and subsequent alpha list have been reorganized to IRM 4.22.5.7.2(2) for relevancy and order.

- (63) 4.22.5.8, Requesting Exclusion of NRP Returns (Form 4981) – Added this new subsection to give instructions for requesting a taxpayer’s exclusion from NRP returns and replaces Exhibit 4.22.5-1.
- (64) Exhibit 4.22.5-1, Requesting Exclusion of NRP Returns (Form 4981) – Removed exhibit from the IRM and reorganized relevant content to various subsections. Added a new subsection 4.22.5.10 to direct users to further information regarding requesting an exclusion from NRP examination which eliminates the need for this exhibit.
- (65) Exhibit 4.22.5-2, NRP 1040 Group Manager Closed Case Review Checksheet – Deleted this exhibit from the IRM because the content is outdated and no longer relevant.
- (66) Replaced “Team Lead[er(s)]” with “Group Manager(s)” throughout IRM.
- (67) Replaced “correspondence” with “campus” throughout IRM.
- (68) Throughout this IRM section, editorial changes were made to add clarity, correct punctuation, and to update or add citations and references.

#### **EFFECT ON OTHER DOCUMENTS**

None

#### **AUDIENCE**

This IRM is to be used by SB/SE Cincinnati Campus Compliance Operations (CCCO) employees involved with the National Research Program.

Erik Ogilvie, Chief, National Research Program

4.22.5

Campus Compliance Operations Site

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4.22.5.1  
(04-15-2020)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM section provides guidance for conducting National Research Program (NRP) examinations of Form 1040 NRP key case individual income tax returns as it relates to (CCCO) Cincinnati Campus Compliance Operations.
- (2) **Audience:** The following IRS employees who participate in a National Research Program (NRP) individual income tax study are:
  - Campus Examination Managers
  - Team Leads
  - Examiners
  - Reviewers
  - NRP Staff
- (3) **Policy Owner:** Director, Knowledge Development and Application under Research, Applied Analytics and Statistics (RAAS) is the policy owner.
- (4) **Program Owner:** NRP is the program office responsible for the oversight of the NRP studies.
- (5) For information about the National Research Program, visit the NRP website at: <https://nrp.web.irs.gov>.

4.22.5.1.1  
(04-15-2020)  
**Background**

- (1) The following explains the NRP process as it pertains to Campus Examination activities at the Cincinnati Campus Compliance Operations.
- (2) NRP examinations enable the Service to determine what key areas of noncompliance to address and what treatments to apply to maximize the use of its limited resources. As the Service's ability to detect noncompliance diminishes, audits become less effective and compliant taxpayers continue to be burdened by unnecessary audits.
- (3) The NRP approach to measuring reporting compliance balances research quality, efficiency and taxpayer burden. NRP uses a hybrid of options for validating return information that maximizes use of data available to the IRS and, to the extent possible, minimizes taxpayer burden while collecting data.
- (4) Examination guidelines have been established for conducting NRP campus examinations. The returns selected for campus examinations were classified following the guidelines in the NRP IRM 4.22.3.

4.22.5.1.2  
(04-15-2020)  
**Authority**

- (1) By law, the Service has the authority to conduct examinations under Title 26, Internal Revenue Code, Subtitle F – Procedure and Administration, Chapter 78, Discovery of Liability and Enforcement of Title, Subchapter A, Examination and Inspection, which includes, but is not limited to, the following IRC sections:
    - IRC 7602, Examination of books and witnesses
    - IRC 7605, Time and place of examination
- Note:** Additional information related to conducting examinations is contained in 26 CFR 601.105, Statement of Procedural Regulations.
- (2) Under the Reform and Restructuring Act of 1998 (RRA '98), Congress mandated the IRS to deliver service to taxpayers at a new and much higher level of performance in the most cost-effective and least burdensome manner

possible. Data from NRP examinations enable the IRS to operate as a more efficient and effective tax administration organization.

4.22.5.1.3  
(04-15-2020)

**Roles and  
Responsibilities**

- (1) The Director of Campus Compliance Operations in the designated Campus has overall responsibility for NRP Campus examinations.
- (2) The Operations Manager, Examination (OME) has overall responsibility for the NRP program within their respective department.
- (3) The Department Managers delegate the responsibilities of the Campus NRP Coordinator to an appropriate person.
- (4) The Campus NRP Coordinator will coordinate and control the receipt and assignment of NRP returns to groups. They approve transfer of cases and have second line authority for approval/disapproval of exclusion requests.
- (5) The Inventory Control Manager is responsible for monitoring NRP inventory throughout the process. They monitor and report the status of the compliance campus program.
- (6) The Group Manager is responsible for NRP cases within their team, including the timely and priority assignment of NRP returns, counseling examiners on the scope and high quality requirements (see Auditing Standards in IRM 4.19.13.3 and the scope and depth of NRP examinations in IRM 4.22.5.3.1). They are responsible for maintaining a workflow throughout the entire examination cycle that will ensure timely completion. This will require NRP training. See Training requirements on NRP training website and IRM 4.22.5.2.4 paragraphs (4) and (5).
- (7) The Team Lead, in conjunction with the OME, are responsible for ensuring tax examiners' compliance with Auditing Standards found in IRM 4.19.13.3 and the scope and depth of NRP examination requirements found in IRM 4.22.5.3.1. They are responsible for the quality of the final review of NRP cases. They are also responsible for appointing local NRP reviewers. These reviewers must be familiar with all the technical aspects of NRP and informing the OME of any problems encountered.
- (8) The Campus Exam Technicians assigned NRP cases must be thoroughly familiar with the NRP program procedures. This will require NRP training (see NRP training website and IRM 4.22.5.2.4 paragraphs (4) and (5)). A Campus Headquarters Policy Analyst is assigned to the program to facilitate policy related issues, ensure NRP requirements are met and assist with communication between the Campus Compliance Examination Officials and the NRP Office.

4.22.5.1.4  
(04-15-2020)

**Program Management**

- (1) Effective management of the NRP study is achieved by training the NRP managers and examiners. This ensures that quality examinations are conducted and the IRS gets good data.
  - Only examiners who complete NRP training will work NRP cases.
  - The number of NRP examiners appointed will be sufficient to handle the NRP workload.
- (2) Qualified examiners at appropriate grade levels will be assigned NRP cases.



4.22.5.1.5  
(04-15-2020)  
**Terms and Acronyms**

- (1) A defined term applicable to individual income tax Examination of Returns: **Report Generation Software (RGS)** is a comprehensive software program used to perform a variety of audit and review tasks. In addition to computing tax, penalties and interest on the examination report, RGS generates correspondence, work papers and case closing documents.
- (2) Following is a list of acronyms relating to case building:
  - a. AIMS - Audit Information Management System
  - b. CTS - Case-Tracking System
  - c. CDW - Compliance Data Warehouse
  - d. DIF - Discriminant Function
  - e. EIC - Earned Income Credit
  - f. EOAD - Examination Operational Automation Database
  - g. EQRS - Embedded Quality Review System
  - h. ERCS - Examination Returns Control System
  - i. LB&I - Large Business and International Division
  - j. NRP - National Research Program
  - k. PSP - Planning and Special Programs
  - l. QRDB - Quality Review Data Base
  - m. RGS - Report Generation Software
  - n. SAC - Special Agent in Charge
  - o. SB/SE - Small Business and Self Employed Division
  - p. TCMP - Taxpayer Compliance Measurement Program
  - q. TE/GE - Tax Exempt and Government Entities Division

4.22.5.1.6  
(04-15-2020)  
**Related Resources**

- (1) IRM 4.22.1, National Research Program Overview
- (2) IRM 4.22.2, NRP Case Building
- (3) IRM 4.22.3, Classification of NRP Returns
- (4) IRM 4.22.4, Examination of NRP Returns

4.22.5.2  
(04-15-2020)  
**NRP Examination Process**

- (1) Campus Compliance Operations Examination officials must ensure that NRP examinations are completed promptly. The Group Manager plays the leading role in ensuring that examinations are initiated and completed promptly without sacrificing quality.
- (2) The NRP examination process follows the normal examination process to the extent possible. By adhering to normal examination processes and procedures, NRP minimizes the burden to both the taxpayer and examiner while still capturing the necessary data. Each NRP study consists of the following processes for a single tax year.
  - a. Sample Selection - Each NRP study selects a statistically valid, stratified random sample of returns. Data from the sampled returns produce a set of data that is representative of the study population from which the returns were selected. With appropriate weighting, the results from the sample returns can be used to develop estimates for the study population.
  - b. Case Building - Refer to IRM 4.22.2 NRP Case Building, for detailed information about the NRP Case Building process.
  - c. Classification - Refer to IRM 4.22.3 Classification of NRP Returns, for detailed information about the NRP Classification process.

- d. Examination - Except as otherwise specified in IRM 4.22.4 Examination of NRP Returns, existing examination processes and procedures are to be followed for NRP cases.
  - e. Data Transmission - Refer to IRM 4.22.4.4 Examination of NRP Returns, for detailed information about the NRP Data Transmission process.
- (3) To facilitate continued improvements to NRP studies and processes, the NRP staff will communicate with the Campus Headquarters Policy Analyst in coordination with the NRP Coordinators, to solicit feedback and insights on each study. These discussions should include any recommended changes for future studies, taxpayer reactions to the program and ways of accomplishing NRP Mission with reduced taxpayer examination burden.

4.22.5.2.1  
(04-15-2020)

**Receipt of NRP Returns**

- (1) The NRP Office will coordinate with designated SBSE Campus officials and the NRP Coordinator prior to the shipment of any NRP cases for a study year. Physical and electronic NRP case files will be built by the NRP case building team in accordance with IRM 4.22.2. As outlined in IRM 4.22.2.3, all items will be included in the electronic RGS case file. The physical NRP case folder will consist of only a copy of the selected tax return or transcript, if the return was not e-filed, as well as any Amended Return filed, Correspondence submitted by the taxpayer, and an NRP Case Stuffer, if applicable. The electronic RGS Case file will be forwarded to the applicable Campus RGS group. The physical NRP case folders will be delivered to the NRP Coordinator for verification.
- (2) Upon receipt of an NRP case file(s), the NRP Coordinator immediately verifies that the shipment is complete and agrees with the accompanying transmittal list. If the shipment is incomplete, the NRP Coordinator must contact the NRP Office to resolve any missing or extra cases.
- (3) After verification, the original and one copy of the transmittal lists must be signed and dated on each page by the NRP Coordinator. Receipt of returns must be acknowledged within three workdays after receipt in the Examination Operation. Receipt acknowledgment is to be returned to the Case Building Team.
- (4) Criminal Investigation (CI) receives copies of transmittal lists from the Case Building Team and will notify the NRP Coordinator within ten workdays of any examination that is to be coordinated. Any case that CI places controls on at any point during the NRP process will be immediately transferred to the field. (See transfer procedures in IRM 4.22.5.3.3).
- (5) All cases will be opened on AIMS in Source Code 80, Project Code 0674. Tracking codes will be added as follows:
- TY2014 - 7714
  - TY2015 - 7715
  - TY2016 - 7716
  - TY2017 - 7717
  - TY2018 - 7718

4.22.5.2.2  
(04-15-2020)

**Control of NRP Returns**

- (1) The NRP Office uses an on-line Case Tracking System (CTS) to monitor the location and status of all NRP key cases. The NRP Coordinator will reconcile any discrepancies between the NRP on-line CTS and AIMS status workload inventory report as well as any local reports.

- (2) The NRP Coordinator gains access to the NRP CTS through the NRP COORDINATOR OL5081 application.
- (3) If any discrepancies are identified, contact the NRP office *NRP office*.

4.22.5.2.3  
(04-15-2020)  
**Processing of NRP  
Returns**

- (1) NRP returns are processed under existing procedures as found in IRM 4.19.20 unless otherwise specified herein. If conflicts arise with existing examination guidelines, NRP guidelines will take precedence.

4.22.5.2.4  
(04-15-2020)  
**Assignment of NRP  
Returns in Campus  
Exam**

- (1) SBSE Campus Analysts will work with Management to develop a case assignment strategy that ensures timely completion of all assigned NRP cases for the study year.
- (2) NRP Coordinators should promptly assign NRP case files to the NRP Exam Groups according to the previously decided case assignment strategy.
- (3) After receipt of the returns, NRP Exam Groups should promptly assign cases to the NRP examiner. NRP Exam Groups should initiate taxpayer contact as quickly as possible.
- (4) NRP managers and examiners will receive NRP training to ensure quality examinations are conducted, correct and complete NRP examination record data are entered.
- (5) NRP returns must only be assigned to examiners that have completed the applicable NRP training. Examiners and Managers with open or assigned cases must complete the training course once every 12 months.
- (6) NRP selections are not a basis for reopening a previously examined return.
- (7) The NRP Coordinator should review the AMDISA print to verify the presence of a Partnership Investor Control File (PICF) code. The PICF code indicates the examination of a flow-through entity with potential adjustments to the NRP case. If the PICF code exists, please use the TEFRA web page at: [http://tefra.web.irs.gov/m1/1f\\_contact.asp](http://tefra.web.irs.gov/m1/1f_contact.asp) to coordinate the disposition of the case.
- (8) All returns selected as part of the NRP sample will be completed according to NRP guidelines.

4.22.5.3  
(04-15-2020)  
**Examinations in Campus  
Exam**

- (1) Examinations must be initiated on all NRP returns. There will be no surveys before or after assignment.
- (2) An exclusion should be requested if any of the following conditions apply as outlined in IRM 4.22.4.3.6, Exclusions (from NRP examination).
- (3) There are several systemic exclusions that will preclude certain taxpayers from the NRP sample. This includes taxpayers who were audited during the prior 1040 NRP Studies (TYs 2001 and 2006-present) and the EITC Compliance Study audits.
- (4) Procedures for requesting an exclusion of NRP returns are in IRM 4.22.3.6(2).
- (5) If the examiner finds that an examination cannot be completed for other than those listed in (2) or (3) above, the NRP Coordinator should be notified for coordination with the NRP Office.

- (6) If indications of fraud are discovered during the examination of an NRP or related return, referrals should be made in accordance with IRM 4.19.10.4. The referral must be labeled as an NRP case. If the Campus/Exam Fraud Coordinator accepts the referral and the case cannot be completed with a reasonable estimate of adjustment results, a request for exclusion should be submitted.
- (7) NRP cases having related returns are given priority in examination to ensure timely completion. When establishing an AIMS control for a related return pick-up, Source Code 91 is to be used.
- (8) The NRP Coordinator should review the AMDISA print to verify the presence of a Partnership Investor Control File (PCIF) code. The PCIF code indicates the examination of a flow-through entity with potential adjustments to the NRP case. If the PICF code exists, please use the TEFRA web page at: [http://tefra.web.irs.gov/m1/1f\\_contact.asp](http://tefra.web.irs.gov/m1/1f_contact.asp) to coordinate the disposition of the case.
- (9) All situations or problems that arise which are not covered in this section should be brought to the attention of the NRP Coordinator for resolution with the appropriate HQ analyst, and the NRP Office.
- (10) At any point of the NRP Studies, the Campus, in coordination with the NRP Coordinator, will communicate comments on the study to the NRP Office. These comments should include any recommended changes for future studies, taxpayer reaction and examiner burden.

#### 4.22.5.3.1 (04-15-2020)

#### Scope and Depth of Examination

- (1) NRP results will be used to develop the Discriminant Function (DIF) formula; therefore, it is essential that examinations be thorough. Effective DIF formulas must reflect the actual error patterns found on tax returns regardless of amount and must, to the extent possible, be free of any bias resulting from judgmental errors on the part of the examiner.
- (2) Examiners must use their professional judgment concerning the depth of examination required for any item on the tax return while bearing in mind the research nature of the examination. The depth can be the same as is used on operational audits. Therefore, taxpayers are not held to a higher standard. Issues should be pursued to the depth necessary to reach a supportable conclusion.
  - a. Every classified item must be examined.
  - b. Additional items may be examined with approval from the Team Lead in accordance with established procedures. Such approval, when given, must be documented on the electronic workpapers contained in RGS.
  - c. At a minimum, some inquiry or inspection of records or documents supporting reported or possible underreported income, deductions and credits must be made.
- (3) The examiner must state on the workpapers what actions were taken to fulfill the requirements of the NRP Examination.
  - a. Audit procedures and conclusions for each issue audited must be supported by written comments in the workpapers. This is necessary to ensure that the statistical data gathered by NRP is accurate and complete.
  - b. Examiners must describe what inquiry or inspection of records or documents was made to verify unreported income, deductions or credits.

- (4) Beginning with TY 2008 returns, the issues of EITC without a Qualifying Child and Head of Household filing status, will require a Lead Sheet to be completed. Beginning with TY 2011 returns, the issue of 1040 Dependents will require a Lead Sheet to be completed. All Lead Sheets must be prepared electronically and included in the RGS case file as an attachment to the applicable issue. Lead Sheets must contain the adjustment amount, audit procedures and conclusion.

4.22.5.3.2  
(04-15-2020)  
**Initiating Examinations**

- (1) Letter 3624(SC) (07-2007) must be used as the initial contact letter to notify the taxpayer their return has been selected for an NRP Examination. This letter and the attached 886A, Explanation of Items, requests the supporting records or information needed from the taxpayer for the issues identified in the letter.
- (2) Notice 1332 (01/2007) Why Your Return is Being Examined, must be used as an enclosure to Letter 3624 (SC). This publication explains to the taxpayer how and why their return was selected for an NRP Examination. In addition, Publication 4134, Low Income Tax Clinic List and Publication 3498A, The Examination Process (Examinations by Mail) must be included as an enclosure.
- (3) After the issuance of Letter 3624, follow normal procedures as outlined in IRM 4.19.13.
- (4) In most instances, Letter 3624 will be prepared and delivered to the Campus ready to be dated and mailed at the campus discretion. Only those cases needing special attention should be assigned for immediate preparation of Letter 3624.

4.22.5.3.3  
(04-15-2020)  
**Transfers to Area Offices**

- (1) Taxpayers are sent an initial contact letter asking them to reply within 30 days of the date of the letter. An additional 15 days is afforded prior to any further action to allow campus examination additional time to associate responses received on or shortly before the 30th day. If the taxpayer fails to respond to the 30 day letter and the additional 15 days have expired, follow normal procedures as outlined in IRM 4.19.13, issue 525 Letter and Form 4549, Income Tax Examination Changes, disallowing all classified issues.
- (2) If the initial contact letter has been returned undeliverable, research for another address and telephone number will be conducted at that time. Any research for a new address, as well as telephone number, must be documented on the electronic workpapers. If neither can be found, the case will be transferred to the appropriate Area Office NRP Coordinator. If a new address is located, the initial contact letter will be reissued, and the 30-day period will begin again.
- (3) Any taxpayer that requests an extension of time to respond will be granted additional time, up to 30 additional days, if needed. The request, along with the additional time granted must be documented on the electronic workpaper.
- (4) Any taxpayer who requests a face to face examination or an employee return selected under the NRP program should be transferred to the appropriate Area NRP Coordinator.
- (5) Prepare Letter 528 (SC) and mail to taxpayer prior to transferring the case.
- (6) AIMS & the NRP Case Tracking System (CTS) will be updated accordingly on all transfers. The RGS case will be transferred from the Campus Examination group to the applicable Area NRP Coordinator in PSP. The transfer package

must be routed through the NRP Coordinator for review and update of control records. The NRP Coordinator should establish local procedures, with appropriate management approval, for expediting transfers, both into and out of the area.

- (7) A completed Form 3210 (Document Transmittal) with the NRP cycle clearly entered in the "Comments" section should be used to transfer NRP case files and any related data from Campus Exam to the Area NRP Coordinator. The Form 3210 should be addressed to the attention of the Area NRP Coordinator in PSP.
- (8) Upon receipt of an NRP case file package, the Area NRP Coordinator must acknowledge receipt by updating the NRP Case Tracking System (CTS) and acknowledging the Form 3210. The NRP Coordinator should review the Forms 3210 periodically to see if the "Acknowledgement Copy" of the Document Transmittal (Form 3210) has been received. If it has not been received, within 10 business days, follow-up action should be taken by contacting the receiving NRP Coordinator to ensure transfer completion.
- (9) Transfers should be completed early in the NRP cycle as a convenience to the receiving Area Office.
- (10) The cut-off for shipping an NRP case to an Area NRP Coordinator is the same as exam procedures found in IRM 4.4.33.2.6 , Statute of Limitations, unless permission for a different period is obtained from the transferee Area NRP Coordinator. It is important to start all examinations promptly to avoid transfers that may occur outside established time frames.
- (11) Formal discussions between transferor and transferee areas are strongly recommended. This will eliminate questionable transfers.
- (12) If the Area Office NRP Coordinator does not acknowledge Form 3210 within a reasonable time period, the Campus NRP Coordinator will contact the Area Office by telephone.

4.22.5.4  
(04-15-2020)

#### **Disposition of All NRP Documents**

- (1) This section covers the disposition of all NRP documents.

4.22.5.4.1  
(04-15-2020)

#### **Individual Income Tax Examination Reports**

- (1) Reporting adjustments are the same as found in IRM 4.22.6.5.2
- (2) Issue Letter 1156 (Rev 08/2007) with any no change or Zero Deficiency report.
- (3) No adjustments can be de-categorized or de minimis reason codes entered in RGS.

4.22.5.4.2  
(04-15-2020)

#### **Wrong Line Adjustments**

- (1) Due to the research nature of the NRP Examinations, wrong line adjustments must be captured within RGS.
- (2) Wrong line adjustments include:
  - a. Decreasing an amount that was reported on the return allowing the same amount on another line on the return.
  - b. Decreasing an amount that was reported on the return and allowing that amount split among two or more lines.



- c. Use RGS reason code 10 or 14 to describe all Wrong-line adjustments.
- d. The sum of all wrong line adjustments made to NRP key cases must equal zero.

## 4.22.5.4.3

(04-15-2020)

**Completed Examination Reports**

- (1) RGS database will be sent to the NRP Coordinator and put in RGS status 43.
- (2) Case will be reviewed by the NRP Coordinator for completeness of data fields.
- (3) Cases that pass the Detroit Computing Center validation checks will be returned to the Team Lead and put in RGS status 51 for case closing actions.

## 4.22.5.4.4

(04-15-2020)

**Transmission of Electronic Data to Detroit Computing Center**

- (1) The NRP Coordinator will transmit data from the key NRP case to Detroit Computing Center (DCC) for validation check.
- (2) DCC will run validation of the data. Results of the validation process will be annotated on the NRP Case Tracking System (CTS).
- (3) The NRP Coordinator will review the CTS. Cases that do not pass will be corrected and resubmitted by NRP Coordinator to DCC. This process will repeat until all validation checks are passed.
- (4) After all DCC validation checks are passed, the case will be updated to status 51 and the NRP AIMS freeze code '3' can be removed. The case can then be closed from the group using the existing case closing process.

## 4.22.5.5

(04-15-2020)

**Case Management and Program Monitoring**

- (1) The NRP Office and the Operating Division should evaluate enough NRP cases to ensure examiner compliance with examination requirements discussed in this IRM. Cases selected for evaluation will be representative of those worked by Campus Exam. The evaluation will be completed during the early months of the NRP examination cycle, but not before enough cases are available for review so that the sample will include a representative mix of returns. This is necessary so that appropriate measures can be taken to improve quality if needed.

## 4.22.5.5.1

(04-15-2020)

**Case Management**

- (1) Regular case management evaluation procedures should be followed, including the NRP objectives listed below:
  - a. Determine the timeliness of assignment, examination and review of NRP returns, and whether the NRP Examination records were promptly submitted to the DCC.
  - b. Determine that the examiners have complied with the Auditing Standards found in IRM 4.19.13. The examiners must state in their workpapers what actions were taken to fulfill the requirements of the NRP examination. These workpapers, which include those items not otherwise commented on, should be general in nature, and tailored to the taxpayer's individual examination.
  - c. Determine whether the applicable NRP related case procedures were followed.

4.22.5.5.2  
(04-15-2020)  
**NRP Program  
Monitoring - Cincinnati  
Campus Exam**

- (1) Campus Exam should establish sufficient monitoring procedures to control and manage the program including in-process and closed case reviews. The Director, Campus Compliance Operations, should establish in-process case review teams, consisting of Department Managers, Team Lead, and reviewers. These teams are encouraged to conduct at least annual reviews until the completion of this project.
- (2) Adequate records should be maintained on NRP cases reviewed with respect to the following information:
  - a. Number of cases reviewed
  - b. Number of cases accepted
  - c. Number of cases awaiting review
  - d. A record of incorrect items showing areas corrected and number of corrections made; and
  - e. Other records as requested by the Campus Compliance Operations Director

4.22.5.6  
(04-15-2020)  
**Review of NRP Cases**

- (1) All closed cases examined in the NRP program will be reviewed for quality.
  - a. NRP cases will be subject to sample PAS review procedures in accordance with existing guidelines.
  - b. NRP cases that are not part of the regular sample will be reviewed by the NRP Coordinator, Team Lead, or PAS for accuracy.
  - c. Special attention must be given to cases with a de minimis adjustment. See IRM 4.22.5.5.1(2).
- (2) NRP PAS success rates can be segregated by running Quality Review Data Base (QRDB) reports using the source code 80 as a discriminating factor.

4.22.5.6.1  
(04-15-2020)  
**Managerial  
Responsibilities**

- (1) The Team Lead or assistant will play a pivotal role by conducting in-process reviews for all aspects of case development.
- (2) In-process reviews are critical in guaranteeing the highest quality of NRP cases. At a minimum, an evaluative in-process review is required on the first case assigned each new NRP Examiner. A new NRP examiner is any examiner who has not completed an NRP Campus examination in the prior 3 years. The In-process reviews must take place after the first taxpayer correspondence has been received and evaluated. Other in-process reviews should be conducted either before the case is put into 90-day or the case is closed. Completion of the in-process reviews will be documented as follows below.
  - a. Evaluative and Non-evaluative reviews will be performed and documented on each examiner at various stages of the exam process to ensure the overall quality of the examination.
  - b. The review will consist of having the Team Manager or Lead review for accuracy. The objective of the reviews is to ensure the overall quality of NRP Examinations.
  - c. If any error trends or concerns are noted, additional reviews will be considered.



4.22.5.6.2  
(04-15-2020)  
**Examples of Items to  
Consider when  
Evaluating NRP  
In-Process Cases**

- (1) In-process reviews are critical in guaranteeing the highest quality development in all program cases. Completion of the in-process reviews will be documented in the manner set forth below.
- (2) Reporting and control procedures:
  - a. Prompt verification and acknowledgment of NRP return packages from the Case Building Team;
  - b. Prompt assignment to examination units;
  - c. Timely disposition and acknowledgment of transfer cases;
  - d. Exclusion procedures are being followed and input by authorized personnel;
  - e. Prompt reconciliation of control reports.
- (3) Completion of NRP Examinations:
  - a. Timely assignment of cases to examiners;
  - b. Prompt opening and continued priority treatment of NRP cases;
  - c. Timely working of cases with correspondence, usually within 30 days of receipt.
- (4) Timely processing of cases through Quality Review - Process Analysis Staff (PAS).
- (5) Training
  - a. Have all NRP Team Leads received formal NRP training to ensure that quality examinations are conducted and that correct and complete NRP Report data have been entered?
  - b. Have all the examiners working NRP returns received formal NRP training?
  - c. Are there sufficient NRP Examiners to handle the workload expeditiously?
- (6) Scope and Depth of Examinations:
  - a. Determine thoroughness of audit;
  - b. Determine whether inquiry was made for possible unreported income, deductions and credits;
  - c. Determine whether adequate comments were made in workpapers;
  - d. Determine whether adequate consideration was given to substantiation documentation.
- (7) Quality of NRP Examination Record:
  - a. Review for technical correctness;
  - b. Review for mathematical accuracy and completeness in entering and categorizing adjustments and accuracy of input to the EOAD fields;
  - c. Review of procedural requirements.
- (8) Verify that trends in error patterns on the quality of the examinations and NRP Examination Records are being transmitted periodically to NRP office.

4.22.5.6.3  
(04-15-2020)  
**Documentation of  
In-Process Reviews**

- (1) All NRP In-process Reviews will be documented using EQRS. When completing the review the following items should be considered:

- a. Thoroughness of audit work
- b. Adequate documentation exists to support audit techniques and conclusions
- c. Activity record is appropriately documented
- d. Action items are identified

- (2) If any deficiencies are found during the case review. The manager should provide explicit written guidance as to what measures must be taken to rectify any weaknesses in the case. The manager will ensure that corrective actions are taken.

4.22.5.6.4  
(04-15-2020)  
**In-Process Review Assistance**

- (1) Managers may request assistance from Process Analysis Staff (PAS). Requests will be made through PAS and assistance will be furnished based on availability of personnel trained in NRP procedures.
- (2) PAS reviewers and their managers will receive NRP training to ensure that PAS reviews are conducted.

4.22.5.6.5  
(04-15-2020)  
**Review of NRP Closed Cases**

- (1) The Team Lead or Group Manager will complete a 100% non-evaluative closed case review on all NRP Examinations. The object of the review is to ensure the overall quality of the NRP Examination. The review is documented on the NRP 1040 Group Manager Closed Case Review Checksheet. By checking "yes" to these items, the Team Lead or Group Manager is indicating the case was worked properly. The 100% closed case review will focus on the following:
  - a. Technical correctness of the examination.
  - b. Adherence to the NRP Examination guidelines, procedural requirements and case closing/data accuracy requirement.
  - c. Review to ensure the NRP Case Backup - Data Validation Report is included in the case file.

4.22.5.6.5.1  
(04-15-2020)  
**NRP Case Closing Process**

- (1) The Team Lead should forward NRP cases to tax examiners for closing, including Statutory Notice cases at the end of the required suspension period.
- (2) All NRP cases and Lead Sheets must be completely reviewed, including mathematical verification. Any errors noted on the NRP Lead Sheets will be corrected by the examiner that worked the case.
- (3) After review, all NRP cases will be sent to the NRP Coordinator for transmittal to Detroit Computing Center and for final disposition of the case and approval by the manager.
- (4) The clerk will mail a letter if needed and then forward all NRP closed cases to Files at the Detroit Computing Center. Cases should be listed on a Form 3210.

4.22.5.6.5.2  
(04-15-2020)  
**NRP Technical and In-Process Reviews**

- (1) All in-process and closed case reviews should be utilized as a guide for trend analysis and feedback to NRP.

4.22.5.7

(04-15-2020)

**Narrative Report  
Program Operations**

- (1) To facilitate continued improvements of NRP cycles, the NRP Coordinator, in coordination with the NRP Team Lead, should submit written comments on the survey cycle and should include any recommended changes for the upcoming surveys. Taxpayer reactions to the program and ways of accomplishing the task with even less burden in the future are to be specifically addressed.

4.22.5.8

(04-15-2020)

**Requesting Exclusion of  
NRP Returns (Form  
4981)**

- (1) The NRP Exclusion Request form is used by Examiners to request a taxpayer exclusion from any National Research Program (NRP) study. The form can be found on the IRWeb in the Forms/Pubs/Productions Repository at: <http://publish.no.irs.gov>.

