



Treasury Inspector General for Tax Administration Office of Audit

CONTROL WEAKNESSES COULD ALLOW TAXPAYERS' DELINQUENT ACCOUNTS TO BE INAPPROPRIATELY CLOSED AS CURRENTLY NOT COLLECTIBLE

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Highlights

Highlights of Report Number: 2012-40-108 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

Some taxpayers try to resolve their delinquent account by working with an assistor at one of the IRS's walk-in offices called Taxpayer Assistance Centers. If the taxpayer has no ability to pay, the taxpayer account could be closed as currently not collectible. When taxpayer accounts are closed inappropriately as currently not collectible, taxpayers may be burdened and the IRS may not be able to collect taxes owed when a taxpayer's income increases.

WHY TIGTA DID THE AUDIT

This audit was initiated because of a referral from the TIGTA Office of Investigations. Delinquent taxpayer accounts were closed as currently not collectible without IRS managerial approval and without detection. The objective of the audit was to determine whether controls over balance due accounts closed as currently not collectible in the Field Assistance Office are sufficient to ensure all actions are appropriate.

WHAT TIGTA FOUND

An analysis of a judgmental sample of 17 cases and a statistically valid sample of 136 taxpayer accounts closed in the Taxpayer Assistance Centers as currently not collectible identified that the accounts were not worked according to procedures. Because cases lacked documentation, such as financial statements and case history notes, it could not be determined whether the correct decision was made to close the cases as currently not collectible. The total assessed balance for the 17 cases was almost \$289,000, and the total assessed balance for the 136 taxpayer accounts was approximately \$2.5 million.

Of the 17 cases reviewed, four (24 percent) cases did not include the required financial statements, four (24 percent) cases had closing codes that were higher

than warranted based on the taxpayers' financial statements, nine (53 percent) cases did not have the required tax liens, and 16 (94 percent) cases were closed without documentation of a manager's approval on the Accounts Management Services System.

Of the 136 taxpayer accounts reviewed, 13 (10 percent) had closing codes that were lower than warranted based on case documentation, and 28 (21 percent) had closing codes that were higher than warranted.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) ensure assistors follow established procedures, 2) clarify internal guidelines requiring management approval of cases in the Accounts Management Services System history section, 3) conduct a risk analysis to determine the risk of not segregating duties, and 4) implement security reviews and reports that can be used to evaluate the assistors' use of system command codes.

The IRS agreed with the recommendations. It plans to remind assistors of their responsibility to adequately document cases and follow internal procedures, clarify guidelines requiring managerial documentation of currently not collectible cases on the Accounts Management Services System, and complete an analysis to assess the risks associated with the non-segregation of duties in Taxpayer Assistance Centers where staffing levels do not permit proper segregation. IRS management agreed with the need for security reviews and believes this can be done through reviews of monthly usage reports provided by the Integrated Data Retrieval System's online reports services and plans to reemphasize to managers the importance of following the security review guidelines.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2012reports/201240108fr.pdf>