



Treasury Inspector General for Tax Administration Office of Audit

FIELD COLLECTION COULD WORK CASES WITH BETTER COLLECTION POTENTIAL

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Highlights

Highlights of Report Number: 2014-30-068 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

The IRS has a large inventory of taxpayer delinquent accounts but limited resources to collect the unpaid taxes. If sufficient steps are not taken to make the most effective use of collection resources, it can have a substantial impact on the amount of Federal taxes that remain uncollected.

WHY TIGTA DID THE AUDIT

While the Collection Field function (field) collects billions of dollars from delinquent taxpayers, resources have declined and many balance due modules have been closed as currently not collectible. TIGTA performed this audit to determine whether the IRS's workload identification, selection, and assignment practices ensure that the cases with the greatest collection potential are worked in the field.

WHAT TIGTA FOUND

The field workload selection process is not designed to ensure that cases with the highest collection potential are identified, selected, and assigned to be worked. In Fiscal Year 2013, 40 percent of the taxpayer delinquent accounts closed by the field were written off as currently not collectible. The amount of delinquencies written off that year totaled \$16.1 billion, which was over five times as much as the amount collected by the field (\$3.1 billion). There are several contributing factors limiting the effectiveness of the IRS's collection efforts:

- The IRS does not measure productivity or establish specific goals to evaluate case selection criteria.
- Information systems do not track case source data, so management cannot fully assess the effectiveness of field case selection criteria.
- Case selection criteria do not consider the age of associated delinquencies, so many assigned cases include older delinquencies that will not likely be collected.

- Case selection criteria do not consider the financial condition (such as income) of the delinquent taxpayers, so many of the assigned cases involve taxpayers with no ability to make payments.
- Case selection criteria do not consider unsuccessful prior attempts to contact or locate the taxpayers.

Furthermore, many of the cases are older with less collection potential because they were first routed to the Automated Collection System but were not resolved before assignment to the field.

Management has begun some initiatives intended to improve the workload selection process. While these initiatives could provide benefits, TIGTA believes that further action is warranted.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) reexamine the field case selection criteria and strategy, 2) ensure that field personnel are aware of the new strategy, 3) establish a method to measure the effectiveness of the field case selection criteria, and 4) conduct a study of the cases routed to the Automated Collection System to determine whether there are certain types of cases that should instead be routed directly to the queue or the field.

In their response to the report, IRS officials generally agreed with our recommendations. The IRS plans to incorporate their corrective actions as part of a new concept of operations in the creation of a single Collection organization as part of a realignment of IRS compliance programs. Improving case selection criteria will need to be a key component of its new concept of operations to address the intent of TIGTA's recommendation.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201430068fr.pdf>