



## Treasury Inspector General for Tax Administration Office of Audit

### REDUCED BUDGETS AND COLLECTION RESOURCES HAVE RESULTED IN DECLINES IN TAXPAYER SERVICE, CASE CLOSURES, AND DOLLARS COLLECTED

Issued on May 8, 2015

## Highlights

Highlights of Report Number: 2015-30-035 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

### IMPACT ON TAXPAYERS

Since Fiscal Year 2010, decreases in the budget have resulted in the reduction of 21 percent of Automated Collection Service (ACS) contact representatives and 28 percent of Field Collection revenue officers. The availability of these key collection employees directly affects taxpayer service and the IRS's ability to take appropriate enforcement action on delinquent taxpayers.

### WHY TIGTA DID THE AUDIT

Between Fiscal Years 2010 and 2015, the IRS's budget has been reduced by more than \$1.2 billion. This audit was initiated to determine the impact that IRS budget reductions have had on collection programs and employees.

### WHAT TIGTA FOUND

Collection employees are important because their technical skills are needed to fulfill the IRS's mission of collecting unpaid taxes. Although management made extensive cuts to non-labor costs, significant collection personnel reductions were still necessary.

This has resulted in the ACS answering 25 percent fewer taxpayer telephone calls since 2011, because there were fewer ACS contact representatives available to answer them. Taxpayers whose calls were answered spent an average of eight minutes (97 percent) longer waiting for a contact representative. Taxpayers may become frustrated and remain noncompliant if they are unable to reach a contact representative to resolve their tax issues. In addition, ACS inventory grew and became older, and more cases were not resolved and were transferred to the Queue.

In FY 2014, revenue officers collected \$222 million (7 percent) less than in FY 2011. In addition, they closed 34 percent fewer cases. This was primarily due to the decrease in the number of revenue officers and

downtime that resulted from revenue officers' computer problems. In FY 2014, revenue officers' computer downtime reached 66,448 hours, the equivalent to losing 32 full-time employees for the year.

Many lower graded revenue officers are more experienced because budget limitations have restricted their promotion opportunities. As a result, Field Collection may be able to mitigate further risk to tax administration by assigning revenue officers' inventory closer to full capacity. In addition, higher graded revenue officers could be assigned a higher percentage of high-risk complex cases. The number of unassigned highly complex cases grew by more than 180 percent since Fiscal Year 2012. This is important because the average amount collected on the most complex cases was more than three times the next highest average amount collected.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) ensure that revenue officer inventory levels are maintained at close to full capacity while ensuring the inventory levels are commensurate with the complexity of the cases; and 2) ensure that General Schedule (GS)-13 grade revenue officers are working appropriate cases, and when possible, increase the percentage of GS-13 grade cases assigned to GS-13 grade revenue officers.

In its response to the report, IRS management agreed with TIGTA's recommendations and plans to issue a memorandum reminding Field Collection group managers to ensure that their revenue officer inventory levels are within current inventory levels and appropriate, taking into account the complexity of the cases. IRS management also plans to evaluate whether the current inventory levels for revenue officers are appropriate as part of their ongoing study in the complexity of Field Collection cases. IRS management plans to issue a memorandum reminding Field Collection group managers to ensure that their GS -13 grade revenue officers are assigned appropriate cases, and when possible, increase the percentage of GS-13 grade cases assigned to GS-13 grade revenue officers.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2015reports/201530035fr.pdf>

E-mail Address: [TIGTACommunications@tigta.treas.gov](mailto:TIGTACommunications@tigta.treas.gov)

Phone Number: 202-622-6500

Website: <http://www.treasury.gov/tigta>