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INTERNAL REVENUE SERVICE

Unpaid Taxes of Federal Workers and Annuitants



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Abbreviations

ALERTS	Automated Labor and Employee Relations Tracking System
ARDI	accounts receivable dollar inventory
AUR	Automated Underreporter Program
CNC	currently not collectible
CSED	collection statute expiration date
FERDI	Federal Employee and Retiree Delinquency Initiative
FMS	Financial Management Service
IRC	Internal Revenue Code
IRS	Internal Revenue Service
OGE	Office of Government Ethics
OIC	offer in compromise
OPM	Office of Personnel Management
RRA98	Internal Revenue Service Restructuring and Reform Act of 1998
SES	Senior Executive Service
TIN	taxpayer identification number



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United States General Accounting Office
Washington, DC 20548

June 14, 2001

The Honorable Stephen Horn
Chairman
Subcommittee on Government Efficiency,
Financial Management, and Intergovernmental Relations
Committee on Government Reform
House of Representatives

The Honorable Jim Turner
House of Representatives

As the nation's tax collector, the Internal Revenue Service (IRS) collects about \$2 trillion in federal taxes annually. While the majority of taxpayers appear to comply with the nation's tax laws by filing their tax returns and paying their tax liabilities, some do not. IRS records as unpaid taxes or assessments amounts taxpayers identify they owe through the tax returns they file and amounts it determines are owed by taxpayers as identified through its various enforcement programs.¹ Unpaid assessments also include accumulated penalties and interest.

Despite the high level of tax collections, the agency continues to have a significant balance of cumulative unpaid assessments. As of September 30, 2000, IRS reported cumulative unpaid assessments of \$240 billion, of which only \$22 billion, or 9 percent, it estimated to be collectible.² Similarly, as of September 30, 1999, IRS estimated that of \$231 billion in unpaid assessments, \$21 billion, or 9 percent, was likely to be collected. IRS' balance of unpaid assessments consists of various types of taxes, including payroll, corporate, and individual income taxes. Included in this cumulative balance are outstanding taxes IRS reports to be owed by

¹IRS' enforcement programs include examinations and constructing of tax returns for nonfiling taxpayers using information from third-party sources, such as wage and earnings statements and interest statements from financial institutions. Also, IRS' Automated Underreporter Program identifies potential underreported income and tax liabilities through discrepancies between tax data provided by taxpayers and that provided by third-party sources.

² See *Financial Audit: IRS' Fiscal Year 2000 Financial Statements* (GAO-01-394, March 1, 2001).

federal workers and annuitants.³ According to IRS records, cumulative amounts owed by federal workers and annuitants made up about 1 percent of the total outstanding balance of unpaid assessments in both fiscal years 1999 and 2000.

This report responds to your request for information on unpaid taxes that federal workers and annuitants owe the federal government. You asked for information on the number of federal workers and annuitants that have outstanding tax obligations, how much they owe, the type of taxes they owe, and how the level of taxes they owe compares with that owed by nonfederal taxpayers. You also asked for information on what impediments, if any, affect IRS' ability to (1) collect amounts owed by federal workers and annuitants and (2) promote tax compliance, and thus impact IRS' effectiveness in enforcing the tax code for this federal population.

To respond to your request, we used a combination of (1) analyses of data maintained on IRS' systems or otherwise provided by IRS as of October 1999, (2) detailed reviews of federal worker and annuitant unpaid tax cases, (3) interviews with IRS headquarters and field office officials, (4) interviews with Office of Personnel Management (OPM) and Office of Government Ethics (OGE) personnel on ethics and responsibilities of federal workers and annuitants, and (5) discussions with the Department of the Treasury's Financial Management Service (FMS) personnel on the status of implementation of Treasury's continuous levy program.⁴ Also, we obtained and reviewed information on the laws governing dissemination of tax information, on IRS' Federal Employee and Retiree Delinquency Initiative (FERDI) and Employee Tax Compliance programs, and on the results of IRS' FERDI matches as of October 2000. For more details on our scope and methodology, see appendix I.

³ In this report, annuitants are defined as retired federal employees receiving income related to their prior federal employment from the federal government.

⁴ Levy is the legal process by which IRS orders a third party to turn over property in its possession that belongs to the delinquent taxpayer named in a notice of levy. Property is used in a broad sense and can cover earned compensation, funds in financial accounts, as well as nonmonetary property, such as real property. For each property source, IRS can effect a one-time levy or a continuous levy. A continuous levy remains in effect from the date the levy is first made until the tax debt is fully paid or IRS releases the levy.

Results in Brief

According to IRS data, as of October 1999, 390,000 federal workers and annuitants owed cumulative unpaid federal taxes of about \$2.5 billion. Of this amount, about 54 percent was owed by federal annuitants and 46 percent by federal workers. IRS records also identified an additional 65,000 federal workers and annuitants who had not filed tax returns. The \$2.5 billion represented both taxes due and agreed to by taxpayers or courts, as well as amounts IRS claims were owed by taxpayers, which are referred to as compliance assessments.⁵ Because compliance assessments often exceed the actual taxes owed, the actual amount of unpaid taxes is not certain. Included in this amount was about \$660 million owed by taxpayers who had reached agreements with IRS to pay their tax liabilities in installments over time. According to IRS records, about 5 percent of the federal worker and annuitant population owed taxes or had not filed tax returns as required, compared to about 8 percent for the general population. These rates appear to indicate a higher overall rate of compliance among federal workers and annuitants than that of the general population. Information recently reported by IRS indicated that, as of October 2000, 340,000 federal workers and annuitants owed cumulative unpaid taxes of about \$2.5 billion, of which about \$650 million was owed by taxpayers who had reached agreements with IRS to pay their tax liabilities in installments over time. Also, as of October 2000, IRS identified an additional 85,000 federal workers and annuitants who had not filed tax returns and reported that about 5 percent of the federal worker and annuitant population owed taxes or had not filed tax returns as required, compared to about 7 percent for the general population.

IRS has difficulty identifying the actual amount of unpaid taxes for the federal as well as the general population because some taxpayers fail to report or fully report their tax obligations. To the extent that IRS does not detect or correct income that taxpayers either underreport or do not report at all, the amount of unpaid taxes on IRS' records is understated. Conversely, to the extent that IRS assesses taxes based on third-party information, the amount of unpaid taxes on IRS' records can be overstated because IRS may be unaware of legitimate deductions that would reduce or even eliminate the taxpayer's potential tax liability.

⁵This amount consists of the total amount of unpaid tax assessments accumulated from the inception of each assessment, with accumulated penalties and interest that may apply and less any payments received. Excluded from this amount are any assessments that have reached their statutory collection expiration date and are thus no longer reflected in IRS' records.

The taxes owed by federal workers and annuitants were predominantly unpaid income taxes. About 48 percent of the balance IRS records indicate was owed by federal workers and annuitants as of October 1999 was identified by IRS through its enforcement programs. Also, over one-third of the 390,000 federal workers and annuitants owed taxes for more than one tax period,⁶ and 56 percent of the amounts owed date back to before 1995. While the rate of noncompliance of federal workers and annuitants was fairly consistent, annuitants owed proportionally more in outstanding taxes than federal workers. The rate of noncompliance by IRS employees, according to IRS records, was lower than that of the rest of the federal population—about 3 percent of its employees either owed taxes or had not filed tax returns as of both October 1999 and October 2000.

A significant portion of the outstanding balance owed by federal workers and annuitants is potentially uncollectible. Based on a statistical sample of tax cases involving federal workers and annuitants taken from six IRS field offices⁷ that account for \$861 million of the reported \$2.5 billion in unpaid and potential unpaid taxes as of October 1999, we estimate that 32 percent of the amounts owed or claimed by IRS to be owed by federal workers and annuitants is likely to be collected. In comparison, about 9 percent of the total balance of unpaid assessments for all taxpayers is likely to be collected.

Several impediments, which are also applicable to the general taxpayer population, affect IRS' ability to collect taxes owed by federal workers and annuitants and to promote compliance with the nation's tax laws, thus impacting IRS' effectiveness in enforcing the tax code. These impediments include:

- Ineffective systems and processes, which (1) hinder IRS' ability to promptly identify underreported or nonreported income and (2) contribute to errors in taxpayer accounts. For example, because of ineffective systems and processes, IRS took 3 years or more to identify and assess delinquent taxes for some federal workers and annuitants who failed to report or fully report their income. Also, errors in taxpayer accounts have resulted in both lost revenue to the federal government and increased taxpayer burden.

⁶A tax period is defined as the period over which the tax liability was created. That period is typically a year and, for individual taxes, typically a calendar year.

⁷The field offices selected are not believed to be atypical.

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- Resource allocation decisions and limitations, which may hinder IRS' ability to both assess and collect taxes owed. In some unpaid tax cases we reviewed where case file information indicated that the taxpayers had the resources or ability to pay at least some of the amount owed or claimed by IRS to be owed, we saw no evidence that IRS was actively pursuing collection.

We have previously reported on these issues and have provided recommendations for corrective actions.⁸ While IRS has taken steps to address some of these issues, continuing efforts are needed to fully resolve them.

Various government laws are in place which are designed to protect the privacy of taxpayers and the confidentiality of taxpayer data. These laws include prohibiting IRS from sharing with federal agencies data on individual federal workers' unpaid taxes and/or unfiled tax returns with certain exceptions, such as communicating with agency payroll offices to arrange for levying or garnishing the employee's wages. IRS must work within this framework in its attempts to promote compliance among federal workers and annuitants.

IRS' FERDI program was intended to determine the degree of compliance with federal tax laws among federal workers and annuitants and assist IRS in improving compliance by this segment of the taxpayer population. While the program has existed for about 8 years, IRS has not assessed its effectiveness in improving federal worker and annuitant compliance with the nation's tax laws. Without an evaluation of the program, IRS does not have information with which to determine its usefulness or what specific modifications, if any, are needed to better enable it to achieve its intended objectives. Also, IRS does not know the extent to which agencies to which it provides information on the agency's overall compliance rate communicate the results to their employees, or whether such communication results in increased compliance. Accordingly, we are recommending that IRS assess the effectiveness of the FERDI program in promoting compliance by federal workers and annuitants with the nations tax laws. We are also recommending that, as part of this assessment, IRS determine the extent to which each agency communicates information on

⁸See *Internal Revenue Service: Recommendations to Improve Financial and Operational Management* (GAO-01-42, November 17, 2000).

its compliance rate with its workforce and whether such communication can be linked to improved compliance by the agency's employees.

IRS recognizes the impediments discussed in this report affecting its ability to collect outstanding taxes. IRS has agreed to explore the possibility of conducting a study to assess the effectiveness of the FERDI program, and to request information from federal agencies participating in the FERDI program to determine whether communication by agencies to their employees can be linked to improved tax compliance.

Background

Presidential Executive Order 12764, "Principles of Ethical Conduct for Government Officers and Employees" (government code of ethics), provides ethical guidelines to be followed in the executive branch of the federal government. Among the ethical standards prescribed in the order is that "Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those such as Federal, State, or local taxes that are imposed by law." The executive order, which was recently emphasized by the current administration in January 2001, continues to stress the ethical importance of federal workers' complying with their federal tax obligations. Noncompliance by federal workers and annuitants could adversely affect the public's perception of tax administration, government effectiveness, and the federal workforce. If the general public perceives that federal workers and annuitants can successfully evade their tax obligations, voluntary compliance, the foundation of the U.S. tax system, could be eroded.

In 1992, IRS initiated FERDI, a program to identify the degree of compliance with federal tax laws among federal workers and federal annuitants. IRS began this program as a means to improve information on potential levy sources and in response to the presidential executive order. Beginning in 1992, IRS began to periodically match its records of outstanding taxes and nonfiled tax returns against federal personnel records to identify federal workers and annuitants who either had outstanding taxes or had not filed their tax returns. IRS entered into agreements with the Defense Manpower Data Center, which receives personnel data files on many of the government's active and retired civilian and military workers, and the U.S. Postal Service, which maintains and processes similar data for postal workers, to match these personnel records against a data file of outstanding taxes and unfiled tax returns

monthly. Most agencies, accounting for over 95 percent of the federal workforce, participate in this matching process. For those federal agencies and entities that do not,⁹ including the National Security Agency, the Federal Bureau of Investigation, the Central Intelligence Agency, the Board of Governors of the Federal Reserve System, and legislative branch entities, IRS attempts to identify these employees through a separate matching of Wage and Earnings Statements (W-2s). However, this process has certain limitations.¹⁰

Agencies that participate in the matching process and agencies where IRS is able to perform a match using W-2 information annually receive a letter from IRS informing them of the number of employees with outstanding taxes or unfiled tax returns. These letters also contain IRS' assessment of the agency's rate of compliance. Because of restrictions imposed by confidentiality laws, these agencies do not receive information on the specific names of individual employees whom IRS has identified as not complying with the nation's tax laws.

The broad objectives of FERDI are to enhance the federal government's tax administration process by improving the compliance of federal employees and annuitants with their responsibility for filing tax returns and paying taxes, thereby helping to ensure the public's confidence in the tax system. The program combines reaching out to federal agencies to raise their awareness of this issue and prioritizing IRS' efforts to reduce its unpaid tax cases. Because of the potential ethical concerns and public perceptions related to federal employees and annuitants who do not comply with their tax responsibilities, IRS until recently adopted what it referred to as a "zero tolerance" policy for these cases. Specifically, IRS' policy until January 2001 has generally been to actively pursue all known noncompliance cases involving federal workers and annuitants, without

⁹ According to IRS, the agencies and entities that have declined to participate in the program have cited security and potential privacy issues as their principal reason.

¹⁰ For example, matching using the W-2 records can only be done annually and thus may not reflect the current status of federal employees (i.e., individuals may have left the federal workforce during the year and thus are no longer federal employees). Consequently, the delay in identifying potentially delinquent taxpayers as federal workers could delay IRS' efforts to pursue collection from these individuals. A further limitation occurs with certain agencies whose payrolls are processed through the Department of Agriculture's National Finance Center (NFC) where the automated W-2s reflect NFC's identification number, but not the employer identification number of the employing agencies.

prioritizing by amount involved or potential for collection.¹¹ In January 2001, IRS changed its prioritization system for FERDI cases and these now receive the same priority as the general population cases.

IRS Records Indicate Federal Workers and Annuitants Owe \$2.5 Billion in Unpaid Taxes

According to IRS records, as of October 1999, over 390,000 federal workers and annuitants, or 4.5 percent of the total 8.7 million on-roll federal worker and annuitant population, owed about \$2.5 billion in unpaid federal taxes. IRS records indicate that another 65,000 federal workers and annuitants had not filed tax returns and were identified by IRS as potential nonfilers.¹² In total, IRS records indicated that as of October 1999, over 5 percent of the federal population had outstanding taxes, had not met its tax filing responsibilities, or both. This percentage compared favorably with the general population: IRS' records indicated that as of October 1999, over 8 percent of the general population owed amounts to the government for unpaid taxes, had not filed tax returns, or both. Information recently reported by IRS indicated that, as of October 2000, 340,000 federal workers and annuitants owed cumulative unpaid taxes of about \$2.5 billion, and another 85,000 federal workers and annuitants had not filed tax returns. This information indicated that, as of October 2000, slightly less than 5 percent of the federal worker and annuitant population owed taxes or had not filed tax returns as required, compared to a little over 7 percent for the general population.

Based on these percentages, federal workers and annuitants appear to be more compliant than the general taxpayer population in meeting their tax obligations. However, these percentages and the amounts reported as owed to the federal government are affected by several factors. Not all taxpayers, including federal workers and annuitants, pay the amounts they owe the federal government. Some do not provide payments on their tax liability when they file their tax returns. Others underreport, either mistakenly or deliberately, the amounts they owe the government. Still others do not report the amounts they owe. To the extent that underreporting or nonreporting by taxpayers is not detected and corrected by IRS, the amount of unpaid taxes IRS identifies is understated.

¹¹ These individuals are afforded all due process rights available to other taxpayers.

¹² A nonfiler is an individual who meets filing requirements for a tax period, but fails to file a return for that period.

Conversely, not all amounts IRS identifies as unpaid taxes are actually owed by taxpayers; thus, the amount of unpaid taxes IRS identifies could be overstated. This is particularly true for cases in which IRS assesses additional taxes based on third-party-provided information, or when a taxpayer has not filed a tax return for a given period and IRS constructs a return for the individual based on third-party information. Erroneous third-party information can result in IRS' erroneously assessing a taxpayer for amounts that are not owed. Also, when IRS assesses taxes based on third-party payment information, the assessed tax may be overstated because IRS cannot consider legitimate deductions that may apply and that could reduce or even eliminate the identified tax liability. In addition, if IRS errs in applying taxpayer payments, its records could reflect a tax liability that has already been paid. In other instances, IRS unpaid assessments include amounts being contested by taxpayers. In some cases, the taxpayers may even be due a refund.

It is also important to note that, for both the federal and the general populations, the percentages noted above and the reported amounts of unpaid taxes include balances taxpayers owe that are being paid under installment agreements. The amount of unpaid taxes owed by the federal population as of October 1999 and October 2000 included about \$660 million and about \$650 million, respectively, owed by taxpayers who were in installment agreements with IRS. If these federal workers and annuitants were excluded from the population of federal workers and annuitants who were considered to be noncompliant, the percentages of the federal worker and annuitant population who owed taxes or had not filed tax returns as required as of October 1999 and October 2000 would decline to 3.3 percent and 3 percent, respectively.

IRS' difficulty in better determining noncompliance is affected by a number of issues including significant deficiencies in its systems and processes leading to delays in identifying noncompliant taxpayers and errors in taxpayer accounts, and resource allocation decisions and limitations. These issues are discussed later in this report under "Impediments Exist in Collecting Amounts Owed and Promoting Compliance."

Type of Taxes Owed and Other Characteristics of Federal Population

According to IRS records, as of October 1999, the taxes owed by the over 390,000 federal workers and annuitants predominantly stemmed from their income. Nearly one-half of the outstanding amounts IRS reported as owed by these federal workers were identified through IRS' enforcement programs. About one-third of these individuals owed taxes for more than one tax period and owed for extended periods of time, and about 56 percent of the total outstanding amounts dated back to before 1995. Federal annuitants accounted for 54 percent of the total outstanding amounts owed by federal workers and annuitants, while constituting 40 percent of the number of individuals with tax delinquencies. IRS employees were more compliant than the rest of the federal population; however, they are subject to special monitoring by IRS and can face substantial disciplinary actions for willful noncompliance. Our work indicates that a significant portion of the outstanding amounts owed by federal workers and annuitants is potentially uncollectible.

Taxes Owed Are Predominantly on Income

The vast majority of federal workers and annuitants owe taxes stemming from the income they earn. According to IRS records, as of October 1999, over 99 percent of the accounts owed by federal workers and annuitants was attributable to individual income taxes owed. It is important to note that such income taxes are not necessarily solely attributable to federal salaries or pensions. Some income may be attributable to other sources such as secondary nonfederal income, a spouse's nonfederal income, or gains on sale of property.

Among the less than one percent of federal workers and annuitants with outstanding taxes as of October 1999 that were not related to their income, approximately 2,300 individuals owed the government penalty assessments totaling \$155 million resulting from IRS' finding them to be willful and responsible for the failure to remit amounts withheld from employee salaries for payroll taxes.¹³ In some instances, these individuals were assessed for multiple periods of withheld but nonremitted payroll taxes—the 2,300 individuals owe outstanding penalties on 3,019 separate tax accounts.¹⁴ In one case we reviewed, we found that IRS had assessed a

¹³IRS can assess a trust fund recovery penalty against an individual whom it determines was willful and responsible for not forwarding to the government federal payroll taxes withheld from employees' salaries.

¹⁴We previously reported on issues related to unpaid payroll taxes. See *Unpaid Payroll Taxes: Billions in Delinquent Taxes and Penalty Assessments Are Owed* (GAO/AIMD/GGD-99-211, August 2, 1999).

retired federal employee for withholding and not forwarding to the government payroll taxes he withheld from employees of two businesses he started after retiring. In each of these two businesses, the individual had withheld taxes from his employees' salaries for 17 separate periods without forwarding the withheld funds to the federal government. IRS subsequently assessed the individual over \$1.6 million in trust fund recovery penalty assessments.

48 Percent of Taxes Owed Are Not Self-Reported

IRS records indicated that 48 percent of the cumulative amounts all federal workers and annuitants owed as of October 1999 was identified by IRS through its various enforcement programs. These amounts were attributable to nonfilers and underreporters and were not due to mathematical errors identified by IRS that were made by the taxpayers when preparing their tax returns. Our statistical sample of 140 unpaid tax cases involving federal workers and annuitants reinforces these statistics. In 55 of the cases (39 percent), some or all of the taxes owed were identified as a result of IRS' enforcement programs, rather than through the taxpayers' own reporting. Comparably, for the general population, IRS identified, through its various tax enforcement programs, 37 percent of the cumulative amounts owed according to IRS records as of October 1999.

Some Taxes Are Owed For Multiple Periods and Are Outstanding for Years

According to IRS records, 36 percent of federal workers and annuitants with outstanding unpaid tax assessments as of October 1999 owed taxes for multiple periods or years. This proportion was consistent with that of the general population; according to IRS records, about 37 percent of the general taxpayers with outstanding taxes as of October 1999 owed for more than one tax period. Over 390,000 federal workers and annuitants owed outstanding taxes on over 690,000 separate accounts, each account representing a tax period. Table 1 provides a breakdown of the federal workers and annuitants by number of tax accounts owed.

Table 1: Federal Workers/Annuitants With Multiple Unpaid Tax Accounts as of October 1999

Dollars in millions

Number of individuals	Percentage of total number of individuals	Number of accounts	Outstanding balance	Percentage of total outstanding balance
250,219	64.1	1	\$511.1	20.6
127,565	32.7	2 to 5	1,308.6	52.7
11,854	3.0	6 to 10	541.4	21.8
843	0.2	11 to 15	102.7	4.1
31	NM ^a	Over 15	18.3	0.7
Total: 390,512	100		\$2,482.1	100^b

^aNM = Not meaningful.

^bDue to rounding, numbers do not total precisely 100.

Source: Unaudited IRS FERDI file data.

In addition, most of the amounts owed by federal workers and annuitants had been outstanding for a number of years. As of October 1999, about 200,000 separate accounts (29 percent of the total number of accounts) related to taxes assessed for years before 1995. These accounts totaled about \$1.4 billion and represented 56 percent of the nearly \$2.5 billion total balance in tax assessments identified by IRS as owed by federal workers and annuitants. About 23 percent, or \$576 million, dated back to before 1990. In contrast, as of October 1999, 79 percent of IRS' total balance of unpaid assessments dated back to before 1995, and 40 percent pertained to amounts owed for tax years before 1990. Table 2 provides a breakdown of the number and associated outstanding balances owed by year in which the tax was due.

Table 2: Outstanding Taxes of Federal Workers/Annuitants as of October 1999 by Tax Year

Dollars in millions

Tax year owed	Number of accounts	Percentage of total accounts	Outstanding balance	Percentage of total outstanding balance
1998–1999	180,927	26.2	\$269	10.8
1995–1997	308,943	44.7	817	32.9
1990–1994	160,615	23.2	820	33.0
1980–1989	40,086	5.8	552	22.2
Before 1980	368	0.1	24	1.0
Total	690,939	100	\$2,482	100^a

^aDue to rounding, numbers do not total precisely 100.

Source: Unaudited IRS FERDI file data.

As our previous work on unpaid assessments shows,¹⁵ the longer a tax liability remains outstanding, the lower the likelihood that IRS will be able to collect the outstanding amount. Further, because IRS continues to accrue significant amounts of interest and penalties on these delinquent taxes as they age, additional amounts having a lower likelihood of being collected are added to IRS' balance of unpaid assessments. IRS records indicated that 55 percent of the outstanding balance of unpaid taxes federal workers and annuitants owed as of October 1999 consisted of interest and penalties.

Federal Annuitants Owe Proportionally More Taxes Than Active Federal Workers

As discussed earlier, according to IRS records, as of October 1999, over 5 percent of federal workers and annuitants had or potentially had outstanding federal taxes, had not filed tax returns and were thus potential nonfilers, or both. This percentage was fairly consistent between federal workers and federal annuitants: 5.5 percent for active federal workers and 5 percent for federal annuitants. However, according to IRS records, federal annuitants owed, on average, 50 percent more per account than active federal workers. While the average account balance for federal annuitants was \$4,387, the average account balance for the active federal workers was \$2,962. As a result, as indicated in table 3, federal annuitants

¹⁵See *Internal Revenue Service: Composition and Collectibility of Unpaid Assessments* (GAO/AIMD-99-12, October 29, 1998).

owed 54 percent of the nearly \$2.5 billion in unpaid taxes while accounting for 40 percent of the population.

Table 3: Breakdown of Outstanding Amounts Owed by Federal Workers/Annuitants as of October 1999

Dollars in billions

Individual	Number of individuals	Percentage of total individuals	Number of accounts	Outstanding balance	Percentage of total outstanding balance
Worker	234,636	60	385,218	\$1.14	46
Annuitant	155,883	40	305,721	1.34	54
Totals	390,512^a	100	690,939	\$2.48	100

^aAdding the number of individual workers and individual annuitants owing taxes yields 390,519, which is 7 higher than the total number of individuals owing taxes. The difference is the result of some individuals owing taxes in more than one account and being identified by IRS as a federal employee on some of these accounts and a retiree on others.

Source: Unaudited IRS FERDI file data.

Several factors account for this difference. For one, federal and nonfederal retirees receiving civil service¹⁶ or private-sector retirement pension or annuity payments have the option to waive tax withholdings. This treatment contrasts with that for active employees, both federal and nonfederal, who cannot claim an exemption from withholding unless they meet certain conditions.¹⁷ The treatment of civil service and private-sector retirees also differs from that of U.S. Armed Forces annuitants, since periodic pension or annuity payments for the latter (as well as certain other types of payments) are defined as wages and thus are subject to income tax withholding.

If annuitants elect not to have amounts withheld and do not make the appropriate financial adjustments, they increase the risk of finding themselves without the means to pay their tax obligations. Discussions

¹⁶ This lack of mandatory withholding requirements applies equally to federal annuitants participating in the Federal Employee Retirement System (FERS) or in the Civil Service Retirement System (CSRS). A portion of Social Security Administration (SSA) benefits may be taxable if other income in addition to SSA income is over a certain threshold; Federal Thrift Savings Plan (TSP) distributions require no withholdings except for eligible rollover distributions which require 20 percent withholding.

¹⁷ These conditions are (1) for the last tax year, they had a right to a refund of all federal income tax withheld because of no tax liability and (2) for the current tax year, they expect a refund of all federal income tax withheld because they expect to have no tax liability.

with IRS officials at several field offices we visited, and many of the cases we reviewed in our statistical sample, indicate that one underlying cause of tax delinquencies by federal annuitants is the lack of withholding of amounts from pension payments throughout the year to ensure that the individual is not faced with a substantial tax liability at the end of the year. In 14 (19 percent) of the 73 unpaid tax cases we reviewed involving federal retirees, the lack of adequate tax withholdings or the absence of any withholdings contributed to substantial tax liabilities at the end of the year.

Another factor contributing to the difference is that without automatic tax withholdings from pension payments and without the means to pay amounts due, annuitants' accounts are often older than those of active federal workers. About 4 percent of the accounts and 15 percent of the outstanding balance owed by active federal workers as of October 1999 dated back to before 1990. In contrast, 9 percent of the accounts and 30 percent of the outstanding balance owed by federal annuitants predated 1990. Because penalties and interest continue to accrue on outstanding unpaid taxes, the longer an account remains outstanding, the greater the extent to which the original taxes are increased by the added penalties and interest. Over time, the penalties and interest can grow to the point where they significantly exceed the original balance due. IRS records show that penalties and interest charges, both accrued and assessed, accounted for 59 percent of federal annuitants' average account balance as of October 1999, compared with 50 percent of federal workers' average account balance.

IRS Employees Are Subject to Tax Compliance Program and Are More Compliant

IRS views compliance by its employees as critical to its mission as the nation's tax collector. In its rules of ethical conduct, IRS expands on the ethical guidelines contained in Executive Order 12674 related to financial obligations. IRS' rules of conduct specifically stress the requirement that its employees promptly and properly file all tax returns, and that properly filing tax returns includes providing the appropriate payments as reflected on the return. IRS bases this requirement on the fact that, by virtue of IRS' mission, the public must have confidence in its integrity, efficiency, and fairness. IRS' rules of ethical conduct do allow the employee the same rights with respect to tax issues as those afforded the general public, such as the ability to file an extension or enter into an installment agreement to pay any outstanding amounts. However, the rules specifically note that failure to adhere to the filing requirements may result in disciplinary action up to and including termination of employment.

Also, the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA98) imposed more stringent requirements on IRS employees, with some sanctions as severe as terminating their employment. Specifically, Section 1203 of the act cites two specific instances in which the commission of such violation could result in the employee's termination: (1) willfully failing to file required tax returns, unless such failure is due to reasonable cause and not willful neglect (Section 1203(8)), and (2) willfully understating a tax liability, unless such understatement is due to reasonable cause and not willful neglect (Section 1203(9)).

IRS has an Employee Tax Compliance Program to monitor the compliance of its workers with its filing and tax requirements. The program is designed to identify IRS employees who have filed or paid their taxes late, are delinquent in paying any balance due, or for whom IRS has no record of a tax return having been filed. The program is centralized at IRS' Cincinnati Service Center, which periodically matches IRS' automated personnel records against its master files—its detailed database of taxpayer accounts—and downloads any matches into a separate Employee Tax Compliance database. Program personnel review these data to identify the potential compliance issue, and if they determine an infraction has occurred, refer the issue to the employee's labor relations office for review. Depending on the nature of the issue identified, certain disciplinary action may be warranted.

It is important to note that potential non-Section 1203 violations are dealt with in a different manner. Examples of the potential non-Section 1203 issues and disciplinary actions are reflected in table 4. The policies and procedures for non-Section 1203 violations apply to all IRS employees regardless of grade level. The only distinction is that cases involving Senior Executive Service (SES) employees and GS-15 employees are handled at a central labor relations office at IRS headquarters.

Table 4: Non-section 1203 Tax Compliance Issues and Disciplinary Actions

Tax compliance issue	Range of disciplinary action
Minor or technical violations occurring despite the exercise of ordinary business care or prudence in filing or paying	No action to counseling
Unintentional oversight in fulfilling tax obligation (filing and paying)	Counseling to admonishment
Neglect in fulfilling tax obligation (filing and paying)	Admonishment to suspension
Disregard of tax responsibilities and indifference to tax laws	Suspension to termination

Source: IRS Employee Tax Compliance Center; Guidelines for Closing/Referring Cases and Applications of Guidelines.

If IRS personnel responsible for the Employee Tax Compliance program determine that the violation falls within the provisions of Section 1203, the case is brought before a Central Adjudication Unit at IRS headquarters for review. If the unit determines that a Section 1203 violation exists, the case is brought before the IRS Commissioner's 1203 Review Board for final disposition. The board, which is chaired by the IRS Deputy Commissioner for Operations, can either terminate the employee or recommend that the IRS Commissioner mitigate the disciplinary action. After the final determination, the employee has the right to due process and can appeal the final decision. From June 1999 through July 2000, 77 cases involving Section 1203 violations were brought before, and reviewed by, the Commissioner's 1203 Review Board. Of these cases, 38 resulted in the dismissal of the employee, 29 resulted in disciplinary actions less severe than termination due to a finding of mitigating factors, and 10 were still pending disposition.

Through its program, IRS identified 3,255 of its employees who either had outstanding taxes or had not filed tax returns as of October 1999. The 3,255 employees with outstanding taxes or unfiled tax returns represented about 3.3 percent of IRS' overall population at that time. More recent information reported by IRS showed that as of October 2000, 2,975 of its employees, or 3.1 percent of its overall workforce at that time, either had outstanding taxes or had not filed tax returns. While the agency has employees it believes are not complying with the nation's tax laws, these percentages reflect a better rate of tax compliance than those for the rest of the federal government and the nation's taxpayers.

A Significant Portion of Amounts Owed by Federal Workers and Annuitants Is Potentially Uncollectible

As with the general population, not all amounts owed or identified by IRS as being owed by federal workers and annuitants are collectible. A review of IRS' records and a statistical sample of cases from a subpopulation of the amounts owed by federal workers and annuitants indicate that a significant portion of the outstanding amounts owed by federal workers and annuitants is not likely to be collected. In reviewing cases in which IRS claims amounts are owed, we focused on the collectibility of such amounts and not on the legitimacy of IRS' claims.

IRS' records indicate that the current status of many accounts makes collection of the outstanding taxes associated with these accounts doubtful. IRS classified about \$390 million of the outstanding taxes owed by federal workers and annuitants as currently not collectible (CNC)¹⁸ because of various factors, such as (1) the taxpayer lacks the financial resources to pay the amounts owed, (2) the taxpayer is deceased, or (3) IRS is unable to contact or locate the taxpayer, despite the fact that these individuals are receiving federal salary or benefit payments. Also, about \$180 million was owed by individuals who were in bankruptcy or other litigation proceedings as of October 1999. In total, \$570 million of the outstanding amounts owed by federal workers and annuitants were classified by IRS as CNC or the taxpayers were in bankruptcy or involved in litigation.

We reviewed a statistical sample of 152 unpaid taxes from a subpopulation¹⁹ of \$861 million in outstanding taxes owed by federal workers and annuitants as of October 1999. Based on our review, we estimate that 32 percent of the outstanding balance of this subpopulation will likely be collected.

In reviewing the cases we selected, we determined that 12 cases (8 percent) were not valid since no tax liability should have been recorded as outstanding as of October 1999. We determined that a case was invalid if

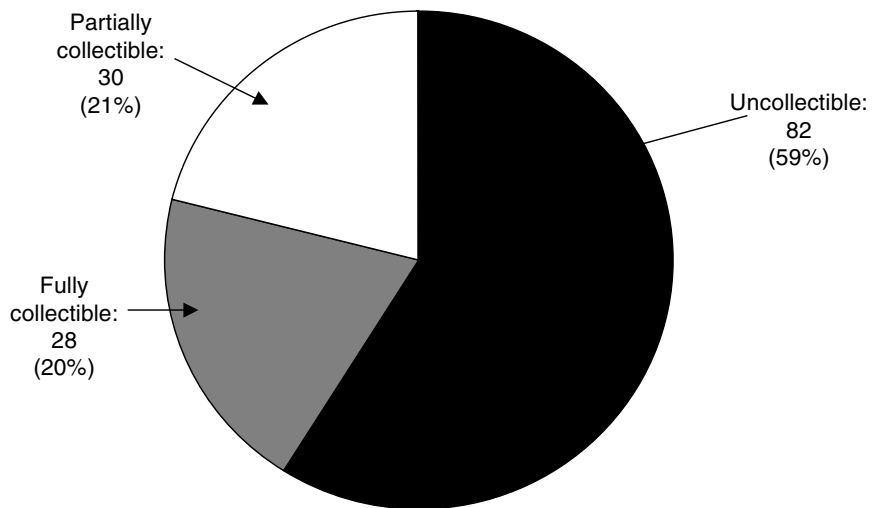
¹⁸For cases closed as CNC, IRS does not actively pursue collection from the taxpayer because it has concluded that the taxpayer currently does not have, or IRS cannot determine whether the taxpayer has, the financial resources to pay the outstanding tax obligation.

¹⁹We selected a statistical sample from a subpopulation of the total population of federal workers and annuitants with outstanding balances as reflected in IRS records as of October 1999. The subpopulation consisted of 221,570 accounts with a total outstanding balance of \$861 million. The subpopulation constituted the total federal worker and annuitant caseload assigned to six of IRS' field offices.

(1) the tax assessment recorded against the taxpayer as of October 1999 was erroneous or (2) payments received before the October 1999 reporting date fully satisfied the tax liability. Consequently, of the 152 cases we reviewed, 140 represented valid tax liabilities of federal workers and annuitants as of October 1999.

We categorized the remaining 140 selected sample cases as either uncollectible, partially collectible, or fully collectible, based on our estimate of collectibility for each case. Figure 1 provides a breakdown of the valid cases we reviewed by category.

Figure 1: Breakdown of Valid Sample Cases of Federal Workers and Retiree Tax Delinquencies



Source: GAO statistical sample.

As figure 1 indicates, in 58 of the 140 valid cases (41 percent) we reviewed, we found evidence that IRS would likely collect some or all of the outstanding amounts. In contrast, for 82 cases (59 percent), we found no evidence to indicate that IRS would collect any of the outstanding amounts.

Appendix II provides details on the types of cases that constitute the three categories of estimated collectibility in which our sample fell. Appendix I provides details on our basis and methodology used in reviewing the sample cases and evaluating the results.

Impediments Exist in Collecting Amounts Owed and Promoting Compliance

IRS' effectiveness in collecting the outstanding unpaid taxes federal workers and annuitants owe and in promoting these taxpayers' compliance with their tax responsibilities is adversely affected by several significant impediments. These include significant systems and process deficiencies, which (1) affect its ability to promptly identify and assess taxes, and (2) affect the accuracy of taxpayer accounts; and resource allocation decisions and limitations, which may hinder IRS' ability to both assess and collect taxes owed. These impediments, which impact IRS' effectiveness in enforcing the tax code with respect to federal workers and annuitants, also affect IRS' efforts to collect taxes owed and promote compliance among the general taxpayer population.

Significant System and Process Deficiencies Impede Collections and Affect Accuracy of Taxpayer Accounts

IRS' programs to identify underreporters or nonfilers can generally take years to identify and assess taxes, significantly hampering IRS' ability to collect these taxes. In addition, we continue to report serious deficiencies in IRS' financial management and operational systems and processes that affect the accuracy of taxpayer accounts.²⁰ These conditions continue to result in unnecessary taxpayer burden and lost opportunities to collect amounts owed. We have previously reported on these issues and have provided recommendations for corrective action, including (1) ensuring IRS' ongoing systems modernization effort includes the development of a subsidiary ledger to accurately and promptly identify, classify, track, and report all IRS unpaid assessments by amount and taxpayer, (2) manually reviewing and eliminating duplicate or other assessments that have already been paid off to assure all accounts related to a single assessment are appropriately credited for payments received, and (3) better monitoring its procedures requiring freeze codes be entered on all accounts of taxpayers IRS determines are potentially liable for unpaid

²⁰ See *Financial Audit: IRS' Fiscal Year 1999 Financial Statements* (GAO/AIMD-00-76, February 29, 2000) and [GAO-01-394](#). Also see *Internal Revenue Service: Custodial Financial Management Weaknesses* (GAO/AIMD-99-193, August 4, 1999) and *Unpaid Payroll Taxes: Billions in Delinquent Taxes and Penalty Assessments Are Owed* (GAO/AIMD/GGD-99-211, August 2, 1999).

taxes.²¹ IRS has acknowledged these issues and is working to address them.

Difficulties in Identifying Noncompliant Taxpayers

IRS uses various enforcement programs to identify individuals who have inaccurately reported or failed to report their tax liabilities. IRS' underreporter program attempts to identify underreported taxes by verifying tax return data with other third-party-supplied information, such as wage and earnings statements. IRS' nonfiler program attempts to identify taxpayers who failed to file tax returns. However, these programs can only potentially assess underreported or unreported taxes. The process of then determining whether amounts are, in fact, owed and then trying to collect these outstanding amounts from taxpayers is the other critical element involved.

IRS' various enforcement programs can take several years to identify and assess the taxes against an individual for taxes owed. Of the 140 valid federal worker and annuitant cases, 55 were cases in which IRS identified taxes owed through its various enforcement programs. Of these 55 cases, 15 cases (27 percent) took over 3 years and 4 cases (7 percent) took over 5 years from the date the taxes were initially due until IRS assessed the taxpayer for the outstanding amounts. In one case we reviewed, a federal employee had not filed tax returns for 4 years from 1988 through 1994. For the unfiled 1988 return, IRS was able to construct a substitute tax return in late 1994, yet IRS then took another 6 months to record the unpaid tax assessment in the taxpayer's account.

Errors in Taxpayer Accounts

During both our fiscal year 1999 and 2000 financial audits,²² we continued to find significant errors in taxpayer accounts. These errors included (1) failing to record payments received to all related taxpayer accounts, (2) delays in recording payments to related taxpayer accounts, and (3) delays in recording assessments in taxpayer accounts. The omissions and delays in recording activity resulted in numerous errors, such as issuing refunds to taxpayers who owed taxes and erroneously assessing taxpayers who were actually due refunds. These errors resulted in both a burden to taxpayers and lost revenue to the federal government.

²¹ See [GAO-01-42](#), November 17, 2000.

²² See [GAO/AIMD-00-76](#) and [GAO-01-394](#).

In our sample of federal worker and annuitant cases, we continued to find deficiencies in IRS' systems and processes that affected the accuracy of taxpayer accounts. For example, we found a case in which, due to an IRS input error, a federal worker erroneously received a refund of \$500,000 from IRS. IRS identified the mistake in June 1999 and assessed the individual for that amount. The individual returned the refund check, and the taxpayer's account was corrected in October 1999. In another case, a federal employee did not file a tax return in 1994. IRS prepared a substitute tax return for this federal worker and used it as a basis for assessing the individual. However, in preparing the return, IRS used an erroneous W-2 that showed wages of \$3,000,000. The taxpayer's true wages were \$17,000. The error was eventually detected when the revenue officer assigned to the case noticed that the wages seemed very high and requested a new W-2.

We also found instances in which IRS had not recorded payments received on outstanding tax account balances promptly. In one case, a federal worker had established that he had paid his taxes in 1992 yet, as of October 1999, IRS' records still identified the individual as owing taxes. In total, in 12 of the 152 cases we reviewed, the tax assessment recorded against the taxpayer was either erroneous or the account should have had no outstanding balance because payments had already been received that fully satisfied the tax liabilities. Mistakes such as these erroneously increase any measure of noncompliance of both federal workers and annuitants, and the general population and can result in burden to the taxpayer.

Resource Allocations Affect IRS' Ability to Pursue Amounts Owed and Promote Compliance

As we have reported previously,²³ IRS does not follow up on all cases that involve potential underreported or nonreported tax, nor does it always actively pursue cases with some collection potential. IRS attributes this to the need to allocate its limited resources among competing priorities. Nonetheless, this significantly impedes IRS' ability to pursue collection of outstanding taxes owed and creates the potential for increased noncompliance.

IRS does not investigate all tax returns identified as having potential underreported taxes. For example, for tax year 1996, IRS screened 155 million individual income tax returns and found that about 12 million (8

²³ See [GAO/AIMD-00-76](#) and [GAO-01-394](#). Also see [GAO-01-42](#).

percent) had potential underreported taxes totaling at least \$15 billion. However, IRS investigated only about 3.1 million (26 percent) of these returns, accounting for estimated underreported taxes due of about \$5.2 billion (35 percent). Consequently, about \$10 billion in potential underreported taxes went uninvestigated and thus will likely not be pursued for possible collection. More recent statistics show this is a continuing problem. IRS' screening of individual tax returns for tax year 1998²⁴ identified over 14 million individual tax returns that had potential underreported taxes totaling \$15.4 billion, yet IRS investigated only 2.5 million (18 percent) of these cases accounting for about \$6.5 billion (42 percent) of the total underreported taxes. This limited investigation activity results in billions of dollars in potential unpaid taxes annually that are not pursued. This limitation also affects IRS' ability to accurately assess the level of noncompliance, both for the general population and for the population of federal workers and annuitants.

In addition, IRS also does not always actively pursue cases in which outstanding taxes have been assessed, resulting in potentially billions of dollars in lost revenue to the government. During both our fiscal year 1999 and 2000 financial audits, we found a number of cases that IRS was not actively pursuing, including some in which we noted that the taxpayer had financial resources to pay at least some of the amounts owed. IRS enforcement data indicate that from fiscal years 1997 through 2000, the number of case dispositions and the number of revenue officers available to work those cases declined. Enforcement activities such as lien filings, levy notices, and seizures all showed substantial declines during this period. IRS attributes its inability to pursue such collections to a decrease in staff, reassignment of collection employees to support customer service activities, and additional staff time needed to implement certain taxpayer protections that were included in RRA98.

Despite IRS' "zero tolerance" policy then in effect for federal workers and annuitants with outstanding taxes, we also found cases in our sample in which IRS was not actively pursuing some federal workers and annuitants who had resources that could have been used to pay some of the amounts owed.²⁵ Further, of the \$390 million in outstanding taxes owed by federal

²⁴At the time of our review, tax year 1998 was the most recent year for which substantially complete matching program results were available.

²⁵The zero tolerance policy was replaced in January 2001. These cases now receive the same priority as the general population cases.

workers and annuitants that IRS classified as CNC, about 580 cases, with a total outstanding balance of over \$1.8 million, appeared on IRS' records as closed due to resource and workload constraints, despite IRS policy that all federal worker and annuitant cases be actively pursued.

As we have previously acknowledged, like any large agency, IRS is confronted by the ongoing management challenge of allocating its limited resources among competing priorities. However, IRS does not have the management data necessary to prepare reliable cost-benefit analyses to ensure that its resource allocation decisions are appropriate. We have previously reported on this issue and recommended that, using the best available information, IRS develop reliable cost-benefit data relating to its enforcement and collection programs. Cost-based performance information on enforcement and collection activities combined with an assessment of the benefits to be derived from such actions could enable IRS to better judge whether it is optimizing its allocation of available resources among competing management priorities.

Legal Considerations in Promoting Federal Worker and Annuitant Tax Compliance

IRS must consider the legal environment in which it operates in attempting to both collect from, and improve compliance by, federal workers. Specifically, IRS must adhere to laws governing the disclosure of taxpayer information. These laws have been established to protect the privacy of taxpayers, and IRS must work within this legal framework in its attempts to promote compliance among federal workers and annuitants.

Section 6103 of the Internal Revenue Code (IRC) allows disclosure of taxpayer information to federal agencies in limited circumstances. For example, IRS is authorized to share taxpayer information to assist agencies in enforcing and determining eligibility requirements for child support programs, family assistance programs, and Medicaid. IRS can also share taxpayer information with agencies if the taxpayer has consented to the disclosure of this information with the agency. A federal agency becomes aware of an employee's tax delinquency status if (1) the employee voluntarily discloses this information to the employer, (2) the employee enters into a payroll deduction agreement to pay off the outstanding tax debt, (3) IRS files a federal tax lien and the lien is brought to the attention of the employer, (4) the employer receives a summons from IRS regarding an employee tax liability, or (5) the employee is criminally charged with tax violations and these charges become public.

IRS is authorized to collect outstanding taxes that federal employees owe by garnishing, or levying, the employees' salaries. In these instances, IRS

serves a Notice of Levy on the employing agency's payroll office or agent. By law, IRS can communicate the names of these individuals to an agency's payroll office for purposes of levying against an employee's wages. However, whereas private nonfederal payroll offices are not prohibited from sharing such information with management, it is unclear whether federal workers in an agency's payroll office can, in turn, communicate these names to the agency's personnel office for follow-up action without violating IRC Section 6103.

IRS questioned whether a federal agency's payroll office could legally disclose the tax delinquency status of employees to the agency's personnel or labor relations offices for appropriate review and, if warranted, disciplinary action. In late December 1999, both IRS' legal counsel and the U.S. Department of Justice concluded that, while such use of return information may be permissible, the issue is a close legal question and IRS should thus not encourage this practice. Instead, both IRS' legal counsel and the Department of Justice concluded that IRC Section 6103 should be amended to specifically permit IRS to disclose information on the tax delinquency status of federal employees to the head of the employing agency to determine if an ethics violation has occurred.

RRA98 contained a requirement for both the Joint Committee on Taxation and the Secretary of the Treasury to each conduct a study on the scope and use of IRC Section 6103 provisions regarding taxpayer confidentiality. The Joint Committee's study was issued in January 2000 and contained no recommendations on amending the provisions of Section 6103 that presently exist. The Treasury study, which was issued in December 2000, recommended amending Section 6103 with respect to sharing information on federal employee tax delinquencies with the employing agency. Specifically, the study recommended that Section 6103 be amended to clarify that federal employees working in federal payroll offices who receive tax information pursuant to Section 6103(k)(6)²⁶ are not subject to redisclosure restrictions of Section 6103 for such information. If enacted, this recommendation would, for example, clear payroll employees to disclose to agency management information received in connection with the placement of a levy on an employee's wages.

²⁶Section 6103(k)(6) covers tax information that IRS may disclose in connection with audit, collection activities, or civil or criminal tax investigations. The disclosure of such information must be necessary to obtain information not otherwise reasonably available for correctly determining tax, tax liability, or the amount to be collected or for enforcing the tax code.

Effectiveness of FERDI Program Has Not Been Determined

IRS' FERDI program was intended to identify and highlight the degree of compliance with federal tax laws among federal workers and annuitants and in so doing to assist IRS in improving compliance among this segment of the taxpayer population. However, it is unclear what impact this program has had in increasing tax compliance by federal workers and annuitants. While the FERDI program has been in place since 1992, IRS has not assessed the effectiveness of the program in meeting its intended objectives. Also, IRS has not determined the degree to which participating agencies communicate the information IRS provides them on the results of the program matches to their workforce.

According to IRS records, since 1995 the percentage of the federal worker and annuitant population that either owes or potentially owes taxes or has not filed tax returns has fluctuated between 4.7 percent and 5.6 percent and has not shown a consistent trend toward an increase in compliance. There is no information available on the percentage of federal workers and annuitants with actual or potential tax liabilities or unfiled tax returns before the FERDI program was implemented which could be used as a benchmark. Also, IRS has refined its analyses over the last several years. Thus, it is difficult to draw any conclusions related to trending data in determining the effectiveness of the program.

As discussed earlier, agencies that participate in the FERDI program and agencies for which IRS is able to match its records of outstanding taxes or unfiled tax returns using W-2 information annually receive a letter from IRS informing them of the number of employees with outstanding taxes or unfiled tax returns. These letters also contain IRS' assessment of the agency's rate of compliance. However, IRS has not followed up with agencies to determine whether and in what manner the results of the matching process are communicated to agency employees. Such information could help IRS assess the degree of correlation, if any, between agencies that proactively communicate the results of the matching process to their workforce and improved rates of compliance.

Levy Program Could Improve Tax Collections But Not Necessarily Compliance

The Taxpayer Relief Act of 1997 allows for IRS, through Treasury's Financial Management Service (FMS), to collect on outstanding tax obligations by applying a continuous levy of up to 15 percent against certain federal payments to be made to individuals and businesses. The continuous levy program began a phased-in implementation in July 2000. This program should assist in collecting some of the outstanding taxes owed by federal workers and annuitants. However, not all federal payments are presently covered under the program and the levy provisions may be insufficient to allow for full repayment of many of the amounts these individuals owe.

Payments subject to the continuous levy program will eventually include certain Social Security benefits, agency vendor payments, Railroad Retirement Board benefits, and federal salary and all retirement payments. In July 2000, Treasury began to levy vendor payments as well as certain federal retiree payments. Officials we spoke with at FMS have indicated that they expect to have certain Social Security benefits, civilian federal salaries that are paid through FMS, and military salary and pension payments under the program over the next year.

This program, when fully implemented, should help IRS collect some of the outstanding amounts owed by federal workers and annuitants. However, it is important to note that some of the delinquent tax accounts would still not be subject to levy because of their current condition or status.

For example, IRS and FMS exclude from levy delinquent taxpayer accounts that are

- currently not collectible due to hardship,
- currently not collectible because the taxpayer is deceased,
- in bankruptcy or litigation,
- subject to a pending or approved offer in compromise,
- subject to a pending or approved installment agreement, or
- within 3 months of their collection statute expiration date.²⁷

²⁷The statutory expiration period for collecting taxes is generally 10 years from the date of the assessment. However, the period can be extended or suspended under a variety of circumstances, such as agreements by taxpayers to extend the collection period, bankruptcy litigation, and court appeals. Consequently, some tax assessments can and do remain on IRS' records for decades.

In addition to these requirements, those payments that could be subject to the continuous levy program might not have the full 15 percent deducted from the payments, depending on IRS' and FMS' determination of how much the individual can afford.

It is also important to note that the continuous levy program by itself is not designed to be a mechanism for promoting federal workers' and annuitants' compliance with their tax obligations. It may provide another tool for IRS to collect on delinquent accounts, but it is unclear whether it can assist IRS in its efforts to obtain voluntary compliance by federal workers and annuitants in fulfilling their tax obligations before delinquencies occur.

Conclusions

Voluntary compliance with tax laws is the foundation of the U.S. tax system. This foundation can be eroded if the general public perceives that federal workers and former federal workers successfully evade their tax obligations. IRS records indicate that federal workers and annuitants, and IRS workers in particular, appear to be more compliant in meeting their tax responsibilities than the general population. Nonetheless, there are some federal workers and annuitants whom IRS records indicate are not fulfilling their tax responsibilities and owe the federal government about \$2.5 billion in outstanding taxes.

In its attempt to improve management and collection of federal taxes owed by federal workers and annuitants, IRS faces the same issues hindering its ability to manage and collect unpaid taxes of the general population. In particular, serious internal control and systems deficiencies, which prevent IRS from having the routine and reliable information it needs to make informed decisions, and IRS' inability to quickly identify and pursue potential nonfilers, assess estimated federal taxes owed, and pursue collection of unpaid federal tax assessments, affect its ability to collect amounts owed and to improve compliance among the federal population, thus precluding it from more effectively enforcing the tax code.

We have previously reported on these issues and made numerous recommendations as well as presented matters for congressional consideration to address them.²⁸ In particular, we have recommended that

²⁸See [GAO-01-42](#), November 17, 2000.

IRS, as part of its systems modernization efforts, develop a subsidiary ledger to accurately and promptly identify, classify, track, and report all IRS unpaid assessments by taxpayer. We have also made several recommendations to improve the accuracy of taxpayer accounts and mitigate instances of both taxpayer burden and lost revenue to the federal government. In addition, we have recommended that (1) IRS develop the capability to routinely and reliably measure the costs and benefits of its various collection and enforcement activities in order to make informed resource allocation decisions and (2) the Congress consider requiring IRS to include in any budget request for additional resources for its various collection and enforcement activities reliable aggregate cost-benefit information. IRS has acknowledged these issues and is continuing to work to address a number of them.

With respect to IRS' efforts to improve compliance among federal workers and annuitants, IRS must first be able to determine how effective its program for this purpose has been and what, if any, modifications are needed to ensure that the program meets its objectives. This includes obtaining information on the degree to which agencies share information on agencywide tax compliance with their workforce and determining whether such information sharing can be linked to improved compliance.

We believe efforts to enhance the rate of compliance of federal workers in particular have merit. While we had not previously participated in IRS' FERDI program, we have taken the necessary steps to voluntarily participate in the program going forward.

Recommendations

To determine the degree to which IRS' program to improve compliance by federal workers and annuitants with their tax obligations is achieving its objectives and to identify any modifications needed in the program to better enable it to achieve its objectives, we recommend that the Commissioner of Internal Revenue

- assess the effectiveness of the FERDI program in promoting compliance by federal workers and annuitants with the nation's tax laws and, as part of this assessment
- determine the extent to which agencies communicate information on their compliance rates with their respective workforces, and whether such communication can be linked to improved tax compliance by agency employees.

Agency Comments

In commenting on a draft of this report, IRS stated that it recognized the impediments affecting its ability to collect taxes owed by federal workers and annuitants discussed in this report. IRS further stated its intention to use its ongoing modernization efforts and recent reorganization to improve its ability to manage and collect unpaid taxes of federal workers and annuitants. IRS also mentioned certain changes it recently made in its administration of FERDI, including the transferring of the program to its recently created Wage and Investment business operating division, centralizing all FERDI accounts in Automated Collection System (ACS) status into one ACS call site to improve case handling and customer service, and establishing the same priority for federal employee and retiree cases as used for cases of the general population.

Regarding our recommendation to conduct an assessment of FERDI's effectiveness in promoting compliance by federal workers and annuitants, IRS stated that it would explore the possibility of conducting a research study to assess the program's effectiveness. IRS did stress the efforts it had made since 1993 to improve the program's effectiveness and stated that it tracked delinquency rates by agency and category annually.

IRS agreed with our recommendation to determine the extent to which agencies communicate their compliance rates with their respective workforces, and whether such communication can be linked to improved tax compliance by agency employees. IRS will address this recommendation by first requesting the needed information from the agencies. The complete text of IRS' response to our draft report is included in appendix III.

We are sending copies of this report to the Chairman and Ranking Minority Members of the Senate Committee on Appropriations; Senate Committee on Finance; Senate Committee on Governmental Affairs; Senate Committee on the Budget; Subcommittee on Treasury, General Government, and Civil Service, Senate Committee on Appropriations; Subcommittee on Taxation and IRS Oversight, Senate Committee on Finance; Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, Senate Committee on Governmental Affairs; Subcommittee on International Security, Proliferation, and Federal Service, Senate Committee on Governmental Affairs. We are also sending copies of this report to the Chairman and Ranking Minority Members of the House Committee on Appropriations; House Committee on Ways and Means; House Committee on Government Reform; House Committee on the Budget; Subcommittee on Treasury,

Postal Service, and General Government, House Committee on Appropriations; Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, House Committee on Government Reform; and Subcommittee on Oversight, House Committee on Ways and Means. In addition, we are sending copies of this report to the Chairman and Vice-Chairman of the Joint Committee on Taxation, the Commissioner of Internal Revenue, the Secretary of the Treasury, the Director of the Office of Management and Budget, and other interested parties. Copies will be made available to others upon request

If I can be of further assistance, please contact me at (202) 512-2600. This report was prepared under the direction of Steven J. Sebastian, Acting Director, Financial Management and Assurance, who can be reached at (202) 512-3406. Other contacts and key contributors to this report are listed in appendix IV.



Jeffrey C. Steinhoff
Managing Director
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Appendix I: Scope and Methodology

To determine the extent to which assessed taxes are not remitted to the federal government by federal workers and annuitants, we analyzed data from IRS' FERDI file and from its accounts receivable dollar inventory (ARDI) system as of October 1999 as well as employee and annuitant personnel data from the Office of Personnel Management, to identify the following information relating to federal workers and annuitants: (1) the total number of unpaid federal tax accounts, (2) the total dollar amount of unpaid taxes, including tax assessment, interest, and penalties, (3) the age of these unpaid federal tax accounts, (4) the total number of federal workers and annuitants with unpaid federal taxes, and (5) the current status of the taxpayer accounts and the classification of these accounts as current employees and annuitants. We also considered information recently reported by IRS on the results of its FERDI matches as of October 2000. We did not specifically audit the data in IRS' systems used in our various analyses and reviews.

To determine how the level of outstanding taxes owed by federal workers and annuitants compares with those owed by the overall population, we matched the IRS FERDI and ARDI files as of October 1999 using those delinquent accounts and amounts present in ARDI and then analyzed the ARDI files for information about the overall population.

To determine the effectiveness of IRS' efforts in enforcing the tax code with respect to federal workers and annuitants, we reviewed a statistical sample of a subpopulation of federal employees and annuitants with unpaid taxes per IRS records as of October 2, 1999. As agreed to with our requesters, we used data in IRS' records as of October 1999 because this was the latest available information on federal workers and annuitants and was the basis for IRS' last published information on taxes pertaining to federal workers and annuitants at the time we commenced our fieldwork. Specifically, the objectives for our sample were to determine an estimate of the amount IRS could reasonably expect to collect on the subpopulation of unpaid assessment balances and to gauge the degree of IRS' collection efforts by reviewing specific cases.

The sample population was developed from the federal employee and annuitant caseload of six IRS field offices. These offices were selected based on their proportion of the dollar value of outstanding taxes owed by federal workers and annuitants to the total dollar value owed by the entire federal worker and annuitant population. These six offices together accounted for \$861 million, or 35 percent of the total federal worker and annuitant unpaid assessments of \$2.5 billion as of October 1999. While the sample of unpaid assessments was statistically representative of those

taxpayers under the jurisdiction of the field offices included in the subpopulation, it is not strictly representative of the entire population of federal workers and annuitants with unpaid assessments as the sample, according to the agreement with our requesters, was not selected from that entire population. The population and associated amounts were obtained from the information contained in the FERDI file as of October 2, 1999. The FERDI file contains information on taxpayers for which (1) a third-party information match identifies a potential nonfiler condition and a tax assessment has not been made against the taxpayer's account and (2) IRS has assessed taxes based on a filed return or a completed nonfiler investigation or other investigation, and the taxes remain unpaid.

Using the FERDI file, we summarized unpaid assessment balances in the following 6 selected IRS field offices: Los Angeles, Oakland, Laguna-Niguel, Baltimore, Richmond, and Atlanta. The field offices were selected based on the extent of unpaid tax assessment balances. From the subpopulation, we selected a statistical sample of unpaid taxpayer accounts on which to conduct detailed testing using a classical variables sampling approach. We used classical variables sampling to project a statistically valid estimate of the amount of unpaid assessments that IRS could reasonably expect to collect from that subpopulation. We stratified the population into five dollar ranges to (1) decrease the effect of variances in the subpopulation, (2) gain assurance that the sample amounts were representative of the subpopulation, and (3) obtain assurance that the resulting net collectible amount is a reliable estimate of the amount IRS can reasonably expect to collect. Separate random samples were then selected for four of the five strata. For the remaining strata, which consisted of unpaid assessment items in excess of \$500,000 individually, all items were selected for testing. We used a 95-percent confidence level, and a planned precision level of plus or minus \$96.6 million. This approach resulted in a total sample size of 152 unpaid tax accounts, totaling \$47.3 million or 5.5 percent of the subpopulation of unpaid assessments.

To determine if and to what extent IRS could reasonably expect to collect the outstanding unpaid assessments for each sampled account, we examined detailed masterfile transcripts of the taxpayer's accounts and IRS collection case files, which, when submitted, could include documentation of the taxpayer's income and assets, earnings potential, other outstanding unpaid assessments, payment history, and other relevant collection information that affected our assessment of the taxpayer's ability and willingness to pay. We also considered the extent and result of IRS' documented efforts to collect the assessment amount.

The methodology used was generally consistent with that used to estimate the collectibility of IRS' unpaid assessments that represent federal taxes receivable under federal accounting standards, as reported by IRS in its annual financial statements.¹ We projected the results of our assessments of the book value of the unpaid tax and collectibility for each sampled account to the subpopulation of FERDI unpaid assessments, using the Stratified Difference method. This projection yielded an estimate of the gross unpaid assessments amount with an achieved precision of \$64.8 million and an estimate of the collectible amount with an achieved precision of \$78.8 million.

To further understand federal worker and annuitant delinquencies, we supplemented the sample of 152 cases with a nonrepresentative selection of 32 additional federal worker and annuitant cases in which the individual had multiple periods of outstanding taxes, although these were not considered in projecting our estimate of collectibility to the subpopulation from which we sampled.

To determine what impediments, if any, exist which affect IRS' ability to collect the unpaid taxes owed by federal workers and annuitants, we conducted interviews with IRS revenue officers, group managers, FERDI program personnel, and attorneys from IRS' Office of Chief Counsel. We reviewed Section 6103 of the Internal Revenue Code, the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA98) as well as the Study on Present Law Taxpayer Confidentiality and Disclosure Provisions prepared by the Staff of the Joint Committee on Taxation and the Report to the Congress on Scope and Use of Taxpayer Confidentiality and Disclosure Provisions prepared by the Office of Tax Policy of the Department of the Treasury. Also, we obtained and reviewed available information from IRS on its FERDI and Employee Tax Compliance programs.

To determine the ethics standards and codes of conduct federal workers and annuitants are required to follow, we conducted interviews with Office of Personnel Management (OPM) and Office of Government Ethics (OGE) personnel.

To obtain an understanding of IRS' process for ensuring compliance with provisions of federal tax laws among its employees, we interviewed key

¹ See [GAO/AIMD-99-12](#).

IRS employees responsible for the employee tax compliance program as well as employees responsible for implementing provisions of RRA98. We obtained copies of internal documents and discussed with IRS' Office of Chief Counsel legal issues pertaining to the program. We obtained extracts of current and closed tax related issues from IRS' Automated Labor and Employee Relations Tracking System, IRS' database system that tracks closed and ongoing potentially reportable IRS personnel issues. We also obtained a copy of IRS' database of employee tax compliance cases that have been reviewed by the IRS' 1203 Commissioner's Review Board, specifically created for the purpose of reviewing IRS employee tax compliance cases initially deemed to be violations of Section 1203 of RRA98. We analyzed the information contained in these databases to provide observations on the effectiveness of IRS' process for ensuring compliance with federal tax laws among its employees.

In conducting our work, we did not specifically assess IRS' controls or the completeness and accuracy of IRS records, although we did make certain observations, contained in this report, from both our sample analysis of unpaid accounts and other work performed as part of our annual audits of IRS' financial statements.

We conducted our work at IRS' national office in Washington, D.C., and at the Los Angeles, Oakland, Laguna-Niguel, Baltimore, Richmond, and Atlanta field offices from May 2000 through March 2001. We conducted our work in accordance with generally accepted government auditing standards.

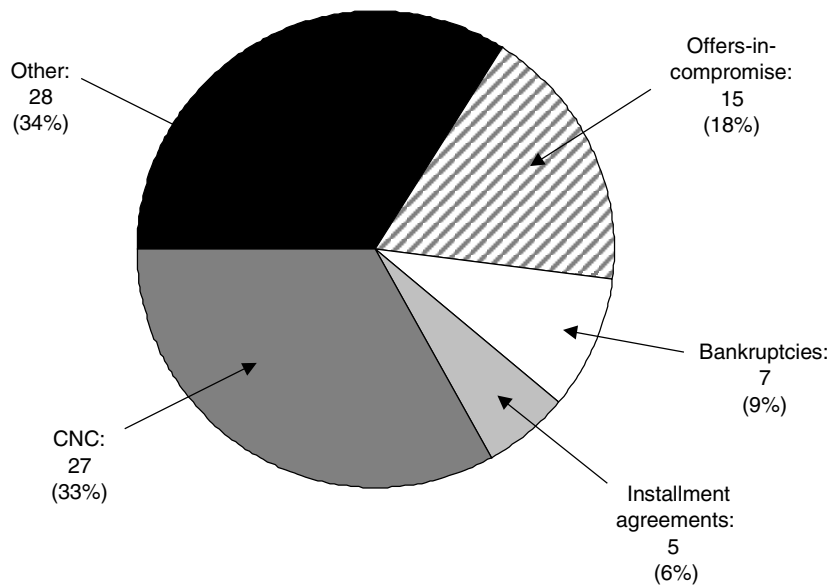
Appendix II: Details on Sample Cases of Federal Workers and Annuitants with Outstanding Taxes

Our review of a statistical sample of 152 federal worker and annuitant tax cases identified 12 cases that were not valid unpaid tax cases as of October 1999. Of the remaining 140 cases, based on our review of available documentation contained in the case files, we categorized each case as either uncollectible, partially collectible, or fully collectible. The following subsections discuss the composition of each of these categories in more detail.

Composition of Sample Cases Determined to be Uncollectible

Of the 140 valid cases of outstanding taxes owed by federal workers and annuitants that we reviewed, we determined, based on our review of IRS case files and other documentation, that 82 (59 percent) were uncollectible. The reasons for our conclusions are shown in figure 2.

Figure 2: Breakdown of Cases Determined To Be Uncollectible



Source: GAO statistical sample.

The 82 cases that we concluded were uncollectible were characterized as follows:

- In five cases, the taxpayers entered into installment agreements to pay the outstanding taxes. However, in three cases, the taxpayers had subsequently defaulted on the installment agreements, and in the other

two cases, the agreements had been established or reestablished (subsequent to an earlier default) too recently to establish a payment history sufficient to estimate any collectibility.

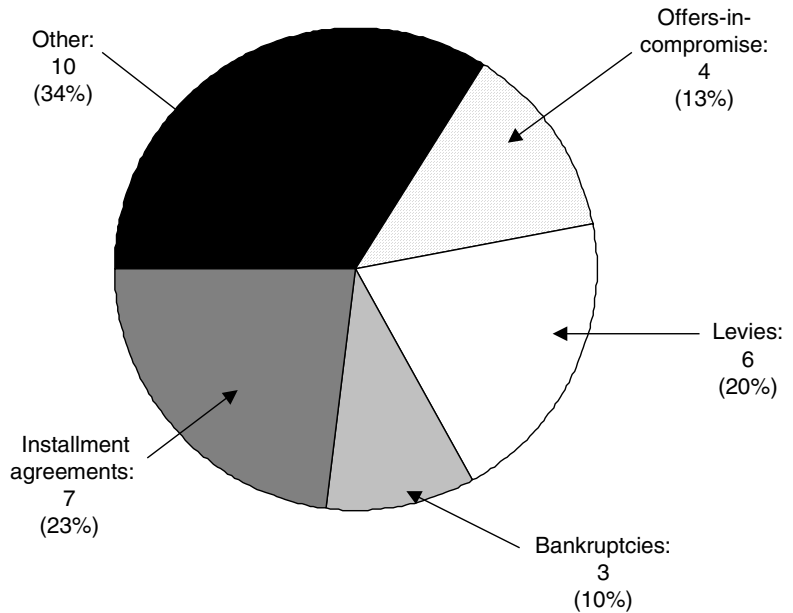
- In seven cases, the taxpayers were in various stages of bankruptcy. In these cases, documentation in the case files provided no clear evidence that any payments that may arise from the bankruptcy proceedings would be available to pay the outstanding tax liabilities.
- In 15 cases, the taxpayers provided offers—called offers in compromise (OICs)—to pay off some of the outstanding amounts owed. However, in each case, documentation in the case files indicated that no amounts would be paid on the specific account we sampled or that collection was uncertain. For example, in seven of these cases, the taxpayer made an OIC that was pending review by IRS. However, the amounts offered would not be sufficient to pay any of the balance in our sample cases. In these instances, the taxpayers owed outstanding amounts for multiple accounts, and any payments that would be received from the taxpayers under the OIC would be applied to accounts with an earlier CSED. In five other cases, IRS accepted the OICs, but again, the offer amounts were not sufficient to pay any of the balances owed in the sampled cases. Of the remaining three cases, the case file documentation for one case did not provide sufficient evidence that the taxpayer had the financial resources to pay the amounts offered, and the case files for the other two cases did not provide sufficient evidence that (1) IRS was likely to accept the offer and (2) the individual had the financial resources to pay the amount being offered.
- In 27 cases, IRS designated the accounts as CNC, primarily due to its assessment that the taxpayers did not have the financial resources to pay any of the outstanding taxes owed. In many instances, the individuals involved were retired federal employees and evidence in the case files indicated that these individuals did not have the financial resources to pay the outstanding amounts owed. However, in one case we reviewed involving approximately \$14,000 in outstanding taxes that IRS designated CNC, both the husband and wife were in the military and documentation in the case file indicated that as recently as 1998, they reported combined income of over \$140,000.
- In 28 cases, a variety of reasons exist as to why the amounts owed are considered uncollectible. For example, in three cases, IRS was actually obtaining regular payments resulting from levies against salaries and

other sources, yet these payments would not be sufficient to pay any of the amounts owed in the sampled accounts before they reach their CSEDs. In seven cases, IRS had been unable to locate or contact the individuals, despite their receiving regular federal payments. In 13 cases, the documentation in the case files provided no evidence of any recent collection actions taken by IRS against the individuals.

Composition of Sample Cases Determined To Be Partially Collectible

Based on our review of IRS case files and other documentation, we determined that 30 of the 140 valid cases we sampled (21 percent) were partially collectible. The reasons for our conclusions are shown in figure 3.

Figure 3: Breakdown of Cases Determined To Be Partially Collectible



Source: GAO statistical sample.

The 30 cases that we concluded were partially collectible were characterized as follows:

- In seven cases, the taxpayers entered into installment agreements to pay the outstanding taxes. However, in these cases, the amounts stipulated to be paid under the terms of the installment agreements would not be sufficient to repay all of the taxpayer's outstanding balances and associated penalties and interest before the statutory collection periods expire, which is in violation of the Internal Revenue

Code.¹ In some of these cases, the taxpayers owed amounts for multiple years. Because IRS applies payments received under the installment agreements to the accounts with the earliest CSEDs, only a portion of the payments IRS was expected to receive would be available to apply to the sampled cases. In one case we reviewed involving a federal annuitant with 6 years of outstanding tax liabilities who had entered into an installment agreement, only 3 percent of the \$93,000 total balance of the sampled case would be paid before the CSED for the account expires, assuming that the individual continued to make payments under the terms of the installment agreement.

- In four cases, the taxpayers submitted OICs to pay less than the full amount owed to satisfy the outstanding taxes. In three of these cases, the offers were pending and, at the time of our review, had not been accepted by IRS. Our estimates of collectibility in these cases were based on payments received from the taxpayer after October 1999. In the fourth case, IRS accepted the offer of \$110,000 to satisfy the outstanding balance of over \$500,000 owed by the individual; the offer amount in this case represented 22 percent of the total balance owed by the taxpayer.
- In three cases, the taxpayers were in various stages of bankruptcy. In these cases, documentation in the case files indicated that some payments from the bankruptcy proceedings would partially pay the outstanding tax liabilities. We based this expectation on evidence that the taxpayers' assets would be sufficient to make these payments.
- In six cases, IRS was receiving regular payments through levies against the individuals' salaries, retirement payments, or other assets, yet these payments would not be sufficient to fully pay the outstanding amounts owed by these individuals before the accounts reached their CSEDs.
- In the remaining 10 cases, the estimates of collectibility were based on payments actually received after our sample date of October 1999 or on IRS' retention of refunds that would otherwise be owed to the taxpayer on subsequent tax years to reduce the outstanding balance owed on the sample case. Specifically, in 9 of these cases, some payments were actually received from the individuals after October 1999. However,

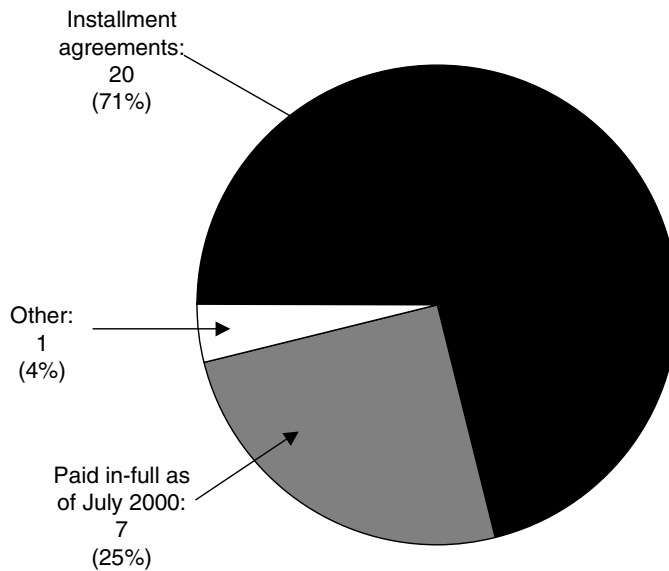
¹We have reported this as a noncompliance with laws and regulations issue in our audits of IRS financial statements. See [GAO/AIMD-00-76](#) and [GAO-01-42](#).

there was no other evidence in the case file to determine the source of these payments or the prospects for their continuation. In the remaining case, the taxpayer filed a tax return claiming a refund for a subsequent period. Instead of paying the refund, IRS applied the amount to the outstanding balance owed by the taxpayer.

Composition of Sample Cases Determined To Be Fully Collectible

Of the 140 valid cases of outstanding taxes owed by federal workers and annuitants that we reviewed, we determined, based on our review of IRS case files and other documentation, that 28 of these cases (20 percent) were fully collectible. The breakdown of these cases is shown in figure 4.

Figure 4: Breakdown of Cases Determined To Be Fully Collectible



Source: GAO statistical sample.

The 28 cases that we determined were fully collectible were characterized as follows:

- In 20 cases, the taxpayers entered into installment agreements to pay their outstanding taxes and were current in their payments under the terms of the agreements. The proceeds to be received by IRS under the installment agreements would be sufficient to repay the sampled

**Appendix II: Details on Sample Cases of
Federal Workers and Annuitants with
Outstanding Taxes**

account and any accounts the taxpayer had with an earlier statutory collection expiration date.

- In seven cases, the amounts owed had been fully paid off by the taxpayers subsequent to our sample date of October 1999. In four of these cases the amounts had been paid as part of installment agreements.
- In the remaining case, we determined the amount would be fully collectible based on (1) the small amount owed in relation to the taxpayer's income, and (2) the taxpayer's record of compliance and of typically receiving refunds in prior years which should be available in the future to offset this liability if payments are not subsequently made.

Appendix III: Comments From the Internal Revenue Service



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

April 30, 2001

Mr. Jeffery C. Steinhoff
Managing Director, Financial Management
and Assurance
U.S. General Accounting Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Steinhoff:

Thank you for the opportunity to comment on your draft report, "Unpaid Taxes of Federal Workers and Annuitants." In 1992, non-compliant federal employees and retirees were identified as a unique market segment that could undermine overall compliance. In 1993, we developed the Federal Employee/Retiree Delinquency Initiative (FERDI) to address this concern.

Since FERDI began in 1993, we have improved its effectiveness by:

- Developing an informational brochure for federal retirees;
- Expanding the FERDI program to include employees of the legislative and judicial branches;
- Soliciting heads of federal agencies and labor unions for their support in promoting tax compliance within their ranks.

We recognize the impediments that affect our ability to collect these taxes and promote compliance with the laws. We intend to use our ongoing modernization efforts and recent reorganization to improve our ability to manage and collect unpaid taxes for FERDI and the overall population. On April 10, 2001, we transferred responsibility for the FERDI program to our Wage and Investment (W&I) business operating division. Since the majority of taxpayers in the program are W&I taxpayers, this change aligns them with the appropriate business operating division. In October 2000, all FERDI accounts in Automated Collection System (ACS) status were centralized in the St. Louis ACS call site to improve case handling and customer service.

The Inventory Delivery System (IDS), implemented in January 2001, now gives FERDI cases the same priority as our general population of cases.

2

Our preliminary comments on the two recommendations in your draft report follow:

Recommendation 1: Conduct an assessment of the effectiveness of the FERDI program in promoting compliance by federal workers and annuitants with the nation's tax laws.

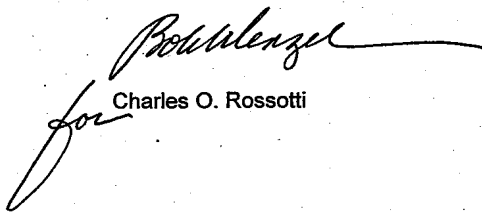
Comments: We track the delinquency rates of the FERDI population by agency and category annually. We design outreach and education programs tailored to specific market segments identified through these analyses and implement systemic and procedural changes to address federal employee/retiree non-compliance as a whole. We will explore the possibility of conducting a research study to assess the effectiveness of the FERDI program.

Recommendation 2: Determine the extent to which agencies communicate information on the compliance rate of the agency with their respective workforce, and whether such communication can be linked to improved tax compliance by the agency's employees.

Comments: We will request this information from the heads of the federal agencies that were involved with FERDI. When they respond we will review the information and see if we can link it to improved tax compliance.

If you have any questions, please contact me or Martin L. Berdan, Director, Collection Policy, Strategy and Selection, at 404-338-8686.

Sincerely,



Charles O. Rossotti

Appendix IV: GAO Contacts and Staff Acknowledgments

GAO Contacts

Steven J. Sebastian, (202) 512-9521
Alain Dubois, (202) 512-6365
Paul Caban, (202) 512-8451

Acknowledgments

Staff making key contributions to this report were William Cordrey, David Elder, Meafelia Gusukuma, Sophia Harrison, Barbara House, Ted Hu, Jeffrey Jacobson, Andrea Levine, Veronica Mayhand, Patrick McCray, Charles Payton, Michael Wetklow, and Mark Yoder.

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