

Highlights of [GAO-04-492](#), a report to congressional committees

TAX DEBT COLLECTION

IRS Is Addressing Critical Success Factors for Contracting Out but Will Need to Study the Best Use of Resources

Why GAO Did This Study

Congress is considering legislation to authorize IRS to contract with private collection agencies (PCA) and to pay them out of the tax revenue that they collect. Some have expressed concerns that this proposal might be unsuccessful, inefficient, or result in taxpayers being mistreated or having their private tax information compromised.

This report discusses (1) the critical success factors for contracting with PCAs for tax debt collection; (2) IRS's actions to address these factors in developing the PCA program and actions left to be done; and (3) whether IRS, if it receives the authority to use PCAs, plans to do a study that will help policy makers judge whether PCAs are the best use of funds to meet IRS's collection objectives.

What GAO Recommends

If Congress authorizes the use of PCAs, as soon as practical after experience is gained using PCAs, the IRS Commissioner should ensure that a study is completed that compares the use of PCAs to a collection strategy that officials determine to be the most effective and efficient overall way of achieving collection goals.

In commenting on a report draft, IRS said it would plan a study to ensure that IRS is making the most effective and cost efficient use of total resources available.

www.gao.gov/cgi-bin/getrpt?GAO-04-492.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

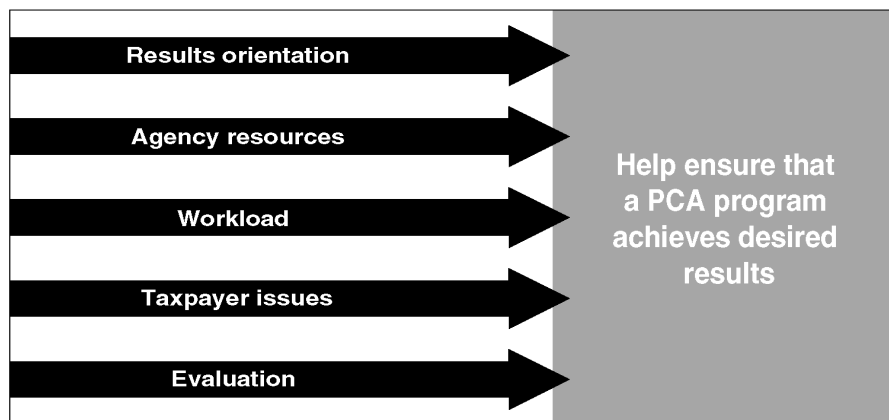
What GAO Found

Based on our analysis of information from various parties, including officials from selected state revenue departments and federal agencies that use PCAs, five factors are critical to the success of a PCA collection program. Together, these factors increase the chances for success and, as illustrated below, help the program achieve desired results.

Although incomplete, IRS has taken actions to address these factors. For example, IRS has been developing (1) program performance measures and goals, (2) plans for a computer system to transmit data to PCAs, (3) a method to select cases for PCAs, and (4) contract provisions to govern data security and PCAs' interactions with taxpayers. IRS officials recognize that major development work remains and have plans to finish it. Officials said they would suspend work if PCA authorizing legislation is not passed during 2004. If legislation passes, officials estimated that it would take 18 to 24 months to send the first cases to PCAs.

Aware of concerns about the efficiency of using PCAs, IRS intends to study the relative performance of PCAs and IRS employees in collecting tax debts after gaining some experience with them. However, the initial idea for a study would provide limited information to judge whether or when the PCA approach is the best use of resources. The tentative idea—comparing PCA and IRS performance for the same type of simpler cases to be sent to PCAs—does not recognize that IRS officials believe that using IRS employees on such cases would not be the best use of staff. Federal guidance emphasizes efficiently and effectively using resources to achieve results and identifying the most realistic and cost-effective program option. Experience gained in using PCAs and a new IRS case selection process would help officials design such a study.

Critical Success Factors Help Achieve Desired Results



Source: GAO.