



*Improvements Are Needed to Better Identify  
and Prevent Erroneous Refunds*

**September 21, 2006**

**Reference Number: 2006-40-137**

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

**Redaction Legend:**

1 = Tax Return/Return Information

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TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

September 21, 2006

**MEMORANDUM FOR** COMMISSIONER, WAGE AND INVESTMENT DIVISION  
COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED  
DIVISION

*Michael R. Phillips*

**FROM:**

Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:**

Final Audit Report – Improvements Are Needed to Better Identify and Prevent Erroneous Refunds (Audit # 200540016)

This report presents the results of our review to determine how well the Internal Revenue Service (IRS) identified, classified, processed, and collected erroneous refund amounts issued to individual taxpayers. We also determined whether the IRS has a plan to reduce the number of erroneous refunds issued.

*Impact on the Taxpayer*

The IRS issues millions of refunds to taxpayers each year but sometimes inadvertently issues refund checks in error. In Calendar Year 2004, taxpayers returned \$302 million in refund checks for a variety of reasons, including mistakes caused by the IRS. The issuance of erroneous refunds creates unnecessary burdens on both taxpayers and the IRS. Taxpayers must correspond with the IRS to get the errors resolved and receive the refund checks to which they are entitled. In addition, the IRS must use its limited resources to resolve the errors and collect monies that are not voluntarily returned.

*Synopsis*

Although the IRS has some procedures in place to reduce the number of erroneous refunds issued and to recover those that have been issued, it can take additional steps to identify the causes of these refunds; prevent, collect, and account for erroneous refunds; and improve oversight. Because many erroneous refunds may go undetected, the actual number of erroneous



## *Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

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refunds issued may be significantly higher than that reported by the IRS. The problems we identified include the following:

- Causes of returned refunds are not identified and tracked.
- Quarterly report information gathered on erroneous refunds is not being used adequately to identify the causes of or reduce the number of erroneous refunds. The IRS does not take comprehensive actions to determine the causes for the erroneous refunds, and is missing an opportunity to reduce the number of returned refund checks and the resources necessary to resolve them.
- Requests for assistance with collection actions have not been successful in getting large-dollar cases to the local IRS Office of Chief Counsel for litigation, which could significantly extend the time for collection. A judgmental sample of cases reviewed indicated the requests to revenue officers for assistance often were (80 percent of the time) not responded to timely or not responded to at all.
- The IRS does not properly record amounts written off as uncollectible so it can verify whether taxpayers include the amounts as income on their tax returns. Because of IRS errors in preparing the Cancellation of Debt (Forms 1099-C), most of the Forms were not included in IRS compliance programs designed to ensure taxpayers included the amounts as income on their tax returns.
- Lack of inventory controls and oversight allowed improper collection actions by the IRS and may have contributed to the number of cases not worked timely. Manual processes used to control, track, and process erroneous refund cases are often inefficient. The IRS submitted a Request for Information Services<sup>1</sup> in late 2003 to automate some of the erroneous refund processes but there is no current commitment date for when this Request will be completed or implemented.

### *Recommendations*

The Commissioner, Wage and Investment Division, should establish procedures to identify and include all erroneous refund counts and amounts when reporting erroneous refund statistics, identify and code the reasons for the returned refund checks, and use this information to establish procedures to reduce the number of returned refunds; use the quarterly inventory reports to identify trends on the causes of erroneous refunds and suggest possible corrective actions; consider revising erroneous refund procedures to include a financial analysis by Submission Processing Accounting function employees to determine collectibility and refer those cases

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<sup>1</sup> The Request for Information Services process provides a common framework to document, control, monitor, and track requests for changes to IRS computer systems and for support.



## *Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

directly to the local Office of Chief Counsel; perform an annual inventory reconciliation; and update the Request for Information Services to ensure it will meet the requirements for oversight of the erroneous refund program.

The IRS has already taken steps to correct the written procedures that will help ensure the millions of dollars the IRS writes off as uncollectible will be included in the computer system data to verify whether taxpayers have included these amounts in their income. Also, the IRS will follow up on the automation of the erroneous refund control process.

### *Response*

The IRS agreed to four of our five recommendations. The IRS agreed to institute two separate procedures to identify and include all erroneous refund counts and amounts when reporting erroneous refund statistics. The IRS will gather data regarding returned refunds to identify any trends or procedural improvements needed to reduce the number of returned refund checks. The IRS agreed each Accounting function will resume submitting quarterly inventory reports on non-rebate erroneous refunds to the Submission Processing Site Erroneous Refund Analyst to ensure timely and correct reports. The Submission Processing sites will ensure that additional requirements for oversight and control of erroneous refunds will be included in a new Request for Information Services to be submitted. Also, the IRS will continue the development and implementation of the Erroneous Refund Database. A new Request for Information Services will be submitted for a one-time reconciliation (clean-up) of all erroneous refunds, and a second Request for Information Services will provide each of the Erroneous Refund Units with a monthly extract of new erroneous refunds.

The IRS did not agree to consider revising its erroneous refund procedures to include a financial analysis conducted electronically by Accounting employees, stating the Accounting function is not responsible for providing compliance analysis and its employees would need substantial training and a job reclassification to do compliance analysis. Management's complete response to the draft report is included as Appendix IV.

### *Office of Audit Comment*

Even though there would be a need to reclassify and train a limited number of Accounting function employees to determine the collectibility on higher dollar erroneous refund cases, we believe the cost to train these employees would be far less than the loss of millions of dollars currently not being considered for litigation, and subsequently not being recovered. However, if the IRS determines the existing process is adequate and continues to submit Courtesy Investigations to revenue officers for collectibility determinations, the Wage and Investment and Small Business/Self-Employed Divisions need to ensure the revenue officers timely work the



*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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Courtesy Investigations and refer appropriate cases to the IRS Office of Chief Counsel as required by the Internal Revenue Manual guidelines.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Michael E. McKenney, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 622-5916.



*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

*Table of Contents*

**Background** .....Page 1

**Results of Review** .....Page 3

    Procedures Are in Place to Help Identify and Collect  
    Some Erroneous Refunds.....Page 3

    Causes of Returned Refunds Are Not Identified and  
    Tracked .....Page 4

Recommendation 1:.....Page 5

    Quarterly Inventory Reports Are Not Being Used to  
    Minimize the Issuance of Erroneous Refunds .....Page 5

Recommendation 2:.....Page 7

    Requests for Assistance in Collecting Erroneous Refunds  
    Are Not Being Worked Timely.....Page 8

Recommendation 3:.....Page 9

    Some Erroneous Refund Income Is Not Being Included  
    in the Internal Revenue Service Reporting Process.....Page 10

    Erroneous Refund Inventory Controls Need to Be Improved .....Page 12

Recommendations 4 and 5: .....Page 13

**Appendices**

    Appendix I – Detailed Objective, Scope, and Methodology .....Page 15

    Appendix II – Major Contributors to This Report .....Page 17

    Appendix III – Report Distribution List .....Page 18

    Appendix IV – Management’s Response to the Draft Report .....Page 19



*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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*Abbreviations*

IRS

Internal Revenue Service

RIS

Request for Information Services



## *Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

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### *Background*

The Internal Revenue Service (IRS) issues millions of refunds to taxpayers each year. In Calendar Year<sup>1</sup> 2004, the IRS issued 106 million refunds totaling \$227.6 billion to individual taxpayers. In handling this substantial volume of refunds, the IRS sometimes inadvertently issues refund checks in error (e.g., for incorrect amounts or to the wrong taxpayer). The erroneous refunds resulting from clerical or administrative mistakes are known as “non-rebate” erroneous refunds because correcting the errors does not require the recalculation of the tax liabilities. Examples of these types of erroneous refunds include:

- The IRS credits an estimated tax payment to the wrong taxpayer and refunds it to the wrong taxpayer.
- The IRS moves the decimal point when recording a payment, increases the amount by a factor of 10 or 100, and refunds the excess.
- The IRS mistakenly issues a duplicate refund.

In 2004, over 489,000 income tax refunds were returned by taxpayers; were returned by financial institutions; or had to be changed, reissued, or transferred to other accounts by the IRS. Some of the refunds were returned because of problems with the taxpayer’s bank account number or address. These would not be considered erroneous refunds. Refunds returned because of IRS errors could be considered erroneous refunds.

The IRS often discovers erroneous refunds as a result of contact from taxpayers. For example, a taxpayer may contact the IRS stating he or she did not receive a refund or did not receive credit for a payment. When this occurs, an IRS employee will research the taxpayer’s account to try to determine the problem. If the employee discovers that an erroneous refund was issued to a second taxpayer, a letter is sent to the second taxpayer requesting the amount of the erroneous refund be repaid. The account information is then sent to the local IRS Wage and Investment Division Submission Processing Accounting function to handle any further correspondence with the taxpayer who received the erroneous refund. Erroneous refunds caused by the IRS generally have a shorter collection statute period than cases with tax balances due (2 years versus 10 years). Therefore, these cases are manually controlled outside of the IRS’ automated collection procedures, through use of file folders and history sheets to document actions taken.

If the taxpayer does not voluntarily repay an erroneous refund, the IRS will offset any future refunds the taxpayer was to receive until the debt is paid in full or the statute period expires. As a last resort, the IRS can file a claim in court. However, the IRS will take this action only if the

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<sup>1</sup> All years refer to calendar year unless specifically noted otherwise.





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*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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erroneous refund amount was large enough to warrant the additional time and cost. If the taxpayer does not repay the full amount of the erroneous refund before the statute period expires, the IRS writes off the remaining debt as uncollectible and issues a Cancellation of Debt (Form 1099-C) to the taxpayer. Cancelled debt is considered income for tax purposes. The Form 1099-C informs the taxpayer that he or she should include the cancelled debt as income on their tax return. For 2004, the IRS wrote off as uncollectible approximately 2,200 erroneous refunds, worth approximately \$5.8 million.

Each Submission Processing site reports the inventory of new, erroneous refund cases identified each quarter to IRS Submission Processing Accounting function management. The Commissioner, Wage and Investment Division, receives a consolidated annual report of the uncollectible amounts written off. The top three causes of erroneous refunds written off in Fiscal Years 2002 through 2004 were:

- 1) Payment was misapplied (i.e., applied to the wrong taxpayer account).
- 2) Taxpayer claimed nonreceipt of a refund check, a replacement check was issued, and the taxpayer subsequently cashed both checks.
- 3) One or more duplicate refund checks (manual refund and computer-generated refund) were issued.

This review of IRS actions taken to identify and resolve non-rebate erroneous refunds was performed at the Wage and Investment Division Submission Processing Sites<sup>2</sup> in Atlanta, Georgia; Austin, Texas; Fresno, California; and Kansas City, Missouri. We interviewed officials from the IRS Office of Chief Counsel and the Small Business/Self-Employed Division. We also reviewed national data from the IRS Individual Master File.<sup>3</sup> This review was performed during the period January 2005 through May 2006. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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<sup>2</sup> The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.

<sup>3</sup> The Individual Master File is the IRS database that maintains transactions or records of individual tax accounts.



## *Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

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### *Results of Review*

Although the IRS has some procedures in place to reduce the number of erroneous refunds issued and to recover those that have been issued, it can take additional steps to identify the causes of these refunds; prevent, collect, and account for erroneous refunds; and improve oversight. Because many erroneous refunds may go undetected, the actual number of erroneous refunds issued may be significantly higher than that reported by the IRS. The specific problems we identified include the following:

- Causes of returned refunds are not identified and tracked.
- Quarterly report information gathered on erroneous refunds is not being used adequately to identify the causes of or reduce the number of erroneous refunds.
- Requests for assistance with collection actions have not been successful in getting large-dollar cases to the local IRS Office of Chief Counsel for litigation, which could significantly extend the time for collection.
- The IRS does not properly record amounts written off as uncollectible so it can verify whether taxpayers include the amounts as income on their tax returns.
- Lack of inventory controls and oversight allowed improper collection actions by the IRS and may have contributed to the number of cases not worked timely.

### ***Procedures Are in Place to Help Identify and Collect Some Erroneous Refunds***

The IRS has some procedures to prevent erroneous refunds from being issued and to recover those that have already been issued.<sup>4</sup>

- The IRS has a computerized process to identify manual refunds scheduled for issuance if the amount is within a specified variance of another refund already issued to the same taxpayer on the same account. A report is generated indicating the refund should be reviewed for appropriateness before issuance.
- The IRS has guidelines and processes for resolving erroneous refund cases after they have been identified.

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<sup>4</sup> Besides the steps listed, the IRS convened a task force on erroneous refunds. The task force report was issued in 1998. However, we were unable to locate any information regarding follow-up actions taken by the IRS to address or implement the task force's recommendations.



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## *Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

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- The IRS has procedures and programming to (1) freeze an account and offset a refund due a taxpayer in 1 year and (2) systemically apply the refund to a balance due for another year. This allows the IRS to collect on the amount due for an erroneous refund previously issued.

To help improve the erroneous refund process, the Kansas City Submission Processing Site Erroneous Refund Unit developed an integrated database and automated reporting system to track inventory, maintain case histories, and produce follow-up reminders and other reports. However, this automated system is not used at any other Submission Processing site.

### ***Causes of Returned Refunds Are Not Identified and Tracked***

In 2004, taxpayers voluntarily returned approximately 51,000 refunds totaling \$302 million. While some of these were erroneous refunds, others were not. For example, sometimes taxpayers return refund checks that are over a year old and ask to have them reissued; others ask that the refund check be reissued in a different name or applied as payment on a different tax year.

During 1 week at 1 site, we reviewed 52 refunds returned by taxpayers and determined approximately 50 percent of them had been incorrectly issued due to an IRS error. The IRS codes these refunds as “returned refunds” but does not code the returned checks in a manner that allows the IRS to determine the causes of the errors. When a refund check is returned, the check and the taxpayer correspondence are reviewed to determine what action needs to be taken. The conditions leading to the issuance of the erroneous refund are recorded in the individual case file, but this information is not consolidated so the IRS could use it to identify any trends, training issues, or systemic problems that may be causing the errors. The IRS was unable to provide any information on recent steps taken to reduce the number of erroneous refunds being issued, the causes for erroneous refunds, or any recent reviews of the process.

The IRS could better address the problems causing these refunds if it recorded the reasons for the returned refunds and established processes that corrected the problems prior to the refunds being issued. The IRS would then be able to identify the actual size of the problem, and it would have better data on which to base any corrective actions. Coding and tracking the causes of the returned and erroneous refunds would allow the IRS to focus on training or systemic problems that might be causing the majority of the errors. Reducing the number of errors would decrease the IRS resources necessary to handle and resolve the returned and erroneous refund checks, while also reducing the burden on taxpayers.

Also, if taxpayers return refund checks before the IRS discovers the refunds were issued in error, the IRS does not classify the refunds as erroneous or include them in its administrative reports on the number of erroneous refunds. Therefore, the number of erroneous refunds issued by the IRS may be significantly higher than that reported. Even if erroneous refunds returned by taxpayers before the IRS became aware of the problem were classified and reported as erroneous, the size



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## *Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

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of the problem would still be understated because there are additional erroneous refunds that go undiscovered by the IRS and not returned by taxpayers.

### ***Recommendation***

**Recommendation 1:** The Commissioner, Wage and Investment Division, should establish procedures to identify and include all erroneous refund counts and amounts when reporting erroneous refund statistics. In addition, the Division should code each returned refund to identify the reason for the returned refund, analyze this information, and establish procedures to reduce the number of returned refund checks.

**Management's Response:** IRS management agreed with the recommendation and will institute two separate procedures to identify and include all erroneous refund counts and amounts when reporting erroneous refund statistics. IRS management will also gather data from campus sites regarding returned refunds during the period April 15 through July 15, 2007, to identify any trends or procedural improvements needed to reduce the number of returned refund checks.

### ***Quarterly Inventory Reports Are Not Being Used to Minimize the Issuance of Erroneous Refunds***

The IRS Submission Processing Accounting function in each site maintains a list of the erroneous refunds discovered by the IRS that have not been returned. At the end of each quarter, the Accounting functions should prepare a report to show the number of new erroneous refunds they received, the amount of money involved, the IRS areas that made the errors causing the erroneous payments,<sup>5</sup> and any corrective actions those areas have taken to reduce the number of errors. The reports for each Submission Processing site should then be sent to the Chief, Individual Master File Branch.

We asked officials in the Individual Master File Branch office whether these quarterly reports for each Submission Processing site are consolidated into a single, quarterly or annual summary report or reviewed periodically at a national level for trends and causes. They responded that no such use has been made of these reports. No effort has been made to use these reports to track the increase or decrease in the numbers and types of errors being made that cause erroneous refunds. Copies of the quarterly reports have not been provided to the Director, Submission Processing, who is responsible for the processing of taxpayer returns and the uncollected amount of erroneous refunds that is written off each year. Further, the Chief, Individual Master File Branch, was unable to provide copies of these reports for the last 3 years when we requested

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<sup>5</sup> A duplicate refund issued by the Taxpayer Advocate's office or a payment misapplied by the Receipt and Control function are examples.



*Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

them. When each individual site was requested to provide a copy of their quarterly reports for the last 3 years, only 5 of the 10 Submission Processing sites were able to supply the requested reports. IRS management could not determine why five sites could not provide complete data or why some of the reports did not contain all the required information. The complete or partial reports we were able to obtain from all 10 sites indicate that at least 14,000 new erroneous refund cases were identified in 2004, for at least \$59 million.

IRS procedures require that these quarterly reports be generated, but the IRS has not provided guidance to help ensure these reports are analyzed properly and acted on. Consequently, the IRS has not used the data to make process improvements and reduce errors. Using the quarterly reports as a management tool and analyzing all of the data presented would give the IRS a chance to identify nationwide trends, best practices, and problem areas that are in need of attention. The quarterly reports are the primary source of detailed and recent information on the causes of erroneous refunds. The reports could be used by the IRS to help identify:

- Best practices for identifying erroneous refunds.
- The number of cases being addressed by each site.
- Trends in error rates by site.
- Discrepancies in reporting results.

Figure 1 shows the number of erroneous refund cases identified by four IRS Submission Processing Sites during 2002-2004, as well as the numbers and amounts of erroneous refunds written off as uncollectible in those 3 years. We included only those sites that process individual tax returns and provided complete data for the time period covered. The remaining sites that process individual tax returns (located in Atlanta, Georgia; Brookhaven, New York; Memphis, Tennessee; and Philadelphia, Pennsylvania) did not provide complete data.

**Figure 1: Erroneous Refund Cases Identified and Written Off As Uncollectible Calendar Years 2002–2004**

Submission Processing Site	Erroneous Refund Cases Identified	Erroneous Refund Cases Written Off	Percentage of Identified Cases Written Off	Erroneous Refund Amount Identified	Erroneous Refund Amount Written Off	Percentage of Identified Refund Amount Written Off
Andover	1,071	485	45%	\$8,474,939	\$949,418	11%
Austin	6,697	472	7%	\$14,271,594	\$821,962	6%
Fresno	6,630	917	14%	\$10,117,401	\$2,526,765	25%
Kansas City	7,306	654	9%	\$23,873,931	\$1,062,654	4%
<b>Totals</b>	<b>21,704</b>	<b>2,528</b>	<b>12%</b>	<b>\$56,737,865</b>	<b>\$5,360,799</b>	<b>9%</b>

Source: IRS Quarterly Reports (as available) and IRS data on write off amounts for 2002–2004.



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## *Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

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As shown in Figure 1, there are significant differences in the number of erroneous refund cases identified and written off among some of the Submission Processing sites. For example, the 4 sites shown in Figure 1 processed a comparable number of tax returns during the 3 years we tracked. However, the Andover Submission Processing Site identified far fewer erroneous refunds than the other 3 sites, yet it wrote off a significantly higher percentage (45 percent) of the erroneous refund cases it identified. For the Fresno Submission Processing Site, the percentage of the dollar amount written off is high (25 percent) in comparison to the other sites.

The cause and feedback information is supposed to be available on the quarterly reports. It would help inform IRS management if the feedback and corrective actions were having an impact on the number of errors. The quarterly reports are the only documents on which the causes of all the identified erroneous refunds are reported to IRS management.<sup>6</sup> If the IRS made use of the quarterly reports, it would help ensure each Submission Processing site is tracking all the required information and using the information to determine what areas are making the errors, so appropriate corrective actions could be taken to reduce the number of erroneous refunds. The IRS was unable to supply any recent reports on actions it has taken to reduce the number of erroneous refunds or reviews of the causes and corrective actions.

### ***Recommendation***

***Recommendation 2:*** The Commissioner, Wage and Investment Division, should ensure the quarterly inventory reports on erroneous refunds are completely and correctly prepared, summarized, distributed to those IRS managers responsible for writing-off erroneous refunds, and used to identify trends on the causes of erroneous refunds and suggest possible corrective actions.

***Management's Response:*** IRS management agreed with this recommendation and stated that in January 2007, each Submission Processing Accounting function will resume submitting quarterly inventory reports on non-rebate erroneous refunds to the Submission Processing Erroneous Refund Analyst. The Erroneous Refund Analyst will review the data to ensure that the reports are timely and correctly prepared. On a quarterly basis, Submission Processing staff will meet and share this information with Headquarters, Accounts Management, and Compliance analysts to discuss preventative measures for reducing erroneous refunds. The first meeting will be scheduled tentatively for January 15, 2007.

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<sup>6</sup> The IRS prepares a report annually on those accounts that are deemed uncollectible and written off. The cause information for these accounts is available to IRS management if they request the detail backup information.



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**Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds**

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**Requests for Assistance in Collecting Erroneous Refunds Are Not  
Being Worked Timely**

A recipient of an erroneous refund has a legally enforceable obligation to repay the money to the IRS. However, the legal effect of this obligation is not necessarily the same as the obligation to pay the proper amount of tax. Because of the difference in legal effect, different collection recovery methods and different statutes of limitations may apply. Generally, the statute of limitations is 2 years to collect an erroneous refund that is the result of an error by the IRS. To expedite collection, the IRS has instructions for Submission Processing Accounting function employees who work the erroneous refund cases to request assistance (Courtesy Investigation)<sup>7</sup> from the local revenue officers if the outstanding erroneous refund is above a specific amount. The revenue officers can contact the taxpayer directly and request payment of the amount due, suggest the taxpayer make monthly payments on the balance, and request the taxpayer extend the statute of limitations in order to pay the entire amount. The revenue officer can also send the case to the local IRS Office of Chief Counsel to request litigation to obtain a court judgment. A court judgment in the IRS' favor extends the statute of limitations (for at least 20 years).

IRS procedures state that revenue officers should respond to these requests for assistance within 45 calendar days of receipt. Our review of a judgmental sample of these cases indicated the requests to revenue officers for assistance often were (80 percent of the time) not responded to timely or not responded to at all. Some were returned with no action taken. For example, [REDACTED] referred to the revenue officer but returned without being sent to the local IRS Office of Chief Counsel or collected because of "low priority." There were no records or evidence in the case files to indicate that any of these cases were sent to the Office of Chief Counsel for review. Based on the results of our review, we believe millions of dollars of erroneous refunds are written off as uncollectible after limited or no effort by the IRS to recover the money.

By the end of 2004, the IRS had identified approximately 14,000 new accounts with erroneous refund activity. It wrote off as uncollectible 972 accounts over a specified amount, for a total of almost \$5.3 million. The IRS Office of Chief Counsel indicated that its records showed it worked on only 23 erroneous refund cases during an 18-month period ending July 2005 and that it would be interested in taking action on the higher dollar erroneous refund cases. In 2004, the IRS wrote off 77 high-dollar erroneous refunds over a specific amount, for a total of almost \$2.8 million in lost funds.

Many of the cases worked by revenue officers involve large-dollar taxes due over a specific amount. The majority of erroneous refund amounts are less than this specific amount. Under current procedures, the Submission Processing Accounting functions working the erroneous refund cases cannot send a case directly to the local IRS Office of Chief Counsel to consider

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<sup>7</sup> A request for assistance from a revenue officer in the IRS Collection field function.



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*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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litigation. The revenue officers must determine the likelihood of obtaining payment from the taxpayer before a case can be forwarded to the local IRS Office of Chief Counsel. IRS officials advised us they are developing new procedures that will make working of erroneous refund cases by revenue officers an even lower priority. This will create a significant problem because revenue officers are the only IRS employees able to refer erroneous refund cases to the local IRS Office of Chief Counsel for appropriate action. Courtesy Investigations for erroneous refund cases may not be appropriate work for revenue officers since their specialized collection tools and authorities cannot be used to collect erroneous refunds.

### ***Recommendation***

**Recommendation 3:** The Wage and Investment Division, with input from the IRS Office of Chief Counsel, should consider revising its erroneous refund procedures to include a financial analysis conducted electronically by Submission Processing Accounting function employees working erroneous refund cases to determine collectibility on cases above a specific dollar tolerance, and to refer those cases with collection potential directly to the local IRS Office of Chief Counsel. We believe adopting this change would be a more efficient use of resources.

**Management's Response:** IRS management did not agree with this recommendation. IRS management responded that the Accounting function is responsible for monitoring and maintaining erroneous refund cases, not providing compliance analysis or determining collectibility on erroneous refund cases. Employees in the Accounting functions are not qualified to provide these collection services without substantial training and job reclassification.

**Office of Audit Comment:** Even though there would be a need to reclassify and train a limited number of Submission Processing Accounting function employees to determine the collectibility on higher dollar erroneous refund cases, we believe the cost to train these employees would be far less than the loss of millions of dollars currently not being considered for litigation, and subsequently not being recovered. However, if the IRS determines the existing process is adequate and continues to submit Courtesy Investigations to revenue officers for collectibility determinations, the Wage and Investment and Small Business/Self-Employed Divisions need to ensure that the revenue officers timely work the Courtesy Investigations and refer appropriate cases to the IRS Office of Chief Counsel as required by the Internal Revenue Manual<sup>8</sup> guidelines.

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<sup>8</sup> The Internal Revenue Manual contains the IRS' internal guidelines.





*Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

## **Some Erroneous Refund Income Is Not Being Included in the Internal Revenue Service Reporting Process**

When the IRS is unable to collect all of the erroneous refund from the taxpayer prior to the expiration of the statute of limitations, the nonreturned amount is written off as uncollectible. In 2004, the IRS wrote off approximately \$5.8 million as uncollectible erroneous refunds. When the IRS writes off an erroneous refund of \$600 or more, it must issue a Form 1099-C to the taxpayer. The taxpayer should include the written-off amount as income.

The IRS does not have an automated system for tracking and controlling the erroneous refund cases. Each Submission Processing Accounting function prepares its Forms 1099-C at the end of each year. Copies of the Forms are mailed to the taxpayer and sent to the appropriate IRS processing center to be included in the IRS computer system. We requested a list from the IRS of the Forms 1099-C issued in each of the past 3 years. This information is not kept in a central location and was unavailable. We provided the IRS with the necessary information for a data extract of the electronic records to obtain the information. The data extract showed only 141 Forms 1099-C were issued in 2004, yet the IRS wrote off 2,225 accounts as uncollectible. IRS employees at the Submission Processing Accounting functions indicated they had prepared more than 141 Forms 1099-C in 2004.

Figure 2 shows the total numbers and dollar amounts of erroneous refund accounts written off as uncollectible during 2004. It also shows the number of these cases that required a Form 1099-C because they were at least \$600. The information indicates only 126 of the 1,272 accounts worth at least \$600 were included in the IRS data. This amounts to only 10 percent of the number of cases and 7 percent of the dollar amounts written off.

**Figure 2: IRS Forms 1099-C Issued Versus Uncollectible Accounts - 2004**

<b>Erroneous Refund Accounts</b>	<b>Number of Accounts</b>	<b>Total Dollars</b>
Accounts written off as uncollectible	2,225	\$5,772,926
Accounts with erroneous refunds of \$600 and over	1,272	\$5,513,131
Forms 1099-C for \$600 and over shown in the IRS computer system	126	\$385,464
Accounts without Form 1099-C information	1,146	\$5,127,667

*Source: Electronic data obtained from IRS.*

Because the Form 1099-C information was not in the IRS computer system, the IRS was unable to verify whether \$5.1 million in income it had written off as uncollectible was included as



*Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

taxable income by the taxpayers. Submission Processing Accounting function management was not aware of this problem.

We reviewed the processes used to prepare and submit the Form 1099-C to determine the cause of the problem. We provided some of the detailed information and results to the IRS Modernization and Information Technology Services organization programming staff, which confirmed the Submission Processing Accounting functions were incorrectly preparing the Forms 1099-C. IRS instructions do not clearly indicate that the name to use in the CREDITOR’S name section of the Form (see Figure 3) is “Detroit Computing Center.”<sup>9</sup> Consequently, the Forms were prepared with “Internal Revenue Service” or “US Treasury Dept.,” or similar names in the CREDITOR’S name section. The specific name typed in this section is important because it must match the name on file in the IRS computer system under the associated Federal Employer Identification Number.

**Figure 3: 2004 Cancellation of Debt (Form 1099-C)**

8585 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-1424		<b>2004</b> Form 1099-C	<b>Cancellation of Debt</b>
CREDITOR'S name, street address, city, state, and ZIP code					
CREDITOR'S Federal identification number	DEBTOR'S identification number	1 Date canceled	2 Amount of debt canceled \$	<b>Copy A</b> For <b>Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2004 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
DEBTOR'S name		3 Interest if included in box 2 \$	4		
Street address (including apt. no.)		5 Debt description			
City, state, and ZIP code					
Account number (optional)		6 Check for bankruptcy <input type="checkbox"/>	7 Fair market value of property \$		
Form 1099-C		Cat. No. 26280W			
<b>Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page</b>					

Source: IRS Tax Forms.

When the CREDITOR’S Federal identification number and CREDITOR’S name on the Form 1099-C do not match, one computer program rejects the information and sends it to an error file. This error file is supposed to be reviewed and the information corrected and reinput to the IRS computer system. Research by the IRS programming staff indicated the error file is not being acted upon to correct all of the errors; consequently, the majority of the Form 1099-C information was missing from the IRS computer system. This may have been a problem for a

<sup>9</sup> IRS Computing Centers support tax processing and information management through a data processing and telecommunications infrastructure.



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## *Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

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significant period of time. We traced the problem back as far as 2001, but it also may have been occurring in prior years.

**Management Action:** The Wage and Investment Division instituted changes to its Internal Revenue Manual to show the correct Federal Employer Identification Number and name to be used on a Form 1099-C prepared by the IRS. We also notified another IRS area about this problem so its Internal Revenue Manual could be checked for similar issues and updated if necessary.

### ***Erroneous Refund Inventory Controls Need to Be Improved***

We reviewed the erroneous refund process, including documentation in the erroneous refund case histories<sup>10</sup> at four of the Submission Processing sites to determine if the IRS was following procedures. One site had developed a local computer program to assist with the control and tracking of all the activities involved with working erroneous refund cases. It has automated reports that assist with inventory control, follow-up, and payments. The rest of the sites do not use such a system. They use a manual system to control inventory and ensure that taxpayers are contacted, payments are posted, and timely follow-up contacts are made when necessary. However, it does not appear these sites are consistent in using a manual system to control inventory.

We identified in the IRS Individual Master File erroneous refund cases that were not in the manual case inventories of the sites. The IRS was unaware of these cases until we asked for case documentation. The responses indicated a number of problems: cases were lost when transferred between sites, cases were not followed up properly, and cases were not always being received from field offices when an erroneous refund was identified. Documentation of case reviews by local management was minimal, and there was no annual reconciliation of the inventories to the erroneous refund cases shown on the IRS Individual Master File. There is no taxpayer contact, collection, or follow-up on the cases not included in the manual inventories.

In addition, the IRS does not always follow its process to ensure collection actions are discontinued once the collection statute on an account expires. The IRS took actions to collect erroneous refunds after the statute period had expired on some cases in the manual inventories. When the IRS discovers it has taken an improper collection action, it must contact the taxpayer and refund any payments made after the statute expiration date if the taxpayer wants the payment back. Because erroneous refund cases are worked manually, the IRS does not have an automated system with which to inform employees assigned to the cases that the statutes of limitations have expired.

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<sup>10</sup> The case histories should contain documents showing everything being done to collect the amount owed from the taxpayer.



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*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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In late 2003, the IRS submitted a Request for Information Services (RIS)<sup>11</sup> to automate the manual processes involved with the inventory control and dates for actions needed to collect erroneous refunds. Computer data would then be available to produce the quarterly and annual reports on erroneous refund activities and could be used to produce tracking and due date reports to improve IRS' efficiency in collecting the outstanding erroneous refunds. The original completion date for the RIS was September 2004. However, it was never completed, and there is no revised completion date. The Kansas City Submission Processing Site has developed its own integrated database and automated reporting system for erroneous refunds.

**Management Action:** The Wage and Investment Division Customer Services Submission Processing Accounting function has appointed a person to be responsible to follow through with the RIS until it is operational.

### ***Recommendations***

**Recommendation 4:** The Commissioner, Wage and Investment Division, should perform an annual reconciliation of erroneous refund inventories against the IRS Individual Master File cases coded as erroneous refund accounts.

**Management's Response:** IRS management agreed with this recommendation. The Submission Processing office will ensure that additional requirements for oversight and control of erroneous refunds will be included in a new RIS that will be submitted with an implementation date of January 2008. The operating divisions and the Modernization and Information Technology Services organization must weigh the priority of this request against other competing demands for Information Technology services. Also, the Submission Processing office will continue to pursue the development and implementation of the RIS for the Erroneous Refund Database. The Submission Processing office will follow up with the Modernization and Information Technology Services organization for a status update by February 2007.

**Recommendation 5:** The Commissioner, Wage and Investment Division, should have the RIS reviewed to ensure it will meet all requirements for oversight and control of the erroneous refund program at all levels.

**Management's Response:** IRS management agreed with this recommendation. The Submission Processing office will submit a new RIS by November 2006, with an implementation date of January 2008, for a one-time reconciliation (clean-up) of all erroneous refunds. Based on the Modernization and Information Technology Services organization's acceptance of this RIS and delivery of the request, the Submission

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<sup>11</sup> The RIS process provides a common framework to document, control, monitor, and track requests for changes to IRS computer systems and for support.



*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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Processing office will orchestrate a one time clean-up with its Accounting functions of the Erroneous Refund Databases.

Additionally, the Submission Processing office will submit a second RIS by November 2006, with an implementation date of January 2008, which will provide each of the Erroneous Refund functions with a monthly extract of new erroneous refunds. Combined, these improvements will significantly enhance the Submission Processing office's ability to monitor and control the erroneous refund program at all levels.



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*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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## **Appendix I**

### *Detailed Objective, Scope, and Methodology*

Our overall objective was to determine how well the IRS identified, classified, processed, and collected erroneous refund amounts issued to individual taxpayers. We also determined whether the IRS has a plan to reduce the number of erroneous refunds that are issued. To accomplish our objective, we:

- I. Evaluated the IRS' procedures for identifying, processing, and collecting erroneous refunds.
  - A. Reviewed Internal Revenue Manual<sup>1</sup> procedures.
  - B. Interviewed IRS employees.
  - C. Reviewed representative cases in each site.<sup>2</sup>
  - D. Reviewed IRS Individual Master File<sup>3</sup> data.
  - E. Reviewed data to determine if Cancellation of Debt (Form 1099-C) was issued when required.
- II. Determined if the IRS has a plan to reduce or eliminate the number of erroneous refunds issued.
  - A. Interviewed IRS management.
  - B. Researched IRS web sites for reports and data.
  - C. Researched for any material weakness previously reported.
- III. Determined if the IRS properly reported all erroneous refunds (volumes and dollars).
  - A. Interviewed IRS management regarding reports used and data collected.
  - B. Obtained and reviewed IRS data on:
    1. Returned refunds from all sources.
    2. Erroneous refunds discovered.

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<sup>1</sup> The Internal Revenue Manual contains the IRS' internal guidelines.

<sup>2</sup> The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.

<sup>3</sup> The Individual Master File is the IRS database that maintains transactions or records of individual tax accounts.



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*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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3. Erroneous refunds written off.

We obtained numbers of cases from the information in the IRS Individual Master File. We obtained returned refund check data by searching for any record with a Cancelled Refund Deposited in the Calendar Year 2004 file, used the Taxpayer Identification File data at the end of Calendar Year 2004 to obtain inventory detail of cases with an Erroneous Refund Freeze<sup>4</sup> on the account at some time during the year, and pulled data files for accounts with an Erroneous Refund for Calendar Years 2002, 2003, and 2004 to look at the individual year data. There are no projections in the numbers presented.

Our request for the IRS to provide the electronic data on Forms 1099-C issued resulted in very few showing as issued. Some of the sites were able to provide lists of the Forms 1099-C they had issued. We manually checked these lists to the Integrated Data Retrieval System<sup>5</sup> to determine if the Form 1099-C information was recorded in the IRS records. We discovered that not all of the information was being included in the IRS electronic data. The details on a few cases were given to the IRS Modernization and Information Technology Services organization, which researched its processes to locate the missing data and provided an explanation of the problems.

We reviewed a judgmental sample of 185 erroneous refund cases only to confirm whether procedures were being followed and to confirm IRS interview statements that could not be validated in the computer data, such as the number of Courtesy Investigation<sup>6</sup> forms that were issued and returned. The sample cases were pulled from the available inventory files in each site since the IRS could not provide us current inventory figures for all of the campuses. We attempted to select a random sample at two of the campuses, but not all of the cases were available for review. Therefore, a judgmental sample was taken because the population of cases was not available and we did not intend to project the results of this case review to the population.

From the actual work at one site, we reviewed a judgmental sample of 52 returned refund cases (all cases received for the period) to determine what types of and why refund checks were being returned. This sample represents 1 week's worth of the correspondence reviewed in 1 returned refund work unit. We did not select or review any cases of this type from the other returned refund work units across the nation during this same period, so the population size is unknown. A judgmental sample was taken because we did not intend to project the results of this case review to the population.

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<sup>4</sup> An Erroneous Refund Freeze is a code the IRS uses to identify accounts appearing to have an erroneous refund issued to the taxpayer.

<sup>5</sup> The IRS computer system capable of retrieving or updating stored information; in works in conjunction with a taxpayer's account records.

<sup>6</sup> A request for assistance from a revenue officer in the IRS Collection field function.



*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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**Appendix II**

*Major Contributors to This Report*

Michael E. McKenney, Assistant Inspector General for Audit (Wage and Investment Income Programs)

Scott A. Macfarlane, Director

Richard J. Calderon, Audit Manager

Glory Jampetero, Lead Auditor

Steven Vandigriff, Senior Auditor

Andrea McDuffie, Auditor

Nelva Usher, Auditor

Layne Powell, Information Technology Specialist





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*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Commissioner for Operations Support OS  
Deputy Commissioner for Services and Enforcement SE  
Deputy Commissioner, Small Business/Self-Employed SE:S  
Deputy Commissioner, Wage and Investment Division SE:W  
Director, Collection, Small Business/Self-Employed SE:S:C  
Director, Communications, Liaison, and Disclosure, Small Business/Self-Employed Division  
SE:S:CLD  
Director, Compliance, Wage and Investment Division SE:W:CP  
Director, Customer Account Services, Wage and Investment Division SE:W:CAS  
Director, Strategy and Finance, Wage and Investment Division SE:W:S  
Chief, Performance Improvement, Wage and Investment Division SE:W:S:PI  
Director, Accounts Management, Wage and Investment Division SE:W:CAS:AM  
Director, Submission Processing, Wage and Investment Division SE:W:CAS:SP  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaisons:  
Senior Operations Advisor, Wage and Investment Division SE:W:S  
Director, Communications, Liaison, and Disclosure, Small Business/Self-Employed  
Division SE:S:CLD  
Chief, GAO/TIGTA/Legislative Implementation Branch SE:S:CLD:PSP:GTL



*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

**Appendix IV**

*Management's Response to the Draft Report*



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

August 23, 2006

RECEIVED  
AUG 24 2006

MEMORANDUM FOR MICHAEL R. PHILLIPS  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Richard J. Morgante *Richard J. Morgante*  
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Improvements Are Needed to Better Identify  
and Prevent Erroneous Refunds (Audit # 200540016)

I have reviewed your draft report, "Improvements Are Needed to Better Identify and Prevent Erroneous Refunds," and I appreciate your acknowledgement of the procedures we have in place to detect, prevent, and recover erroneous refunds. The following are key elements of those procedures:

- A computerized process to identify manual refunds scheduled to be issued that are within a specific amount of another refund already issued to the same taxpayer on the same account. A report is generated indicating the refund should be reviewed for appropriateness before it is issued.
- A comprehensive set of guidelines and processes for dealing with erroneous refund cases after they have been identified.
- Procedures and programming to freeze an account and offset a refund due a taxpayer in one year and systemically apply it to a balance due for another year. This allows the IRS to collect on the amount due for an erroneous refund previously issued.

Even though we already have these and other processes in place, we agree that we can do more to identify and track erroneous refunds to identify trends, training issues, or systemic problems. In order to accomplish this, we will develop a Data Collection Instrument (DCI) to gather data from Accounts Management (AM) sites regarding returned refunds from April through June 2007. We will use this data to identify issues, trends, and training needs in erroneous refund programs. We will also use the findings from this study to formulate corrective actions in erroneous refund programs.



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*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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2

In addition, each accounting function within Customer Account Services (CAS) Submission Processing (SP) will resume submitting quarterly inventory reports on non-rebate erroneous refunds to the SP Erroneous Refund Analyst. The Erroneous Refund Analyst will review the data to ensure that the reports are timely and correctly prepared. On a quarterly basis, CAS SP will meet with AM and Compliance analysts to share this information and identify preventative measures for reducing erroneous refunds. The first meeting is tentatively scheduled for January 2007. We believe these actions will enable us to identify and include all erroneous refund counts and amounts when reporting erroneous refund statistics.

However, we do not agree with your recommendation that the W&I Division, with input from the Office of Chief Counsel (OCC), consider revising our erroneous refund procedures. You suggest that we require SP accounting employees working erroneous refund cases to perform an electronic collectibility analysis on cases above a specific dollar tolerance and refer those with collection potential directly to the local OCC. However, accounting function employees are not trained or responsible for providing compliance analysis or determining collectibility. Without job reclassification and substantial retraining, these employees are not qualified to provide such collection services. As you are aware, these cases are currently referred to SB/SE Field Collection for possible investigation and collection.

We appreciate your findings on our reporting errors regarding the Form 1099C (Cancellation of Debt). We issue a Form 1099C to taxpayers when we are unable to collect the amount of the erroneous refund and have written the debt off as uncollectible. Based on your findings from the review, we have instituted changes to our internal procedural manuals to show the correct employer identification number and name when we issue the Form 1099C.

In your report, you also identified that SP campuses do not use a consistent method to control erroneous refund inventory. We agree with your findings and submitted a Request for Information Services (RIS) (WSP40098) in late 2003 to automate the current manual process. This request for an inventory system would control dates for actions needed to collect erroneous refunds. To ensure this important action is completed, we have designated a person to monitor and follow through with the RIS until it is operational.

Again, I appreciate your review and believe these improvements will assist us in identifying and collecting erroneous refund amounts issued to individual taxpayers. Our responses to your recommendations are detailed in the attachment. If you have any questions, please call me at (404) 338-7060, or members of your staff may contact Betsy M. Kinter, Director, Customer Account Services, at (404) 338-8910.

Attachment



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*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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Attachment

**RECOMMENDATION 1**

The Commissioner, W&I Division, should establish procedures to identify and include all erroneous refund counts and amounts when reporting erroneous refund statistics. In addition, the Division should code each returned refund to identify the reason for the returned refund, analyze this information, and establish procedures to reduce the number of returned refund checks.

This recommendation contains two parts which we will refer to as 1(a) and 1(b).

- 1(a) The Commissioner, W&I Division, should institute procedures to identify and include all erroneous refund counts and amounts when reporting erroneous refund statistics.
- 1(b) The W&I Division should code the returned refunds to identify the reasons for the returned refund, analyze this information, and institute procedures to reduce the number of returned refund checks.

**CORRECTIVE ACTION**

- 1(a) - We agree with the first part of the recommendation and will institute two separate procedures to identify and include all erroneous refund counts and amounts when reporting erroneous refund statistics. See corrective actions for 1(b) and 2.
- 1(b) - We agree with the second part of the recommendation and will develop a DCI to gather data from campus sites regarding returned refunds during the period April 15 through July 15, 2007, to identify any trends or procedural improvements needed to reduce the number of returned refund checks.

**IMPLEMENTATION DATE**

- 1(a) – January 15 and July 15, 2007, respectively.
- 1(b) – April 15, 2007

**RESPONSIBLE OFFICIAL**

- 1(a) – Director, W&I CAS, SP
- 1(b) – Director, W&I CAS, AM

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor these corrective actions as part of our internal management control system.



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*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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2

**RECOMMENDATION 2**

The Commissioner, W&I Division, should ensure the quarterly inventory reports on erroneous refunds are completely and correctly prepared, summarized, distributed to those IRS managers responsible for writing-off erroneous refunds, and used to identify trends on the causes of erroneous refunds and suggest possible corrective actions.

**CORRECTIVE ACTION**

We agree with this recommendation and in January 2007, each accounting function, within CAS SP, will resume submitting quarterly inventory reports on non-rebate erroneous refunds to the SP Erroneous Refund Analyst. The Erroneous Refund Analyst will review the data to ensure that the reports are timely and correctly prepared. On a quarterly basis, SP will meet and share this information with Headquarters, AM, and Compliance analysts to discuss preventative measures for reducing erroneous refunds. The first meeting will be tentatively scheduled for January 15, 2007.

**IMPLEMENTATION DATE**

January 15, 2007

**RESPONSIBLE OFFICIAL**

Director, W&I CAS, SP

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor these corrective actions as part of our internal management control system.

**RECOMMENDATION 3**

The W&I Division, with input from the Office of Chief Counsel, should consider revising its erroneous refund procedures to include a financial analysis conducted electronically by SP accounting employees working erroneous refund cases to determine collectibility on cases above a specific dollar tolerance, and to refer those cases with collection potential directly to the local Office of Chief Counsel. We believe adopting this change would be a more efficient use of resources.

**CORRECTIVE ACTION**

We do not agree with this recommendation. The accounting function is responsible for monitoring and maintaining erroneous refund cases, not providing compliance analysis or determining collectibility on erroneous refund cases. Employees in the accounting functions are not qualified to provide these collection services without substantial training and job reclassification. As you are aware, these cases are currently referred to SB/SE Field Collection for possible investigation and collection.

**IMPLEMENTATION DATE**

N/A



*Improvements Are Needed to Better Identify and Prevent Erroneous Refunds*

3

**RESPONSIBLE OFFICIAL**

N/A

**CORRECTIVE ACTION MONITORING PLAN**

N/A

**RECOMMENDATION 4**

The Commissioner, W&I Division, should perform an annual reconciliation of erroneous refund inventories against the IRS Individual Master File cases coded as erroneous refund accounts.

**CORRECTIVE ACTION**

We agree with this recommendation. The SP office will ensure that additional requirements for oversight and control of erroneous refunds will be included in a new RIS which will be submitted with an implementation date of January 2008. The Operating Divisions and the Modernization and Information Technology Services (MITS) organization must weigh the priority of this request against other competing demands for IT services. Also, SP will continue to pursue the development and implementation of RIS WSP40098, Erroneous Refund Database, with MITS. The SP office will follow-up with MITS for a status update by February 2007.

**IMPLEMENTATION DATE**

January 15, 2008

**RESPONSIBLE OFFICIAL**

Director, W&I CAS, SP

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor these corrective actions as part of our internal management control system.

**RECOMMENDATION 5**

The Commissioner, W&I Division, should have the Request for Information Services reviewed to ensure it will meet all the requirements for oversight and control of the erroneous refund program at all levels.

**CORRECTIVE ACTION**

We agree with this recommendation. The SP office will submit a new RIS by November 2006, with an implementation date of January 2008, for a one-time reconciliation (Clean-up) of all erroneous refunds. Based on MITS acceptance of this RIS and delivery of our request, SP will orchestrate a one time clean-up with our accounting functions of the Erroneous Refund Databases.



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*Improvements Are Needed to Better  
Identify and Prevent Erroneous Refunds*

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4

Additionally, SP will submit a second RIS by November 2006, with an implementation date of January 2008, which will provide each of the erroneous refund functions with a monthly extract of new erroneous refunds. Combined with RIS (WSP40098), these improvements will significantly enhance our ability to monitor and control the erroneous refund program at all levels.

**IMPLEMENTATION DATE**

January 15, 2008

**RESPONSIBLE OFFICIAL**

Director, W&I CAS, SP

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor these corrective actions as part of our internal management control system.