



**Treasury Inspector
General
for Tax Administration
Office of Audit**

**SOME AUTOMATED COLLECTION SYSTEM
LARGE-DOLLAR CASES WERE NOT WORKED
EFFECTIVELY**

Issued on February 5, 2009

Highlights

Highlights of Report Number: 2009-30-023 to the Internal Revenue Service Commissioners for the Small Business/Self-Employed and Wage and Investment Divisions.

IMPACT ON TAXPAYERS

An Automated Collection System (ACS) large-dollar case is one in which the taxpayer's aggregate delinquent tax owed is greater than or equal to \$100,000 and less than \$1 million. Although workload and inventory were managed effectively, 17 (27 percent) of 62 sampled cases were either removed from the inventory or not worked properly by employees. TIGTA estimated that work might have been discontinued on approximately 1,001 taxpayer accounts with a potential dollar impact of up to \$209 million.

WHY TIGTA DID THE AUDIT

The audit was initiated to determine whether large-dollar cases are worked effectively. These cases are important because, while they represented only about 1 percent of the total ACS modules closed in Fiscal Year 2007, they represented approximately 15 percent of the ACS dollars collected. The audit was conducted as part of the annual audit plan.

WHAT TIGTA FOUND

IRS management effectively controlled and monitored workload and inventory and provided additional training to employees. However, 9 (14.5 percent) of 62 sampled cases were systemically moved to the Queue (an automated holding file for unassigned cases) prior to their meeting the general criteria for moving cases to the Queue. On these cases, very few or no actions were taken. Revenue might be lost if cases are sent to the Queue before they are fully worked by the ACS function.

In addition, TIGTA determined that employees did not work 8 (15 percent) of the remaining 53 cases to their proper conclusion, follow all case requirements, or resolve the cases properly. In some of these eight cases, the work was performed by non-ACS employees. Revenue can be lost when employees make decisions on cases without obtaining complete information that

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could have been gathered if procedural requirements had been followed and required actions taken.

WHAT TIGTA RECOMMENDED

TIGTA recommended the Director, Compliance, Wage and Investment Division, and the Acting Director, Campus Compliance Services, Small Business/Self-Employed Division, 1) determine how many cases might have been sent to the Queue prior to meeting the general criteria, sample some of the cases to determine why the cases were moved, and evaluate the current Business Rules and resulting programming that automatically move cases to the Queue, 2) remind employees of the required actions on large-dollar cases through annual training or briefings and remind managers of the importance of reviewing the cases for these actions, and 3) determine whether it is practical to involve ACS function managers in a case review when a non-ACS function employee works a case assigned to the ACS inventory.

In their response to the report, IRS officials agreed with two of the three recommendations. They plan to take corrective actions that include performing an analysis of cases sent from the ACS to the Queue, evaluating existing Business Rules to ensure that they are working as intended, and emphasizing to employees the required actions on large-dollar cases. However, IRS management decided it is not practical or necessary to involve ACS managers in those cases when a non-ACS function employee works a case assigned to the ACS inventory. In addition, management disagreed with the \$209 million estimated dollar impact because dollars might continue to be collected from cases in the Queue.

TIGTA continues to believe that the IRS should take some action to prevent/detect errors in cases processed by non-ACS employees even though the number of cases worked by non-ACS employees was small. In addition, our outcome measurement estimates were based on the information available at the time of our review, and the IRS could not provide us with reliable estimates or probabilities on amounts that might be collected in future years while cases remain in the Queue.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2009reports/200930023fr.pdf>

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