



Treasury Inspector General for Tax Administration Office of Audit

REVENUE OFFICERS HAVE MINIMAL NEED FOR INDIVIDUAL FORMS 809 BOOKS

Issued on March 6, 2009

Highlights

Highlights of Report Number: 2009-30-044 to the Internal Revenue Service Commissioner for Small Business/Self-Employed Division and Commissioner for Wage and Investment Division.

IMPACT ON TAXPAYERS

Receipt for Payment of Taxes (Form 809) is the official receipt issued by the IRS for taxpayers paying tax liabilities with cash. These Forms are rarely used by revenue officers (RO) in the Collection Field function, are often issued as duplicate receipts or for frivolous payment amounts, and are a security risk. They also require significant IRS resources to administer and to maintain accountability of the receipt books. In addition, lost or stolen Forms 809 books potentially compromise taxpayers' personally identifiable information, which increases the risk of identity theft.

WHY TIGTA DID THE AUDIT

This audit was initiated to evaluate the procedures associated with the IRS use of Form 809 receipt books by Collection Field function offices. Comments made by Collection Field function management in meetings during prior reviews suggested that use of Forms 809 was outdated, was labor-intensive, and required a significant amount of time and resources to administer. This audit was included in our Fiscal Year (FY) 2008 Audit Plan.

WHAT TIGTA FOUND

From FY 2004 to FY 2007, Forms 809 were used in fewer than 2 percent of all cases closed by ROs. During FY 2007, fewer than 20 percent of the ROs assigned a Forms 809 book issued a receipt, 59 percent of the ROs had not issued a single Form 809 from their currently assigned book, and nearly one-half of the ROs had possessed the same book of 50 receipts for more than 5 years. In the rare instances when ROs issued Forms 809, it is possible that more than 90 percent either were not necessary because the taxpayer did not pay with cash, or the receipts were issued for frivolous amounts.

Despite the limited use of Forms 809, the administrative burden of the 809 program remains. Forms 809 are classified as a security item, and the IRS has detailed

Email Address: inquiries@tigta.treas.gov

Web Site: <http://www.tigta.gov>

procedures and controls for requesting, issuing, reconciling, and accounting for lost or stolen Forms 809 books. Furthermore, assigning a Forms 809 book to each RO in the field might be creating an unnecessary security risk. Part 4 of the Forms 809 book remains attached to the receipt book and contains the name, address, and Taxpayer Identification Number for all of the taxpayers who were issued a receipt from that book. If a Forms 809 book is lost or stolen, there is a loss of taxpayers' personally identifiable information.

Furthermore, the 809 databases, which are the management information systems for the 809 program, are not effective and do not include controls to ensure the data are complete and accurate. They are primarily used to control the Forms 809 receipts books and the individual receipts, and not to produce useful information to assist in managing the program.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS research alternative methods for providing receipts when receiving cash payments. In the interim, the IRS should assess areas where the Forms 809 books assigned to the field can be reduced, revise procedures to eliminate the requirement to provide Forms 809 for non-cash payments as well as establish procedures to help ROs identify and address frivolous cash payments, ensure the administrative procedures over the Forms 809 books are commensurate with the usage of Form 809, revise Form 809 to conceal personally identifiable information that is retained with the Forms 809 book, elevate the 809 databases' classification and request a full-time database administrator, and ensure that the 809 database provides accurate and useful information and analytical reports for better managing the 809 program.

In their response to the report, IRS officials agreed with the recommendations. The IRS plans to research an approved paper check electronic image conversion tool to replace the manual process of providing Forms 809, revise procedures in the field to address "Proof of Delivery" procedures as well as establish policy to limit immaterial cash payments if legal authority exists, and revise Part 4 of Form 809 in the next reprint to conceal the first five digits of the Taxpayer Identification Number. The IRS also plans to conduct a complete impact assessment of the 809 databases and determine whether it has the resources required to support the 809 databases as an IRS application with a full-time administrator. Lastly, the IRS plans for the original developer to review the 809 databases annually for accuracy.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2009reports/200930044fr.pdf>

Phone Number: 202-622-6500