



## Treasury Inspector General for Tax Administration

### BETTER MANAGEMENT OF SOME PROCEDURES FOR SALES OF SEIZED PROPERTY IS NEEDED

Issued on July 30, 2008

## Highlights

Highlights of Report Number: 2008-30-144 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

### IMPACT ON TAXPAYERS

When a taxpayer owes delinquent tax and thorough consideration has been given to all case factors and alternative collection methods, the Internal Revenue Service (IRS) can seize taxpayer property for payment of the tax. Seized property can be sold by public auction or by public sale under sealed bids, with the proceeds applied to the delinquent tax. If procedures for sales of seized properties are not followed, theft, vandalism, and violations of taxpayer rights can occur.

### WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether the IRS properly followed procedures for sales of seized property and whether controls were effective to safeguard assets and protect taxpayer rights. This audit was included in the TIGTA Fiscal Year 2008 Annual Audit Plan.

### WHAT TIGTA FOUND

Procedures and controls for conducting public sale auctions were effective, and Property Appraisal Liquidation Specialists (PALS) properly followed many sales procedures. However, TIGTA's review of 32 closed sales determined that PALS management needed to provide better oversight to ensure that employees followed procedures related to these issues:

- 16 cases did not have appropriate explanations documented for the reductions taken when the minimum bid prices were established.
- 5 cases did not include a decision about whether to bid-in for the Federal Government.<sup>1</sup>
- 4 cases did not include a proper history of mail-in bids.

<sup>1</sup> The Federal Government may purchase property that can be sold if it is in the Government's best interest. The Federal Government pays the minimum bid price in these instances.

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- Seizure logs were sometimes incomplete or inaccurate. (A corrective action has already been implemented)

Although case files showed PALS managers reviewed and signed off on required forms, there was no evidence that these reviews identified the errors. In addition, Collection function management did not ensure that employees followed all procedures for storing seized properties in their IRS facilities. Our verification of property acquired from eight seizures and stored in IRS facilities showed that seven seizures did not have required custodial memoranda prepared until requested during our review. Also, employees did not use consistent procedures for logs to track and control access into and out of IRS storage facilities. Although all properties in our sample were accounted for, two inventory lists from seizures containing multiple items had inaccurate counts and descriptions of the properties.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Collection, Small Business/Self-Employed Division, improve management oversight and clarify procedures related to explanations and documentation in case files and monitor the recently implemented corrective action for seizure logs to ensure accuracy. The Director should also clarify procedures and provide additional guidance for storing and controlling property in IRS facilities and taking inventory of seized property and ensure during the next physical inventory that all inventory lists are checked for accuracy, not just those more than 90 days old.

In their response to the report, IRS officials fully agreed with two of the three recommendations. The IRS plans to use the seizure program review already in progress to determine the extent of documentation errors, issue guidance to clarify procedures, continue to review the seizure logs for accuracy, and issue additional guidance if needed. Management also agreed to clarify the procedures for storing property and controlling access to Collection function storage facilities. However, IRS management advised that there are already 2 inventory verifications on seized properties fewer than 90 days old and because there were no findings of loss, vandalism, or violations of taxpayer rights in this report, they will review the current inventory verification processes prior to adding a third process.

TIGTA agrees with the IRS decision to further evaluate the current inventory validation processes. However, the two current inventory verifications did not detect the errors we identified in this report.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2008reports/200830144fr.pdf>.

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