



## Treasury Inspector General for Tax Administration

### THE AUTOMATED COLLECTION SYSTEM GAP CASE TEST INITIATIVE WAS NOT EFFECTIVELY CONDUCTED

Issued on August 13, 2008

## Highlights

Highlights of Report Number: 2008-30-150 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

### IMPACT ON TAXPAYERS

The Automated Collection System (ACS) Gap Case Test (Gap Test) was intended to assess the impact of providing selected ACS personnel with the authority to perform additional research on balance-due accounts above their normal authority level that would otherwise have been sent to the Queue for possible follow-up by revenue officers. In Fiscal Years 2001 through 2007, the Internal Revenue Service (IRS) removed from the Queue about 7.6 million Taxpayer Delinquent Accounts, with balance-due amounts totaling almost \$31.2 billion, because the cases were potentially less productive than other available inventory. At the conclusion of the Gap Test, management decided not to establish a new program. Failure to collect taxes that are due results in unfair treatment of taxpayers who file accurate tax returns and pay their taxes.

### WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether the IRS effectively performed the ACS Gap Test and whether Gap Test results were used to implement or expand the Gap Test program. The audit was included in the TIGTA Fiscal Year 2008 Annual Audit Plan.

### WHAT TIGTA FOUND

Management did not collect sufficient information from the Gap Test to accurately assess the effectiveness of the Gap Test. For example, management did not capture the amount of funds collected during the Gap Test. Our random sample of 100 completed Gap Test cases identified approximately \$315,000 collected from taxpayers as a result of the additional research performed during the Gap Test. In addition, tax examiners issued 52 liens and/or levy notices for these balance-due accounts. Because IRS management did not collect this kind of information, they did not consider it when making their decision to not establish the Gap Test program.

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In addition, management did not 1) assess the Gap Test to determine whether they could make changes to reduce the number of research steps or the time needed to complete them, 2) ensure that tax examiners had the correct skills levels to perform additional research to complete the Gap Test, 3) ensure that examiners had all the tools needed to complete necessary research, and 4) establish performance measures to evaluate the Gap Test results.

Without defining benchmarks, milestones, or specific performance goals, IRS management was not adequately prepared to 1) provide sufficient oversight during the testing, 2) make appropriate changes as the Gap Test progressed, or 3) evaluate the results of the Gap Test program. The weaknesses in management oversight contributed to other problems, including unnecessarily long delays in returning the unworked cases to the Collection function inventory and inadequate documentation of the actions tax examiners took to resolve the cases.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Campus Compliance Services, 1) establish benchmarks, parameters, and other performance standards, 2) ensure that cases meeting the Gap Test criteria are measured in terms of benefits and results, such as revenue collected, 3) ensure that assessments of processing times are made for cases meeting Gap Test criteria that are included in the Corporate Approach to Collection Inventory (CACI) Hybrid Pilot Program, and 4) if ACS function personnel are not granted additional authority or other options do not arise from the CACI Hybrid Pilot Program to work Gap Test criteria cases, consider elevating this issue to the appropriate Council overseeing IRS Private Debt Collection activity to determine whether cases that meet Gap Test criteria can be sent to Private Debt Collection program contractors.

In their response to the report, IRS officials stated that they agreed with our recommendations and plan to track cases meeting the Gap Test criteria as part of the CACI Hybrid Pilot Program. Further, management plans to measure Gap Test cases in terms of benefits and results to the extent that these cases are included in the CACI Hybrid Pilot Program. Management also plans to capture the assessment of processing time related to the Hybrid initiative and to consider elevating unresolved inventory for Hybrid initiative cases meeting Gap Test criteria to the Private Debt Collection program office as another source of work for its consideration.

### 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/200830150fr.pdf>.

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