



*The Philadelphia Collection Field Function  
Office Properly Controlled Form 809 Receipt  
Books and Timely Transmitted Remittances  
for Processing*

**July 30, 2007**

**Reference Number: 2007-30-126**

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.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

July 30, 2007

**MEMORANDUM FOR** DIRECTOR, COLLECTION, SMALL BUSINESS/  
SELF-EMPLOYED DIVISION

**FROM:** Daniel R. Devlin  
Assistant Inspector General for Audit (Small Business and Corporate Programs)

**SUBJECT:** Final Audit Report – The Philadelphia Collection Field Function Office Properly Controlled Form 809 Receipt Books and Timely Transmitted Remittances for Processing (Audit # 200730IE031)

This report presents the results of our review of the internal controls over the Receipt for Payment of Taxes (Form 809) within the Philadelphia Collection Field function<sup>1</sup> (CFf) office. The overall objective of this audit was to determine whether internal controls for collecting and depositing remittances within the Philadelphia CFf office were effective. We initiated this review because the Form 809 is classified as a security item, and its use is strictly controlled and limited to only certain employees.

*Impact on the Taxpayer*

CFf employees are required to issue a Form 809 whenever cash is received from a taxpayer. All remittances secured by CFf employees must be transmitted to the appropriate designated

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<sup>1</sup> The unit in the Area Offices consisting of revenue officers who handle personal contacts with taxpayers to collect delinquent accounts or secure unfiled returns. Area Offices are a geographic organizational level used by the Internal Revenue Service business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues.



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Submission Processing site<sup>2</sup> on the day collected or as soon as possible on the next business day. The Philadelphia CFf office properly issued and accounted for Form 809 receipt books and timely transmitted remittances to the Submission Processing site for processing. Effective controls over Form 809 issuance and processing are important to ensure the accurate and timely deposit of taxpayer payments.

### *Synopsis*

Each Form 809 receipt book is assigned for the exclusive use of the intended employee, who is allowed to have only one assigned receipt book at a time. To request the initial assignment of a Form 809 receipt book for an employee, the employee's group manager must prepare a memorandum authorizing the employee to receive the book. All remittances secured by CFf employees must be transmitted to the Submission Processing site on the day collected or as soon as possible on the next business day to meet Internal Revenue Service (IRS) goals for timely deposit and to avoid unnecessary delays in processing. Group managers must review all receipt books assigned to their employees at least once per year to verify that all receipts have been accounted for.

We reviewed the Form 809 receipt books issued to 28 revenue officers assigned to 3 groups at the Philadelphia CFf office. Overall, the Form 809 receipt books were properly issued to and maintained by the revenue officers, the annual reconciliation of issued receipt books was timely completed, segregation of duties was adequately maintained within the groups, remittances were timely transmitted to the Submission Processing site for processing, and receipt books were properly returned to the Submission Processing site when revenue officers separated from the Philadelphia CFf office groups. However, revenue officers transferring between field offices were not required to return their receipt books. In addition, we identified 6 receipt books that had not been returned as required because no receipts had been issued within the last 3 years.

While these conditions are not in accordance with established procedures, based on the results of our other control tests, we considered them to be of minor significance and risk. While we made no specific recommendations, we did suggest management take the actions deemed necessary to correct the conditions. We did not identify any employee misuse of remittances intended for the IRS.

### *Response*

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<sup>2</sup> The Submission Processing site processes paper and electronic submissions, corrects errors, and forwards data to the Computing Centers for analysis and posting to taxpayer accounts.



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Because this is a positive report and we made no recommendations, comments from the IRS were not required. However, key IRS management officials reviewed the report prior to issuance.

Copies of this report are also being sent to the IRS managers affected by the report results. Please contact me at (202) 622-5894 if you have questions or Philip Shropshire, Director, Special Tax Matters, (215) 516-2341.



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## *Abbreviations*

CFf	Collection Field function
IDRS	Integrated Data Retrieval System
IRS	Internal Revenue Service



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## *Background*

The Receipt for Payment of Taxes (Form 809) is an official document for receipt of cash payments from taxpayers. Effective controls over Form 809 issuance and processing are important to ensure the accurate and timely deposit of taxpayer payments. Each Form 809 receipt book contains 50 receipts consisting of four parts (Part 1, Posting Voucher; Part 2, Receipt for Payment of Taxes; Part 3, Memo Copy; and Part 4, Receipt Book Copy). When a Form 809 is issued, Parts 1 and 3 are submitted with the payment on a Daily Report of Collection Activity (Form 795/795A) to the appropriate Submission Processing site<sup>1</sup> Teller Unit. The employee provides Part 2 to the taxpayer; Part 4 remains with the Form 809 receipt book.

Each Form 809 receipt book is assigned for the exclusive use of the intended employee, who is allowed to have only one assigned receipt book at a time. To request the initial assignment of a Form 809 receipt book for an employee, the employee's group manager must prepare a memorandum authorizing the employee to receive the book. Collection Field function (Cff)<sup>2</sup> employees are required to issue a Form 809 receipt when cash is received from a taxpayer or when a receipt is requested by the taxpayer for payment made by any means other than cash (e.g., check, money order, or draft). All remittances secured by Cff employees must be transmitted to the Submission Processing site on the day collected or as soon as possible on the next business day to meet Internal Revenue Service (IRS) goals for timely deposit and to avoid unnecessary delays in processing. Group managers must review all receipt books assigned to their employees at least once per year to verify that all receipts have been accounted for.

***Collection Field function employees are required to issue a Form 809 receipt when cash is received from a taxpayer or when a receipt is requested by the taxpayer.***

This review was performed in the Small Business/Self-Employed Division Cff office in Philadelphia, Pennsylvania, and in the Wage and Investment Division Submission Processing site in Ogden, Utah, during the period February through June 2007. 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>1</sup> The Submission Processing site processes paper and electronic submissions, corrects errors, and forwards data to the Computing Centers for analysis and posting to taxpayer accounts.

<sup>2</sup> The unit in the Area Offices consisting of revenue officers who handle personal contacts with taxpayers to collect delinquent accounts or secure unfiled returns. Area Offices are a geographic organizational level used by the Internal Revenue Service business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues.



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*Results of Review*

***Form 809 Receipt Books Were Properly Controlled by the Collection  
Field Function Groups***

We reviewed the Form 809 receipt books issued to 28 revenue officers assigned to 3 groups at the Philadelphia CFf office. Specifically, we inventoried the receipt books that were issued to the revenue officers, inspected the books for issued and unissued receipts, and reconciled the books and receipts to the inventory list maintained at the Ogden Submission Processing site. Figure 1 shows a total of 62 receipts had been issued from the Form 809 receipt books that had been issued to the 28 revenue officers. In addition, we reviewed the annual reconciliations performed by the managers of the three CFf groups and evaluated the segregation of duties within the groups. Overall, the Form 809 receipt books were properly controlled by the CFf groups.

***Figure 1: Count of Form 809 Receipt Books and Issued Receipts***

	<b>Number of Revenue Officers Issued a Form 809 Receipt Book</b>	<b>Number of Form 809 Receipts Issued</b>
<b>Group 12</b>	7	13
<b>Group 17</b>	9	7
<b>Group 33</b>	12	42
<b>Totals</b>	<b>28</b>	<b>62</b>

*Source: Auditor analysis of the issued Form 809 receipt books.*

***Form 809 receipt books were properly issued and maintained by the CFf groups***

The Form 809 receipt book is classified as a security item, and its use should be strictly controlled and limited to only certain employees. We found the Form 809 receipt books were properly issued to and maintained by the revenue officers assigned to the three Philadelphia CFf groups. For example, the three CFf group managers had properly prepared authorization memoranda for initial issuance of the receipt books, and the revenue officers who were issued the books had returned the signed acknowledgments of receipts to the Submission Processing site Teller Unit as required. Our comparison of the serial numbers from the Form 809 receipt books assigned to each of the 28 revenue officers to the list of issued receipt books maintained by the Submission Processing site reflected that all books were properly accounted for. Each employee was assigned only one Form 809 receipt book at a time, each receipt book was



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assigned for the exclusive use of the intended employee, and employees maintained strict control of their receipt books.

When a Form 809 is issued, Parts 1 and 3 are submitted with the payment to the appropriate Submission Processing site, Part 2 is provided to the taxpayer, and Part 4 remains with the receipt book. Revenue officers should ensure Form 809 receipts are issued in numerical sequence; unissued receipts should consist of all four parts. Our review of the 28 Form 809 receipt books showed unissued receipts were sequential, contained all four parts, and the last issued receipt corresponded with the Submission Processing site records.

Form 809 receipt books are required to be returned to the issuing Submission Processing site within 10 business days of discontinued use due to employee actions such as separation, transfer to another field office, or change of position. The receipt books are also required to be returned if no receipts have been issued within the last 3 years. While Form 809 receipt books were being properly returned to the Submission Processing site when revenue officers separated from the Philadelphia CFf groups, revenue officers transferring between field offices were not required to return their receipt books. In addition, 6 receipt books had not been returned as required because no receipts had been issued within the last 3 years. While these conditions are not in accordance with established procedures, based on the results of our other control tests, we considered these conditions to be of minor significance and risk. Therefore, we are making no specific recommendations; rather, we suggest management take the actions deemed necessary to correct the conditions. We did not identify any misuse of remittances intended for the IRS.

**The annual reconciliation of issued Form 809 receipt books for the CFf groups was conducted**

At least once a year, group managers must review all official receipt books assigned to their employees to verify that all official receipts have been accounted for. As part of the yearly review, referred to as the Annual Reconciliation of Official Receipts, the Submission Processing site will transmit to the appropriate CFf office an Annual Listing of Form 809 Receipt Book Report with a cover memorandum requesting a response within 30 calendar days. The Report will contain (by group) the name of each employee to whom a receipt book is assigned, the serial number and receipt numbers of each receipt book assigned to an employee, and the receipt numbers submitted through the end of the year from each book.

The Philadelphia CFf office timely completed the annual reconciliation of Form 809 receipt books. As part of the reconciliation, each group manager had verified the numerical sequence of all remaining Form 809 receipts in each assigned receipt book and ensured all receipts issued subsequent to the last receipt on the list were reflected on the employee's appropriate Form 795. The responses prepared by the managers included the name of each employee to whom a Form 809 book is currently assigned, the serial number of each receipt book assigned to an employee, the numbers of the individual receipts in the book, and the numbers of the individual receipts submitted through the closeout date noted on the memorandum.



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**Segregation of duties was adequately maintained for issued Form 809 receipt books within the Cff groups**

The issuance of Form 809 receipt books should be strictly limited to only certain employees due to the nature of use and security classification of these documents. Managers should ensure only appropriate employees are issued receipt books and the employees have research only command codes in their Integrated Data Retrieval System (IDRS)<sup>3</sup> profiles. Group managers adequately maintained segregation of duties in the Philadelphia Cff office by ensuring only appropriate employees had been issued Form 809 receipt books and those employees issued receipt books had research only command codes in their profiles. For example, clerical personnel were not issued receipt books due to the inclusion of sensitive (nonresearch) command codes in their IDRS profiles and their duties relevant to the completion of Forms 809. In addition, a review of the IDRS profiles for each of the 28 revenue officers who had been issued Form 809 receipt books within the 3 Cff groups showed the employees had research only command codes in their profiles.

**Remittances Were Timely Transmitted to the Submission Processing Site for Processing**

In general, any employee receiving a remittance from a taxpayer must transmit the remittance on Form 795 via overnight, traceable mail the same day it was received or as soon as possible the next business day, to ensure receipt in the designated Submission Processing site within 48 hours of receipt from the taxpayer. Because cash payments must be converted to check or money order, 1 additional day is allowed for cash conversion. Accordingly, remittances are due at the Submission Processing sites within 3 business days from the date the IRS received the funds. If receipts are not received timely, the Remittance Processing Unit at the Submission Processing site will issue a Submission Processing Center Teller's Error Advice (Form 5919) to the originating employee's group manager for correction.

Overall, the Philadelphia Cff office groups were recording the remittances on Forms 795 and timely transmitting them to the Submission Processing site for processing. To assess the timeliness of remittance processing, we researched 55 remittances<sup>4</sup> on the IDRS and found 47 (85 percent) had posted to the taxpayers' accounts within 48 hours of receipt. The remaining

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<sup>3</sup> IRS computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records. Command codes are used by IRS employees to research and adjust taxpayer accounts on the IDRS.

<sup>4</sup> Of the total 62 Form 809 receipts issued, 7 receipts were either voided or involved a user fee payment.



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8 remittances had posted within 3 calendar days to 8 calendar days of receipt. We also reviewed all Forms 5919 issued by the Submission Processing site that were associated with the 62 Form 809 receipts and determined none of the remittances transmitted by the 3 Philadelphia CFf office groups were identified as not being received timely by the Remittance Processing Unit.



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## **Appendix I**

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

Our overall objective was to determine whether internal controls for collecting and depositing remittances within the Philadelphia CFf<sup>1</sup> office were effective. Specifically, we reviewed internal controls over the Receipt for Payment of Taxes (Form 809). To accomplish this objective, we:

- I. Determined whether employees in the Philadelphia CFf office were effectively following the proper controls and procedures for processing remittances received and using Form 809 receipt books.
  - A. Identified and discussed with management procedures and guidelines for processing remittances received, including the timely processing of remittances and use of receipt books.
  - B. Conducted a walkthrough of the Philadelphia CFf office to determine whether controls for processing remittances were followed and remittances were properly safeguarded.
  - C. Evaluated the timeliness of processing remittances.
    1. Performed IDRS<sup>2</sup> research to identify the posting of remittances to taxpayer accounts.
    2. Determined the timeliness for the remittances processed and identified any delay trends.
  - D. Performed a physical verification of assigned Form 809 receipt books to determine whether they were properly controlled and used.
    1. Selected and reviewed all 28 receipt books from 3 groups at the Philadelphia CFf office.
    2. Determined whether the revenue officers assigned receipt books had IDRS adjustment capabilities.
    3. Secured receipt books from the revenue officers and copied all issued receipts.

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<sup>2</sup> IRS computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.



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4. Determined whether the unissued receipts were still in numerical sequence and all four parts were intact.
  5. Determined whether any clerical personnel were issued receipt books.
  6. Obtained copies of the authorization memoranda for the initial receipt book issuances and the signed receipt pages for the current receipt books.
  7. Determined whether receipt books were returned to the issuing Submission Processing site<sup>3</sup> if receipts had not been issued within 3 years.
  8. Identified employees who had recently transferred, separated, or no longer required use of receipt books and determined whether the books had been returned to the issuing Submission Processing site.
  9. Determined whether the Philadelphia Cff office timely completed the annual reconciliation of receipt books and compared the results with the reconciliation completed in Step D.1., to determine whether discrepancies were identified and properly resolved.
- E. Conducted a field visitation to the Submission Processing site in Ogden, Utah, and verified whether the sample Form 809 receipts submitted by the revenue officers in the Philadelphia Cff office had been received and accounted for properly.

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<sup>3</sup> The Submission Processing site processes paper and electronic submissions, corrects errors, and forwards data to the Computing Centers for analysis and posting to taxpayer accounts.



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**Appendix II**

*Major Contributors to This Report*

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Philip Shropshire, Director

Van A. Warmke, Audit Manager

Richard J. Viscusi, Senior Auditor

Mike J. Della Ripa, Auditor

Erlinda K. Foye, Auditor



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**Appendix III**

*Report Distribution List*

Acting Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Commissioner for Services and Enforcement SE  
Commissioner, Small Business/Self-Employed Division SE:S  
Director, Communications, Liaison, and Disclosure, Small Business/Self-Employed Division  
SE:S:CLD  
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 Liaison: Senior Operations Advisor, Small Business/Self-Employed Division SE:S:C