





## HIGHLIGHTS

### REVENUE OFFICERS TOOK APPROPRIATE LEVY ACTIONS BUT FACE CHALLENGES AND DELAYS BRINGING TAXPAYERS INTO COMPLIANCE

## Highlights

Final Report issued on November 21, 2011

Highlights of Reference Number: 2012-30-007 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

### IMPACT ON TAXPAYERS

When taxpayers owe delinquent taxes, one of the collection tools available to the IRS is the levy. Although levy authority is a useful tool, there are limitations and challenges that can diminish its effectiveness for collecting unpaid tax. If the IRS does not effectively pursue collection of unpaid tax, it could create an unfair burden on the majority of taxpayers who fully pay their taxes on time.

### WHY TIGTA DID THE AUDIT

TIGTA initiated this audit to determine whether levies were effectively issued by Small Business/Self-Employed Division revenue officers (RO). The audit was included in TIGTA's Fiscal Year 2011 Annual Audit Plan and addresses the major management challenge of Tax Compliance Initiatives.

### WHAT TIGTA FOUND

Levy authority allows the RO to work directly with financial institutions and other third parties to seize taxpayer assets. The ROs are required to issue the taxpayer a Letter 1058, *Notice of Intent to Levy and Notice of Your Right to a Hearing*, at least 30 days prior to taking levy action. Upon receipt of this notice, taxpayers have 30 days in which to pay the tax due or appeal the potential levy action. After the enactment of the IRS Restructuring and Reform Act of 1998, the number of levies issued by the ROs dropped from more than 473,000 in Fiscal Year (FY) 1998 to approximately 75,000 in

FY 2000. However, the ROs have increased the number of levies in each year since FY 2003, including a 73 percent increase from FY 2009 to FY 2010. During FY 2010, the ROs issued approximately 667,000 levies.

TIGTA reviewed a statistical sample of 60 RO cases involving levy actions and determined RO actions were appropriate and complied with IRS procedures and statutory requirements. However, TIGTA identified several barriers that limit the impact the levy actions have on taxpayer compliance. Specifically, levy notification and the Collection Due Process can postpone collection actions; taxpayer privacy rights limit RO access to taxpayer financial information; strict timing requirements result in multiple repeat levy actions; and the ROs must rely on third parties, such as banks and employers, to comply with levy notices.

To help improve the process and help taxpayers become compliant, the IRS is preparing a legislative proposal that will expand continuous levies to include additional income sources, such as rental income and non-employee compensation.

TIGTA also reviewed a statistical sample of 30 cases in which the taxpayer appealed the levy action and determined taxpayer requests to appeal can be used to delay collection actions. In 28 (93 percent) of 30 cases, the ROs levy action was upheld by the Appeals function. In 25 (89 percent) of the 28 cases upheld by Appeals, the taxpayers did not follow through with the appeal. Specifically, 16 taxpayers did not provide the Appeals Officer with additional information that was requested, and nine taxpayers did not participate in their hearing because they withdrew their appeal or did not attend the scheduled Collection Due Process hearing in person or by phone. While taxpayers are entitled to appeal rights, collection action was suspended in these cases for an average of five months, and the time Appeals Officers spent preparing for these cases was unproductive.

### WHAT TIGTA RECOMMENDED

Although TIGTA made no recommendations in this report, IRS officials were provided an opportunity to review the draft report and did not provide any comments.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

November 21, 2011

**MEMORANDUM FOR** COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED  
DIVISION

*Michael R. Phillips*

**FROM:**

Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:**

Final Audit Report – Revenue Officers Took Appropriate Levy Actions  
but Face Challenges and Delays Bringing Taxpayers Into Compliance  
(Audit #201130019)

This report presents the results of our review to determine whether levies were effectively issued by Small Business/Self-Employed Division revenue officers. This audit was included in our Fiscal Year 2011 Annual Audit Plan and addresses the major management challenge of Tax Compliance Initiatives.

Although we made no recommendations in this report, we did provide Internal Revenue Service (IRS) officials an opportunity to review the draft report. IRS management did not provide us with any report comments.

Copies of this report are also being sent to the IRS managers affected by the report. Please contact me at (202) 622-6510 if you have questions or Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations), at (202) 622-8510.



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## *Abbreviations*

CDP	Collection Due Process
FY	Fiscal Year
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
RO	Revenue Officer



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## *Revenue Officers Took Appropriate Levy Actions but Face Challenges and Delays Bringing Taxpayers Into Compliance*

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### *Background*

The collection of unpaid tax by the Internal Revenue Service (IRS) generally begins with notices to the taxpayer, followed by telephone calls and personal contacts by an IRS employee. The employees who make personal contacts are referred to as revenue officers (RO).<sup>1</sup> The ROs consider the taxpayer's ability to pay the tax and discuss payment alternatives, such as an installment agreement. When alternative payment options are not successful, the RO has the authority to take enforcement action, including levies, liens, and seizures of property. Levy authority permits the RO to levy a taxpayer's rights to property, such as wages and bank accounts, and to work directly with financial institutions and other third parties to seize the taxpayer's assets.

While working a taxpayer's balance due account, the ROs identify levy sources through various means, including conversations with the taxpayer or their authorized representative; research of internal systems such as the Integrated Data Retrieval System; a national asset locator tool; or through various external sites such as the local Department of Motor Vehicles, the United States Postal Service, and various credit bureaus. Before taking levy action, the RO is required to give the taxpayer a Letter 1058, *Notice of Intent to Levy and Notice of Your Right to a Hearing*. The Letter must be given in person, left at the taxpayer's home or business, or sent to the taxpayer's last known address by certified or registered mail.<sup>2</sup> The taxpayer then has 30 days to pay the amount that is owed before property can be levied.

***Revenue officers are required to provide the taxpayer with a Notice of Intent to Levy before taking levy action.***

ROs are instructed to serve notices of levy when there is reason to believe a third party is holding the taxpayer's property. There are two types of levies that the ROs prepare using the Integrated Collection System:

- Form 668-W, *Notice of Levy on Wages, Salary, and Other Income*, is used to levy an individual's wages, salary (including fees, bonuses, commissions, and similar items), or other income.
- Form 668-A, *Notice of Levy*, is used to levy other property that a third party is holding, such as bank accounts and business receivables.

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<sup>1</sup> See Appendix IV for a glossary of terms.

<sup>2</sup> 26 U.S.C. § 6330(a)(2).



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This review was performed at the Headquarters Offices of the Small Business/Self-Employed Division in New Carrollton, Maryland, during the period April through August 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

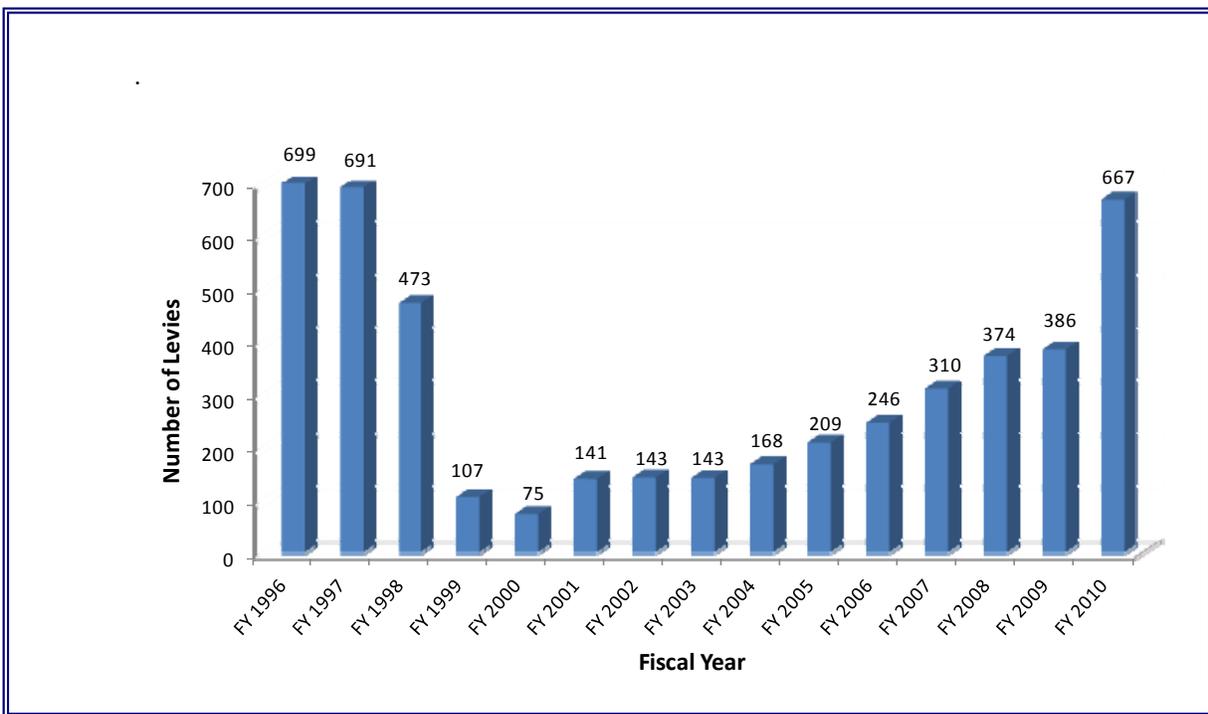


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*Results of Review*

The IRS Restructuring and Reform Act of 1998<sup>3</sup> (the Act), resulted from widespread allegations of IRS abuses of taxpayer rights during hearings held by the United States Congress in Calendar Year 1997. The Act ushered in dramatic changes in tax law as well as in the structure and functioning of the IRS. The changes affecting the IRS focused mainly on improving customer service and expanding taxpayer rights, including those related to levies. Figure 1 shows the number of levies issued by the ROs dropped considerably in the immediate years after the Act was passed. However, there has been a steady increase since Fiscal Year (FY) 2003, including a 73 percent increase from FY 2009 to FY 2010.

**Figure 1: Number of Levies Issued by the Collection Field Function (in thousands)**



Source: Treasury Inspector General for Tax Administration analysis of Collection Report 5000-23.

IRS officials offered two primary reasons for the large increase in the number of levies issued in FY 2010:

<sup>3</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).



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- Beginning in January 2010, the IRS began counting levies systemically. Prior to this change, the ROs manually counted the number of levies issued daily. Management believes the systemic change should show a one-time spike in the number of levies issued by the ROs and provide a more accurate count in the future.
- The Small Business/Self-Employed Division hired more than 1,100 ROs in two hiring waves (June and August 2009). By February 2010, the RO's hired in June had completed training and were working full inventories and issuing levies. The Small Business/Self-Employed Division hired an additional 400 ROs in February 2010.

### ***Revenue Officers Initiated Levy Actions in Accordance With Established Procedures***

For the 12-month period ending January 31, 2011, the ROs issued 662,076 levies involving 140,786 taxpayers. Taxpayer assets (such as bank accounts) were the levy sources for 546,181 (82 percent) of the levies, while 115,895 (18 percent) of the levies were assessed against taxpayer wages (continuous wage levy). From the 140,786 taxpayers, we selected a statistically valid sample of 60 taxpayers to determine the appropriateness of levy actions taken by the ROs. Because the ROs regularly issue levies concurrently on multiple tax periods for the same taxpayer, these 60 cases represented 296 tax periods and 1,611 levies. The 296 tax periods included Taxpayer Delinquent Account balances totaling approximately \$5.8 million. We reviewed each case to ensure the ROs complied with IRS procedures and statutory requirements when taking levy action.

We determined that in all 60 cases, the levies were issued appropriately and in accordance with IRS procedures and statutory requirements. Specifically:

- All of the taxpayers were properly given a Letter 1058 at least 30 calendar days prior to the RO taking levy action. Generally, the notice was sent to the taxpayers' last known address by certified mail, although notice was given in person in some cases.
- Levies were released timely when IRS procedures and statutory requirements were met.
- Levies were properly released due to financial hardship when the taxpayer provided the proper support.

Although the levy actions taken in all of the cases in our sample were in accordance with IRS procedures and statutory requirements, the overall effectiveness in bringing the taxpayer into compliance varied.

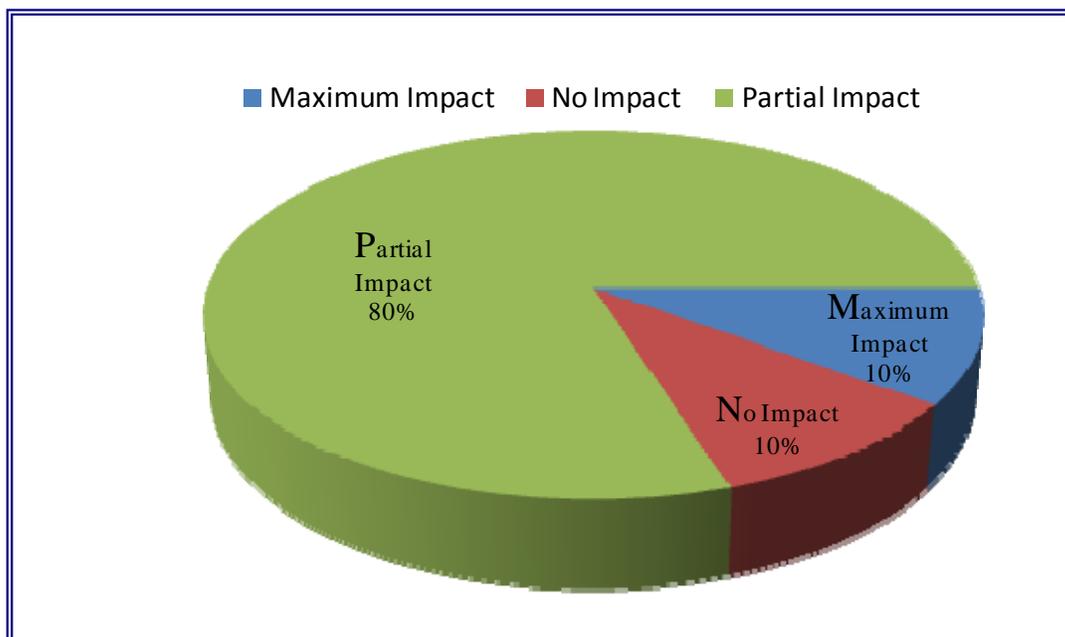


## **Levy Authority Limitations Impacted the Collection of Unpaid Taxes**

The IRS recognizes the challenges in balancing the protection of taxpayer rights and bringing taxpayers into compliance. In the IRS Strategic Plan FY 2009–2013, the IRS Commissioner stated, “Our first goal is to improve service to taxpayers to make voluntary compliance easier. Our second and equally important goal is to enforce the law to ensure everyone meets their obligation to pay taxes. We will be timely in our enforcement actions and expand the approaches and tools we use in compliance activities.” Accordingly, the IRS must exercise great care not to emphasize enforcement at the expense of taxpayer rights and customer service. These goals can create barriers to effective enforcement actions, including the use of levies.

While all the levy actions taken in our case reviews were appropriate and in compliance with IRS procedures, the impact each levy had on taxpayer compliance varied. Figure 2 shows the impact of the levies in bringing the taxpayers into compliance for our sampled cases.

**Figure 2: Impact of the Levy Actions on Taxpayer Compliance**



*Source: Treasury Inspector General for Tax Administration analysis of sample cases.*

We measured the impact the levy had on taxpayer compliance in our sample as follows:

- **Maximum Impact:** The levy resulted in full payment of outstanding balance due in six (10 percent) of 60 cases.
- **Partial impact:** The levy resulted in partial payment, an installment agreement, or taxpayer contact in 48 (80 percent) of 60 cases. In some instances, the taxpayers fully paid older delinquent tax periods in order to meet the criteria to establish an installment



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agreement for the tax period corresponding to the levy. In other instances, the RO determined the taxpayer did not have the ability to pay and closed the case appropriately.

- **No impact:** The levy did not result in any payments and did not result in taxpayer compliance in six (10 percent) of 60 cases. In five of these cases, the RO could not locate the taxpayer and the levy notices did not result in any payments.

In general, the levy action was an effective tool. We determined the levy action had at least a partial impact on tax compliance in 90 percent of our sampled cases. However, we identified some issues that affected the impact of the levy that were not within the control of the RO or the IRS. Specifically:

- Levy notification and the Collection Due Process (CDP) postpone collection actions.
- Taxpayer privacy rights create barriers to securing funds from certain levy sources.
- The ROs must issue multiple levies to the same sources.
- The ROs cannot ensure third parties comply with levy notices.

### **Levy notification and the CDP postpone collection actions**

While the enactment of the Restructuring and Reform Act of 1998 did not change the power of the levy, it required the RO to issue an additional notice prior to levy action. A RO cannot take levy action until 30 days after providing Letter 1058 to the taxpayer. Also during this 30-day window, the taxpayer has the right to file a request for an appeal, known as a CDP hearing.<sup>4</sup> The CDP provisions give taxpayers an opportunity for an independent review to ensure the levy action by the RO is warranted and appropriate. The CDP also provides the taxpayer with another opportunity to propose a collection alternative to the levy action.

Allowing the taxpayer time before taking levy action provides the taxpayer some protection but it also creates some risk. Specifically, Letter 1058 and the associated 30-day window provides taxpayers with the time to potentially liquidate or dispose of any property or funds identified by the RO that are subject to levy. In addition to the 30-day window, the IRS issued interim guidance in September 2010 which clarified procedures relating to the issuance of the Letter 1058. The interim guidance stated, “*For Business Master File or Business Master File/Individual Master File combination taxpayers, after the Letter 1058 issuance, allow 15 additional days after the 30 day period before levying in case the taxpayer mails a request for a hearing on the 30th day.*” Accordingly, the ROs must wait a total of 45 days after issuing the Letter 1058 before taking levy action on Business Master File and Business Master File/Individual Master File combination taxpayers, which could increase the risk that the property is no longer available.

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<sup>4</sup> A taxpayer still has the right to request a hearing after the 30-day window has passed, known as an equivalent hearing.



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In addition, taxpayers' requests for a CDP hearing can further delay collection action because the ROs are prohibited from taking levy action or further collection action until the appeal process is completed. Generally, it can take on average five months from the time an appeal request is received to the time the appeals hearing is conducted. This process can have the unintended effect of providing taxpayers with more time to potentially liquidate or dispose of property or funds that are subject to levy.

### **Taxpayer privacy rights create barriers to securing funds from certain levy sources**

Generally, if the taxpayer does not request an appeal within the 30-day window the RO can take levy action. Both the Internal Revenue Code (I.R.C.) and IRS procedures prioritize securing delinquent tax payments from taxpayer funds over taxpayer personal property. There are several restrictions on seizing taxpayers' personal property that have eliminated the vast majority of seizures. During FY 2010, the ROs issued more than 667,000 levy notices on assets such as bank accounts and wages, but made only 605 seizures of property such as houses and automobiles.

Federal law<sup>5</sup> prohibits the IRS from determining whether a taxpayer's account contains assets or funds to provide for a successful levy before taking levy action. In practice, the ROs levy any available levy source identified, with no knowledge of whether the associated accounts contain funds. This practice has the unintended result of many levies being issued on the same bank accounts or to the same third parties where the taxpayer does not have any financial assets.

### **The ROs must issue multiple levies to the same sources**

When taking levy action on potential levy sources, the ROs mail the Forms 668-A or Forms 668-W to a third party. The law requires that the timing of the levy match exactly the time the funds are available. Specifically, if a levy notice is sent to a third party (such as a taxpayer's customer or vendor), the funds subject to levy must be owed to the taxpayer on the day the levy is received. Similarly, levies on financial institutions, such as banks, attach only to funds within a taxpayer's account on the day the Notice of Levy is received by the financial institution. The IRS must continuously levy these institutions to obtain rights to any future funds deposited by the taxpayer. Our sample results indicated this may also be increasing the number of levies issued annually, but not necessarily resulting in a comparable increase in tax revenue.

### **The ROs cannot ensure third parties comply with levy notices**

Levy actions can be effective only when the third party complies with the Notice of Levy. I.R.C. Section (§) 6332(a) requires the third party to surrender any property of the taxpayer subject to the levy. Generally the property must be surrendered to the IRS immediately or within

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<sup>5</sup> 12 U.S.C. § 3402 and § 3403.



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a reasonable time. However, the statute does make exceptions for banks and insurance companies. I.R.C. § 6332(c) allows banks 21 days to honor the levy, while I.R.C. § 6332(b) gives insurance companies 90 days to comply.

Many of the Notices of Levy that are sent to third parties go unanswered, and the RO does not know if funds were not available or if the third party simply disregarded the levy notice. In many cases, third parties that receive the Notice of Levy may be unfamiliar with the levy process and may either take no action, consult with the taxpayer, or contact the RO. As a result, the ROs must spend additional time resending levy notices to unresponsive third parties.

**Management Actions:** The Small Business/Self-Employed Division recognized the barriers the ROs face when taking levy action and has taken some corrective action. The Small Business/Self-Employed Division is preparing a legislative change proposal to expand continuous levies on additional income sources. I.R.C. § 6331(e) and § 6331(h) permit the continuous levy of salary and wages and certain other payments from the time of issuance until the levy is released. The IRS has identified four additional categories of non-wage income that could be levied in a manner similar to wages and salary: non-employee compensation, rental income, royalties, and fishing boat proceeds. These income sources totaled approximately \$1.4 trillion for Tax Year 2009. The proposal would expand the continuous levy authority to these additional categories of income and may increase revenue and assist taxpayers in becoming compliant through the use of additional collection options.

### ***Taxpayers Did Not Always Follow Through When Appealing Levy Cases***

During the 30-day period after the taxpayer is notified of the IRS's intent to levy, the taxpayer may request a hearing with the IRS Appeals function to appeal the proposed levy action. To request a hearing, the taxpayer must complete a Form 12153, *Request for a Collection Due Process or Equivalent Hearing*, which is provided to the taxpayer along with Letter 1058. When requesting an appeal, the taxpayer should identify his or her alternatives to the levy action or reasons for disagreeing with the proposed levy action. While the case is under appeal, the RO must suspend all collection activity on the periods included in the CDP hearing.

We identified 10,835 cases from the Appeals Centralized Database System, pertaining to appealed levy actions closed between February 1, 2010, and January 31, 2011. These cases represented 8,639 different taxpayers. We reviewed a statistically valid sample of 30 of these cases and determined the levy actions taken by the ROs were in compliance with IRS procedures. In 28 (93 percent) of the 30 cases, the Appeals function upheld the ROs' levy actions. For three of the 28 cases upheld, the taxpayers cooperated with the Appeals Officers. However, for 25 (89 percent) of the 28 cases upheld, the taxpayers requested the appeal but did not follow through with the appeal. Specifically:



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- 16 (64 percent) of the 25 taxpayers did not provide the Appeals Officer with additional information that was requested.
- 9 (36 percent) of the 25 taxpayers (or their representatives) did not participate in their hearing because they withdrew their appeal or did not attend the scheduled Collection Due Process hearing in person or by phone.

In addition, for 11 (44 percent) of the 25 cases, the case files indicated that no collection alternative was provided to the Appeals Officer on the taxpayers' requests for an appeal. When requesting an appeal, the taxpayer has to check a box on Form 12153 indicating the reason for appeal and a separate box indicating a collection alternative he or she would like to discuss at the CDP hearing. Collection alternatives on this Form include:

- Installment Agreement.
- Offer in Compromise.
- I Cannot Pay Balance.

However, taxpayers are not required to provide documentation supporting their collection alternative. We were advised that the IRS considered using language requiring taxpayers to provide supporting documentation with their appeals request but that language was not adopted. For the 25 cases in our sample for which the taxpayer did not follow through with the appeals process, collection action was suspended for an average of five months. In addition, the time that the Appeals Officers spent preparing for these 25 cases was unproductive. The Appeals Officers spent an average of 6.4 hours on each of these cases.



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## **Appendix I**

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

Our overall objective was to determine whether levies were effectively issued by Small Business/Self-Employed Division ROs.<sup>1</sup> To accomplish this objective, we:

- I. Evaluated IRS policies, procedures, goals, and monitoring of the levy program.
  - A. Reviewed revisions to IRS procedures and other guidance issued.
  - B. Determined goals and methods used to monitor the levy program based on interviews of executives and analysts in the Small Business/Self-Employed Division's Collection function.
  - C. Contacted IRS Office of Research Analysis and Statistics to discuss any studies performed of the levy program and any current or planned levy studies.
  - D. Judgmentally selected one (out of 465) Collection Field function office and interviewed group managers to determine their policies for levies and practices in monitoring levies by the ROs in their groups.
- II. Determined whether the ROs were complying with established procedures for levy actions.
  - A. Analyzed data from the universe of open Integrated Collection System cases from a March 9, 2011, extract to determine the number of open RO cases with and without levies in all Collection Field function offices.
  - B. Selected a statistically valid sample of 271<sup>2</sup> RO cases from a universe of 140,786 taxpayers with levies between February 1, 2010, and January 31, 2011, to determine if the levy actions taken were appropriate and in accordance with IRS procedures. For each case, we determined whether the actions taken by the ROs were in compliance with IRS procedures and statutory requirements. When applicable, we also evaluated the controls over levy releases to ensure timely release when levy release requirements were met. As part of our case review, we validated the information from the Integrated Collection System by reconciling specific items with data from the Individual Master File and Business Master File.

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<sup>1</sup> See Appendix IV for a glossary of terms.

<sup>2</sup> Our sampling plan was based on a confidence level of 90 percent, an expected error rate of 50 percent, and a precision of  $\pm 5$  percent resulting in a minimum sample size of 271. Based on the review of the first 60 cases resulting in no exceptions, we concluded our case reviews and did not progress through the remainder of the sample.



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- C. Analyzed data from the universe of Appeals Centralized Database System Collection Appeals Program and CDP levy cases to determine the number of cases pertaining to Collection Field function levy actions.
1. Selected and reviewed a statistically valid sample of 263<sup>3</sup> taxpayers with closed CDP or Collection Appeals Program levy cases within the Appeals Centralized Database System between February 1, 2010, and January 31, 2011, to determine whether the levy actions were appropriate and compliant with procedures. For each case, we determined the reason for the taxpayer's appeal, the appropriateness of the ROs levy action, and whether the levy was sustained and why.
  2. As part of our case review, we validated the information from the Appeals Centralized Database System by reconciling specific items with data from the Individual Master File and Business Master File.

**Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the Small Business/Self-Employed Division's policies, procedures, and practices for taking levy action. We evaluated these controls by reviewing a sample of open collection and appealed cases that included levy action.

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<sup>3</sup> Our sampling plan was based on a confidence level of 90 percent, an expected error rate of 50 percent, and a precision of  $\pm 5$  percent resulting in a minimum sample size of 263. Based on the review of the first 30 cases resulting in no exceptions, we concluded our case reviews and did not progress through the remainder of the sample.



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**Appendix II**

*Major Contributors to This Report*

Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations)  
Carl Aley, Director  
Timothy Greiner, Audit Manager  
Michael Della Ripa, Lead Auditor  
Curtis Kirschner, Senior Auditor  
Lou Zullo, Senior Auditor  
Frank Maletta, Auditor



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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Commissioner for Services and Enforcement SE  
Deputy Commissioner, Small Business/Self-Employed Division SE:S  
Director, Collection Field function, Small Business/Self-Employed Division SE:S:C  
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: Commissioner, Small Business/Self-Employed Division SE:S



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## Appendix IV

### *Glossary of Terms*

**Appeals Centralized Database System** – Used by Appeals Officers, Settlement Officers, managers, and technical analysts to track case receipts, record case time, document case actions, and monitor the progress of the Appeals function workload.

**Area Office** – A geographic organizational level used by IRS business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues.

**Balance Due Account** – Occurs when the taxpayer has an outstanding liability for taxes, penalties, and/or interest.

**Business Master File** – The IRS database that consists of Federal tax-related transactions and accounts for businesses. These include employment taxes, income taxes on businesses, and excise taxes.

**Calendar Year** – A 12-consecutive-month period ending on the last day of December.

**Collection Field Function** – The unit in the Area Offices consisting of revenue officers who handle personal contacts with taxpayers to collect delinquent accounts or secure unfiled returns.

**Fiscal Year** – A 12-consecutive-month period ending on the last day of any month, except December. The Federal Government’s fiscal year begins on October 1 and ends on September 30.

**Individual Master File** – The IRS database that maintains transactions or records of individual tax accounts.

**Installment Agreement** – Arrangements by which the IRS allows taxpayers to fully pay liabilities over time in smaller manageable payments.

**Integrated Collection System** – An information management system designed to improve revenue collections by providing the ROs access to the most current taxpayer information while in the field using laptop computers for quicker case resolution and improved customer service.

**Integrated Data Retrieval System** – IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer’s account records.

**Lien** – An encumbrance on property or rights to property as security for outstanding taxes.

**National Asset Locator Tool** – Provides access to public records such as real estate transactions, real property, corporate officers, vehicles, and aircraft, as well as information on people and businesses.



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**Offer in Compromise** – An agreement between a taxpayer and the Federal Government that settles a tax liability for payment of less than the full amount owed.

**Revenue Officer** – Employees in the Collection Field function who attempt to contact taxpayers and resolve collection matters that have not been resolved through notices sent by the IRS campuses or the Automated Collection System.

**Tax Period** – Refers to each tax return filed by the taxpayer for a specific period (year or quarter) during a calendar year for each type of tax.

**Tax Year** – The 12-month period for which tax is calculated. For most individual taxpayers, the tax year is synonymous with the calendar year.

**Taxpayer Delinquent Account** – A balance due account of a taxpayer. A separate taxpayer delinquent account exists for each tax period