



Treasury Inspector General for Tax Administration Office of Audit

DECLINING RESOURCES HAVE CONTRIBUTED TO UNFAVORABLE TRENDS IN SEVERAL KEY AUTOMATED COLLECTION SYSTEM BUSINESS RESULTS

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Highlights

Highlights of Report Number: 2014-30-080 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

The Automated Collection System (ACS) is an integral part of the IRS's efforts to collect unpaid taxes and secure unfiled tax returns and plays a vital role in protecting the revenue of the United States. The ACS is responsible for answering incoming taxpayer calls and working the inventory of taxpayer delinquent accounts. Declining resources could affect ACS effectiveness and have a substantial impact on the amount of Federal taxes that remain uncollected.

WHY TIGTA DID THE AUDIT

The ACS's work with delinquent taxpayers is a major factor in determining the IRS's overall success in meeting the Collection program's mission. This audit was initiated to determine whether the ACS inventory management process can be improved to balance the workload and maximize the assignment of productive cases.

WHAT TIGTA FOUND

IRS management places a high priority on answering incoming telephone calls because they believe that communication with taxpayers helps resolve delinquencies and brings taxpayers into compliance with their tax obligations. Since Fiscal Year 2010, 39 percent of the ACS workforce has been lost due to attrition or reassignment. Because resources are needed to answer telephone calls, fewer resources are available to work inventory. However, the IRS's overall Collection inventory practices were not changed and new inventory continued to be sent to the ACS without interruption, even though inventory was infrequently worked.

The combination of fewer resources and the business need to continue answering telephone calls has contributed to unfavorable trends in several ACS business results over the past four years. For example, new inventory outpaced closures, inventory took longer

to close, cases in inventory were older, more cases were closed as uncollectible, fewer enforcement actions were taken, and more aged cases were transferred to the Queue. IRS management should take steps to ensure that inventory routing and ACS resource capabilities are aligned with overall IRS tax administration priorities and their vision for the role of the ACS in the Collection enforcement strategy.

In addition, the IRS has not established performance metrics to measure the effect answering incoming calls has had on compliance business results. Capturing this data would allow ACS management to assess the impact of prioritizing call handling.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) re-examine the ACS's role in the Collection workflow process, including inventory delivery to the ACS as well as case retention criteria, and align ACS resources accordingly; 2) request a study to determine the impact of the policy change to not require Notice of Federal Tax Lien determinations on certain unpaid balances; and 3) establish performance metrics for ACS call handling data to measure the impact that answering taxpayer calls has on compliance business results.

IRS officials agreed with the recommendations and plan to take corrective actions.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201430080fr.pdf>.

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