



Treasury Inspector General for Tax Administration Office of Audit

SEIZURE SALE PROCEDURES WERE NOT ALWAYS FOLLOWED AND CAN BE IMPROVED

Issued on May 27, 2015

Highlights

Highlights of Report Number: 2015-30-036 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

The IRS established the Property Appraisal and Liquidation Specialist (PALS) position to ensure that taxpayers' rights are protected when property is seized for unpaid tax. Proceeds from the sales of seized assets are applied to the taxpayers' tax obligations.

WHY TIGTA DID THE AUDIT

Over the past four fiscal years (2011 through 2014), the IRS has received approximately \$114 million in proceeds from the sale of seized taxpayer assets. This audit was initiated to analyze the IRS's seizure and sale program to determine whether the program can be improved to increase revenue and to further protect taxpayer rights.

WHAT TIGTA FOUND

For sampled cases, seized assets were properly inventoried, safeguarded, and handled professionally. However, the written sale plans developed by the PALS provided varying amounts of detail for the actions to be performed on the day of the sale. More consistent and specific sale plans could improve managerial oversight and ensure consistent treatment of seized assets.

Personal items found in seized assets were not always properly documented when they were returned to taxpayers. Additionally, there is no requirement for removing taxpayer information from installed systems in vehicles. Such information could present a security risk if a third-party purchaser gained access to it.

TIGTA also identified several strategies that the IRS should consider to potentially increase the number of bidders when selling seized assets.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) require the PALS to consistently prepare a detailed sale plan once custody of the seized property has been accepted; 2) ensure that the return of all personal items from seized vehicles is documented; and 3) require the PALS to follow Internal

Revenue Manual (IRM) requirements for conducting a sale adjournment and recalculating the minimum bid, as well as ensure that any adjustments are supported by the facts of the situation and properly documented.

In their response to the report, IRS officials agreed with seven of the nine recommendations. IRS officials disagreed with two recommendations to add IRM guidance for: 1) indirect expenses of seizure sales that can be charged to the taxpayer and 2) return of license plates from seized vehicles that are sold. TIGTA maintains that the appropriate IRM sections should be updated to provide clear guidance for IRS managers and employees to follow.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2015reports/201530036fr.pdf>.