



Treasury Inspector General for Tax Administration Office of Audit

APPROPRIATE ACTIONS WERE TAKEN TO CONCLUDE WORK ON THE PRIVATE DEBT COLLECTION PROGRAM

Issued on January 8, 2010

Highlights

Highlights of Report Number: 2010-30-013 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

While the Internal Revenue Code authorizes the Internal Revenue Service (IRS) to enter into contracts with private collection agencies (PCAs or contractors) to assist in the collection of delinquent Federal taxes, the IRS has discontinued the Private Debt Collection program (Program). Actions taken by the IRS and contractors were appropriate to conclude work on the Program. The IRS developed and implemented procedures that were designed to ensure taxpayer rights were protected as well as provide security over Federal tax information.

WHY TIGTA DID THE AUDIT

This audit was initiated as a result of the IRS Commissioner's decision to cancel the Program and addresses the major management challenges of Tax Compliance Initiatives and Security of the IRS. The objective of our review was to determine whether the IRS and contractors took appropriate actions to conclude work on the Program.

WHAT TIGTA FOUND

The IRS conducted a final close-out review at each of the PCAs' worksites and the IRS appropriately verified the contractors returned or destroyed all Federal tax information. Information technology resources used by the contractors to work on the Program contract were sanitized, destroyed, or returned to the IRS as necessary. The IRS also conducted a physical search of the PCA worksites and ensured all related paper files were removed.

The IRS ensured PCAs continued to comply with procedures during the recall period through quality reviews on cases assigned to the contractors and through its quarterly onsite reviews of PCA operations. Also, our review of account activity indicated that PCAs followed procedures related to taxpayer rights.

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All accounts were properly recalled from the PCAs. The IRS monitored the recall process on a weekly basis, inventoried accounts and reconciled data with the PCAs, verified that all accounts were released from control of the Program, and took actions as necessary on accounts to ensure proper handling after they were recalled from the PCAs. In addition, our review of a statistical sample of accounts showed contractors properly notified taxpayers that their accounts were recalled by the IRS.

The IRS also took appropriate steps to ensure proper retention of Program records by establishing a team to develop and implement a Record Retention Plan with the assistance of the Servicewide Records Officer.

WHAT TIGTA RECOMMENDED

Although TIGTA made no recommendations in the report, TIGTA provided IRS officials an opportunity to review the draft report. IRS management did not provide us with any report comments.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2010reports/201030013fr.pdf>.

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