



Treasury Inspector General for Tax Administration Office of Audit

PROCESSING OF FOREIGN CURRENCY CHECK PAYMENTS IS CAUSING UNNECESSARY TAXPAYER BURDEN

Issued on March 22, 2013

Highlights

Highlights of Report Number: 2013-30-027 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The IRS requires taxpayers to pay their United States (U.S.) taxes in U.S. dollars. However, some taxpayers still send foreign currency payments because they are either unable or unwilling to convert their payments to U.S. dollars. Foreign currency payments that are not processed timely or are processed at lower exchange rates can cause undue burden on taxpayers and additional work for the IRS.

WHY TIGTA DID THE AUDIT

This audit is included in our Fiscal Year 2013 Annual Audit Plan and addresses the major management challenge of Globalization. The overall objective of the review was to determine whether the IRS effectively and efficiently processes taxpayer payments made in foreign currencies.

WHAT TIGTA FOUND

Our testing of 393 checks totaling \$1.4 million submitted in a foreign currency identified the following internal control issues that adversely affected the processing of the payments:

- Procedures did not exist for the type of documentation to maintain for taxpayer receipts and other information collected and processed by the Manual Deposit Unit in the five Submission Processing Centers.
- Procedures did not exist to ensure taxpayers were provided with accurate foreign currency exchange rate information when submitting checks in a foreign currency.
- Collection notices were not always suspended after taxpayers submitted payments to fully satisfy outstanding liabilities.

- Procedures were inadequate for monitoring whether taxpayer payments were timely processed and credited to their accounts.
- Procedures did not exist to verify the accuracy of bank processing fees charged to the IRS.

As a result of the internal control issues, there is increased risk that taxpayer payments and information could be lost, stolen, or misused; taxpayers could be unnecessarily burdened; and the Federal Government could be charged with excessive or incorrect check conversion fees.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Submission Processing, Wage and Investment Division: 1) require employees to retain source documentation and create and maintain documentation of the corrective actions taken on rejected payments; 2) ensure that no collection notices are issued to taxpayers while their foreign currency check payments are being processed; 3) assess the benefits of initiating follow-up actions sooner to address contractor processing delays; 4) provide taxpayers with additional information on determining foreign currency exchange rates; and 5) explore the feasibility of establishing a process to verify foreign currency check processing charges.

In their response to the report, IRS officials agreed with all the recommendations and stated that they have taken or 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/2013reports/201330027fr.pdf>.