



Treasury Inspector General for Tax Administration Office of Audit

FISCAL YEAR 2013 STATUTORY REVIEW OF COMPLIANCE WITH LIEN DUE PROCESS PROCEDURES

Issued on July 30, 2013

Highlights

Highlights of Report Number: 2013-30-072 to the Internal Revenue Service Commissioners for the Small Business/Self-Employed and the Wage and Investment Divisions.

IMPACT ON TAXPAYERS

After filing Notices of Federal Tax Liens, the IRS must notify the affected taxpayers in writing, at their last known address, within five business days of the lien filings. However, the IRS did not always follow its own internal guidelines for notifying taxpayer representatives of the filing of a Notice of Federal Tax Lien. This can cause additional burden to those taxpayers who rely on a representative to handle tax matters.

WHY TIGTA DID THE AUDIT

TIGTA is required by law to determine annually whether lien notices issued by the IRS comply with the legal guidelines in Internal Revenue Code Section 6320.

WHAT TIGTA FOUND

TIGTA reviewed a statistically valid sample of 133 Notices of Federal Tax Liens filed for the 12-month period ending June 30, 2012, and determined that the IRS mailed almost all lien notices in a timely manner as required by Internal Revenue Code Section 6320.

IRS regulations require that taxpayer representatives be given copies of all correspondence issued to the taxpayer. However, for five of the 47 cases in the statistically valid sample in which the taxpayer had an authorized representative, the IRS did not notify the taxpayers' representatives of the Notice of Federal Tax Lien filings. TIGTA estimated that 27,389 taxpayers may have been adversely affected because the IRS did not follow requirements to notify the taxpayers' representatives of the taxpayers' rights related to liens.

In addition, the IRS is not always following internal procedures for undelivered lien notices. IRS procedures require address verification and, if applicable, resolution of undelivered lien notices within 14 calendar days of receipt. TIGTA selected a judgmental sample of 248 undelivered lien notices returned to the Cincinnati

(113 lien notices) and Fresno (135 lien notices) Campuses in October 2012. For 102 of the 248 undelivered lien notices, employees did not perform the required research within 14 calendar days of receipt of the returned lien notice.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS revise the Notice of Federal Tax Lien request form to include a checkbox to indicate that a Power of Attorney is required to be sent a copy of the lien notice, and establish procedures to require the lien unit to verify all lien requests in which the checkbox is blank. TIGTA also recommended that the IRS establish controls that ensure that the Automated Collection System Support function received date for undelivered lien notices is properly documented and that undelivered lien notices are researched timely.

The IRS agreed with both of TIGTA's recommendations. The IRS will revise the Notice of Federal Tax Lien request form and modify procedures for the Centralized Lien Operation's processing of the form to include verification of missing Power of Attorney information. The IRS also will issue a Servicewide Electronic Research Program Alert and update its procedures to require the Automated Collection System Support function received date is documented. The Automated Collection System Support function will also begin using the Integrated Data Retrieval System feature for systemic generation of the Transaction Code 971 action code on undelivered liens.

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/201330072fr.pdf>