



Treasury Inspector General for Tax Administration Office of Audit

DELINQUENT TAXES MAY NOT BE COLLECTED BECAUSE REQUIRED RESEARCH WAS NOT ALWAYS COMPLETED PRIOR TO CLOSING SOME CASES AS CURRENTLY NOT COLLECTIBLE

Issued on August 25, 2014

Highlights

Highlights of Report Number: 2014-30-052 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

If an IRS employee is unable to contact or unable to locate (UTC/UTL) a delinquent taxpayer, the collection case may be closed as currently not collectible (CNC). If all of the required research steps are not taken prior to the case closure, there is a risk that the Government's interest may not be protected and that taxpayers will not be treated equitably.

WHY TIGTA DID THE AUDIT

In Fiscal Year 2012, the IRS closed 482,611 tax modules involving approximately \$6.7 billion as CNC–UTC/UTL. This audit was initiated to determine whether these cases were adequately researched, documented, and approved to ensure that all actions were taken to collect outstanding taxpayer liabilities.

WHAT TIGTA FOUND

Required case actions were not always completed before closing cases as CNC–UTC/UTL. Of a stratified sample of 250 cases reviewed, there was no evidence that employees completed all of the required research steps for 57 percent of the cases prior to their closing. Moreover, 7 percent of the cases did not have a Notice of Federal Tax Lien (NFTL) filed on all delinquent tax periods as required.

Collection Field function (Field) employees did not complete all research in 165 of the 204 Field cases, while Automated Collection System function employees did not complete all research in eight of the 38 Automated Collection System cases. Automated Collection System function employees use an electronic checklist to guide them; however, Field employees do not have a checklist. Managers approved the case closures even though the required research steps were not completed.

Field employees are required to complete more extensive research than Automated Collection System function employees before they close cases as CNC–UTC/UTL. However, the IRS does not track whether the additional research and time spent is productive.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Directors, Enterprise Collection Strategy and Field Collection, ensure that controls are in place so that employees complete the required research and make NFTL determinations, as well as require managers to document that all case actions have been completed before approving any CNC–UTC/UTL case closures. TIGTA also recommended verifying that all cases closed as CNC–UTC/UTL with aggregate unpaid assessed balances of more than \$10,000 beginning in Fiscal Year 2012 had an NFTL filed on all applicable tax periods. Additionally, TIGTA recommended that an analysis be conducted on the success of the additional research steps taken by Field employees prior to closing cases as CNC–UTC/UTL.

In their response to the report, IRS officials agreed with all of our recommendations and plan to take corrective actions. However, management's planned corrective actions for two of the recommendations did not fully address the recommendations. TIGTA believes management should completely address both recommendations to ensure that the Government's interest is protected.

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/201430052fr.pdf>

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