



## Treasury Inspector General for Tax Administration Office of Audit

### THE INTERNAL REVENUE SERVICE NEEDS TO ENHANCE ITS INTERNATIONAL COLLECTION EFFORTS

Final Report issued on September 12, 2014

## Highlights

Highlights of Report Number: 2014-30-054 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

### IMPACT ON TAXPAYERS

In today's global economy, businesses and individuals are becoming more and more involved in international transactions. For U.S. taxpayers, income received from these international transactions is subject to U.S. tax rules and reporting requirements. Accordingly, the role of an international revenue officer is very important in helping taxpayers comply with the tax laws and reducing international tax noncompliance.

### WHY TIGTA DID THE AUDIT

The IRS faces many unique challenges in collecting taxes from international taxpayers. Moreover, the IRS does not have reliable statistics on the rate of noncompliance of these taxpayers with their U.S. tax obligations. The overall objective of this review was to evaluate the IRS's collection efforts on delinquent taxpayers residing in foreign countries.

### WHAT TIGTA FOUND

International tax noncompliance remains a significant area of concern for the IRS. However, the IRS's collection efforts need to be enhanced to ensure that delinquent international taxpayers become compliant with their U.S. tax obligations.

TIGTA's review found that the IRS has not provided effective management oversight to International Collection, which contributed to several control weaknesses in the program. For example, International Collection does not have:

- Adequate policies, procedures, position descriptions, or the training needed to ensure that international revenue officers can properly work International Collection cases.
- A specific inventory selection process that ensures that the International Collection cases with the highest risk are worked.

- Performance measures and enforcement results reported separately from Domestic Collection.
- A process to measure the value of the "Customs Hold" as an enforcement tool.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) develop a formal International Collection Strategic plan; 2) update International Collection guidance to provide specific policies and procedures to international revenue officers; 3) evaluate and update the current international revenue officer position descriptions; 4) develop a formal International Collection training plan using Subject Matter Experts to develop and teach international specific courses; 5) evaluate the International Collection inventory selection criteria; 6) develop separate performance measures and track specific enforcement results for International Collection; and 7) continue to pursue direct access to the Customs Hold information.

IRS officials agreed with all of TIGTA's recommendations and have taken or plan to take corrective actions. However, while the IRS has implemented some corrective actions to improve the selection of international collection inventory, develop separate performance measures, and track enforcement results, TIGTA does not believe that the IRS's completed corrective actions fully addressed the recommendations.

### 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/201430054fr.pdf>.