



Treasury Inspector General for Tax Administration Office of Audit

REVIEW OF THE DEPOSIT AND POSTING OF PAYMENTS BY BOND ISSUERS TO RESOLVE TAX-EXEMPT BOND COMPLIANCE ISSUES

Issued on September 22, 2015

Highlights

Highlights of Report Number: 2015-10-076 to the Internal Revenue Service Commissioner for the Tax Exempt and Government Entities Division.

IMPACT ON TAXPAYERS

The IRS receives payments from bond issuers to resolve tax-exempt bond noncompliance. For example, the IRS may determine that bond proceeds were not used for the purpose for which the bonds were issued. Payments made to resolve these types of compliance issues are recorded on bond issuer accounts by the IRS, and payments that are applied to incorrect accounts can result in potential taxpayer burden to resolve the misapplied payments.

WHY TIGTA DID THE AUDIT

The overall objective of this audit was to determine whether payments made to resolve tax-exempt bond compliance issues are posted timely and accurately to bond issuer accounts.

WHAT TIGTA FOUND

The processing of payments made by bond issuers to resolve tax-exempt bond compliance issues has significantly improved since TIGTA's last audit in Fiscal Year 2006. In Fiscal Year 2006, TIGTA found that: 1) about 47 percent of the payments were deposited from one to 301 days late, 2) bond issuer accounts were not always updated to show the correct payment received date, 3) payments were not always posted to the correct account, and 4) payments posted to bond issuer accounts up to 20 days late.

In response to TIGTA's prior audit, the Tax Exempt Bonds office began using the Electronic Federal Tax Payment System for most payments made to resolve tax-exempt bond compliance issues. All of the payments TIGTA reviewed for bond accounts as part of this follow-up audit were deposited timely, which is a significant improvement from the prior audit. TIGTA reviewed all 43 payments (totaling almost \$6 million) for Fiscal Year 2014 that were paid through the Electronic Federal Tax Payment System and determined that

all payments were deposited timely, posted timely, and posted accurately to the correct bond issuer accounts.

In addition, 35 payments to resolve tax-exempt bond compliance issues were received from Fiscal Years 2008 through 2014 in the form of paper checks, totaling more than \$5 million, and mailed to the Ogden Submission Processing site for deposit. TIGTA determined that all 35 manual payments were deposited timely; however, five payments were initially not posted accurately. IRS management could not locate adequate case documentation for TIGTA to determine specific reasons for the inaccurate postings. While TIGTA did not identify any taxpayer burden associated with these five payments, it is important for the IRS to post payments accurately.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Tax Exempt Bonds, improve manual payment controls by providing reasonable assurance that payment processing documentation is retained for future reference and providing guidance for completing manual payment control logs accurately.

In their response, IRS management agreed with TIGTA's recommendations and provided a detailed response outlining the planned 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/2015reports/201510076fr.pdf>.