

Why GAO Did This Study

IRS's collection program pursues individuals and businesses that failed to fully pay their taxes or file returns. Since 2009, the total tax debt inventory has increased 23 percent to \$380 billion, while collection staff declined 23 percent. Given its large workload and declining resources, it is important that IRS make informed decisions about the collection cases it pursues to enhance compliance and confidence in the tax system.

GAO was asked to review IRS's processes for categorizing and routing collection cases for potential selection. This report (1) describes collection processes and trends in priority areas; and (2) assesses how well controls support the mission, including applying tax laws with integrity and fairness to all.

GAO reviewed IRS guidance, processes, and controls for categorizing and routing collection cases, reviewed data on results in priority areas, assessed whether IRS's controls followed *Standards for Internal Control in the Federal Government*, and interviewed IRS officials.

What GAO Recommends

GAO recommends that IRS take five actions to improve collection controls, such as clearly defining and documenting program objectives and control procedures, and periodically evaluating the effectiveness of controls. In commenting on a draft of this report, IRS said it generally agreed with all of GAO's recommendations.

View [GAO-15-647](#). For more information, contact James R. McTigue, Jr. at (202) 512-9110 or mctiguej@gao.gov.

IRS CASE SELECTION

Collection Process Is Largely Automated, but Lacks Adequate Internal Controls

What GAO Found

The Internal Revenue Service's (IRS) collection program largely uses automated processes to categorize and route unpaid tax or unfiled tax return cases for potential selection. The automated Inventory Delivery System (IDS) categorizes and routes cases based on many factors, such as type of tax and amount owed. Outside of IDS, collection managers set goals for closing cases in priority areas, such as delinquent employer payroll taxes and cases involving certain high-wealth taxpayers. If goals are at risk of not being met, officials may take action to select additional priority cases. In recent fiscal years, the collection program has exceeded nearly all case closure goals for priority cases. However, because IRS has not identified objectives for the collection program, such as fairness, it is difficult to assess the program's overall effectiveness.

GAO identified several areas where the lack of documented objectives and internal control deficiencies for categorizing and routing cases increase the risk that the collection program's mission, including fair case selection, will not be achieved. Examples of key internal control steps and deficiencies follow.

Selected Key Steps in Internal Control



Source: GAO. | GAO-15-647

Program objectives and key terms are not clearly defined: Although fairness is specified in the collection mission statement and IDS processes can affect how collection cases are selected, management has not defined fairness or any other program or case selection objectives. IRS collection's management referred to various documents as examples of program objectives. However, the documents were not specific enough nor codified in official IRS guidance to ensure proper control over the program. Without clearly defined objectives that can enhance program effectiveness, it is difficult for IRS to ensure it selected collection cases in a fair and unbiased manner.

Case categorization and routing procedures are not documented: According to management, case categorization and routing procedures were developed over several years as the result of incremental decisions and system changes. However, GAO found that the system and decisions were not documented, such as the selection of priority areas. Without documentation, it is difficult to determine whether processes are effective or consistently applied.

Effectiveness of processes is not routinely monitored: Despite some ad-hoc studies, IRS does not have procedures to periodically monitor IDS, including the dollar thresholds used to identify some cases for collection. Management could not provide GAO with justification for the thresholds because according to officials, they were set so long ago. Without periodic evaluations, out-of-date collection procedures could result in unnecessary costs or missed collections. Unadjusted dollar amounts could lead to inconsistent treatment of taxpayers over time as the real value of dollar thresholds decline over time due to inflation.