

# GAO Highlights

Highlights of [GAO-15-744](#), a report to congressional requesters.

## Why GAO Did This Study

IRS's ACS is one of the primary means for pursuing taxpayers who failed to fully pay their taxes or file their tax return in a timely manner. From fiscal years 2012 through 2014, ACS staff has declined 20 percent while the number of unresolved collection cases at year-end has increased 21 percent. Given these trends, IRS must make informed decisions about the collection cases it pursues to ensure the program is meeting its objectives and mission.

GAO was asked to review the ACS process for prioritizing and selecting collection cases. This report (1) describes the ACS process to prioritize and select collection cases and the results of that process for fiscal year 2014, and (2) determines how well the ACS case prioritization and selection process supports the collection program mission and objectives. GAO reviewed IRS guidance, processes, and controls for prioritizing and selecting collection cases, reviewed ACS data, 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 four actions to help ensure the collection program meets its mission, such as establishing, documenting, and implementing objectives for the collection program and ACS, and establishing, documenting, and implementing procedures to complete periodic evaluations of the ACS case prioritization and selection process. In commenting on a draft of this report, IRS said it generally agreed with all of GAO's recommendations.

View [GAO-15-744](#). For more information, contact James R. McTigue, Jr. at (202) 512-9110 or [mctiguej@gao.gov](mailto:mctiguej@gao.gov).

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## IRS CASE SELECTION

### Automated Collection System Lacks Key Internal Controls Needed to Ensure the Program Fulfills Its Mission

## What GAO Found

The Internal Revenue Service's (IRS) Automated Collection System (ACS) has a multistep, automated process to prioritize and select cases of unpaid taxes and unfiled tax returns to pursue. ACS assesses cases to determine the order to work cases based on IRS's collection program priorities, the likelihood the case will be resolved, and the type of tax and amount owed. ACS also reviews cases to determine what action to take based on whether a levy source or contact information is known for taxpayers. ACS will then contact taxpayers according to its assigned priority and may issue a levy or lien against the taxpayer.

ACS managers balance cases worked to ensure ACS achieves its case closure and taxpayer service measures. These decisions include how many notification and enforcement actions to take and how many cases to assign to IRS staff so that cases are worked in a timely manner. About half of the cases closed in ACS in fiscal year 2014 were high priority, including such issues as employers not paying federal employment taxes. Of the 3.5 million cases closed or transferred out of ACS in fiscal year 2014, IRS collected almost \$6.2 billion. IRS generally had more success in collecting from individual taxpayers than from business taxpayers. However, because IRS has not identified objectives for the collection program and ACS, it is difficult to assess the program's overall effectiveness.

ACS has processes for managing risk and reviewing performance, but has not implemented other key internal controls. This increases the risk that the collection program's mission of fair and equitable application of the tax laws will not be achieved. GAO identified deficiencies in the following internal control areas.

**Collection program and ACS objectives, and key term of fairness are not defined:** IRS officials responsible for the collection program and ACS were unable to produce documentation of collection program or ACS objectives. Although fairness is specified in the collection mission statement, IRS has not defined or operationalized it in any ACS or collection program documents. In the absence of clearly documented objectives and a clearly communicated definition of fairness, IRS cannot know how well ACS contributes to the collection program mission and ensure the case prioritization and selection process is fair. The lack of clearly articulated objectives undercuts the effectiveness of IRS efforts to assess risks and monitor ACS performance.

**ACS case prioritization and selection process is not documented:** IRS has little formal documentation that describes the ACS prioritization and selection process. Without adequate documentation, it is difficult for IRS to determine whether the ACS case prioritization and selection process effectively supports the collection program mission.

**Effectiveness of ACS process is not periodically evaluated:** IRS has no procedures for periodically evaluating the ACS case prioritization and selection process and has not acted on implementing recommendations from a recent ad hoc study. Given that key components of the ACS process have remained relatively unchanged since its creation, IRS may be missing opportunities to better prioritize its workload, which could improve collection results.