GAO Highlights

Highlights of GAO-19-193, a report to Congressional Committees

Why GAO Did This Study

IRS attempts to collect tax debts to promote tax compliance but does not have resources to pursue all debts. A 2015 law required IRS to contract with private collection agencies for certain tax debts. However, stakeholders such as the National Taxpayer Advocate have noted that safeguards are needed to protect taxpayers from risks, such as scammers impersonating collection agencies.

GAO was asked to review IRS's PDC program. This report assesses the extent to which IRS (1) documented program objectives and measures, (2) documented revenue collection and cost results data, (3) used data to improve the program and meet its objectives, and (4) addressed risks to prevent or address scams and other harmful effects on taxpayers. GAO analyzed IRS's documents on PDC program administration and planning; collections and costs reporting; and managing risks. GAO interviewed officials from IRS and external groups that represent taxpayer interests.

What GAO Recommends

GAO makes 12 recommendations, including that IRS improve PDC program objectives and measures, revenue and cost reporting, analysis to assign cases, and management of taxpayer risks. IRS agreed with nine recommendations, partially agreed with GAO's recommendation on improving objectives—which GAO clarified in response—and disagreed with two recommendations to include certain costs in reporting and analyze data to identify cases not collectible. GAO maintains the recommendations would more fully report PDC program federal costs and prevent waste.

View GAO-19-193. For more information, contact Jessica Lucas-Judy at (202) 512-9110 or lucasjudyj@gao.gov.

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TAX DEBT COLLECTION CONTRACTS

IRS Analysis Could Help Improve Program Results and Better Protect Taxpayers

What GAO Found

The Internal Revenue Service (IRS) documented objectives and proposed measures for its private debt collection (PDC) program for sending tax debt cases to private collection agencies, but the objectives are not clearly defined and their linkages with program measures are unclear. For example, one objective is to provide taxpayers an opportunity to understand and resolve their tax debts, but the proposed measure focuses on taxpayer satisfaction with collection agencies rather than taxpayers' understanding. The objectives also do not include some key program risks, such as scams. Without clearly defined objectives and measures, IRS will have limited ability to assess program results.

IRS's reports to Congress on the PDC program have not provided complete financial information. For example, as of September 2018, IRS reported program revenue collections of about \$89 million and costs of \$67 million, suggesting a positive balance of \$22 million for the general fund of the Treasury (the Treasury). However, the report did not clarify that about \$51 million collected went to the Treasury and the remaining \$38 million were retained by IRS in two special funds to pay current and future program costs. Without this information, Congress has an incomplete picture of the program's true costs and revenues.

IRS has not analyzed PDC program results to identify the types of cases that should not be assigned to collection agencies because they do not result in collections. GAO's analysis of IRS data shows that between April 2017 and September 2018 about 73,000 of 111,000 cases closed by collection agencies had little or no revenue collected because the collection agencies were unable to contact the taxpayer or collect the debt, among other reasons. Given the costs associated with managing these cases, without such analyses, IRS may continue to use resources inefficiently and assign cases with little or no potential for revenue collection, or miss opportunities to assign other cases that could produce more revenue.

IRS has identified and taken steps to mitigate some PDC program risks that could harm taxpayers. However, IRS has not completed the process of identifying and documenting all risks nor has it fully assessed risks to taxpayers from the program or its response to these risks. Specifically, GAO found that

- IRS identified and documented 6 taxpayer risks related to the PDC program, such as scammers impersonating collection agencies, but had not identified an additional 10 risks that GAO did, such as taxpayers agreeing to debt payments they cannot afford.
- IRS had not consistently assessed the impact or likelihood of the identified risks. As a result, IRS's responses to mitigate risks were broad in nature, and were not prioritized or aligned to address specific risks.
- IRS monitors a sample of collection agencies' telephone calls with taxpayers and reviews taxpayer complaints, but these methods do not provide information on whether IRS's responses to risks are effective.

Without addressing these risk management issues, IRS cannot ensure it has fully identified PDC program risks and effectively responded to protect taxpayers from them.