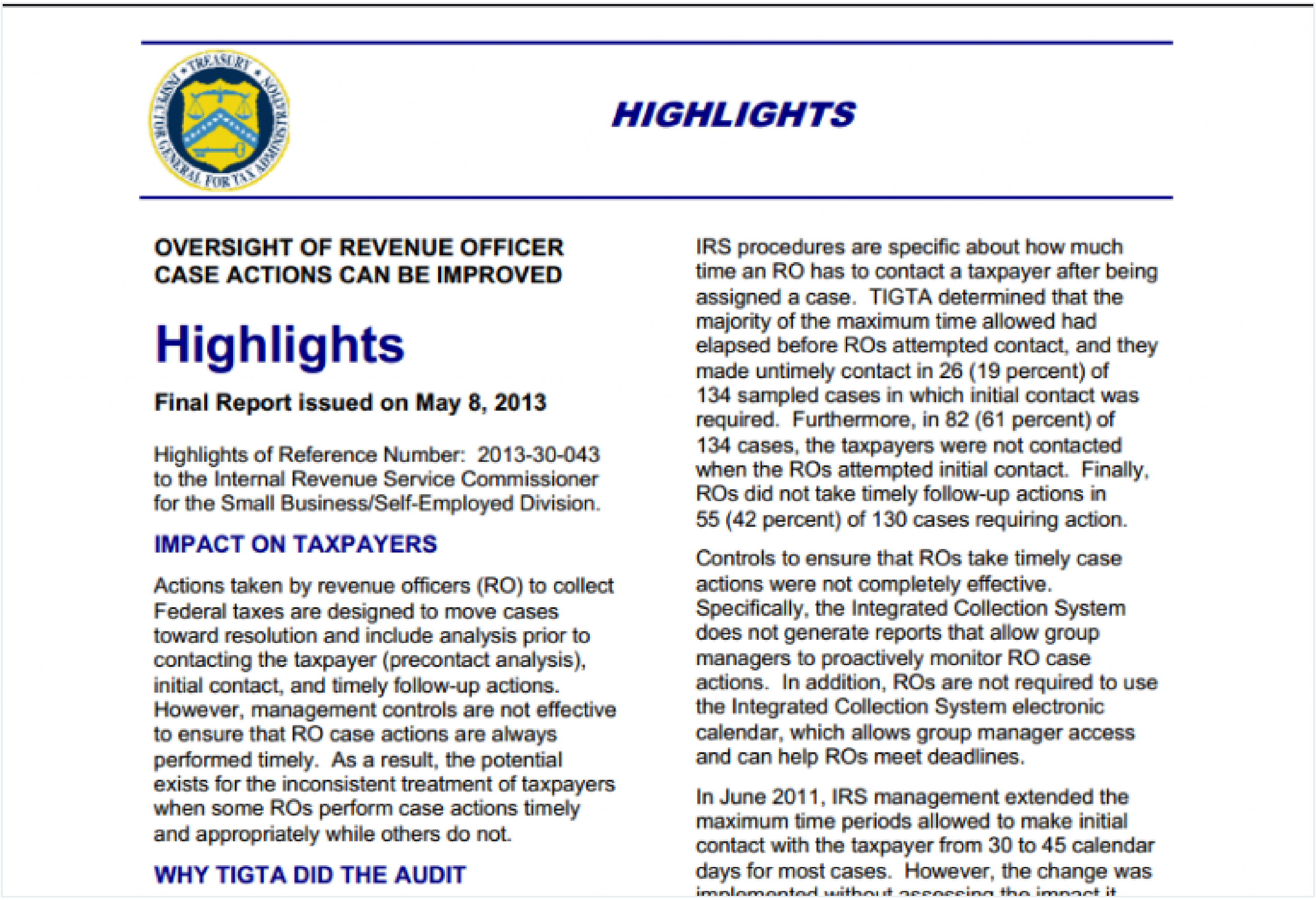
CPA Practice Advisor

Actions

The IRS needs to make changes to its management controls for overseeing revenue officer case actions, the Treasury Inspector General for Tax Administration found in its latest report. The report looked at 139 cases closed by revenue officers in the Small Business/Self-Employed Division Collection Field function and found inconsistencies in how ROs handled them.

Taija Sparkman • Aug. 02, 2013



HIGHLIGHTS

OVERSIGHT OF REVENUE OFFICER CASE ACTIONS CAN BE IMPROVED

Highlights

Final Report issued on May 8, 2013

Highlights of Reference Number: 2013-30-043 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

Actions taken by revenue officers (RO) to collect Federal taxes are designed to move cases toward resolution and include analysis prior to contacting the taxpayer (precontact analysis), initial contact, and timely follow-up actions. However, management controls are not effective to ensure that RO case actions are always performed timely. As a result, the potential exists for the inconsistent treatment of taxpayers when some ROs perform case actions timely and appropriately while others do not.

WHY TIGTA DID THE AUDIT

IRS procedures are specific about how much time an RO has to contact a taxpayer after being assigned a case. TIGTA determined that the majority of the maximum time allowed had elapsed before ROs attempted contact, and they made untimely contact in 26 (19 percent) of 134 sampled cases in which initial contact was required. Furthermore, in 82 (61 percent) of 134 cases, the taxpayers were not contacted when the ROs attempted initial contact. Finally, ROs did not take timely follow-up actions in 55 (42 percent) of 130 cases requiring action.

Controls to ensure that ROs take timely case actions were not completely effective. Specifically, the Integrated Collection System does not generate reports that allow group managers to proactively monitor RO case actions. In addition, ROs are not required to use the Integrated Collection System electronic calendar, which allows group manager access and can help ROs meet deadlines.

In June 2011, IRS management extended the maximum time periods allowed to make initial contact with the taxpayer from 30 to 45 calendar days for most cases. However, the change was implemented without assessing the impact it

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General for Tax Administration. "The more time that passes before taxpayers make at least one payment, it becomes less likely that they will do so at a later date. Meanwhile, taxpayers who are not contacted timely may accrue more interest and penalties compared with taxpayers who are promptly contacted."

The current IRS procedures require ROs to conduct an analysis before making initial contact with a taxpayer, but it does not specify a timeframe in which the analysis is to be completed. It does, however, outline how much time ROs have to contact a taxpayer after being assigned a case. TIGTA's review found that in 6 percent of the cases, the required analysis was either not completed or completed after the RO contacted the tax payers. In addition, ROs made untimely contact in 19 percent of the cases requiring initial contact and did not follow up in a timely manner in 55 percent of the cases requiring follow-up actions.

In June 2011, IRS management increased the maximum time allowed for initial contacts without assessing the impact on inventory, workload or revenue. TIGTA's audit report found that management controls currently in place were ineffective and suggested that management evaluate the impact of the previous procedural change. TIGTA also made several suggestions for improving the timeliness of RO case actions.

IRS management agreed with most of TIGTA's recommendations and plans to take corrective action. However, they did not agree that additional controls were necessary for ensuring analyses were performed before making initial contact with taxpayers. Though, management did agree to remind ROs.

IRS