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Revenue Service (IRS) owe a combined \$589 million in Federal tax debt.

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WASHINGTON – According to a new report, more than 1,100 vendors doing business with the [Internal Revenue Service](#) (IRS) owe a combined \$589 million in Federal tax debt.

Federal law generally prohibits agencies from contracting with businesses that have unpaid federal tax liabilities.

The report by the Treasury Inspector General for Tax Administration (TIGTA) reviewed the IRS's controls over the integrity and validity of vendors receiving payments from the IRS, including the vendor's tax compliance and suspension and debarment status. TIGTA also reviewed controls over the IRS's Vendor Master File (VMF), which contains information about vendors that enables them to do business with the IRS.

The vast majority of vendors that conduct business with the IRS meet their Federal tax obligations. However, TIGTA found that 1,168 IRS vendors (7 percent) had a combined \$589 million of Federal tax debt as of July 2012, the most recent data for which information was available at the time TIGTA conducted the review. Few of the vendors had a current tax payment plan.

“When the IRS conducts business with vendors that do not comply with Federal tax laws, it conveys a contradictory message in relation to its mission to ensure compliance with the tax laws,” said J. Russell George, Treasury Inspector General for Tax Administration.

In reports issued in [September 2011](#) and [September 2010](#), TIGTA recommended that the IRS require an annual tax check for all IRS contractors. The IRS disagreed with

the recommendations at the time, since there was no Federal law or regulation

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three vendors that were excluded (suspended) from doing business with the Federal Government.

Further, the IRS could improve its overall control of the IRS Vendor Master File (VMF). TIGTA found insufficient oversight and a lack of monitoring over operation and maintenance of the file, which contains information about vendors that enables them to engage in contracts, purchase orders, and other noncontract acquisition methods for the purpose of providing goods and services to the IRS and receiving payment for goods and services delivered.

TIGTA recommended that the IRS determine why it did not identify the suspended vendors within the General Services Administration's Excluded Parties List System . In addition, TIGTA made several recommendations to improve the controls over VMF maintenance and operation. IRS management agreed with TIGTA's recommendations and plans to take corrective actions.

The full report is available in PDF format on the [Treasury Department's website](#).

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