



*Fiscal Year 2013 Statutory Review
of Compliance With Legal Guidelines
When Issuing Levies*

August 20, 2013

Reference Number: 2013-30-092

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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HIGHLIGHTS

FISCAL YEAR 2013 STATUTORY REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN ISSUING LEVIES

Highlights

Final Report issued on August 20, 2013

Highlights of Reference Number: 2013-30-092 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

When taxpayers do not pay delinquent taxes, the IRS has the authority to work directly with financial institutions and other third parties to seize taxpayers' assets. This action is commonly referred to as a "levy."

The IRS Restructuring and Reform Act of 1998 requires the IRS to notify taxpayers of the intent to levy at least 30 calendar days before initiating any levy action to give taxpayers an opportunity to formally appeal the proposed levy. Taxpayers' rights are potentially violated if they are not notified within the 30-day period and a levy is issued.

WHY TIGTA DID THE AUDIT

This audit was initiated because TIGTA is responsible for annually determining whether the IRS complied with the IRS Restructuring and Reform Act of 1998 requirement to notify taxpayers prior to issuing levies. This is the fifteenth audit report on this subject area. The overall objective of this review was to determine whether the IRS has complied with 26 United States Code Section 6330, Notice and Opportunity for Hearing Before Levy.

WHAT TIGTA FOUND

The IRS is protecting most taxpayers' rights when issuing systemically generated and manually prepared levies. TIGTA reviewed 15 systemically generated and 30 manual levies identified through the Automated Collection System and determined that controls were effective to ensure that taxpayers were given notice of their appeal rights at least 30 calendar days prior to the issuance of the levies.

In addition, TIGTA reviewed 27 systemically generated and 18 manual levies identified through the Integrated Collection System and determined that taxpayers were given notice of their appeal rights at least 30 calendar days prior to issuance of the levies. However, three systemic levies had additional tax assessments in which a new notice of intent to levy was not sent prior to issuing the levies, as required.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS determine the feasibility of updating the systemic Integrated Collection System programming to prevent levies from being issued on modules in which a new notice of intent to levy has not been sent after there has been an additional assessment.

IRS officials agreed with the recommendation. The IRS plans to continue to implement a change to the Integrated Collection System programming for systemic levies to prevent levy issuance on modules where an additional assessment has been made and a new Notice of Intent to Levy/Notice of a Right to a Hearing has not been sent to the taxpayer.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 20, 2013

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

A handwritten signature in black ink, appearing to read "Michael E. McKenney".

FROM: Michael E. McKenney
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Fiscal Year 2013 Statutory Review of Compliance
With Legal Guidelines When Issuing Levies (Audit # 201330003)

This report presents the results of our review to determine whether the Internal Revenue Service has complied with 26 United States Code Section (§) 6330, Notice and Opportunity for Hearing Before Levy.¹ This audit is statutorily required in each fiscal year and addresses the major management challenge of Taxpayer Protection and Rights.

Management's complete response to the draft report is included as Appendix VII.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendation. If you have any questions, please contact me or Augusta R. Cook, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations).

¹ 26 U.S.C. § 6330 (Supp. IV 2010) *as amended* by the Trade Act of 2002, Pub. L. No. 107-210, 116 Stat. 933; the Job Creation and Worker Assistance Act of 2002, Pub. L. No. 107-147, 116 Stat. 21 (codified in scattered sections of 26 U.S.C., 29 U.S.C., and 42 U.S.C.); the Victims of Terrorism Tax Relief Act of 2001, Pub. L. No. 107-134, 115 Stat. 2427 (2002); and the Community Renewal Tax Relief Act of 2000, Pub. L. No. 106-554, 114 Stat. 2763.



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Abbreviations

IRS	Internal Revenue Service
TIGTA	Treasury Inspector General for Tax Administration
U.S.C.	United States Code



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Background

When taxpayers do not pay delinquent taxes, the Internal Revenue Service (IRS) has the authority to work directly with financial institutions and other third parties to seize taxpayers' assets. This action is commonly referred to as a "levy" (see Appendix V for an example of a Levy (Form 668-A)). The IRS Restructuring and Reform Act of 1998¹ created the provisions of 26 United States Code (U.S.C.) Section (§) 6330² that requires the IRS to notify the taxpayer of the intention to levy at least 30 calendar days before initiating a levy action to give the taxpayer an opportunity to formally appeal the proposed levy.

The Treasury Inspector General for Tax Administration is required to annually verify whether the IRS is complying with the IRS Restructuring and Reform Act of 1998 requirement to notify the taxpayer of the intent to levy at least 30 calendar days before initiating a levy action.

Generally, only one notice of intent to levy is required per tax period. However, a new notice is required when an additional tax assessment occurs after the original notice of intent to levy has been sent to the taxpayer and the additional tax assessment will be included in the levy.

The IRS Restructuring and Reform Act of 1998 also requires the Treasury Inspector General for Tax Administration (TIGTA) to annually verify whether the IRS is complying with the provisions of the Act. This is the fifteenth year in which we have evaluated the controls over levies. While levies can be issued for monetary or physical assets, this report specifically addresses levies of taxpayers' monetary assets.

To collect delinquent taxes, levies are issued either systemically or manually by two operations within the IRS:

- The Automated Collection System, through which customer service representatives contact delinquent taxpayers by telephone to collect unpaid taxes and secure tax returns.
- The Collection Field function, where revenue officers contact delinquent taxpayers in person. Delinquent cases assigned to revenue officers in the field offices are controlled and monitored with the automated Integrated Collection System.

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

² 26 U.S.C. § 6330 (Supp. IV 2010) *as amended by* the Trade Act of 2002, Pub. L. No. 107-210, 116 Stat. 933; the Job Creation and Worker Assistance Act of 2002, Pub. L. No. 107-147, 116 Stat. 21 (codified in scattered sections of 26 U.S.C., 29 U.S.C., and 42 U.S.C.); the Victims of Terrorism Tax Relief Act of 2001, Pub. L. No. 107-134, 115 Stat. 2427 (2002); and the Community Renewal Tax Relief Act of 2000, Pub. L. No. 106-554, 114 Stat. 2763.



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Previous TIGTA audit reports³ have recognized that the IRS has improved controls over the issuance of systemically generated levies, primarily due to the development of these systemic controls in both the Automated Collection System and the Integrated Collection System. In prior years, we determined that the Automated Collection System and Integrated Collection System systemic controls were effective. During tests, IRS employees were asked to make attempts to prematurely issue levies. Neither system allowed the employees to issue a levy less than 30 days after the notice request date. Also, both systems generated a warning each time an employee attempted to levy taxpayer property after the 30-day legal waiting period had passed but before the IRS 45-day guideline had expired.

There is a higher risk when revenue officers issue manual levies because they request these levies outside of the systemic controls that exist and not all manual levies receive managerial approval. Because the Integrated Collection System is not generating the manual levies, we cannot be assured that there is a complete automated trail for these levies. Therefore, it is impossible to reliably determine the exact number of manual levies issued by revenue officers during our review period.

TIGTA audit reports issued prior to Fiscal Year 2005 reported that additional controls were needed over manual levies issued by revenue officers; however, since our Fiscal Year 2005 report, we have reported that revenue officers properly notified taxpayers of their right to a hearing when issuing manual levies. Nevertheless, TIGTA still considers manual levies to be high risk and will continue to thoroughly test them.

This review was performed at the Small Business/Self-Employed Division National Headquarters Collection function office in New Carrollton, Maryland, during the period February through April 2013. This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

³ See Appendix VI for a list of previous audit reports related to this review.



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Results of Review

Levies Issued by the Automated Collection System Function Complied With Notification Requirements

Our review of systemically generated and manually issued levies in the Automated Collection System function showed that taxpayers' rights were protected. Controls are in place and effectively ensure that the IRS gives taxpayers notice of their appeal rights for at least 30 calendar days prior to the issuance of the levies.

The first step in the collection process involves mailing taxpayers a series of notices asking for payment of delinquent taxes. If taxpayers do not comply, the majority of the accounts are forwarded to an Automated Collection System Call Center where customer service representatives contact taxpayers by telephone to resolve their accounts. If accounts cannot be resolved, these representatives have the authority to issue levies.

Taxpayers were given notice of their appeal rights when systemically generated and manual levies were issued by the Automated Collection System function.

Although Automated Collection System customer service representatives primarily issue levies systemically, they may also request the issuance of manual levies through the System under certain circumstances.⁴ Manual levies require the same advance notification to the taxpayer as systemic levies. IRS procedures do not require that all manual levies issued by Automated Collection System customer service representatives be reviewed and approved by a manager prior to the levies being issued.

Automated Collection System systemic controls are effective

Tests of a judgmental sample⁵ of 15 levies issued through the Automated Collection System between October 1, 2011, and September 30, 2012, found that all 15 taxpayers were timely notified of their appeal rights. Therefore, TIGTA believes that the Automated Collection System systemic control effectively protected taxpayers' appeal rights.

Virtually all levies issued by customer service representatives are generated through the Automated Collection System, which contains a control developed to comply with the IRS Restructuring and Reform Act of 1998. The control compares the date that the taxpayer was

⁴ One example of when a manual levy may be requested is for levies on Individual Retirement Arrangements.

⁵ A judgmental sample is a non-statistical sample, the results of which cannot be used to project to the population.



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notified of the pending levy with the date requested to actually issue the levy. If there are fewer than 30 calendar days between the dates, the Automated Collection System will not generate a levy. This control is designed to ensure that taxpayers have been notified of their appeal rights at least 30 calendar days prior to the issuance of any systemically generated levies.

Automated Collection System manual controls are effective

Our review of a judgmental sample of 30 levies issued manually by Automated Collection System customer service representatives showed that the IRS timely notified taxpayers of their appeal rights. TIGTA analyzed the Automated Collection System case history narratives input by customer service representatives to identify any manual levies issued through the System between October 1, 2011, and September 30, 2012. Employee numbers and action codes⁶ were used as the basis to identify any manual levies issued through the System. All taxpayers were timely notified of their appeal rights.

Most Levies Issued by the Collection Field Function Complied With Notification Requirements

Our review of systemically generated and manually issued levies by the Collection Field function showed that most taxpayers' rights were protected. The IRS gave taxpayers notice of their appeal rights for at least 30 calendar days prior to the issuance of the levies, except in some instances in which a new notice was required to be sent for additional tax assessments included in the levies.

Many times notices and telephone calls to taxpayers do not successfully resolve delinquent accounts, and cases have to be assigned to revenue officers in Collection Field function offices for face-to-face contact with taxpayers. Cases assigned to Collection Field function revenue officers are controlled on the Integrated Collection System. Revenue officers use the Integrated Collection System to record collection activity on delinquent cases and to generate enforcement actions such as levies.

Revenue officers most commonly issue systemic levies through the Integrated Collection System. However, they are also authorized to issue manual levies on any case as needed. Because the Integrated Collection System does not control revenue officer-generated manual levies, it is difficult to reliably determine their exact number. No managerial review or approval is required when revenue officers issue most manual levies. As a result, TIGTA believes there is still a high risk associated with manual levies issued by revenue officers.

⁶ The action code shows what action was taken, such as a levy. The employee code shows whether there was a system-generated action or an employee-generated action.



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Integrated Collection System manual controls are effective

Our review showed that all 18 taxpayers sampled received proper notification of their rights. TIGTA analyzed the Integrated Collection System case history narratives to identify any mention of a manual levy between October 1, 2011, and September 30, 2012. Because no automated audit trail is produced for manual levies, *i.e.*, the Master File⁷ does not have an indicator for manual levies, analyzing case history comments for any reference to a manual levy is the only way to identify potential manual levies. Using this methodology, TIGTA identified and reviewed a judgmental sample of 18 cases in which revenue officers issued manual levies to seize the monetary assets of taxpayers. All 18 taxpayers received proper notification of their rights.

Integrated Collection System systemic controls need additional programming

The IRS installed a control in the Integrated Collection System similar to the control in the Automated Collection System that prevents levies from being issued unless taxpayers have received 30 calendar days' notice and have been informed of their appeal rights. If fewer than 30 calendar days have elapsed since the notice of intent to levy date, the Integrated Collection System will not generate a levy.

TIGTA tested the effectiveness of this control by reviewing a judgmental sample of 27 systemically generated levies issued through the Integrated Collection System between October 1, 2011, and September 30, 2012. We compared the date of the notice of intent to levy to the date the levy was issued. For all 27 levies, taxpayers were timely notified of their appeal rights.

However, the IRS failed to send the taxpayers a new notice of intent to levy as required for three levies with additional assessments made on a module covered by the levies. The IRS agreed that these three taxpayers should have been provided a new notice of intent to levy for the additional assessments prior to the levies being issued and the taxpayer's rights were potentially violated. IRS management subsequently took corrective action on all three cases.

In addition, the Integrated Collection System is currently not programmed to prevent levies from being issued on tax modules when there is an additional assessment and a new notice of intent to levy is required to be sent to the taxpayer. The revenue officers, in these cases, did not ensure that a new notice of intent to levy for the additional assessment was sent to the taxpayer before issuing the levy. IRS management informed us that in Fiscal Year 2013, there will be a mandatory training course provided for revenue officers that will include instructions for checking for new assessments in relation to levies.

⁷ The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.



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Recommendation

Recommendation 1: The Director, Collection Policy, Small Business/Self-Employed Division, should determine the feasibility of updating the Integrated Collection System programming for systemic levies to prevent levy issuance on modules where an additional assessment has been made and a new Notice of Intent to Levy/Notice of a Right to a Hearing has not been sent to the taxpayer.

Management's Response: IRS management agreed with the recommendation and plans to continue their actions to implement a change to Integrated Collection System programming for systemic levies to prevent levy issuance on modules where an additional assessment has been made and a new Notice of Intent to Levy/Notice of a Right to a Hearing has not been sent to the taxpayer.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the IRS has complied with 26 U.S.C. Section (§) 6330, Notice and Opportunity for Hearing Before Levy.¹ To accomplish our objective, we:

- I. Determined whether manual levies issued by both revenue officers and Automated Collection System² function customer service representatives complied with legal guidelines in 26 U.S.C. § 6330.
 - A. Identified any references to manual levies issued between October 1, 2011, and September 30, 2012, by querying the history narrative text field of the Integrated Collection System³ open case inventories. We identified 353 potential manual levies and reviewed a judgmental⁴ sample of 30 potential manual levies from the open Integrated Collection System cases. We used judgmental sampling because we could not identify the population of manual levies issued. During the course of our audit, we reclassified 12 cases as systemic Integrated Collection System levies, which increased the systemic sample by 12 cases (for a total of 27) and decreased the manual levy sample by 12 cases (for a total of 18).
 - B. Selected a judgmental sample of 30 manual levies from 387,467 potential employee-requested levies on the Automated Collection System between October 1, 2011, and September 30, 2012. We used judgmental sampling because we could not identify the population of manual levies issued. We used the employee and action codes⁵ on the Automated Collection System to identify the manual levies.
 - C. Requested and analyzed case histories for all cases containing references to manual levies identified in Steps I.A. and I.B.

¹ 26 U.S.C. § 6330 (Supp. IV 2010) *as amended by* the Trade Act of 2002, Pub. L. No. 107-210, 116 Stat. 933; the Job Creation and Worker Assistance Act of 2002, Pub. L. No. 107-147, 116 Stat. 21 (codified in scattered sections of 26 U.S.C., 29 U.S.C., and 42 U.S.C.); the Victims of Terrorism Tax Relief Act of 2001, Pub. L. No. 107-134, 115 Stat. 2427 (2002); and the Community Renewal Tax Relief Act of 2000, Pub. L. No. 106-554, 114 Stat. 2763.

² A telephone contact system through which telephone assistants collect unpaid taxes and secure tax returns from delinquent taxpayers who have not complied with previous notices.

³ An automated system used to control and monitor delinquent cases assigned to revenue officers in the field offices.

⁴ A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.

⁵ The action code shows what action was taken, such as a levy. The employee code shows whether there was a system-generated action or an employee-generated action.



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- D. Reviewed case history documentation and identified whether a revenue officer or an Automated Collection System function customer service representative had issued a manual levy.
 - E. Analyzed Master File⁶ transcripts and Automated Collection System and Integrated Collection System case histories to determine whether taxpayers were provided at least 30 calendar days' notice prior to any levy actions initiated by the IRS. We also verified that if more than 180 days had passed from the date of the notice to the date of the levy that a Warning of Enforcement Action was issued within 180 days prior to the date of the levy. As part of this analysis, we checked to see if any additional assessments were made on the modules covered by the levy after the taxpayer was given notice but before the levy was issued. If there was an additional assessment, we determined whether the taxpayer received a new notice.
 - F. Validated the manual levy data from the Automated Collection System and Integrated Collection System by relying on TIGTA Data Center Warehouse site procedures that ensure that data received from the IRS are valid. The Data Center Warehouse performs various procedures to ensure that it receives all the records in the Automated Collection System, Integrated Collection System, and IRS databases. In addition, we scanned the data for reasonableness and are satisfied that the data are sufficient, complete, and relevant to the review. All the levies identified are in the appropriate period, and the data appeared to be logical.
- II. Determined whether the IRS maintains sufficient automated controls and procedures to ensure that taxpayers are advised of their right to a hearing at least 30 calendar days prior to any levy action by testing systemically generated levies.
- A. Selected a judgmental sample of 15 Automated Collection System levies from an approximate population of 732,111 levies and 15 Integrated Collection System levies from an approximate population of 527,277 levies issued between October 1, 2011, and September 30, 2012, from the Automated Collection System and Integrated Collection System databases of open cases maintained in the TIGTA Data Center Warehouse.⁷ Because we reclassified 12 of our potential manual Integrated Collection System case levies as systemic, the Integrated Collection System systemic levy sample increased from 15 levies to 27 levies.

We have previously tested systemic controls on both systems to determine if they will allow employees to issue a levy less than 30 days after the notice request date. Results showed that neither system allows the employees to issue a levy less than

⁶ The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

⁷ A centralized storage and administration of files that provides data and data access services of IRS data.



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30 days after the notice request date. Since these controls were put in place, testing each year has been limited to a judgmental sample of levies. Because again this year we did not anticipate finding any errors and the controls are strong, we did not use statistical sampling.

- B. Analyzed Master File transcripts and case histories as necessary to verify that taxpayers were advised of their right to a hearing at least 30 calendar days prior to any levy action. We also verified that if more than 180 days had passed from the date of the notice to the date of the levy that a Warning of Enforcement Action was issued within 180 days prior to the date of the levy. As part of this analysis, we checked to see if any additional assessments were made on the modules covered by the levy after the taxpayer was given notice but before the levy was issued. If there was an additional assessment, we determined whether the taxpayer received a new notice.
- C. Validated the systemic levy data from the Automated Collection System and the Integrated Collection System by relying on TIGTA Data Center Warehouse site procedures that ensure that data received from the IRS are valid. The Data Center Warehouse performs various procedures to ensure that it receives all the records in the Automated Collection System, Integrated Collection System, and IRS databases. In addition, we scanned the data for reasonableness and are satisfied that the data are sufficient, complete, and relevant to the review. All the levies identified are in the appropriate period, and the data appeared to be logical.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the Small Business/Self-Employed Division Collection function's automated controls in place that prevent the issuance of levies prior to 30 calendar days before initiating any levy action and managerial reviews. We evaluated these controls by reviewing samples of levy cases.



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Appendix II

Major Contributors to This Report

Augusta R. Cook, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations)
Carl Aley, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations)
Tim Greiner, Acting Director
Glen Rhoades, Acting Director
Phyllis Heald London, Audit Manager
Beverly Tamanaha, Acting Audit Manager
Nicole DeBernardi, Lead Auditor
Janis Zuika, Senior Auditor



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Appendix III

Report Distribution List

Principal Deputy Commissioner
Office of the Commissioner – Attn: Chief of Staff C
Office of the Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Small Business/Self-Employed Division SE:S
Director, Field Collection, Small Business/Self-Employed Division SE:S:C
Director, Collection Policy, Small Business/Self-Employed Division SE:S:C:CP
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Commissioner, Small Business/Self-Employed Division SE:S



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Appendix IV

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective action will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; three taxpayer accounts affected (see page 4).

Methodology Used to Measure the Reported Benefit:

From a judgmental sample of 27 systemically generated levies issued through the Integrated Collection System between October 1, 2011, and September 30, 2012, we identified three cases in which an additional assessment was made on a module covered by the levy, and the IRS failed to send the taxpayer a new final notification letter for the additional assessment before issuing the levy. The IRS agreed that these three taxpayers should have been provided a new notice of intent to levy for the additional assessments prior to the levies being issued, and the taxpayers' rights were potentially violated.



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Appendix V

Example of Levy (Form 668-A)

Form 668-A(c)(DO) (Rev. July 2002)	Department of the Treasury – Internal Revenue Service Notice of Levy
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DATE: REPLY TO:	TELEPHONE NUMBER OF IRS OFFICE:
NAME AND ADDRESS OF TAXPAYER:	
TO:	
IDENTIFYING NUMBER(S):	

THIS ISN'T A BILL FOR TAXES YOU OWE. THIS IS A NOTICE OF LEVY WE ARE USING TO COLLECT MONEY OWED BY THE TAXPAYER NAMED ABOVE.

Kind of Tax	Tax Period Ended	Unpaid Balance of Assessment	Statutory Additions	Total
THIS LEVY WON'T ATTACH FUNDS IN IRAs, SELF-EMPLOYED INDIVIDUALS' RETIREMENT PLANS, OR ANY OTHER RETIREMENT PLANS IN YOUR POSSESSION OR CONTROL, UNLESS IT IS SIGNED IN THE BLOCK TO THE RIGHT. →				Total Amount Due ▶

We figured the interest and late payment penalty to _____

The Internal Revenue Code provides that there is a lien for the amount that is owed. Although we have given the notice and demand required by the Code, the amount owed hasn't been paid. This levy requires you to turn over to us this person's property and rights to property (such as money, credits, and bank deposits) that you have or which you are already obligated to pay this person. However, don't send us more than the "Total Amount Due."

Money in banks, credit unions, savings and loans, and similar institutions described in section 408(n) of the Internal Revenue Code must be held for 21 calendar days from the day you receive this levy before you send us the money. Include any interest the person earns during the 21 days. Turn over any other money, property, credits, etc. that you have or are already obligated to pay the taxpayer, when you would have paid it if this person asked for payment.

Make a reasonable effort to identify all property and rights to property belonging to this person. At a minimum, search your records using the taxpayer's name, address, and identifying numbers(s) shown on this form. Don't offset money this person owes you without contacting us at the telephone number shown above for instructions. You may not subtract a processing fee from the amount you send us.

To respond to this levy —

1. Make your check or money order payable to **United States Treasury**.
2. Write the taxpayer's name, identifying number(s), kind of tax and tax period shown on this form, and "LEVY PROCEEDS" on your check or money order (not on a detachable stub.).
3. Complete the back of Part 3 of this form and mail it to us with your payment in the enclosed envelope.
4. Keep Part 1 of this form for your records and give the taxpayer Part 2 within 2 days.

If you don't owe any money to the taxpayer, please complete the back of Part 3, and mail that part back to us in the enclosed envelope.

Signature of Service Representative	Title
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Appendix VI

*Previous Audit Reports Related to This
Statutory Review*

TIGTA, Ref. No. 1999-10-071, *The Internal Revenue Service Has Not Fully Implemented Procedures to Notify Taxpayers Before Taking Their Funds for Payment of Tax* (Sept. 1999).

TIGTA, Ref. No. 2000-10-150, *The Internal Revenue Service Has Significantly Improved Its Compliance With Levy Requirements* (Sept. 2000).

TIGTA, Ref. No. 2001-10-113, *The Internal Revenue Service Complied With Levy Requirements* (Jul. 2001).

TIGTA, Ref. No. 2002-40-176, *The Internal Revenue Service Has Improved Controls Over the Issuance of Levies, But More Should Be Done* (Sept. 2002).

TIGTA, Ref. No. 2003-40-129, *The Internal Revenue Service Does Not Have Controls Over Manual Levies to Protect the Rights of Taxpayers* (Jun. 2003).

TIGTA, Ref. No. 2004-30-094, *Additional Efforts Are Needed to Ensure Taxpayer Rights Are Protected When Manual Levies Are Issued* (Apr. 2004).

TIGTA, Ref. No. 2005-30-072, *Taxpayer Rights Are Being Protected When Levies Are Issued* (Jun. 2005).

TIGTA, Ref. No. 2006-30-101, *Fiscal Year 2006 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* (Aug. 2006).

TIGTA, Ref. No. 2007-30-070, *Fiscal Year 2007 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* (Apr. 2007).

TIGTA, Ref. No. 2008-30-097, *Fiscal Year 2008 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* (Apr. 2008).

TIGTA, Ref. No. 2009-30-070, *Fiscal Year 2009 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* (May 2009).

TIGTA, Ref. No. 2010-30-068, *Fiscal Year 2010 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* (Jun. 2010).

TIGTA, Ref. No. 2011-30-036, *Fiscal Year 2011 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* (Mar. 2011).



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TIGTA, Ref. No. 2012-30-095, *Fiscal Year 2012 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* (Aug. 2012).



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Appendix VII

Management's Response to the Draft Report



COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

AUG 06 2013

MEMORANDUM FOR MICHAEL E. MCKENNEY
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Faris R. Fink  For
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Audit Report – Fiscal Year 2013 Statutory Review of
Compliance With Legal Guidelines When Issuing Levies (Audit
201330003)

Thank you for the opportunity to review your draft report titled: "Fiscal Year 2013 Statutory Review of Compliance with Legal Guidelines When Issuing Levies." We agree with your recommendation as stated in the report.

We initiated efforts to update the Integrated Collection System (ICS) to address the required levy notices on subsequent assessments. In addition, we will provide training on this topic to revenue officers during this year's Continuing Professional Education.

We concur with your Outcome Measure as described in the report.

Attached is a detailed response outlining our corrective actions to address your recommendation.

If you have any questions, please contact me, or a member of your staff may contact Darren J. Guillot, Director, Enterprise Collection Strategy at (202) 622-7902.

Attachment



*Fiscal Year 2013 Statutory Review of
Compliance With Legal Guidelines When Issuing Levies*

Attachment

RECOMMENDATION 1:

The Director, Collection Policy, Small Business/Self-Employed Division, should determine the feasibility of updating the ICS programming for systemic levies to prevent levy issuance on modules where an additional assessment had been made and a new Notice of Intent to Levy/Notice of a Right to a Hearing has not been sent to the taxpayer.

CORRECTIVE ACTION:

We agree with the recommendation and will continue our actions to implement a change to ICS programming for systemic levies to prevent levy issuance on modules where an additional assessment had been made and a new Notice of Intent to Levy/Notice of a Right to a Hearing has not been sent to the taxpayer.

IMPLEMENTATION DATE:

January 15, 2015

RESPONSIBLE OFFICIAL(S):

Director, Collection Policy, Small Business/Self-Employed Division (SB/SE)

CORRECTIVE ACTION MONITORING PLAN:

IRS will monitor this corrective action as part of our internal management system of controls.