



*Declining Resources Have Contributed to
Unfavorable Trends in Several
Key Automated Collection System
Business Results*

September 18, 2014

Reference Number: 2014-30-080

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HIGHLIGHTS

DECLINING RESOURCES HAVE CONTRIBUTED TO UNFAVORABLE TRENDS IN SEVERAL KEY AUTOMATED COLLECTION SYSTEM BUSINESS RESULTS

Highlights

**Final Report issued on
September 18, 2014**

Highlights of Reference Number: 2014-30-080 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

The Automated Collection System (ACS) is an integral part of the IRS's efforts to collect unpaid taxes and secure unfiled tax returns and plays a vital role in protecting the revenue of the United States. The ACS is responsible for answering incoming taxpayer calls and working the inventory of taxpayer delinquent accounts. Declining resources could affect ACS effectiveness and have a substantial impact on the amount of Federal taxes that remain uncollected.

WHY TIGTA DID THE AUDIT

The ACS's work with delinquent taxpayers is a major factor in determining the IRS's overall success in meeting the Collection program's mission. This audit was initiated to determine whether the ACS inventory management process can be improved to balance the workload and maximize the assignment of productive cases.

WHAT TIGTA FOUND

IRS management places a high priority on answering incoming telephone calls because they believe that communication with taxpayers helps resolve delinquencies and brings taxpayers into compliance with their tax obligations. Since Fiscal Year 2010, 39 percent of the ACS workforce has been lost due to attrition or reassignment. Because resources are needed to answer telephone calls, fewer resources are available to work inventory.

However, the IRS's overall Collection inventory practices were not changed and new inventory continued to be sent to the ACS without interruption, even though inventory was infrequently worked.

The combination of fewer resources and the business need to continue answering telephone calls has contributed to unfavorable trends in several ACS business results over the past four years. For example, new inventory outpaced closures, inventory took longer to close, cases in inventory were older, more cases were closed as uncollectible, fewer enforcement actions were taken, and more aged cases were transferred to the Queue. IRS management should take steps to ensure that inventory routing and ACS resource capabilities are aligned with overall IRS tax administration priorities and their vision for the role of the ACS in the Collection enforcement strategy.

In addition, the IRS has not established performance metrics to measure the effect answering incoming calls has had on compliance business results. Capturing this data would allow ACS management to assess the impact of prioritizing call handling.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS:

- 1) re-examine the ACS's role in the Collection workflow process, including inventory delivery to the ACS as well as case retention criteria, and align ACS resources accordingly; 2) request a study to determine the impact of the policy change to not require Notice of Federal Tax Lien determinations on certain unpaid balances; and 3) establish performance metrics for ACS call handling data to measure the impact that answering taxpayer calls has on compliance business results.

IRS officials agreed with the recommendations and plan to take corrective actions.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 18, 2014

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

FROM:

Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Declining Resources Have Contributed to
Unfavorable Trends in Several Key Automated Collection System
Business Results (Audit # 201330017)

This report presents the results of our review to determine whether the Automated Collection System inventory management process can be improved to balance the workload and maximize the assignment of productive cases. The audit is included in our Fiscal Year 2014 Annual Audit Plan and addresses the major management challenge of Tax Compliance Initiatives.

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

Copies of this report are also being sent to the IRS managers affected by the report recommendations. If you have any questions, please contact me or Bryce Kisler, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations).



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Several Key Automated Collection System Business Results*

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Abbreviations

AM	Accounts Management
ACS	Automated Collection System
CFf	Collection Field function
CNC	Currently Not Collectible
FY	Fiscal Year
IRS	Internal Revenue Service
NFTL	Notice of Federal Tax Lien
SB/SE	Small Business/Self-Employed
TDA	Taxpayer Delinquent Account
TDI	Taxpayer Delinquency Investigation
TIGTA	Treasury Inspector General for Tax Administration
W&I	Wage and Investment



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Background

The Internal Revenue Service (IRS) uses a three-phase strategy for collecting unpaid tax liabilities until they are either full paid, determined to be uncollectible, or otherwise resolved. Each phase is worked by different program offices and IRS employees with increasingly higher technical skills.

- Notice Stream: Uses a preset number of automatically generated IRS balance due notices that are sent to taxpayers to prompt replies or payments. The notice stream begins with the issuance of the statutory notice, followed by up to three reminder notices if the liability remains unpaid.
- Automated Collection System (ACS): Uses IRS contact representatives¹ to collect unpaid taxes and secure tax returns from delinquent taxpayers who have not complied with previous notices. Contact representatives take enforcement actions on taxpayers to prompt replies or payments from them. Enforcement actions may include levying financial assets or filing liens against property. Contact representatives also answer telephone calls from taxpayers.
- Collection Field function (CFf): Uses IRS revenue officers to contact taxpayers in person to collect unpaid taxes and secure tax returns from delinquent taxpayers who have not complied with previous notices or contacts by the ACS. Revenue officers take enforcement actions, including levies, liens, and seizures of property.

The ACS is a critical part of the IRS's overall Collection program and plays a vital role in securing and protecting the revenue of the United States. Its work with delinquent taxpayers is a major factor in determining the IRS's success in meeting the Collection program's mission, which is:

To collect delinquent taxes and secure delinquent tax returns through the fair and equitable application of the tax laws, including the use of enforcement tools when appropriate, provide education to customers to enable future compliance, and thereby protect and promote public confidence in the American tax system.

The ACS has 15 call sites in the Small Business/Self-Employed (SB/SE) and Wage and Investment (W&I) Divisions. The SB/SE and W&I Divisions also have a total of five ACS support sites that support the call sites by resolving written correspondence from taxpayers, taxpayer representatives, and/or third-party contacts. Figure 1 shows current ACS call site and support site locations.

¹ See Appendix V for a glossary of terms.



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Figure 1: ACS Call Site and Support Site Locations

SB/SE Division Call Sites	W&I Division Call Sites	SB/SE Division ACS Support	W&I Division ACS Support
Oakland, California	Fresno, California	Cincinnati, Ohio	Fresno, California
Denver, Colorado	Jacksonville, Florida	Philadelphia, Pennsylvania	Atlanta, Georgia
Des Moines, Iowa	Atlanta, Georgia		Kansas City, Missouri
Detroit, Michigan	Kansas City, Missouri		
Brookhaven, New York	Buffalo, New York		
Philadelphia, Pennsylvania	Austin, Texas		
Nashville, Tennessee	Seattle, Washington		
	Puerto Rico		

Source: Treasury Inspector General for Tax Administration (TIGTA) analysis of the SB/SE and W&I Divisions' ACS call and support site information.

Contact representatives at the ACS call sites are responsible for answering incoming taxpayer calls and working the inventory of Taxpayer Delinquent Accounts (TDA) and Taxpayer Delinquency Investigations (TDI). TDAs and TDIs in ACS inventory are created after prior efforts to collect unpaid balances via notices have been unsuccessful. Cases are systemically assigned a priority based on ACS risk categories. Once inventory is assigned, the ACS systemically routes the inventory to the appropriate inventory work stream, depending on the type of activity that the cases require. Inventory cases routed to the ACS fall into one of three work streams:

- Contact (communication is needed with the taxpayer).
- Investigation (information needs to be verified).
- Research (the taxpayer's location or other information needs to be determined).

Taxpayer calls to the ACS call sites are typically due to one of the following:

- ACS case actions. Taxpayers may call the ACS in response to ACS case actions which include letters to the taxpayer, liens, levies, and predictive dialer callbacks.
- Calls systemically routed from the Accounts Management (AM) function. Taxpayer calls to the AM function toll-free product lines in which the taxpayer's identification number meets the ACS routing criteria² are systemically routed from the AM function to the ACS.

² A taxpayer with a TDA or TDI in ACS inventory will have their telephone call to the toll-free telephone line routed to the ACS.



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- Calls manually transferred from AM function employees. Taxpayer calls originally routed to an AM function employee who determines that the taxpayer's identification number meets the ACS routing criteria are manually transferred from the AM function to the ACS.

The Joint Operations Center is responsible for creating the schedules for call handling at each of the ACS call sites. The number of taxpayer calls that can be answered is dependent on the number of available employees at all ACS call sites. Not all calls are answered because the ACS does not have the resources to answer 100 percent of incoming taxpayer calls. The ACS Level of Service goal establishes the percentage of incoming taxpayer telephone calls the ACS expects to answer. The Joint Operations Center is also responsible for the actual routing of the taxpayer calls to the ACS. The Joint Operations Center uses a call routing system that links all of the ACS call sites into a single "virtual" call center. Each taxpayer call is routed to the next available contact representative regardless of where the contact representative is located.

This review was performed at the SB/SE Division Headquarters in New Carrollton, Maryland; the ACS call site in Philadelphia, Pennsylvania; and with information obtained from the W&I Division Headquarters in Atlanta, Georgia, during the period February 2013 through February 2014. We conducted this performance audit 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.



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Results of Review

Fewer Resources Contributed to Reduced Revenue and Unfavorable Trends in Several Automated Collection System Business Results

ACS management places a high priority on answering incoming taxpayer telephone calls because they believe communication with taxpayers helps resolve delinquencies and brings taxpayers into compliance with their tax obligations. Since Fiscal Year (FY) 2010, the number of ACS contact representatives has decreased by 39 percent. Because resources are still needed to answer taxpayer telephone calls, fewer resources are available to work new TDA and TDI inventory. This has contributed to unfavorable trends in several key business results over the past four years. Specifically, we reviewed ACS business results for FYs 2010 through 2013 and determined that:

- New inventory is outpacing case closures, so the inventory is growing.
- Inventory is taking longer to close, so the cases in inventory are aging.
- Revenue declined and more cases were closed as Currently Not Collectible (CNC).
- Fewer enforcement actions (liens and levies) were taken.
- More, and older, cases were transferred to the Queue, which further reduces the probability of collection by the CFF.

Even though the ACS has significantly reduced resources working inventory, the IRS's overall Collection practices have remained unchanged. New inventory continues to be routed to the ACS without interruption. For example, during FYs 2012 and 2013, the ACS received approximately 6.52 million and 7.07 million new TDAs, respectively. ACS management should take steps to mitigate the unfavorable trends in business results. Such steps would help to ensure that the ACS continues to meet its important mission and role in the IRS's overall Collection enforcement strategy.

Nearly 40 percent of the ACS workforce has been lost due to attrition and reassignment since FY 2010

The inability to hire behind attrition losses over the last three years has caused the ACS to lose 684 (24 percent) of the 2,824 contact representatives who were working in FY 2010. In addition to ACS employee attrition, three ACS call sites³ were taken offline in February 2013 to work

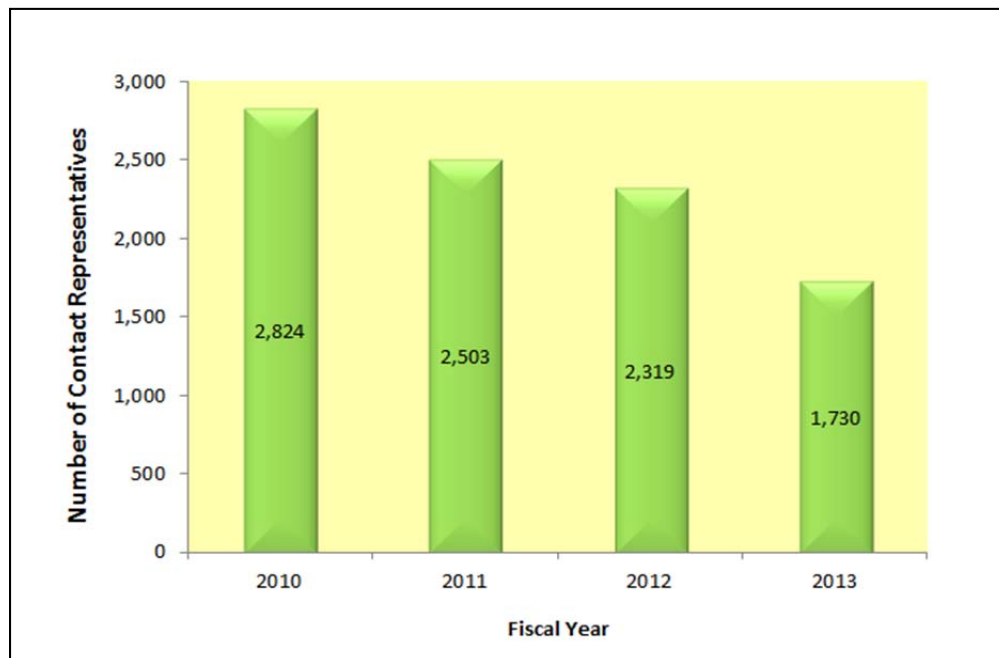
³ The three ACS call sites were Denver, Colorado; Atlanta, Georgia; and Kansas City, Missouri.



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AM function inventory. IRS management made this decision to free up AM function resources to address the IRS's growing inventory of identity theft cases. The initiative was originally scheduled to continue for three months, but was subsequently extended and was ongoing at the conclusion of our field work. This reallocation was the equivalent of losing an additional 410 contact representatives because the employees in these three ACS call sites were answering taxpayer questions rather than working ACS inventory. As a result of this, combined with ACS employee attrition, the number of ACS contact representatives in FY 2013 was 39 percent less than in FY 2010. Figure 2 shows the effect that attrition and reassignment have had on the number of ACS contact representatives available to handle taxpayer telephone calls and work inventory.

Figure 2: ACS Call Site Staffing for FYs 2010 Through 2013



Source: TIGTA analysis of ACS call site staffing data.

The ACS Level of Service goal stayed near 80 percent⁴

ACS management advised us that the main focus of the ACS contact representatives should be to engage the taxpayer by answering incoming calls from taxpayers. Taxpayers may be calling the ACS due to specific case action (lien or levy) taken by the contact representatives. According to ACS management, by answering telephone calls, contact representatives are working ACS inventory and their actions can result in the closing of TDAs and TDIs. In addition, telephone

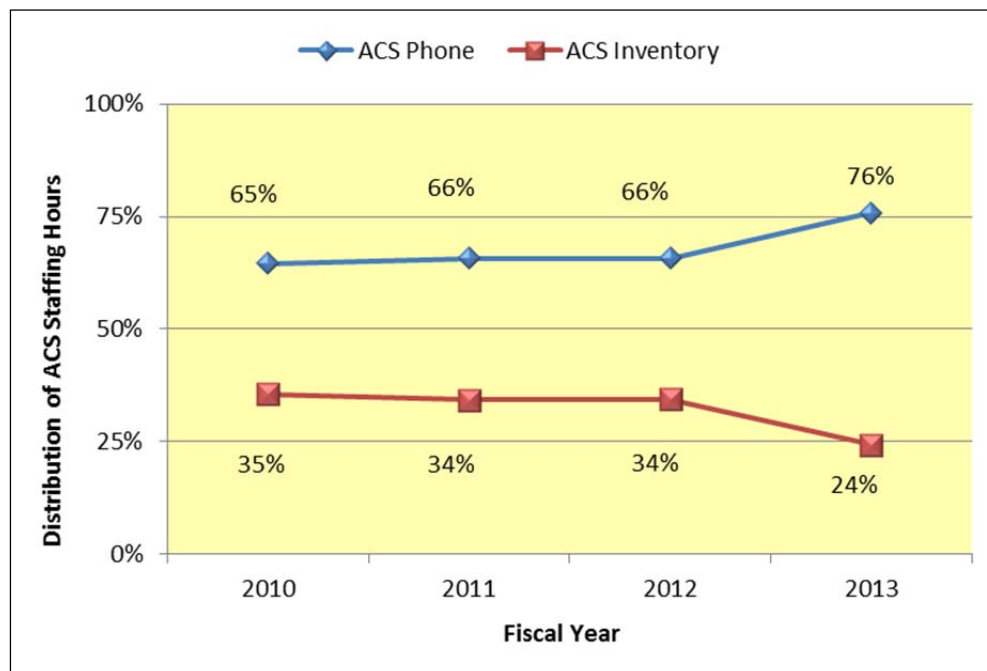
⁴ The Level of Service in this report reflects the average of the SB/SE Division Level of Service goal (78 percent) and the W&I Division Level of Service goal (82 percent).



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contacts requiring any follow-up actions are reassigned to the appropriate inventory work stream. Despite having fewer contact representatives to handle calls and work inventory, ACS management continued to establish the same Level of Service goal each year of approximately 80 percent.⁵ Management directed its remaining contact representatives to prioritize answering telephone calls, which actually reduced the time they spent working on inventory. Figure 3 shows the allocation of ACS staff hours over the past four fiscal years.

Figure 3: Allocation of ACS⁶ Staff Hours for FYs 2010 Through 2013



Source: TIGTA analysis of ACS staffing data.

Between FYs 2010 and 2012, contact representatives spent approximately 32 percent more of their time answering telephone calls compared with working inventory. In FY 2013, this difference increased to 52 percent. During this period, total hours spent by contact representatives answering telephone calls and working inventory decreased from 2.7 million to 2.1 million hours. While the number of hours spent answering telephone calls decreased 12 percent, from 1,958,005 in FY 2010 to 1,715,472 in FY 2013, the number of hours spent working inventory decreased 43 percent, from 695,860 to 396,386 during the same period. Further, reductions to the IRS's budget reduced overtime pay for the ACS from 104 Full-Time

⁵ For FY 2013, ACS management lowered the average Level of Service goal from 80 percent to 79 percent (average of the SB/SE Division Level of Service goal of 78 percent and the W&I Division Level of Service goal of 80 percent).

⁶ Staff hours pertain to both the SB/SE and W&I Divisions' ACS call sites.



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Equivalents⁷ spent in FY 2010 to 33 Full-Time Equivalents spent in FY 2013, which is a 68 percent decrease. IRS management advised us that they rely on overtime for contact representatives to work inventory.

We interviewed six ACS call site operations managers in the SB/SE⁸ and W&I⁹ Divisions. ACS call site management indicated that their focus in FY 2013 was to continue to allocate resources previously dedicated to working inventory to telephone call handling. In FY 2013, numerous adjustments were made to the mix of work in the call sites, resulting in all contact representatives answering telephone calls, and less direct time being allocated for working inventory.

Historically, ACS call sites had scheduled designated days or portions of days for contact representatives to work inventory. Even so, if call volumes are unexpectedly high (in other ACS call sites), resources will be shifted by routing calls to meet Level of Service demands. In recent years, the ACS has not been dedicating time for contact representatives to work inventory. For example, our analysis of ACS inventory schedules showed that no inventory was scheduled to be worked in the seven SB/SE Division call sites from June 2011 through March 2013. However, ACS call sites have the ability to schedule inventory work locally if their telephone scheduling demands are met, and they did so during this period.

The 80 percent average Level of Service goal was met between FYs 2010 and 2012. However, the average goal was not met in FY 2013. Specifically, the combined ACS Level of Service achieved was 74 percent, which was short of the 79 percent average goal. Notably, between FYs 2010 and 2013, the number of calls the ACS received decreased by approximately 450,000 (7 percent), and the number of calls the ACS answered decreased by approximately 800,000 calls (16 percent). If the ACS intends to reach an average Level of Service goal of approximately 80 percent in future years, management may need to dedicate a higher percentage of resources to answering telephone calls, unless staffing is increased. However, that does not appear to be likely in the current budget environment.

Several key ACS business results showed unfavorable trends

With fewer resources available to work inventory, several key ACS business results were affected. The decline in business results is consistent with the conclusions reached in several prior internal IRS studies. For example, a FY 2011 IRS study¹⁰ reported that because the ACS places a higher priority on the resources needed to achieve their Level of Service goal than the case closure goal, less revenue is collected than if both goals were prioritized and resourced more

⁷ A measure of labor hours in which one Full-Time Equivalent is equal to eight hours multiplied by the number of compensable days in a particular fiscal year. For Fiscal Year 2013, one FTE was equal to 2,088 staff hours.

⁸ The SB/SE Division ACS call sites included Detroit, Michigan; Brookhaven, New York; and Philadelphia, Pennsylvania.

⁹ The W&I Division ACS call sites included Jacksonville, Florida; Kansas City, Missouri; and Buffalo, New York.

¹⁰ IRS, Automated Collection System, *Final Report for Automated Collection System Workload Balance Model for Inventory and Telephones Project* (Feb. 24, 2011).



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equally. A separate SB/SE Division Research project¹¹ showed that 58 percent of case closures by SB/SE Division ACS call sites occurred after working inventory, compared with 42 percent that were closed after answering telephone calls. A prior TIGTA report¹² discussed a third IRS analysis which studied the impact of redirecting resources from inventory work to answering telephone calls between January 2001 and January 2002. The analysis concluded that when inventory is not worked or not worked timely, dispositions are adversely affected, such as closing actions not taken, liens not filed, or levy notices not sent.

Our analysis during this review of ACS business results for FYs 2010 through 2013 also showed unfavorable trends in several key areas.

Inventory is growing

During FYs 2012 and 2013, the ACS received approximately 6.51 million and 7.07 million new TDAs, respectively. Figure 4¹³ shows that the ACS's TDA open inventory has grown from 5.94 million to 7.79 million (31 percent) from FY 2010 to FY 2013.

Figure 4: Modules in TDA Year-End Inventory for FYs 2010 Through 2013¹⁴



Source: FYs 2010 through 2013 Collection Activity Reports (NO-5000).

Between FYs 2012 and 2013, the gap between new TDA receipts and closures increased by 47 percent. Specifically, in FY 2012 new TDAs (6.51 million) outpaced delinquent account

¹¹ Project DEN0181, SB/SE Research (August 2012).

¹² TIGTA, Ref. No. 2003-30-044, *Actions Are Being Taken to Improve the Automated Collection System, but a More Effective Planning and Management Framework Is Needed* (Jan. 2003).

¹³ While this figure accurately reflects the data from Collection Report 5000-2, TDA activity (new inventory, closures, and transfers out) may not equal the change in ending inventory.

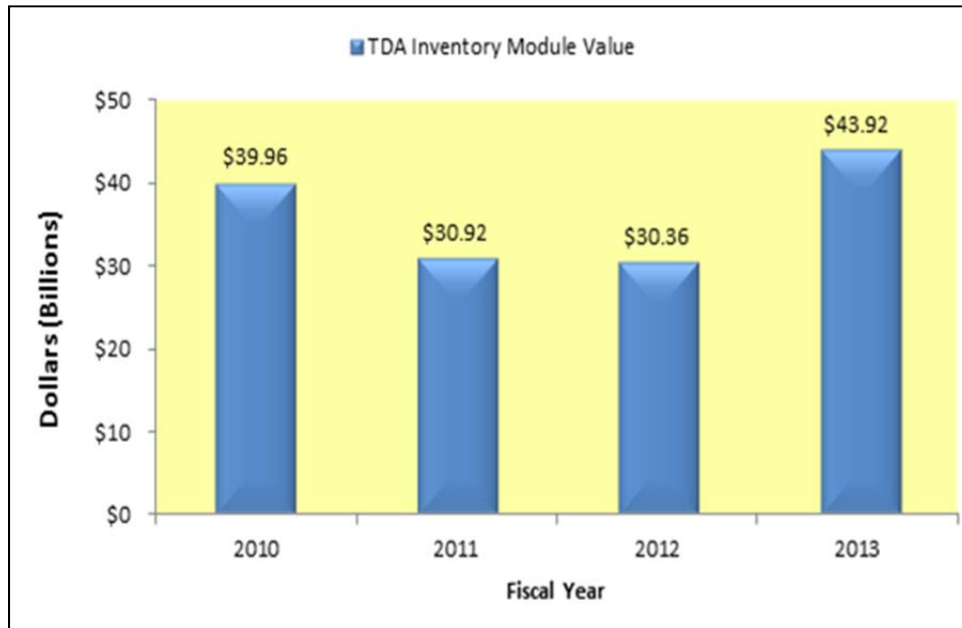
¹⁴ TDA activity represents both the SB/SE and W&I Divisions' ACS call sites.



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closures (4.69 million) by 1.82 million. In FY 2013, new TDAs (7.07 million) outpaced delinquent account closures (4.40 million) by 2.67 million. Figure 5 shows that the dollar value associated with the open TDA inventory has also increased.

Figure 5: Value of TDA Year-End Inventory¹⁵ for FYs 2010 Through 2013



Source: FYs 2010 through 2013 Collection Activity Reports (NO-5000).

After decreasing from \$39.96 billion in FY 2010 to \$30.36 billion in FY 2012, the dollar value of the open inventory grew to \$43.92 billion (45 percent) between FYs 2012 and 2013. Similarly, Figure 6¹⁶ shows that the number of entities with open TDIs in ACS inventory has also increased since FY 2010.

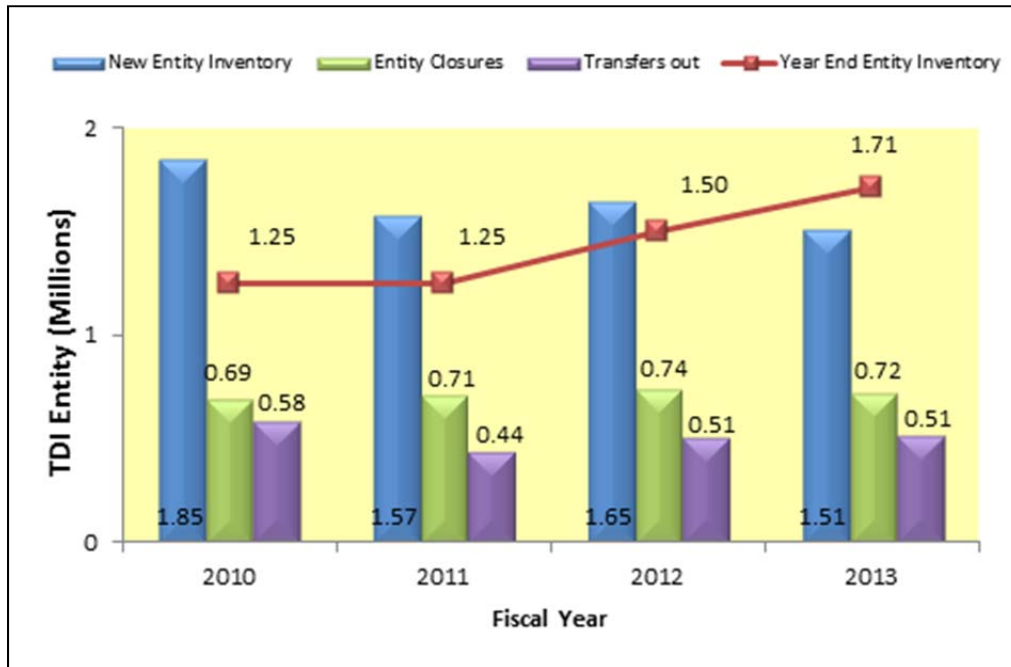
¹⁵ TDA inventory value pertains to both the SB/SE and W&I Divisions' ACS call sites.

¹⁶ While this figure accurately reflects the data from Collection Report 5000-4, TDI activity (new inventory, closures, and transfers out) may not equal the change in ending inventory.



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Figure 6: Entities in TDI Year-End Inventory¹⁷ for FYs 2010 Through 2013



Source: FYs 2010 through 2013 Collection Activity Reports (NO-5000).

Between FYs 2010 and 2013, the number of entities with one or more TDIs in ACS inventory increased 37 percent, from 1.25 million to 1.71 million. Notably, the ending inventory excludes the 2.04 million entities that were transferred out of the ACS¹⁸ during that time frame without being resolved.

¹⁷ TDI activity pertains to both the SB/SE and W&I Divisions' ACS call sites.

¹⁸ The majority of TDIs transferred out of the ACS are transferred to the Queue.

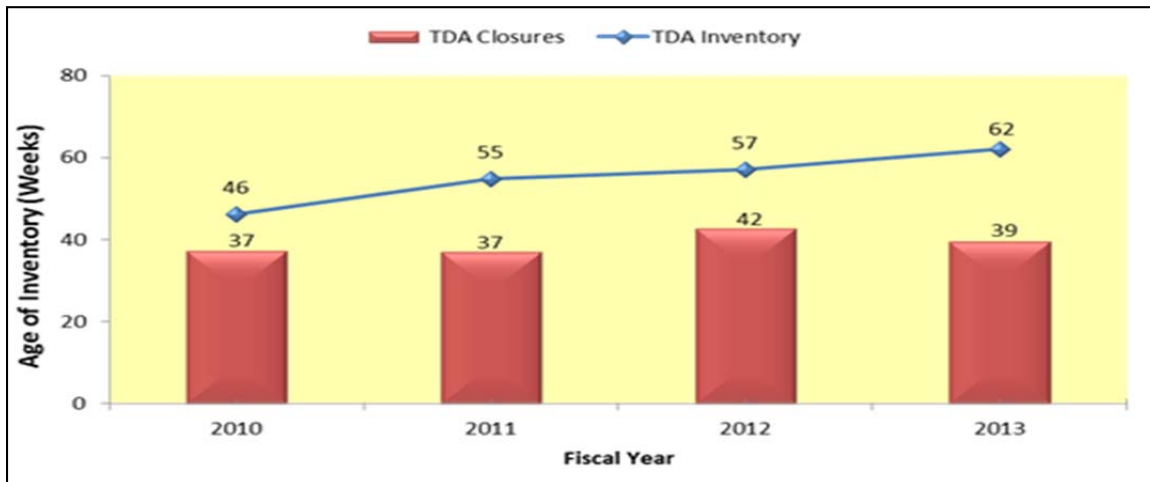


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Inventory is aging and taking longer to close

Figure 7 shows that the ACS open inventory is aging and taking longer to close.

Figure 7: Age of TDA Inventory and Closures¹⁹ for FYs 2010 Through 2013



Source: FYs 2010 through 2013 Collection Activity Reports (NO-5000).

Between FYs 2010 and 2013, the average age of TDAs in ACS inventory prior to being transferred out increased by 35 percent, from 46 weeks to 62 weeks. During the same period, the average time to close a delinquent account being actively worked in the ACS increased from 37 weeks to 39 weeks (5 percent). Also during the same period, TDAs 16 months²⁰ or older in open inventory increased by 98 percent from 1.3 million in FY 2010 to 2.57 million in FY 2013.

Revenue declined while cases closed as uncollectible increased

If an IRS employee determines that a taxpayer has no ability to make payments on a delinquent account, the case may be closed as CNC. Classifying a delinquent account as CNC suspends the IRS's current collection efforts. Figure 8 shows the total TDA and CNC closures since FY 2010.

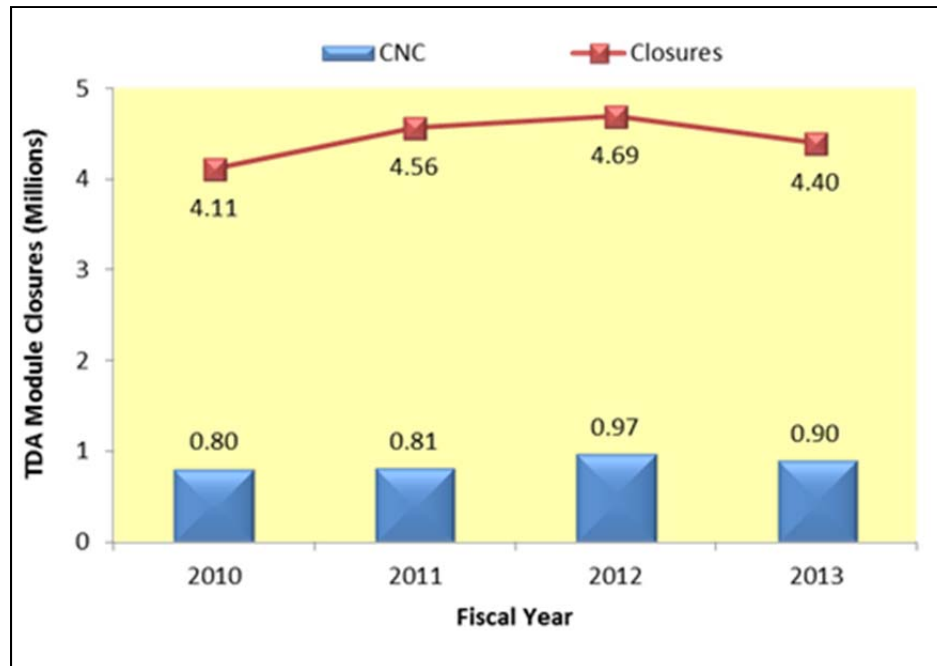
¹⁹ Age of TDA inventory and closures pertains to both the SB/SE and W&I Divisions' ACS call sites.

²⁰ Sixteen months is the criterion for which the IRS uses to track the age of cases in ACS inventory.



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Figure 8: ACS TDA and CNC Module Closures²¹ for FYs 2010 Through 2013



Source: FYs 2010 through 2013 Collection Activity Reports (NO-5000).

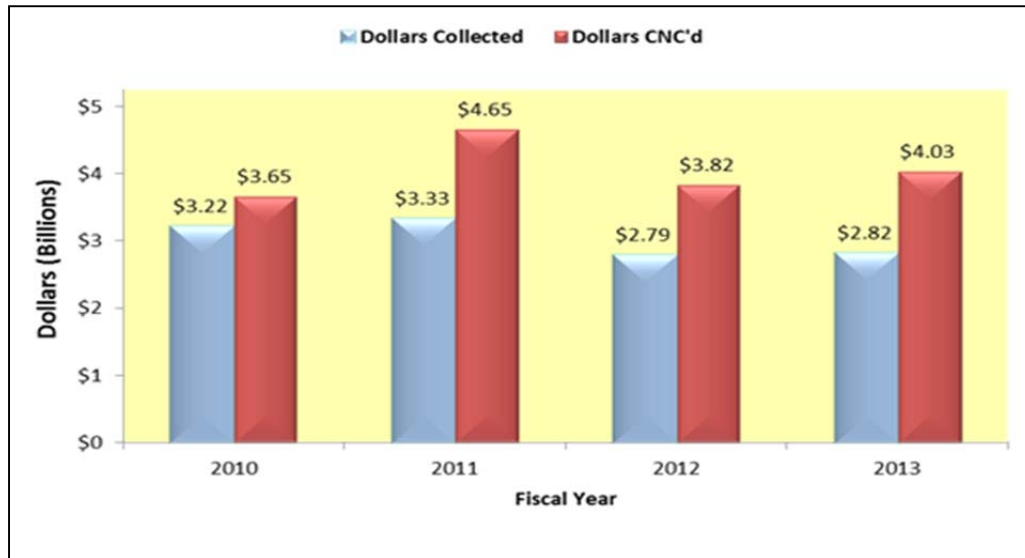
Since FY 2010, the number of TDAs closed as CNC has increased 13 percent. As a percentage of all ACS closures, CNCs were approximately 20 percent in FY 2013. Over the past four fiscal years, the number of CNC closures as a percentage of all ACS closures remained relatively consistent, ranging from about 18 to 21 percent. Figure 9 compares dollars collected with dollars closed as CNC and also shows that the dollars associated with these CNC closures have increased.

²¹ ACS TDA and CNC Module Closures pertain to both the SB/SE and W&I Divisions' ACS call sites.



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Figure 9: Dollars Collected and Closed as CNC for FYs 2010 Through 2013



Source: FYs 2010 through 2013 Collection Activity Reports (NO-5000).

Since FY 2010, the total amount collected by the ACS has decreased 12 percent, while the dollar value of the TDAs closed as CNC increased by 10 percent. Figure 9 also shows that during FY 2013, the dollar amount of TDAs closed as CNC was more than \$4 billion, or 143 percent of the \$2.8 billion dollars collected.

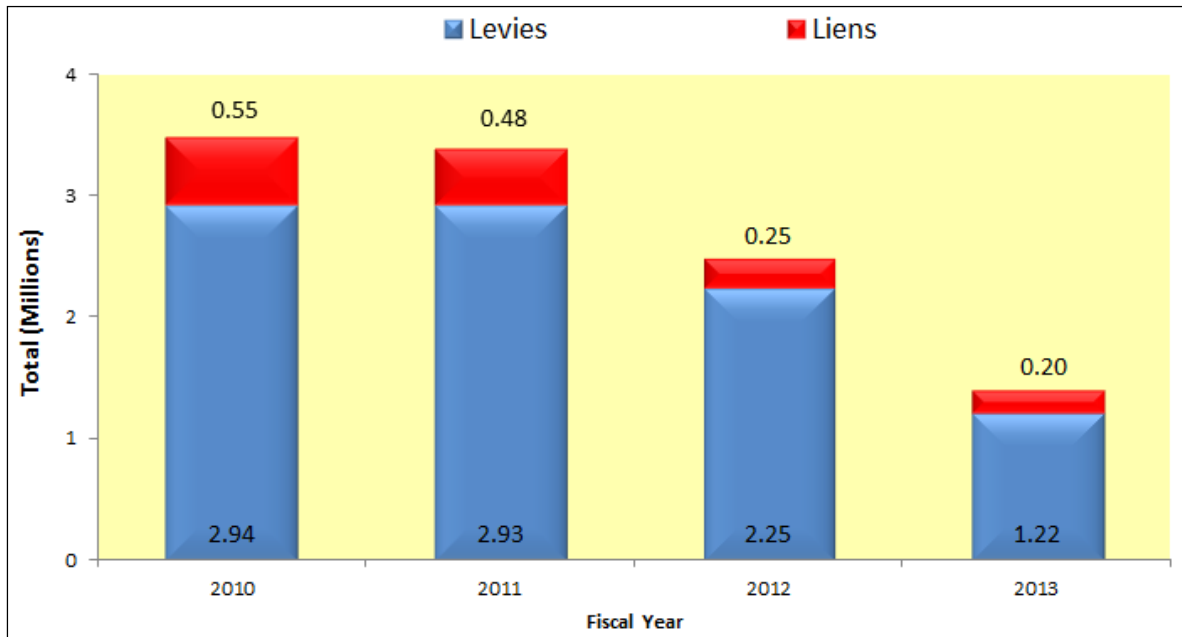
Fewer enforcement actions were taken

To collect delinquent taxes, ACS contact representatives file liens against taxpayers' assets (such as property) and issue levies against taxpayers' wages and bank accounts. Figure 10 shows the decline in the use of enforcement actions (liens and levies) taken by the ACS from FYs 2010 through 2013.



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Figure 10: Number of ACS Liens and Levies for FYs 2010 Through 2013



Source: FYs 2010 through 2013 Collection Activity Reports (NO-5000).

In FY 2011, an IRS study²² concluded that ACS case actions account for approximately 50 percent of taxpayer calls to the ACS. ACS management advised us that they take certain steps to control and manage the volume of incoming calls in an effort to assist the ACS in achieving its Level of Service goal. In addition, the Joint Operations Center advised us that under the direction of IRS Headquarters, the ACS decreased the number of enforcement actions taken to proactively reduce the volume of incoming calls.

According to an ACS management report, the enforcement action resulting in the most incoming calls to the ACS is the levy. The ACS uses levies as a method to collect outstanding taxes from sources such as bank accounts and wages. Most ACS levy source research is performed systemically by a computer system rather than by an ACS contact representative. ACS management sometimes scales back issuing levies at a controlled rate in an effort to limit incoming calls to a manageable level. By not issuing these levies immediately, there is a higher risk of decreased collection potential. As TIGTA previously reported,²³ timing is critical to revenue collection when taking levy action. Certain risks, such as a change in a taxpayer's financial position, can reduce the amount of revenue ultimately collected when the ACS does not

²² IRS, Automated Collection System, *Final Report for Automated Collection System Workload Balance Model for Inventory and Telephones Project* (Feb. 24, 2011).

²³ TIGTA, Ref. No. 2012-30-007, *Revenue Officers Took Appropriate Levy Actions but Face Challenges and Delays Bringing Taxpayers Into Compliance* (Nov. 2011).

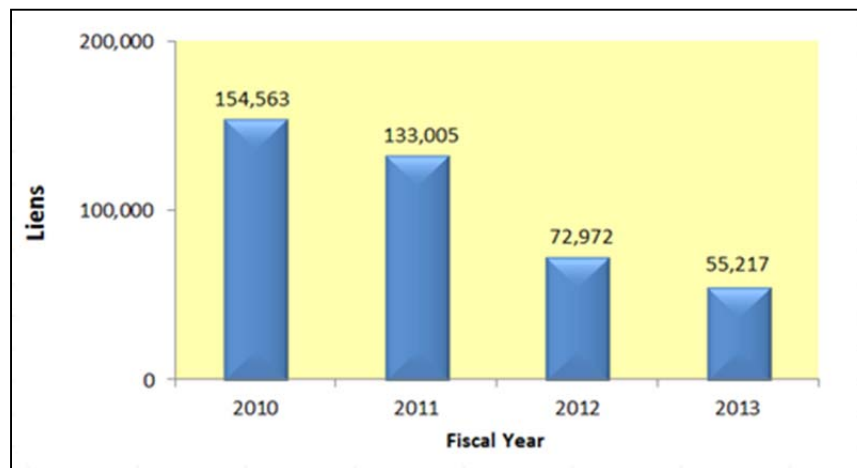


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take immediate levy action. Moreover, levy actions do not always result in taxpayers calling the ACS. Timely levy action may result in taxpayers or third parties submitting tax payments. However, ACS management does not track whether levy actions actually result in increased call volumes from taxpayers and/or additional taxpayer payments.

In addition, in April 2011, the IRS changed its procedures for processing ACS systemic lien determinations. A lien determination is the decisionmaking process on whether or not to file a Notice of Federal Tax Lien (NFTL) to protect the Government's interest. ACS management changed the criterion for which a lien determination is required from cases with liabilities of *****2***** to cases with liabilities of ***2****. Meanwhile, the determination criterion for cases assigned to the CFf stayed the same - cases for which the liability is ***2****. As a result, a lien determination will not be completed on TDAs systemically sent from the ACS to the Queue with a tax liability between *****2*****; therefore, no NFTL will be filed. Figure 11 shows the impact of this policy change.

Figure 11: NFTLs Filed on TDAs of ***2***** for FYs 2010 Through 2013**



Source: FYs 2010 through 2013 Collection Activity Reports (NO-5000).

The number of NFTLs filed on taxpayers with tax liabilities between *****2***** has decreased by 64 percent since FY 2010, the fiscal year before the procedural change occurred. Since the procedural change, balance due accounts for 118,116 taxpayers²⁴ with tax liabilities between *****2***** were transferred to the Queue without a NFTL to protect the Government's interest on more than \$2.8 billion in tax liabilities. Many of these cases will

²⁴ Using Taxpayer Information File data, we determined that between April 2011 and December 2013, 118,116 taxpayers with tax liabilities of *****2***** were transferred to the Queue with no lien filed. The total tax liabilities for these 118,116 taxpayers totaled \$2.8 billion.



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remain in the Queue and never be worked. IRS management did not study the impact this policy change would have on tax administration before implementing it.

More cases were transferred to the Queue

Higher priority balance due accounts that are not successfully resolved by the ACS may be assigned to the CFf for possible face-to-face contact with the taxpayer. However, because the CFf does not have the resources to resolve all of the cases in the Queue, cases transferred to the Queue by the ACS may never be worked.

These unresolved cases may first be routed to the Queue for a significant period of time until a revenue officer can work them. Lower priority cases that are not successfully resolved by the ACS and need additional enforcement action are also assigned to the Queue, where they will remain in an inactive status until a change in the case status causes them to be reassigned to the ACS or assigned to a revenue officer. For example, a new balance due module issued on a current tax year can cause the prior period tax delinquency case to be reassigned to an active status. As of the end of FY 2013, the Queue inventory included three million TDA tax modules involving 848,241 entities with balance due amounts totaling \$49.9 billion.

Because fewer resources are working inventory, more cases are subsequently routed to the Queue. Specifically, the ACS sent 12 percent more cases to the Queue during FY 2013 than during FY 2012. As the Queue inventory grows, the number of cases that are removed from inventory and written off as uncollectible is also likely to increase. Cases can remain in the Queue until the 10-year statute of limitations has expired. However, these cases become less collectible as they get older.

Collection inventory practices remained unchanged despite fewer ACS resources

The Collection process is designed to route inventory in the notice phase that meets certain criteria to the ACS (telephone phase) to be actively worked. The ACS was originally intended to serve as an aggressive outbound-call program targeted at making early contact with taxpayers with accounts needing resolution. Over the years, the ACS has evolved into primarily answering incoming telephone calls from taxpayers. Today, nearly all telephone contact with the taxpayer depends on whether the taxpayer calls in response to ACS notices or letters on enforcement actions proposed or taken by the ACS. However, the ACS is taking fewer enforcement actions in order to manage the number of incoming taxpayer calls.



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The time that a case spends in the ACS can have an adverse effect on the CFf. Figure 12 illustrates the time a delinquent account can remain in active collection status²⁵ as it is routed through each phase of the Collection process.

Figure 12: Potential Time in the Collection Process



Source: TIGTA analysis of the FY 2013 Collection Activity Report (NO-5000).

On average, a case is in the notice stream for nearly five months prior to entering ACS inventory. Cases that are not resolved by the ACS can remain in ACS inventory for more than two years before being systemically routed to either the CFf or the Queue. TDAs that are routed to the Queue will have aged on average more than three years before being assigned to a revenue officer. If and when these cases are eventually assigned to the CFf, they have aged and their collection potential has significantly decreased.

Successful organizations recognize that their activities, core processes, and resources must be aligned to support their mission. The ACS is responsible for handling incoming calls and working inventory, so this alignment should include choosing an appropriate Level of Service goal and having the right number of employees to handle the workload (both inventory and incoming taxpayer calls). The combined impact of fewer resources and the business need to answer taxpayer telephone calls has contributed to unfavorable trends in ACS business results. The IRS has not adjusted its inventory processes in response to these realities. As a result, inventory continues to be routed to the ACS even when inventory cannot be worked. When inventory is not worked or not worked timely, case dispositions may be adversely affected. This may also have a substantial impact on the amount of Federal taxes that remain uncollected. IRS

²⁵ Active collection status means that the IRS makes the debt available to be pursued in a phase of the collection process. This status does not mean that the IRS is actively and continuously contacting the taxpayer or using its enforcement tools until all the outstanding tax debt is resolved.



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management should take steps to ensure that inventory routing and ACS resource capabilities are aligned with overall IRS tax administration priorities and their vision for the role of the ACS in the Collection enforcement strategy.

Recommendations

Recommendation 1: The Director, Campus Compliance Services, SB/SE Division, and the Director, Compliance, W&I Division, should re-examine the ACS's role in the Collection workflow process, including inventory delivery to the ACS as well as case retention criteria, and align ACS resources accordingly.

Management's Response: IRS management agreed with this recommendation. Specifically, as the IRS works on the structure and concept of operations for its new Collection organization, it will review the ACS's role in the Collection workflow process and align ACS resources accordingly.

Recommendation 2: The Director, Enterprise Collection Strategy, SB/SE Division, should request a study to determine the impact on tax administration of the policy change not requiring lien determinations on unpaid balances of *****2***** when transferring cases to the Queue.

Management's Response: IRS management agreed with this recommendation. The IRS will review the systemic change made during implementation of the Fresh Start Initiative to not require lien determinations on unpaid balances of *****2***** when transferring cases to the Queue and determine whether a change to the threshold amount in the system or a change to the Internal Revenue Manual is appropriate.

Office of Audit Comment: In its response, the IRS stated that the lien determination threshold change on unpaid balances of *****2***** was made during the implementation of the Fresh Start Initiative. While this change was made during the same time frame in which the Fresh Start Initiative was implemented, it is important to note that this change was not considered part of the Fresh Start Initiative.

Performance Measures Do Not Track the Impact of Automated Collection System Call Handling on Business Results

Sound management practices provide that sufficient management information needs to be obtained to evaluate the effectiveness of a program and allocate resources effectively. Despite the priority ACS management places on answering taxpayer calls, the IRS has not established performance metrics to measure the effect answering incoming calls has had on compliance business results, *e.g.*, case closures, dollars collected. Although the ACS is a compliance function responsible for collecting delinquent taxes and securing delinquent tax returns, the management information captured on its call handling pertains to the number of incoming calls



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and the contacts made. These are the same metrics the IRS uses to measure the performance of its toll-free telephone line, whose primary objective is to provide customer service.

The ACS's primary measure of telephone effectiveness is the Level of Service, which is a measure of the callers' abilities to connect with ACS contact representatives. However, the Level of Service does not link call handling success to appropriate compliance measures or results. When a taxpayer calls into the ACS in response to a lien, levy, or an outbound call, the incoming call is not identified as such. Including performance measures for the results of enforcement actions related to incoming calls in the ACS's management information reports would provide beneficial tracking information such as:

- Dollars collected resulting from answering incoming taxpayer calls.
- Number of case closures as a result of answering incoming taxpayer calls.
- Number of taxpayer calls generated from taking enforcement actions (liens and levies).

The number of incoming calls resulting from enforcement actions is not being captured, making it difficult for ACS management to analyze the complete results of their call handling operations. Without sufficient management information, ACS management's ability to manage and evaluate the priority placed on call handling is weakened. Capturing these data could allow ACS management to assess the impact of prioritizing call handling versus working inventory and limiting enforcement actions in order to reduce the volume of incoming calls to the ACS.

Recommendation

Recommendation 3: The Director, Campus Compliance Services, SB/SE Division, and the Director, Compliance, W&I Division, should establish performance metrics for ACS call handling data to measure the impact that answering incoming taxpayer calls has on compliance business results.

Management's Response: IRS management agreed with this recommendation. Specifically, as part of their work on the concept of operations for their new Collection organization, they will determine whether the benefits associated with capturing performance metrics for ACS call handling exceed the costs of establishing a system for tracking incoming ACS call handling data.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the ACS inventory management process can be improved to balance the workload and maximize the assignment of productive cases. To accomplish our objective, we:

- I. Determined how the ACS balances inventory workload and identifies cases for assignment.
 - A. Reviewed the IRS's strategies, plans, policies, and Internal Revenue Manual¹ guidelines pertaining to ACS inventory priorities.
 - B. Conducted telephone interviews of ACS call site management and employees regarding ACS inventory priorities and the development of business rules for assigning cases.
 - C. Conducted a walkthrough of the ACS call site in Philadelphia, Pennsylvania, to review work flow and case processing.
 - D. Requested and reviewed statistical reports and/or pre-implementation studies and reviews performed by Collection function management to evaluate ACS inventory management.
 - E. Assessed the methods Collection function management uses to measure the impact of prioritizing cases for assignment on inventory levels and business results, *e.g.*, dollars collected, returns secured, case dispositions.
 - F. Determined whether ACS inventory priorities have reduced ACS inventory levels using the trends data developed in Step IV.
- II. Determined whether the ACS is maximizing the assignment of productive cases.
 - A. Determined the mix of ACS cases and analyzed the time spent by ACS employees working specific types of inventory, *e.g.*, answering incoming calls, performing research, making outgoing calls.
 - B. Determined whether case processing time frames, case closures, and dollars collected in the ACS have increased as a result of any recent enhancements and/or tools used by ACS employees to work cases.

¹ See Appendix V for a glossary of terms.



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- III. Assessed the adequacy of methods management uses to monitor and evaluate ACS results.
 - A. Determined whether ACS management has developed performance measures to evaluate the effectiveness of inventory management, case processing time frames, and closures.
 - B. Obtained and evaluated internal documents that reflect IRS management's assessments of the ACS.
 - 1. Assessed the adequacy of methods used by IRS management to measure the effectiveness of the ACS.
 - 2. Determined whether the IRS identifies the necessary data to routinely assess the performance of the ACS.
- IV. Conducted a trend analysis of ACS data from FYs 2010 through 2013 to identify the following:
 - A. The number of new TDIs and TDAs (and the amounts of each of their delinquent tax liabilities assigned to the ACS).
 - B. The number of closed TDAs (and the amounts of each of their delinquent tax liabilities).
 - C. Dollars collected as a percentage of dollars owed.
 - D. The types of case dispositions (CNC, Full Pay, Installment Agreement).
 - E. The number of liens filed and levy actions taken.
 - F. The growth in unresolved, unassigned TDAs routed to the ACS.
 - G. The growth of ACS cases transferred to the Queue.
 - H. The types of cases that the ACS is most successful with and the types of cases that the ACS is least successful with.
- V. Determined the potential impact of raising the lien determination threshold for the ACS from *****2*****.
 - A. Obtained Taxpayer Information File data as of November 26, 2013, from TIGTA's Data Center Warehouse of taxpayer modules in Queue status with a balance due of *****2***** and did not have a lien filed.
 - B. Validated the data by reconciling Taxpayer Identification Number, tax period, balance due, and lien notice status with IRS Master File data and found the data to be reliable.



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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 that the following internal controls were relevant to our audit objective: the Inventory Delivery System that uses Consolidated Decision Analytics, risk-based collection criteria, and established business rules to route cases to the ACS. We evaluated these controls by analyzing trends of ACS inventory and case closures. We also interviewed Collection function management regarding ACS workload management.



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Appendix II

Major Contributors to This Report

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Charles Nall, Senior Auditor
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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Commissioner, Wage and Investment Division SE:W
Deputy Commissioner, Small Business/Self-Employed Division SE:S
Deputy Commissioner, Wage and Investment Division SE:W
Director, Campus Compliance Services, Small Business/Self-Employed Division SE:S:CCS
Director, Collection Policy, Small Business/Self-Employed Division SE:S:CS:CP
Director, Compliance, Wage and Investment Division SE:W:CP
Director, Enterprise Collection Strategy, Small Business/Self-Employed Division SE:S:CS
Director, Field Collection, Small Business/Self-Employed Division SE:S:FC
Director, Filing and Payment Compliance, Wage and Investment Division SE:W:CP:FPC
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 Liaisons:
 Commissioner, Small Business/Self-Employed Division SE:S
 Commissioner, Wage and Investment Division SE:W



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Appendix IV

Outcome Measure

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

Type and Value of Outcome Measure:

- Revenue Protection – Potential; \$2.8 billion¹ in unpaid balances owed by 118,116 taxpayers with delinquent tax liabilities between *****2***** for which NFTLs² were not filed (see page 4).

Methodology Used to Measure the Reported Benefit:

As of December 2013, there were 118,116 taxpayers with delinquent tax liabilities between *****2***** that had been routed from the ACS to the Queue since April 2011. As a result of a procedural change in April 2011, NFTLs were not filed to protect the Government's interest on more than \$2.8 billion in tax liabilities owed by the 118,116 taxpayers.

¹ The outcome value is contingent upon the results of the IRS's study and the reversal of its current policy related to lien determinations between *****2*****.

² See Appendix V for a glossary of terms.



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Appendix V

Glossary of Terms

Term	Definition
Accounts Management	The organization within the W&I Division responsible for taxpayer relations by answering tax law/account inquiries and adjusting tax accounts.
ACS Call Site	Provides telephone assistance for individual and business taxpayers on collection issues and works collection inventory.
ACS Support Site	Supports the call sites by resolving written correspondence from taxpayers, taxpayer representatives, and/or third-party contacts.
Campus	The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.
Collection Activity Reports	A group of Integrated Data Retrieval System reports providing management information to CFF officials. The reports reflect activity associated with TDAs, TDIs, Collection case inventories, as well as Collection-related payments. The reports utilize the Taxpayer Information File as their source of information. The reports are the data source for measures (inventory, receipts, and dispositions) reported on high-level organizational reports published in the annual IRS Data Book.
Collection Field function	The unit in the Area Offices consisting of revenue officers who handle personal contacts with taxpayers to collect delinquent accounts or secure unfiled returns.



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Term	Definition
Consolidated Decision Analytics	A set of 46 models integrated into Collection's Inventory Delivery System to improve the prioritization and routing of cases.
Contact Representative	Conducts personal or telephone interviews with a wide range of individuals, who have varying degrees of understanding, or with third-party representatives, <i>e.g.</i> , Certified Public Accountants, practitioners, attorneys, who possess a professional understanding. Provides full explanations to specific inquiries initiated by the individual, generated by notices, or generated by internal assignments.
Currently Not Collectible	The IRS designates an account as CNC when the taxpayer still has an outstanding balance due but the account is closed and no longer actively worked. Accounts are still subject to refund offsets and may be reactivated under certain conditions.
Data Center Warehouse	An architecture used to maintain critical historical data that have been extracted from operational data storage and transformed into formats accessible to an organization's analytical community.
Enforcement Actions	The IRS's authority to file liens to protect the Federal Government's interest when taxpayers have unpaid tax liabilities and to levy taxpayers' income or assets in an effort to collect unpaid tax liabilities.
Fiscal Year	A 12-consecutive-month period ending on the last day of any month. The Federal Government's fiscal year begins on October 1 and ends on September 30.
Full-Time Equivalent	A measure of labor hours in which one Full-Time Equivalent is equal to eight hours multiplied by the number of compensable days in a particular fiscal year.
Installment Agreement	An arrangement with the IRS in which the taxpayer agrees to pay his or her tax liability over time.



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Term	Definition
Inventory Delivery System	An IRS Enterprise system that houses business rules used to analyze, assign, and deliver inventory to various Collection functions.
Internal Revenue Manual	A manual containing the procedures and controls for IRS employees to follow.
Joint Operations Center	Provides service, support, and technology for IRS business units and functional organizations to achieve their desired service levels for all telephone, correspondence, and electronic media inquiries within agreed resource and staffing parameters.
Level of Service	The percentage of calls answered compared to the number of calls attempted.
Levy	A method the IRS uses to collect balance due accounts that are not voluntarily paid. To levy means to take property by legal authority to satisfy a tax debt. The IRS can attach property held by third parties or the taxpayer. Generally, a Notice of Levy is used to attach funds a third party owes the taxpayer (such as wages or funds on deposit at a bank). Levies can be made on real or personal property.
Lien	An encumbrance on property or rights to property as security for a debt or obligation. The Federal Tax Lien provides the statutory basis for all the enforcement actions the IRS takes to secure payment for outstanding taxes. A Notice of Federal Tax Lien notifies creditors that the Federal Government has a claim against a taxpayer's property and rights to that property.
Master File	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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Term	Definition
Notice of Federal Tax Lien	A public notification filed with designated State and local jurisdictions. The purpose of filing the NFTL publicly is to both: <ul style="list-style-type: none"> a. Inform certain third parties, typically a purchaser, holder of a security interest, mechanic's lien, or judgment lien creditor, of the existence of the statutory lien securing the tax debt; and b. Establish the Federal Government's right of priority against these same creditors.
Predictive Dialer	A computerized system of outbound calling technology in which calls are placed to taxpayers without an employee on the originating telephone line.
Queue	An automated holding file for unassigned inventory of delinquent cases for which the Collection function does not have enough resources to immediately assign for contact.
Revenue Officer	Employees in the CFF who attempt to contact taxpayers and resolve collection matters that have not been resolved through notices sent by the IRS campuses or the ACS.
Tax Period	Refers to each tax return filed by the taxpayer for a specific period (year or quarter) during a calendar year for each type of tax.
Taxpayer Delinquency Investigation	Unfiled tax return(s) for a taxpayer.
Taxpayer Delinquent Account	A balance due account of a taxpayer.
Taxpayer Information File	Provides tax account information for taxpayers selected for the Integrated Data Retrieval System.
Toll-Free Telephone Line	A suite of telephone lines the IRS refers to as "Customer Account Services Toll-Free."



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Appendix VI

Management's Response to the Draft Report




COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

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

SEP 02 2014

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Karen Schiller 
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Audit Report – Declining Resources Have Contributed to
Unfavorable Trends in Several Key Automated Collection
System Business Results (Audit # 201330017)

Thank you for the opportunity to review your draft report titled "Declining Resources Have Contributed to Unfavorable Trends in Several Key Automated Collection System Business Results". We appreciate your acknowledgement of the critical role the Automated Collection System (ACS) plays in the IRS's Collection program and the impact that declining resources have had on collecting delinquent taxes. We generally agree with your recommendations and the outcome measures in the report.

ACS is a computerized system that maintains balance-due accounts and return delinquency investigations on taxpayers who have not complied with previous notices. ACS employee responsibilities include contacting taxpayers in taxpayer delinquent account (TDA) and taxpayer delinquent investigation (TDI) status to collect unpaid taxes and secure tax returns. ACS employees may take enforcement actions, including levying financial assets or filing liens against property, on taxpayers in TDA or TDI status. From fiscal year 2010 through fiscal year 2013, ACS closed between 4.1 million and 4.69 million TDA accounts each year and collected between \$2.79 billion and \$3.33 billion each year. Full-time equivalent employees (FTEs) engaged in ACS work collected an average of \$2 million dollars per FTE for fiscal year 2013. Indeed, as you acknowledge, ACS plays an essential role in protecting the revenue of the United States.

As noted in the report, declining staffing and other ACS priorities have impacted the resources that ACS could devote to the collection of unpaid taxes. In February 2013, we temporarily redirected some ACS resources away from collection activities and towards assisting victims of identity theft in resolving their cases. While our ACS resources are incredibly productive in collecting unpaid taxes, providing assistance to victims of identity theft is also very important and warranted a temporary reallocation of our



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valuable ACS resources. We have now redeployed our ACS resources back to collection activities.

We recognize the critical role ACS plays in our Collection program and, while it is our intent that ACS's role not be diminished going forward, the current budget environment requires us to continually evaluate our programs and priorities in light of declining resources. To that end, the Wage & Investment and Small Business/Self-Employed Divisions are currently realigning our compliance programs. As part of this effort, we are creating a single Collection organization within the Small Business/Self-Employed Division. The executive lead of this new Collection organization will have end-to-end accountability for the Collection program and will be responsible for reducing redundancies in our Collection processes and improving taxpayer services while identifying emerging Collection issues. While we are continuing to develop the structure and the concept of operations for this new Collection organization, ACS will be a key component. And, as part of our work on the concept of operations for the new Collection organization, we will be reviewing our ACS program to determine whether the Collection responsibilities and authorities currently assigned to our ACS employees need to be enhanced. We are proud of ACS's contributions to our Collection program and it is our intent that ACS's role be enhanced going forward.

Attached is a detailed response with our corrective actions to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Darren John Guillot, Director, Enterprise Collection Strategy, Small Business/Self-Employed Division, at (202) 317-3583.

Attachment



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Attachment

RECOMMENDATION 1:

The Director, Campus Compliance Services, SB/SE Division, and the Director, Compliance, W&I Division, should re-examine the ACS's role in the Collection workflow process, including inventory delivery to the ACS as well as case retention criteria, and align ACS resources accordingly.

CORRECTIVE ACTION:

As we work on the structure and concept of operations for our new Collection organization, we will review ACS's role in the Collection workflow process and align ACS resources accordingly.

IMPLEMENTATION DATE:

September 15, 2015

RESPONSIBLE OFFICIAL:

Director, Enterprise Collection Strategy, SB/SE Division
Director, Campus Compliance Services, SB/SE Division

CORRECTIVE ACTION MONITORING PLAN:

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

RECOMMENDATION 2:

The Director, Enterprise Collection Strategy, SB/SE Division, should request a study to determine the impact on tax administration of the policy change not requiring lien determinations on unpaid balances of \$***** to \$***** when transferring cases to the Queue.

CORRECTIVE ACTION:

We will review the systemic change made during implementation of the Fresh Start Initiative to not require lien determinations on unpaid balances of \$***** to \$***** when transferring cases to the Queue and determine whether a change to the threshold amount in the system or a change the Internal Revenue Manual is appropriate.

IMPLEMENTATION DATE:

September 15, 2015

RESPONSIBLE OFFICIAL:

Director, Collection Policy, SB/SE Division



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CORRECTIVE ACTION MONITORING PLAN:

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

RECOMMENDATION 3:

The Director, Campus Compliance Services, SB/SE Division, and the Director, Compliance, W&I Division, should establish performance metrics for ACS call handling data to measure the impact that answering incoming taxpayer calls has on compliance business results.

CORRECTIVE ACTION:

As part of our work on the concept of operations for our new Collection organization, we will determine whether the benefits associated with capturing performance metrics for ACS call handling exceed the costs of establishing a system for tracking incoming ACS call handling data.

IMPLEMENTATION DATE:

November 15, 2015

RESPONSIBLE OFFICIALS:

Director, Campus Compliance Services, SB/SE Division
Director, Compliance, W&I Division

CORRECTIVE ACTION MONITORING PLAN:

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