



*Fiscal Year 2015 Statutory Review  
of Compliance With Legal Guidelines  
When Issuing Levies*

**June 18, 2015**

**Reference Number: 2015-30-058**

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.

**Redaction Legend:**

1 = Tax Return/Return Information

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## HIGHLIGHTS

### FISCAL YEAR 2015 STATUTORY REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN ISSUING LEVIES

## Highlights

**Final Report issued on June 18, 2015**

Highlights of Reference Number: 2015-30-058 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 law requires the IRS to notify taxpayers at least 30 calendar days prior to the issuance of a levy and allows taxpayers the opportunity to request a Collection Due Process hearing prior to the first levy on a delinquent account.

#### 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. The overall objective of this review was to determine whether the IRS has complied with the legal requirement to timely notify taxpayers prior to issuing levies per Internal Revenue Code Section 6330, *Notice and Opportunity for Hearing Before Levy*.

#### WHAT TIGTA FOUND

The IRS is generally protecting taxpayers' rights when issuing systemic and manual levies in cases for which additional assessments were not included in the levy. TIGTA reviewed statistical samples of systemic and manual levies issued by the Automated Collection System and the Integrated Collection System and determined that controls ensured that most taxpayers were given notice of their Collection Due Process rights at least 30 calendar days prior to the issuance of the levies.

An additional review of statistical samples of taxpayers' cases that were worked in the Automated Collection System and that had additional tax assessed included in the systemic (30 taxpayers) and manual (30 taxpayers) levies determined that there were 12 (40 percent) taxpayers with systemic and six (20 percent) taxpayers with manual levies who did not receive a new notice of intent to levy after an additional assessment was made on a tax period listed on the levy. IRS management advised us that they had made computer programming changes to correct this problem for Fiscal Year 2014 levies. However, TIGTA's review helped identify other systemic problems management was not aware of. Management is currently working with IRS programmers to isolate the problems and resolve them.

In addition, a review of a statistical sample of the delinquent accounts of 30 taxpayers whose cases were worked in Field Collection and who had additional assessments included in the systemic levies determined that there were 24 (80 percent) taxpayers who did not receive a new notice of intent to levy after an additional assessment was made on a tax period listed on the levy. Management implemented a computer programming change to correct this problem after TIGTA selected the sample. TIGTA will test the effectiveness of this corrective action in next year's review.

#### WHAT TIGTA RECOMMENDED

Because IRS management has identified the problems and is taking corrective actions, TIGTA did not make any recommendations. IRS officials were provided with an opportunity to review the draft report but did not provide any report comments.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

June 18, 2015

**MEMORANDUM FOR** COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED  
DIVISION

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

**SUBJECT:** Final Audit Report – Fiscal Year 2015 Statutory Review of Compliance  
With Legal Guidelines When Issuing Levies (Audit # 201530003)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) has complied with the legal requirement to timely notify taxpayers prior to issuing levies per Internal Revenue Code Section 6330, *Notice and Opportunity for Hearing Before Levy*.<sup>1</sup> This review is included in our Fiscal Year 2015 Annual Audit Plan and addresses the major management challenge of Taxpayer Protection and Rights.

Although we made no recommendations in this report, we provided IRS officials an opportunity to review the draft report. IRS management did not provide us with any report comments. Copies of this report are also being sent to the IRS managers affected by the report.

If you have any questions, please contact me or Matthew Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

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<sup>1</sup> Internal Revenue Code (I.R.C.) Section (§) 6330 (providing right to Collection Due Process Hearing prior to levy) and I.R.C. § 7803(d)(1)(A)(iv) (requiring an evaluation of the IRS's compliance with I.R.C. § 6330).



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*Abbreviations*

ACS	Automated Collection System
CDP	Collection Due Process
DCW	Data Center Warehouse
ICS	Integrated Collection System
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
RO	Revenue Officer
TIGTA	Treasury Inspector General for Tax Administration



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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.<sup>1</sup> This action is commonly referred to as a "levy" (see Appendix V for an example of a Form 668-A, *Notice of Levy*). The Internal Revenue Code<sup>2</sup> (I.R.C.) generally requires the IRS to provide taxpayers notice of its intention to levy at least 30 calendar days before initiating the levy action.<sup>3</sup> The IRS Restructuring and Reform Act of 1998<sup>4</sup> expanded upon this notice requirement, creating I.R.C. Section (§) 6330 that requires the IRS, in addition to giving the taxpayer 30 calendar days' notice of the IRS's intent to levy, to also notify taxpayers of their right to request a Collection Due Process (CDP) hearing at which taxpayers can raise various issues with respect to the proposed levy (CDP rights).<sup>5</sup> These provisions also require that all collection action be suspended during the 30 calendar days prior to the levy as well as throughout the entire period that the hearing (including any appeals from the hearing) is pending.<sup>6</sup> CDP rights include the right to a fair and impartial hearing before the Office of Appeals. The notice required by I.R.C. § 6330 must include the amount of unpaid tax, the right to request a CDP hearing, and the proposed action the IRS intends to take, along with other important information on topics such as collection alternatives.

***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 taxpayers of the intention 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 assessment occurs on a tax period after the original notice of intent to levy has been sent to the taxpayer and the additional assessment amount will be included in the levy.<sup>7</sup>

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<sup>1</sup> I.R.C. § 6331(a) and (b).

<sup>2</sup> See Appendix VII for a glossary of terms.

<sup>3</sup> I.R.C. § 6331(d).

<sup>4</sup> 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.).

<sup>5</sup> I.R.C. § 6330(c) provides that taxpayers can raise "any relevant issue relating to the unpaid tax or the proposed levy including (i) appropriate spousal defenses; (ii) challenges to the appropriateness of collection actions; and (iii) offers of collection alternatives which may include the posting of a bond, substitution of other assets, an installment agreement, or an offer-in-compromise."

<sup>6</sup> I.R.C. § 6330(e).

<sup>7</sup> Internal Revenue Manual 5.19.4.3.1(5) (January 1, 2015).



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The IRS Restructuring and Reform Act of 1998 also added I.R.C. § 7803(d)(1)(A)(iv),<sup>8</sup> which requires the Treasury Inspector General for Tax Administration (TIGTA) to annually verify whether the IRS is complying with the required procedures under I.R.C. § 6330. TIGTA conducts multiple reviews each year focusing on different aspects of the IRS's implementation of I.R.C. § 6330, and this review focuses on whether the IRS provides the taxpayer with a notice of CDP appeal rights at least 30 calendar days before taking levy action. This is the seventeenth year in which we have evaluated the controls over levies. While levies can be issued for monetary or physical assets,<sup>9</sup> 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 (ACS), through which collection representatives interact with delinquent taxpayers by telephone to collect unpaid taxes and secure tax returns.
- Field Collection, through which revenue officers (RO) contact delinquent taxpayers in person. Delinquent cases assigned to ROs in the field offices are controlled and monitored on the Integrated Collection System (ICS).

However, there is a higher risk of not complying with I.R.C. § 6330 and its related regulations and procedures when ROs issue manual levies because they request these levies outside of the systemic controls that exist on the ICS and not all manual levies receive managerial approval. Because the ICS is not generating the manual levies, the IRS cannot reliably track them. Therefore, it is impossible to determine the exact number of manual levies issued by ROs during our review period.

TIGTA audit reports<sup>10</sup> issued prior to Fiscal Year 2005 reported that additional controls were needed over manual levies issued by ROs; however, since our Fiscal Year 2005 report, we have reported that ROs properly notified taxpayers of their right to a hearing when issuing manual levies. Nevertheless, TIGTA still considers manual levies to be higher risk and will continue to thoroughly test them.

Previous TIGTA audit reports have recognized that the IRS has improved controls over the issuance of systemically generated levies, primarily due to the development of systemic controls in both the ACS and the ICS. In prior years, we determined that ACS and ICS systemic controls were effective. However, in our Fiscal Year 2013 report, we discovered that a required new notice of intent to levy was not sent to taxpayers when additional assessments were included on

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<sup>8</sup> I.R.C. § 7803 (d)(1)(A)(iv).

<sup>9</sup> Examples of physical assets are real property, automobiles, and business inventory, the taking of which is commonly known as seizure. Annual reporting of seizures is covered by TIGTA in a separate review.

<sup>10</sup> See Appendix VI for a list of five previous audit reports related to this review.



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ICS systemic levies. The IRS agreed with our report and scheduled a programming fix for ICS systemic levies, but the effective date was not until January 2015. Therefore, TIGTA tested controls for taxpayer notifications on additional assessments more thoroughly in the Fiscal Year 2014 review by identifying and testing samples of taxpayer cases in which additional assessments were included in levies issued by both the ACS and the ICS. Results showed the same problem was occurring in ACS manual and systemic levies. IRS management agreed with us and stated that they had completed an ACS programming fix to correct the problem. We continued testing of both ICS and ACS controls for additional assessments included in levies in this review.

This review was performed with information obtained from the Small Business/Self-Employed Division's Headquarters Collection function in New Carrollton, Maryland, during the period October 2014 through March 2015. 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*

### ***Levies Issued by the Automated Collection System Complied With Notification Requirements, Except in Cases With Additional Assessments***

Our review of systemically generated and manually issued levies in the ACS showed that taxpayers' rights were protected in cases for which additional assessments were not included in the levy. In these cases, controls are in place to ensure that the IRS gives taxpayers notice of their CDP rights 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 the delinquent taxes. If taxpayers do not comply, the majority of the accounts are forwarded to an ACS Call Center, where collection representatives speak with taxpayers by telephone to resolve their accounts. If the delinquent accounts cannot be resolved, these representatives have the authority to issue levies.<sup>11</sup>

Nearly all levies issued by collection representatives are generated through the ACS, which contains a control that compares the date that the taxpayer was 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 ACS will not generate a levy. This control is designed to ensure that taxpayers have been notified of their CDP rights at least 30 calendar days prior to the issuance of any systemically generated levies.

Although the ACS primarily issues levies systemically, collection representatives may also request the issuance of manual levies by the ACS or by actually typing the notice of levy.<sup>12</sup> Manual levies require the same advance notification to the taxpayer as systemic levies.

Tests of statistical samples of 15 taxpayers<sup>13</sup> with systemically generated levies and 15 taxpayers with manual levies issued through the ACS between October 1, 2013, and September 30, 2014, showed that all 30 taxpayers were timely notified of their CDP rights.<sup>14</sup> In addition, we did not identify any taxpayers in our ACS systemic or manual levy sample who requested CDP hearings for intent to levy prior to levy issuance.

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<sup>11</sup> Internal Revenue Manual 5.19.4.2 (August 4, 2014).

<sup>12</sup> An example of when a manual-typed levy may be requested is for levies on Individual Retirement Arrangements.

<sup>13</sup> A taxpayer could have more than one levy. Throughout this audit, we reviewed all levies issued during the audit period for each sampled taxpayer.

<sup>14</sup> TIGTA identified 710,124 taxpayers with systemic levies and 86,839 taxpayers with manual levies issued through the ACS from October 1, 2013, through September 30, 2014.





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in systemic levies, we estimate that 772 taxpayers had their rights potentially violated because they were not sent a new notice of intent to levy, as required.<sup>16</sup>

***Levies Issued by Field Collection Generally Complied With Notification Requirements, Except in Cases With Additional Assessments***

Our review of systemically generated and manually prepared levies by Field Collection showed that taxpayers' rights were generally protected in cases in which additional assessments were not included in the levies. The IRS gave taxpayers notice of their CDP rights at least 30 calendar days prior to the issuance of the levies in the majority of these taxpayer cases.

Sometimes notices do not successfully resolve delinquent accounts, and cases have to be assigned to ROs in Field Collection offices for face-to-face contact with the taxpayers. Cases assigned to ROs are controlled on the ICS. ROs use the ICS to record collection activity on the delinquent cases and to generate enforcement actions such as levies.

The IRS established an automated control in the ICS similar to the control in the ACS that prevents systemic levies from being issued unless taxpayers have been provided notice of their CDP rights at least 30 calendar days prior to the issuance of the levies. If fewer than 30 calendar days have elapsed since the notice of intent to levy date, the ICS will not generate a levy.

ROs most commonly issue systemic levies through the ICS. However, they are also authorized to issue manual levies on any case as needed. Managerial review or approval is generally not required when ROs issue manual levies.

Tests of a statistical sample of 30 taxpayers with manually prepared and 30 taxpayers with systemically generated levies through the ICS between October 1, 2013, and September 30, 2014, showed that \*\*\*\*1\*\*\*\*\* of 30 taxpayers with manually prepared and all 30 taxpayers with systemically generated levies were timely notified of their CDP rights.<sup>17</sup> \*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*1\*\*\*. We did not identify any taxpayers in our ICS systemic levy sample that requested CDP

<sup>16</sup> The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate is between 28 and 152 for manual levies, and we are 95 percent confident that the point estimate is between 433 and 1,112 for systemic levies. See Appendix I for more details on how the projections were calculated.

<sup>17</sup> TIGTA identified 90,896 taxpayers with systemic levies in the ICS from October 1, 2013, through September 30, 2014. Because the ICS does not control manual levies prepared by ROs, it is difficult to reliably determine their exact number. However, TIGTA oversampled and reviewed case history comments from October 1, 2013, through September 30, 2014, for any reference to a manual levy in random selection order until we identified 30 cases that met the manual levy criteria. See Appendix I for details.



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hearings for intent to levy prior to levy issuance. \*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*. Because the number of errors was small and did not appear to be systemic in nature, we are not making a recommendation for this issue.

Generally, only one notice of intent to levy is required per tax period. However, a new notice is required when an additional assessment occurs on a tax period after the original notice of intent to levy has been sent to the taxpayer and the additional assessment amount will be included in the levy. For the same sample of 60 taxpayers, \*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*.

\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*.

The IRS agreed that all four taxpayers should have been issued a notice of intent to levy and that the taxpayers' rights were potentially violated. \*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*.

**Taxpayers were not always notified when additional assessments were included in systemic levies issued through the ICS**

TIGTA selected a statistical sample of an additional 30 taxpayers for which additional assessments were included in ICS systemic levies.<sup>18</sup> Our analysis showed that for 24 (80 percent) of 30 taxpayers, the IRS did not issue a new notice of intent to levy for the additional assessments prior to the levies being issued. The IRS agreed that these 24 taxpayers should have been provided a new notice of intent to levy for the additional assessments prior to issuing the levies and that the taxpayers' rights were potentially violated.

<sup>18</sup> TIGTA identified and tested a subpopulation from the ICS systemic levy population consisting of 398 taxpayers with additional assessments *potentially* included in systemically generated levies in the ICS from October 1, 2013, through March 31, 2014. We could not be certain that the additional assessment amount was included in the levy in this population until we reviewed the actual levy information for each sample case. Taxpayers with manual levies were not included in this population. See Appendix I for details.



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We previously identified this issue and reported it in our Fiscal Year 2013 report. IRS management agreed to update the ICS programming for systemic levies to prevent levy issuance on tax periods for which an additional assessment had been made and a new notice of intent to levy had not been sent to the taxpayer. Implementation of the programming change was completed in January 2015. Because this corrective action was not implemented at the time we selected our sample cases, we are not making a new recommendation for this issue. We will test the effectiveness of the corrective action during next year's review.

No levy payments were received on the affected tax periods for the 24 taxpayers; therefore, corrective actions for payments were not needed. In addition, management advised us they will identify any levy payments received on other additional assessments included in levies and take corrective actions as needed.

Based on the results of our review from a population of 398 taxpayer cases with additional assessments potentially included in levies, we estimate that 265 taxpayers' rights were potentially violated because they were not sent a new notice of intent to levy, as required.<sup>19</sup>

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<sup>19</sup> The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate is between 207 and 324. See Appendix I for more details on how the projection was calculated.



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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 the legal requirement to timely notify taxpayers prior to issuing levies per Internal Revenue Code<sup>1</sup> Section 6330, *Notice and Opportunity for Hearing Before Levy*.<sup>2</sup> To accomplish our objective, we:

- I. Determined whether manual levies issued by both ROs and ACS personnel complied with legal guidelines for notification to taxpayers prior to levy issuance.
  - A. Identified a population of taxpayers with potential manual ICS levies by querying the narrative history text field of the ICS open inventory in the Data Center Warehouse (DCW) database files to identify any references to manual levies issued between October 1, 2013, and September 30, 2014.<sup>3</sup>
    1. Selected a statistical sample of 120 taxpayer cases. We selected a statistical sample to ensure that each taxpayer case had an equal chance of being selected. We verified cases met manual levy criteria in random selection order until we reached 30 cases for review.
    2. Reviewed all levies issued to the 30 taxpayers during our audit period for evidence that CDP rights were sent to the taxpayer at least 30 calendar days prior to levy issuance, including those tax periods with additional assessments included in the levies.
    3. Identified whether taxpayers in our sample cases had requested a CDP hearing after receiving their CDP rights for intent to levy and verified the CDP hearing was resolved prior to levy issuance.
  - B. Identified a population of 86,839 taxpayers with manual ACS levies by querying the employee number field in the DCW ACS open inventory database files to identify levies requested by ACS personnel, indicating manual levies, between October 1, 2013, and September 30, 2014.
    1. Selected a statistical sample of 30 taxpayer cases. We selected a statistical sample to ensure that each taxpayer case had an equal chance of being selected.

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<sup>1</sup> See Appendix VII for a glossary of terms.

<sup>2</sup> Internal Revenue Code (I.R.C.) Section (§) 6330 (providing right to Collection Due Process Hearing prior to levy) and I.R.C. § 7803(d)(1)(A)(iv) (requiring an evaluation of the IRS's compliance with I.R.C. § 6330).

<sup>3</sup> The actual population size for ICS manual levies could not be determined because the IRS does not track them.



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2. Reviewed all levies issued to the first 15 sampled taxpayers during our audit period for evidence that CDP rights were sent to the taxpayer at least 30 calendar days prior to levy issuance, including those tax periods with additional assessments included in the levies. We stopped testing after the first 15 taxpayers because no errors were identified.
  3. Identified whether taxpayers in our sample cases had requested a CDP hearing after receiving their CDP rights for intent to levy and verified the CDP hearing was resolved prior to levy issuance.
- II. Determined whether automated controls for systemic ICS and ACS levies were adequate to comply with legal guidelines for notification to taxpayers prior to levy issuance.
- A. Identified a population of 90,896 ICS and 710,124 ACS taxpayers with systemic levies issued between October 1, 2013, and September 30, 2014, by querying the ICS and ACS databases of open cases maintained in the DCW.
1. Selected statistical samples of 60 taxpayer cases with ICS systemic levies for review. We selected statistical samples to ensure that each taxpayer case had an equal chance of being selected. We verified cases met ICS systemic levy criteria in random selection order until we reached 30 cases for review.
    - a) Reviewed all levies issued to the 30 ICS taxpayers during our audit period for evidence that CDP rights were sent to the taxpayers at least 30 calendar days prior to levy issuance, including those tax periods with additional assessments included in the levies.
    - b) Identified whether taxpayers in our sample cases had requested a CDP hearing after receiving their CDP rights for intent to levy and verified the CDP hearing was resolved prior to levy issuance.
  2. Selected statistical samples of 30 taxpayer cases with ACS systemic levies for review. We selected statistical samples to ensure that each taxpayer case had an equal chance of being selected.
    - a) Reviewed all levies issued to the first 15 sampled taxpayers with ACS systemic levies during our audit period for evidence that CDP rights were sent to the taxpayer at least 30 calendar days prior to levy issuance, including those tax periods with additional assessments included in the levies. We stopped testing after the first 15 taxpayers because no errors were identified.
    - b) Identified whether taxpayers in our sample cases had requested a CDP hearing after receiving their CDP rights for intent to levy and verified the CDP hearing was resolved prior to levy.



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- III. Determined whether IRS controls ensured that taxpayers were properly notified prior to levy issuance when additional assessments were included in the levies.
- A. Identified three subpopulations (from the original levy populations in Steps I.B and II.A) of 449 taxpayers with ACS manual levies, 1,995 taxpayers with ACS systemic levies, and 398 taxpayers with ICS systemic levies in which additional assessments were potentially included in levies. We matched the Taxpayer Identification Number in the ICS systemic and the ACS systemic and manual levy populations (previously identified) to the Individual Master File and Business Master File databases in the DCW. Taxpayers identified had tax periods with: 1) an additional assessment posted prior to the levy issuance date and 2) an original notice of CDP rights sent to the taxpayer prior to the date of the additional assessment. We limited the review to those cases in which additional assessments occurred between October 1, 2013, and March 31, 2014, because the data were not available in the DCW for the remainder of the fiscal year at the time of our review.
1. Selected statistical samples of 60 ACS systemic, 60 ACS manual, and 60 ICS systemic taxpayers. We selected statistical samples to ensure that each taxpayer case had an equal chance of being selected. We verified cases had additional assessments included in the levies in random selection order until we reached 30 ACS manual, 30 ACS systemic, and 30 ICS systemic cases for review.
  2. Reviewed all levies in the three samples in which additional assessments were included in the levies issued to the 30 ICS systemic, 30 ACS manual, and 30 ACS systemic taxpayers for evidence that CDP rights were sent to the taxpayer at least 30 calendar days prior to levy issuance.
    - a) Projected the error cases to the ACS manual population based on a 20 percent error rate, a 13.84 percent precision, and a two-sided 95 percent confidence interval. Our sample size in the projection was 30 taxpayers.
    - b) Projected the error cases to the ACS systemic population based on a 38.71 percent error rate, a 17.02 percent precision, and a two-sided 95 percent confidence interval. Our sample size in the projection was 31 taxpayers because we had to select an additional case to obtain our sample size of 30 taxpayers. This was due to our original sample of 30 taxpayers containing one case for which we could not determine if the additional assessment was included in the levy.
    - c) Projected the error cases to the ICS systemic population based on a 66.67 percent error rate, a 14.70 percent precision, and a two-sided 95 percent confidence interval. Our sample size in the projection was 36 taxpayers because we had to select an additional six taxpayer cases to obtain our sample size of 30 taxpayers. This was due to our original sample of 30 taxpayers



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containing six cases for which additional assessments were not included in the levies.

- IV. Validated the manual and systemic levy data from the ACS and the ICS by relying on the DCW site procedures that ensure that data received from the IRS were valid. The DCW performs various procedures to ensure that it receives all the records in the ACS, the ICS, and other various IRS databases. In addition, we scanned the data in each population for reasonableness, and we verified the levy and additional assessment data for each sample case by comparing it to Integrated Data Retrieval System transcripts. All the levies identified are in the appropriate period, and the data appeared to be logical. We are satisfied that the data are sufficient, complete, and relevant to the review.
- V. Used TIGTA's contract statistician to assist with reviewing sampling plans and calculating projections.

**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 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. We evaluated these controls by reviewing samples of taxpayer levy cases.



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**Appendix II**

*Major Contributors to This Report*

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Carl Aley, Director  
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Daniel Russo, Auditor  
Heath Sollak, Auditor  
Autumn Gill, Audit Evaluator



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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  
Deputy Commissioner, Small Business/Self-Employed Division SE:S  
Director, Collection, Small Business/Self-Employed Division SE:S:C  
Director, Field Collection, Small Business/Self-Employed Division SE:S:C:FC  
Director, Headquarters Collection, Small Business/Self-Employed Division SE:S:C:HQC  
Director, Collection Policy, Small Business/Self-Employed Division SE:S:C:HQC:P  
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 actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

#### **Type and Value of Outcome Measure:**

1. Taxpayer Rights and Entitlements – Potential; 90 taxpayer accounts affected (see page 4).
2. Taxpayer Rights and Entitlements – Potential; 772 taxpayer accounts affected (see page 4).
3. Taxpayer Rights and Entitlements – Potential\*\*\*\*\*1\*\*\*\*\* (see page 6).
4. Taxpayer Rights and Entitlements – Potential; \*\*\*\*\*1\*\*\*\*\* (see page 6).
5. Taxpayer Rights and Entitlements – Potential; 265 taxpayer accounts affected (see page 6).

#### **Methodology Used to Measure the Reported Benefit:**

##### ACS<sup>1</sup>

1. From a statistical sample of 30 taxpayers with additional assessments posted between October 1, 2013, and March 31, 2014, and included in manual levies issued through the ACS between October 1, 2013, and September 30, 2014, we identified six cases for which an additional assessment was made on a tax period covered by the levy but for which the IRS did not send the taxpayer a new final notification letter for the additional assessment before issuing the levy. We projected the six error cases to the total population of 449 taxpayers. We estimate that 90 taxpayers had their rights potentially violated when they were not sent a new notice of intent to levy, as required (see page 4).<sup>2</sup>

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<sup>1</sup> See Appendix VII for a glossary of terms.

<sup>2</sup> We are 95 percent confident that the point estimate is between 28 and 152.





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**Appendix V**

*Example of a Form 668-A, Notice of Levy*

Form <b>668-A(c)(DO)</b> (January 2015)	Department of the Treasury - Internal Revenue Service <b>Notice of Levy</b>
Date	Telephone number of IRS office
Reply to	Name and address of taxpayer
To	Identifying number(s)

Special instructions for certain property levied

**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.				<b>Total Amount Due</b>

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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Catalog Number 15704T

www.irs.gov  
**Part 1 — For Addressee**

Form **668-A(c)(DO)** (Rev. 1-2015)

Source: IRS.gov website.



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**Appendix VI**

*Previous Five Audit Reports  
Related to This Statutory Review*

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).

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

TIGTA, Ref. No. 2013-30-092, *Fiscal Year 2013 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* (Aug. 2013).

TIGTA, Ref. No. 2014-30-078, *Fiscal Year 2014 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* (Sept. 2014).



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**Appendix VII**

*Glossary of Terms*

<b>Term</b>	<b>Definition</b>
<b>Automated Collection System</b>	A telephone contact system through which collection representatives collect unpaid taxes and secure tax returns from delinquent taxpayers who have not complied with previous notices.
<b>Business Master File</b>	The IRS database that consists of Federal tax-related transactions and accounts for businesses. These include employment taxes, income taxes on businesses, and excise taxes.
<b>Collection Due Process Rights</b>	I.R.C. § 6330 gives the taxpayer the right to appeal before the proposed levy action and after a jeopardy levy, a disqualified employment tax levy, a levy on a Federal contractor, and a levy on State tax refunds. The IRS notifies taxpayers of their CDP rights by issuing a notice explaining their right to request a hearing.
<b>Collection Representatives</b>	The duties of a collection representative are varied. Many hours are spent on the telephone, working paper cases, or assisting taxpayers at a Taxpayer Assistance Center. Paper cases include both incoming taxpayer correspondence and internally generated cases
<b>Data Center Warehouse</b>	An online database maintained by TIGTA. The DCW pulls data from IRS system resources, such as IRS Collection and Examination files, for TIGTA access.
<b>Field Collection</b>	The unit in the Area Offices consisting of ROs who handle personal contacts with taxpayers to collect delinquent accounts or secure unfiled returns.
<b>Fiscal Year</b>	Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
<b>Individual Master File</b>	The IRS database that maintains transactions or records of individual tax accounts.
<b>Integrated Collection System</b>	An information management system designed to improve revenue collections by providing ROs access to the most



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<b>Term</b>	<b>Definition</b>
	current taxpayer information, while in the field, using laptop computers for quicker case resolution and improved customer service.
<b>Integrated Data Retrieval System</b>	An IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.
<b>Internal Revenue Code</b>	Federal tax law begins with the I.R.C., enacted by Congress in Title 26 of the United States Code.
<b>Internal Revenue Manual</b>	The primary, official source of IRS "instructions to staff" relating to the organization, administration, and operation of the IRS. It details the policies, delegations of authorities, procedures, instructions, and guidelines for daily operations for all divisions and functions of the IRS.
<b>Manual Levy</b>	A manual ICS levy is a paper levy form that is manually prepared and issued by an RO. A manual ACS levy is initiated through the ACS by a collection representative, resulting in levy preparation and issuance by the system.
<b>Revenue Officer</b>	Conducts face-to-face interviews with taxpayers (and/or their representatives) at the taxpayer's place of business or residence or, on occasion, at an IRS office. These interviews may be unscheduled (cold calls) or scheduled, depending upon the case. This is done as part of the investigative process of collecting delinquent taxes and securing delinquent tax returns.
<b>Systemic Levy</b>	ACS systemic levies are initiated, prepared, and issued completely by the ACS with no manual intervention necessary. ICS systemic levies are initiated by ROs, resulting in levy preparation and issuance by the system.
<b>Tax Period</b>	The period of time for which a return is filed. The IRS uses a four-digit code to indicate the end of the tax period for a given return. (The first two digits represent the year and the second two digits represent the month.)