

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **IRS Programs That Resolve Billions of Dollars in Unidentified Taxpayer Payments Need to Be Improved and Modernized**

May 21, 2026

Report Number: 2026-400-024

# HIGHLIGHTS: IRS Programs That Resolve Billions of Dollars in Unidentified Taxpayer Payments Need to Be Improved and Modernized

Final Audit Report issued on May 21, 2026

Report Number 2026-400-024

## Why TIGTA Did This Audit

The IRS receives trillions of dollars in federal tax revenue annually via cash, paper, or electronic payments.

Missing or incomplete payment information (*e.g.*, the check or money order does not include the taxpayer's name, identification number, form type, or tax period) can impact the IRS's ability to apply payments to the correct taxpayer account.

This audit determined the effectiveness of the IRS's efforts to identify and resolve missing and misapplied payments.

## Impact on Tax Administration

As of December 2025, the IRS reported that it received more than 302.6 million payments totaling over \$5.4 trillion in Calendar Year 2025. Of the total, there were approximately 41.4 million paper payments and 261.2 million electronic payments.

If taxpayers contact the IRS because their payment is missing, and the IRS employee receiving their inquiry cannot locate the payment, their case will be sent to one of the three Accounting Operations within the IRS Tax Processing Centers. This process is referred to as a "hardcore payment tracer."

A March 2025 executive order mandated all payments to and from the federal government be electronic. Increasing the use of electronic payments will reduce or eliminate the factors that contribute to paper-based unidentified payments. However, taxpayer errors, such as transposed bank account numbers, can still occur with electronic payments.

## What TIGTA Found

For Fiscal Years 2022 through 2024, the IRS had approximately \$3.2 billion in unidentified payments. They successfully applied \$2.3 billion to taxpayer accounts. However, program management controls are not sufficient to assess unidentified payment and hardcore payment tracer referral program effectiveness (*i.e.*, timeliness and evaluative metrics associated with receipts, rejections, closures).

For example, the unidentified payment inventory is not centrally managed in a case management system. Rather, the IRS manages unidentified payments as three separate inventories through each Tax Processing Center's accounting system. Additionally, unidentified payments are assigned and monitored manually. Therefore, the IRS does not have the ability to efficiently evaluate program results, such as the timeliness of case resolution.

The IRS also does not distribute the inventory of work at its Tax Processing Centers based on available resources. For example, the Unidentified Remittance unit in the Ogden, Utah Tax Processing Center had the same number of staff as the Kansas City, Missouri Tax Processing Center. However, Ogden accounted for 40 percent of unidentified payment inventory compared to 11 percent in Kansas City.

We also identified inefficiencies in the handling of hardcore payment tracers. Three Accounting Operations track these requests manually in spreadsheets and handle inventory management inconsistently across the operations. Inefficiencies in resolving these payments can increase the burden on taxpayers and result in additional taxpayer calls, letters, and visits to the IRS. Implementing an electronic case management system would enable the IRS to:

- Oversee and evaluate unidentified payment and hardcore payment tracer inventories.
- Create consistency and reduce employee error in case documentation.
- Enable the IRS to work electronic case files.

## What TIGTA Recommended

We recommended that the IRS: develop an electronic case management system and associated internal controls to collectively manage inventory streams across the IRS's Accounting Operations; develop an interim process to track hardcore payment tracers until an electronic case management system is established; and establish evaluative metrics to help assess the efficiency and effectiveness of the IRS's processes to identify and address unidentified payments and hardcore payment tracers. The IRS agreed with all our recommendations and implemented an interim process for tracking hardcore payment tracers until a system is established.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**U.S. DEPARTMENT OF THE TREASURY**  
**WASHINGTON, D.C. 20024**

May 21, 2026

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

**FROM:** Diana M. Tengesdal  
Deputy Inspector General for Audit

**SUBJECT:** Final Report – IRS Programs That Resolve Billions of Dollars in Unidentified Taxpayer Payments Need to Be Improved and Modernized (Audit No.: 2024400012)

This report presents the results of our review of the effectiveness of the Internal Revenue Service's efforts to identify and resolve missing and misapplied payments. This review was part of our Fiscal Year 2025 Annual Audit Plan and addresses the major management and performance challenge of *Improving Taxpayer Service* and *Protecting Taxpayer Rights*.

Management's complete response to the draft report is included as Appendix II. If you have any questions, please contact me or Deann L. Baiza, Assistant Inspector General for Audit (Returns Processing and Account Services).

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## **Background**

The Internal Revenue Service (IRS) receives trillions of dollars in federal tax revenue annually via cash, paper payments, or electronic payments.<sup>1</sup> As of the week ending December 26, 2025, the IRS reported that it received more than 302.6 million payments totaling over \$5.4 trillion in Calendar Year 2025. Of the total, there were approximately 41.4 million paper payments (checks, money orders, *etc.*) and 261.2 million electronic payments. Missing or incomplete payment information (*e.g.*, the check or money order does not include the taxpayer’s name, identification number, form type, or tax period) can impact the IRS’s ability to apply payments to the correct taxpayer account. The IRS refers to these as unidentified payments.

Unidentified payments are posted to the Unidentified Remittance File (a general ledger account) at each of the IRS’s three Tax Processing Centers.<sup>2</sup> The Unidentified Remittance File is used for accounting purposes. It contains all payments the IRS receives that cannot be immediately associated with a specific taxpayer and/or tax period.<sup>3</sup> Tax examiners within the Accounting Operations’ Unidentified Remittance unit at each Tax Processing Center conduct research and contact the taxpayer, if known, to determine where to apply the payment. Figure 1 shows the volume and dollar value of the ending inventory for unidentified payments from Fiscal Year (FY) 2022 through FY 2025.

**Figure 1: Ending Inventory for Unidentified Payments for  
FYs 2022 Through 2025**

Fiscal Year	Volume	Dollar Amount (Millions)
2022	25,328	\$401
2023	19,307	\$236
2024	19,071	\$218
2025	20,537	\$388

*Source: Analysis of IRS internal reports.*

IRS Accounting Operations personnel indicated that there are no reports that capture whether an electronic payment was added to the Unidentified Remittance File. Therefore, we could not provide a breakdown of missing payments by paper or electronic. Payments that cannot be applied to a tax account within one year of receipt are moved from the Unidentified Remittance File to the Excess Collection general ledger account. The IRS will send additional notices to the taxpayer, if known, and continue to try to resolve the payment. After seven years from the payment entry date into the Excess Collection account, any unapplied payment credits will be removed from the general ledger.

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<sup>1</sup> Electronic payments may include direct transfers from a bank account, credit and debit cards, or digital wallets.

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

<sup>3</sup> 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.

## **Process for resolving unidentified payments**

IRS employees review each incoming check and other paper payments to ensure that the taxpayer provided the information needed to accurately apply the payment to their tax account (e.g., name, identification number, and tax period). Payments that cannot be applied to the taxpayer's account are deposited, posted to the Unidentified Remittance File, and routed to the Unidentified Remittance unit for further research.

In contrast, electronic payments that do not contain enough information to properly apply to a taxpayer's account are moved to the Unpostables inventory.<sup>4</sup> If the Unpostables unit cannot correctly apply the payment, the payment is sent to the Unidentified Remittance unit where it is added to the Unidentified Remittance File for further research.

Taxpayers can confirm if their payment posted to their account by using self-service options such as checking their online account, or by calling or writing the IRS. Taxpayers can also contact the Taxpayer Advocate Service or visit a Taxpayer Assistance Center. The IRS employee receiving the inquiry should check the taxpayer's account to see if the payment has been applied. If the payment was not applied to the correct account, the employee can conduct additional research to locate and correct the payment.

If the employee cannot locate the payment, they prepare a "hardcore payment tracer" referral, which is the process used to locate taxpayers' missing or misapplied payments. These referrals are forwarded to the Hardcore Payment Tracer function in the Tax Processing Center that processed the payment. If a taxpayer can provide sufficient documentation that the IRS deposited the payment, the IRS will credit the missing payment to the taxpayer's account even if it was not located.

In March 2025, the President issued Executive Order 14247 mandating all payments to and from the federal government be transitioned to electronic payments.<sup>5</sup> The IRS indicated that an increased use of electronic payment options will reduce or eliminate the factors that contribute to paper-based unidentified payments. However, taxpayer errors, such as transposed bank account numbers, are still possible when submitting payment information through electronic channels. According to the IRS, no changes are being made to the process of filing a tax return. Taxpayers were told to continue using existing forms and procedures to make payments to the IRS until further notice. We have a separate review to assess the IRS's progress complying with this executive order.

## **Results of Review**

### **Program Management Controls Are Not Sufficient to Assess Unidentified Payment and Hardcore Payment Tracer Referral Program Effectiveness**

IRS Accounting Operations have not established adequate inventory management processes for the unidentified payment program and do not track hardcore payment tracer referrals. The IRS

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<sup>4</sup> The unpostables inventory consists of tax transactions that could not post to the IRS Master File.

<sup>5</sup> Exec. Order 14247, *Modernizing Payments To and From America's Bank Account*, 90 Fed. Reg. 14001 (2025).

## IRS Programs That Resolve Billions of Dollars in Unidentified Taxpayer Payments Need to Be Improved and Modernized

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also has not established robust program metrics and evaluative processes to assess unidentified payment program performance. In addition, the IRS's current processes limit its ability to quantify the unidentified payment and hardcore payment tracer referrals program results nationwide. As a result, the IRS cannot determine if its Accounting Operations' resources are being used efficiently. Furthermore, delays in resolving unidentified payments can increase the burden on taxpayers and result in additional taxpayer calls, letters, and visits to the IRS.

The Government Accountability Office's, *Standards for Internal Control in the Federal Government*, provide guidelines for programs to ensure that operations produce intended results and efficiently use resources.<sup>6</sup> For example, management should establish control activities to achieve program-related objectives. Within the IRS, control activities may include ensuring that payments are timely and accurately credited to taxpayers and ensuring that casework complies with program policies.

Each Tax Processing Center manages its unidentified payment inventory through the center's accounting system. These accounting systems are independent of each other (*i.e.*, they do not share information). Submission Processing management officials in the Accounting and Tax Payment Branch indicated that this was because each Submission Processing Field Director has both the financial and custodial responsibility for payments at their respective Tax Processing Center. As a result, the IRS does not combine the accounting of funds processed through each center. The IRS believes this allows greater control over the management and processing of payments and decreases the risk that transactions will be posted to the incorrect Tax Processing Center's ledger of accounts, causing an unbalanced ledger. However, the IRS has not established processes to compile nationwide program statistics for use in evaluating program performance.

In addition, the IRS uses various reports (*e.g.*, daily, or monthly reports) to document inventory added to or closed out of the Unidentified Remittance File. These reports are electronically generated based on additions to the Unidentified Remittance File. The reports are used to balance the daily additions and closures for cases within the Unidentified Remittance File inventory. However, they are not tied to a case management system. Unidentified remittance cases are manually assigned and worked by employees at each Tax Processing Center's Unidentified Remittance unit. Examiners' case assignments are entered into spreadsheets where they manually track billions of dollars of missing payments. Manual inventory tracking increases the risk of employee error. For example, we identified spreadsheets with missing information (*e.g.*, dates, case results). In addition, Accounting Operations management at one Tax Processing Center told us they had discovered cases recorded as 'closed' in a spreadsheet that were not properly closed within IRS systems. This resulted in an overstatement of open inventory. Tax examiners also work from paper case files, some of which are printed from digital records. This is an example of inefficiencies in the process, where digital records are physically printed, added to the paper case file, and stored in file cabinets.

To determine program effectiveness, we analyzed monthly unidentified payment reports from each Tax Processing Center for FY 2022 through FY 2024. We found that the IRS had

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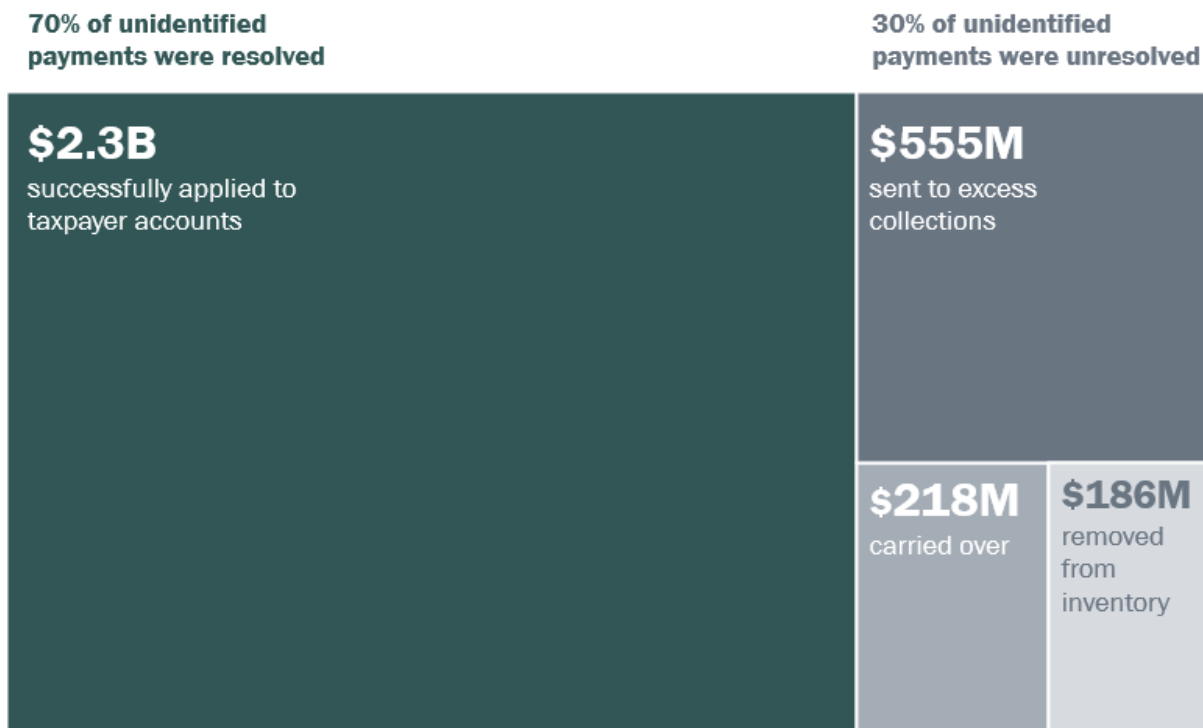
<sup>6</sup> Government Accountability Office, GAO-25-107721, *Standards for Internal Control in the Federal Government*, (May 2025). Also known as the "Green Book," this guidance is used by federal agencies to set standards and provide the overall framework for designing, implementing, and operating an effective internal control system.

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approximately \$3.2 billion in unidentified payments during this period. The IRS successfully applied \$2.3 billion (70 percent) of these payments to taxpayer accounts.<sup>7</sup>

In addition, \$741 million (23 percent) in unidentified payments were closed from the Unidentified Remittance File. These payments were transferred to the Excess Collection account (*i.e.*, the payment was still unresolved one year after receipt) or removed from the unidentified payment inventory. Payments are removed from inventory when the checks are dishonored or voided (*e.g.*, insufficient funds in the bank account and returned as unpaid from a financial institution). The IRS could not resolve the remaining \$218 million (7 percent) of these payments and carried them over as ending inventory. Figure 2 provides a graphical depiction of the results of unidentified remittances worked by the IRS’s three Tax Processing Centers for FY 2022 through FY 2024.

**Figure 2: Billions of Dollars in Unidentified Remittances Were Successfully Applied to Taxpayer Accounts During FYs 2022 Through 2024**



Source: Analysis of IRS internal reports.

Figure 3 shows the unidentified payment inventory and number of payments successfully posted to taxpayer accounts by Tax Processing Center for FY 2024. The percentage of payments successfully applied to taxpayer accounts ranged from 39 percent of inventory at the Kansas City, Missouri Tax Processing Center to 94 percent at the Austin, Texas Tax Processing Center.

<sup>7</sup> Dollar amounts are rounded. Percentage is based on actual dollar amounts.

**Figure 3: Successfully Applying Unidentified Payments to  
Taxpayer Accounts Varies by Tax Processing Center**

Tax Processing Center	FY 2024 Total Available Inventory	Percent of Total Inventory by Center	Inventory Closed by Center	Percent of Closed Inventory <sup>8</sup>	
				Applied to Taxpayer Accounts	Moved to Excess Collections
Austin, Texas	38,841	49%	33,194	94%	4%
Kansas City, Missouri	8,884	11%	4,524	39%	58%
Ogden, Utah	31,313	40%	20,872	47%	51%
<b>Totals</b>	<b>79,038</b>	<b>100%</b>	<b>58,590</b>		

Source: IRS Internal General Ledger Reports.

Some of the Austin Tax Processing Center’s success in applying payments may be because this center also processes Individual Taxpayer Identification Number (ITIN) applications.<sup>9</sup> Payments attached to an ITIN application are routed to Austin’s Unidentified Remittance unit and added to the Unidentified Remittance File pending issuance of the ITIN. Once the identification number is assigned, the payment can be credited to the taxpayer’s account.

We were unable to evaluate the timeliness of payment resolution because the IRS does not have a system to effectively track it. In addition, they have no timeliness criteria. Once tax examiners receive an unidentified payment, they generally try to resolve the case as soon as feasible, otherwise after one year the case transfers to Excess Collections.

**Accounting Operations’ resources could be used more efficiently**

Analysis of monthly unidentified payment reports also found that inventory and staffing are not balanced. For example, in FY 2025, the Unidentified Remittance unit in the Ogden, Utah Tax Processing Center had the same number of staff as the Kansas City Tax Processing Center. However, as shown in Figure 3 above, the Ogden Tax Processing Center accounted for 40 percent of unidentified remittance inventory compared to 11 percent in Kansas City.

We also found that IRS management assigns work to tax examiners differently in each Tax Processing Center. The Austin and Kansas City Tax Processing Centers assign tax examiners a variety of inventory including unidentified payments, hardcore payment tracers, and dishonored checks. Whereas tax examiners in the Ogden Tax Processing Center work in established teams that focus on one specific type of inventory. Those units where employees work on more than one type of inventory have the flexibility to prioritize employees’ daily workloads without the need for additional training.

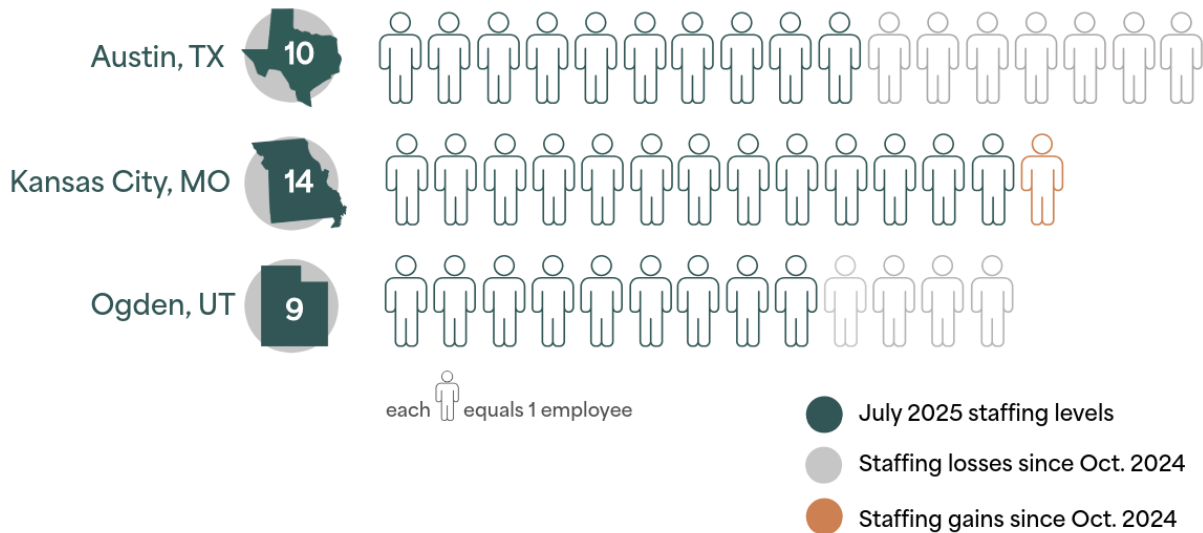
<sup>8</sup> Less than 3 percent of total closures at each Tax Processing Center are associated with other miscellaneous closure types which includes Dishonored Checks and Voided Accounts. These immaterial amounts are not reflected in the closures.

<sup>9</sup> An Individual Taxpayer Identification Number is a tax processing number issued by the IRS for certain resident and nonresident aliens, their spouses, and their dependents. They are only available to individuals who are required to have a Taxpayer Identification Number for tax purposes, but who do not have, and are not eligible to obtain, a Social Security Number from the Social Security Administration.

**IRS Programs That Resolve Billions of Dollars in Unidentified Taxpayer Payments Need to Be Improved and Modernized**

Staffing losses in FY 2025 resulted in further imbalances. The Tax Processing Centers collectively lost 23 percent of their Unidentified Remittance unit staff in FY 2025. The Austin Tax Processing Center experienced the largest staffing loss at 41 percent. This is concerning considering that this center had the most unidentified payment inventory in FY 2024. The Kansas City Tax Processing Center has the most remaining staff and the least unidentified payment inventory. Figure 4 shows the change in Unidentified Remittance unit staffing at each Tax Processing Center during FY 2025.

**Figure 4: Changes in Staffing Levels Within the Unidentified Remittance Units From October 2024 Through July 2025**



Source: IRS Internal Unidentified Remittance unit staffing metrics.

Because the Tax Processing Centers' accounting systems are independent of each other, unidentified payments must be worked in the Tax Processing Center where the payment was originally processed. This limits the IRS's ability to ensure that its limited resources are used efficiently. For example, the IRS cannot assign excess inventory from one Tax Processing Center to another that may have available resources.

The inability to manage missing payments across the three Tax Processing Center Accounting systems has resulted in inefficiencies in working hardcore payment tracer referrals. When a taxpayer contacts the IRS because their payment is missing, an IRS employee (e.g., a customer service representative from Accounts Management) will try to help resolve the missing payment. If the employee assisting the taxpayer cannot resolve the missing payment, they will initiate a hardcore payment tracer and send it via fax or electronically to one of the three Accounting Operations Hardcore Payment Tracer functions for additional research and resolution. Once received, the Accounting Operation manually assigns the referral for resolution.

During our walkthroughs, we were told that Hardcore Payment Tracer function employees will return referrals to the IRS employee requesting the payment tracer if the associated payment was not processed in their Tax Processing Center. The requestor then must route the referral to the correct Tax Processing Center's Hardcore Payment Tracer function, delaying resolution of the payment. The hypothetical example below illustrates the inefficiencies of this process in

managing inventory and the need for a case management system to route and transfer inventory across the Tax Processing Centers.

The Austin Hardcore Payment Tracer function received a hardcore payment tracer from an Accounts Management employee for a payment that was originally processed in the Kansas City Tax Processing Center. Because IRS accounting systems are independent of one another, the Austin Hardcore Payment Tracer function cannot work this request. The Austin Hardcore Payment Tracer function sends the request back to the originating Accounts Management employee indicating that the case must be forwarded to the Accounting Operations in the Kansas City Tax Processing Center.

During our review, we raised concerns with the inefficiency of this process. The IRS indicated that guidance stated that the referrals can be returned to the requestor or forwarded to the correct Tax Processing Center. IRS management subsequently revised procedures to require hardcore payment tracer referrals to be forwarded to the appropriate Tax Processing Center rather than returned to the requestor.

The IRS noted that hardcore payment tracers may require additional research of the Service Center Control File, Unpostables inventory, or Unidentified Remittance or Excess Collections accounts. This research can only be performed by the Tax Processing Center that processed the payment and where the general ledger funds were journaled.

### **Implementing an electronic case management system would enable the IRS to more effectively manage unidentified payments and hardcore payment tracer referrals**

An electronic case management system would enable the IRS to collectively oversee and evaluate unidentified payment and hardcore payment tracer referral inventories across Tax Processing Centers. For example, the IRS could better manage and allocate inventory by location. Management would also be able to identify trends and best practices that can be used to improve efficiency and effectiveness across Tax Processing Centers. An electronic case management system would also enable the IRS to:

- **Create consistency and reduce employee error in case documentation.** For example, an electronic case management system can include input controls to ensure that required fields are filled and use drop down menus to facilitate recording of notes, closure actions, *etc.*
- **Work electronic case files.** For example, scanned images of checks and electronic payment records can be uploaded to the system. In addition, creating electronic case files is consistent with the Office of Management and Budget and National Archives and Records Administration memorandum that directs federal agencies to transition to electronic records.<sup>10</sup>

Unidentified payments and hardcore payment tracer referrals involve payments that taxpayers made to satisfy their tax obligations. Inefficiencies resolving these payments can increase the burden on taxpayers and result in additional taxpayer calls, letters, and visits to the IRS.

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<sup>10</sup> Office of Management and Budget Memorandum M-19-21, *Transition to Electronic Records* (June 2019).

The Chief, Taxpayer Services, should:

**Recommendation 1:** Develop an electronic case management system and associated internal controls to collectively manage unidentified payments, hardcore payment tracer referrals, and other inventory streams, across the IRS's Accounting Operations.

**Management's Response:** IRS management agreed with this recommendation and will develop an electronic case management system and associated internal controls to manage unidentified payments, hardcore payment tracer referrals, and other inventory streams, as corporate programs within the IRS's Accounting Operations.

**Recommendation 2:** Until an electronic case management system is established, develop an interim process to track hardcore payment tracer referrals.

**Management's Response:** On May 20, 2025, IRS management implemented procedures to maintain a Hardcore Payment Tracer log to track receipts, rejections, closures, and substantiations. In addition, the IRS updated IRM 3.17.5.8, *Referrals to the Hardcore Payment Tracer Function (HPTF)*, and formally established the log requirements.

**Recommendation 3:** Establish evaluative metrics for unidentified payments and hardcore payment tracer referrals that will help assess the efficiency and effectiveness of these programs. This should include, but not be limited to, establishing evaluative metrics associated with receipts, rejections, closures, and timeliness, nationwide and for each Tax Processing Center.

**Management's Response:** IRS management agreed with this recommendation and will establish evaluative metrics to help assess the efficiency and effectiveness of the unidentified payments and hardcore payment tracer referral programs.

## Appendix I

### Detailed Objective, Scope, and Methodology

The overall objective of this audit was to determine the effectiveness of the IRS's efforts to identify and resolve missing and misapplied payments. To accomplish our objective, we:

- Determined how the IRS monitors and manages inventories in the IRS's Accounting Operations and identified potential improvements to ensure that taxpayer accounts are accurately updated.
- Determined whether the Accounting Operations across IRS Tax Processing Centers are resolving unidentified payments consistently and efficiently.
- Evaluated an extract of the Unidentified Remittance File and the Excess Collections File from FY 2022 through FY 2024 and determined the volumes and dollar amounts for unidentified remittance cases that were successfully closed, and not closed, by Unidentified Remittance and Excess Collections units at each respective Tax Processing Center.
- Determined whether the Accounting Operations at IRS Tax Processing Centers are working hardcore payment tracer cases to identify and credit taxpayers for their unidentified payments consistently and effectively.

#### **Performance of This Review**

This review was performed at the IRS's Submission Processing Tax Processing Centers in Kansas City, Missouri; Austin, Texas; and Ogden, Utah; during the period August 2024 through January 2026. 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.

#### **Data Validation Methodology**

During this review, we relied on data from internal IRS reports, manually created spreadsheets, and our Data Center Warehouse. We analyzed individual internal IRS reports for each Tax Processing Center to determine how many accounts the IRS Unidentified Remittance program closed. We ensured that the files contained the data elements we requested and performed analyses to evaluate the validity and reasonableness of the data. In addition, we selected random samples from each extract and verified that specific data elements in the extracts were the same as the data captured on the host systems. We determined that the data were sufficiently reliable for purposes of this report.

#### **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

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for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: IRS processes and procedures to resolve unidentified payments and internal reports used to manage payment inventory. We evaluated these controls by reviewing the Internal Revenue Manual, interviewing management and employees, and reviewing relevant documentation provided by the IRS.

Management's Response to the Draft Report

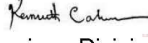


CHIEF  
TAXPAYER SERVICES

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

May 1, 2026

MEMORANDUM FOR DIANA M. TENGESDAL  
Deputy Inspector General for Audit

FROM: Kenneth C. Corbin   
Chief, Taxpayer Services Division

D:\c:\u5, on U.S. Government, our Department  
of the Treasury, our Internal Revenue Service,  
our people, serialNumber=417307, c:\kenneth,  
C. Corbin  
Date: 2026.05.01 13:10:38 -0400'

SUBJECT: Draft Audit Report – IRS Programs That Resolve Billions of  
Dollars in Unidentified Taxpayer Payments Need to Be Improved  
and Modernized (Audit No.: 2024400012)

Thank you for the opportunity to review and provide comments on the subject draft report. We are continually working to improve IRS operations and better serve taxpayers. These efforts include expanding electronic payment options available to taxpayers. Electronic methods provide a secure, timely, and reliable way to meet tax obligations while reducing reliance on paper-based methods, such as checks or money orders.

In accordance with Executive Order 14247, *Modernizing Payments To and From America's Bank Account*, we will be transitioning away from paper-based payments and expanding electronic payment options, including payments received from taxpayers. This transition will reduce the number of errors and improve our ability to apply payments to the correct taxpayer accounts. To address taxpayer errors that still occur in payments, we are taking steps to modernize how we manage the Unidentified Payments and Hardcore Payment Tracer Referral programs. We have implemented interim procedures to support effective tracking and monitoring of Hardcore Payment Tracer referrals using a log that captures referral receipts, rejections, closures, and substantiations. To further strengthen our program management, we will develop an electronic case management system to ensure efficient case handling and improve coordination within the Accounting Operations.

Our responses to your specific recommendations are enclosed. If you have any questions, please contact me, or a member of your staff may contact Joseph Dianto, Director, Customer Account Services, at 470-639-3504.

Attachment

**IRS Programs That Resolve Billions of Dollars in Unidentified  
Taxpayer Payments Need to Be Improved and Modernized**

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Attachment

**Recommendations**

The Chief, Taxpayer Services, should:

**RECOMMENDATION 1:**

Develop an electronic case management system and associated internal controls to collectively manage unidentified payments, hardcore payment tracer referrals, and other inventory streams, across the IRS's Accounting Operations.

**CORRECTIVE ACTION:**

We agree. We will develop an electronic case management system and associated internal controls to manage unidentified payments, hardcore payment tracer referrals, and other inventory streams, as corporate programs within the IRS's Accounting Operations.

**IMPLEMENTATION DATE**

January 15, 2028

**RESPONSIBLE OFFICIAL**

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**RECOMMENDATION 2:**

Until an electronic case management system is established, develop an interim process to track hardcore payment tracer referrals.

**CORRECTIVE ACTION**

On May 20, 2025, we implemented procedures to maintain a Hardcore Payment Tracer log to track receipts, rejections, closures, and substantiations. In addition, we updated IRM 3.17.5.8, *Referrals to the Hardcore Payment Tracer Function (HPTF)*, and formally established the log requirements.

**IMPLEMENTATION DATE**

Implemented

**RESPONSIBLE OFFICIAL**

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

**CORRECTIVE ACTION MONITORING PLAN**

N/A

**RECOMMENDATION 3:**

Establish evaluative metrics for unidentified payments and hardcore payment tracer referrals that will help assess the efficiency and effectiveness of these programs. This should include, but not be limited to, establishing evaluative metrics associated with receipts, rejections, closures, and timeliness, nationwide and for each Tax Processing Center.

**CORRECTIVE ACTION**

We agree. We will establish evaluative metrics to help assess the efficiency and effectiveness of the unidentified payments and hardcore payment tracer referral programs.

**IMPLEMENTATION DATE**

January 15, 2028

**RESPONSIBLE OFFICIAL**

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

Glossary of Terms

<b>Term</b>	<b>Definition</b>
Digital Wallet	A software application that stores payment or account details to facilitate traditional payments that use bank and credit card details.
General Ledger Account	An accounting system of record used for financial statement reporting. There is a separate account for each asset, liability, and component of owner's equity, including revenues and expenses.
Hardcore Payment Tracer	The research process used to locate a missing or misapplied payment.
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.
Service Center Control File	The principal means of control for returns and payments being processed at IRS campuses.
Taxpayer Advocate Service	An independent organization within the IRS that helps taxpayers resolve problems with the IRS and recommends changes to prevent problems.
Taxpayer Assistance Center	Local offices (located nationwide) staffed by IRS employees who are trained to provide a variety of services including answering tax account questions, taking cash payments, and authenticating the identity of individuals who have been identified as potential victims of tax-related identity theft.

## Appendix IV

### Abbreviations

FY	Fiscal Year
IRS	Internal Revenue Service
ITIN	Individual Taxpayer Identification Number
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,  
contact our hotline on the web at  
<https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems  
affecting taxpayers, contact us at  
[TIGTACommunications@tigta.treas.gov](mailto:TIGTACommunications@tigta.treas.gov).**

Information you provide is confidential, and you may remain anonymous.