



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 1, 2019

OIG-CA-20-002

MEMORANDUM FOR: MARY RYAN, ACTING ADMINISTRATOR
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Termination Memorandum – Audit of Alcohol and Tobacco
Tax and Trade Bureau’s Use of Collection Procedures to
Collect Revenue

In November 2012, we initiated an audit of the Alcohol and Tobacco Tax and Trade Bureau (TTB) collection practices. The objectives of our audit were to assess TTB’s collection procedures for delinquent tax cases and to evaluate TTB’s processes for identifying and writing off delinquent debts that are deemed uncollectable and beyond the statute of limitations for collection.

During our fieldwork, we found that TTB was not performing annual reviews of its delinquent tax case portfolio. As a result, the annual notices of amounts due as required by the Taxpayer Bill of Rights II of 1996¹ were not provided to delinquent taxpayers. Similarly, once TTB deemed delinquent debts uncollectable, TTB made no further efforts to identify new information on the taxpayers that could be used for collection purposes. We also found during our field work that TTB did not make full use of lien and levy actions, and rarely or never used other collection tools such as seizure of taxpayer property or referral of debts to the Internal Revenue Service for offset against scheduled tax refunds.

Also at the time of our fieldwork, TTB did not have a comprehensive case management system to track and monitor its portfolio of delinquent tax cases. Instead it relied on multiple data systems and techniques to track actions taken and results attained. The systems used to track collection efforts and monitor the status of delinquent tax cases often contained inaccurate and outdated information, limiting their value as management tools. In addition, TTB’s National Revenue Center’s (NRC) Tax Services Branch operations policies and procedures, including

¹ P.L. 104-168 (July 30, 1996), requires that not less often than annually, the Secretary shall send a written notice to each taxpayer who has a delinquent account of the amount of the tax delinquency as of the date of the notice.

those related to collections on delinquent tax cases, were outdated and not reflective of current operations at NRC.

During the course of the audit, TTB made multiple changes that address the weaknesses we identified. For example, in August 2018, TTB management informed us that they had recently implemented a new case management system that will enhance their ability to track and monitor the lifecycle of TTB's assessments and delinquent tax portfolio. TTB has also undergone several reorganizations. One of which created a second delinquent tax section at the NRC with increased staff dedicated to support collection-related processes such as issuing annual notices for delinquent accounts and establishing reviews of uncollectable accounts. Subsequently in April 2019 TTB re-evaluated its collection tools and updated most of its delegation orders, standard operating procedures and handbooks to reflect the numerous process, system, and/or organizational changes that have recently been implemented.

Given the recent upgrades to TTB's case management system including the addition of the collections module, reviews of delinquent and uncollectable accounts, and in consideration of the new organizational structure at the NRC that would allow TTB to address our concerns, we believe it would be more beneficial to terminate the current audit and assess the actions that TTB has taken as part of a future audit on the collection process in fiscal year 2020. Also, please note that *Use of Collection Procedures and Offers in Compromise to Collect Revenue* (job code A-BT-13-008) will be removed from our Monthly Status Report.

We appreciate the courtesies and assistance provided by your staff. If you have any questions, please contact me at (202) 927-5400 or Sharon Torosian, Audit Director, at (617) 223-8638.

cc: Elisabeth Kann, TTB Assistant Administrator, External Affairs/Chief of Staff
Timothy Marsh, TTB Audit Liaison