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Management Challenges Facing IRS

Statement of
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MANAGEMENT CHALLENGES FACING IRS

SUMMARY OF STATEMENT BY
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IRS is at a major crossroads that demands strong visionary leadership supported by effective information systems, state-of-the-art technology, and quality staff to ensure it can address current problems and the challenges posed as it approaches the 21st century. IRS faces a burgeoning workload that includes providing assistance to over 70 million taxpayers, processing over 200 million tax returns and related documents, collecting and accounting for over $1 trillion in revenues, narrowing the $100 billion a year tax gap, and dealing with a growing accounts receivable inventory on its books that is pushing $100 billion.

While IRS has made significant strides in developing needed information on its accounts receivable, the receivables continue to grow in amount while collections lag behind. GAO estimated that IRS will collect only one-fourth of its inventory if it continues its current collection strategies. Another one-fourth will be abated. However, because not enough is known about the validity or collectibility of most of the remaining uncollected accounts, neither GAO nor IRS can determine how much additional revenues could be collected through additional collection efforts.

New management strategies emerging at IRS pose promise, but many issues warrant Congress' attention to ensure that IRS positions itself to effectively address the many challenges it faces. These issues include:

--Strategic planning - how well do the performance objectives and measures chosen by IRS reflect and adequately measure the key dimensions of performance?

--Financial management - how adequately is the recently developed management framework supported by qualified staff and how well does the current organizational structure promote effective financial management?

--Compliance initiatives - how can a new balance be struck between traditional compliance activities, including additional staffing, and more preventative approaches, such as tax law simplification and expanded information reporting, to improve compliance in a more cost effective manner?

--Tax systems modernization - how well is IRS realizing the full potential of new technology to achieve management's vision of where the agency should be in the 21st century. Does Congress endorse that vision?

Mr. Chairman and Members of the Committee:

We are pleased to be here today to assist the Committee in its continuing inquiry into the Internal Revenue Service's (IRS) operations and, in particular, its accounts receivable and tax systems modernization efforts. Today, I will address the various management challenges facing the agency, focusing in particular on trends in the accounts receivable inventory. I will also discuss emerging strategies in the areas of strategic planning, financial management, compliance initiatives, and tax systems modernization that should help IRS better serve the public and improve compliance with the nation's tax laws. Although promising significant improvements, each of these strategies raises issues that warrant this Committee's attention to ensure that IRS is positioning itself to fully address the many challenges it faces. These issues include:

--Strategic planning - how well do the performance objectives and measures chosen by IRS reflect and adequately measure the key dimensions of performance?

--Financial management - how adequately is the recently developed management framework supported by qualified individuals and how well does the current organizational structure promote effective financial management?

--Compliance initiatives - how can a new balance be struck between traditional compliance activities, including additional staffing, and more preventative approaches, such as tax law simplification and expanded information reporting, to improve compliance in a more cost effective manner?

--Tax systems modernization - how well is IRS realizing the full potential of new technology to achieve management's vision of where the agency should be in the 21st century. Does Congress endorse that vision?

Mr. Rhile from our Information Management and Technology Division will then discuss, in more detail, IRS' tax systems modernization effort.

IRS IS AT A CRITICAL JUNCTURE

Mr. Chairman, IRS is currently at a major crossroads that demands visionary leadership supported by effective information systems, state-of-the-art equipment, and quality staff to ensure it can address its current problems and the challenges posed as it approaches the 21st century. IRS is faced with a burgeoning workload, which includes providing taxpayer assistance to over 70 million taxpayers, processing over 200 million tax returns and related documents, collecting and accounting for over $1 trillion in revenues, narrowing the $100 billion a year tax gap, and dealing with a growing accounts receivable inventory that is also pushing $100 billion.

Coupled with these challenges are the increased expectations placed on IRS by the public and Congress. Taxpayers expect quality service--particularly in light of their experiences with private sector businesses' use of state-of-the-art technology--and an assurance that everyone is paying their fair share of the cost of government. In addition to these expectations, Congress is looking to IRS to collect more revenue in the most efficient manner to help relieve budget deficits.

IRS' ability to respond to these demands and expectations has been hampered by antiquated computer systems, inadequate management information, and staffing problems. These problems have been compounded by complex and frequently changing tax laws, and a decentralized organization that has hampered IRS' efforts to manage the organization as a single entity and quickly respond to the needs of Congress and the public.

ACCOUNTS RECEIVABLE INVENTORY PRESENTS MANAGEMENT CHALLENGES

IRS' ability to reduce the growing accounts receivable inventory has been hampered by many of these same problems and constraints. We testified before this Committee in August 1990 that IRS lacked sufficient financial and management information on the composition and disposition of the accounts receivable inventory.[1] Although IRS has made some significant strides in developing better information, it still has a long way to go in reducing the inventory's growth and improving collections. As we have reported in the past, solving the accounts receivable problem entails a long-term continuous effort.[2] The problem did not arise overnight and will not go away overnight.

Last August we testified that, between fiscal years 1986 and 1989, IRS' accounts receivable inventory was not only growing, but getting older, and collections were not keeping pace with this growth. During fiscal year 1990, these trends continued, as you can see from our first chart (see appendix I). The total accounts receivable inventory, including accrued penalties and interest, grew almost 11 percent, from nearly $87 billion to $96.3 billion. The dollar value of accounts over 1 year old increased 15 percent from $56.9 billion at the end of fiscal year 1989 to $65.6 billion at the end of fiscal year 1990.

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[1] IRS' Accounts Receivable Inventory, Statement before the Committee on Governmental Affairs, United States Senate (GAO/T-90-60, Aug. 1, 1990).

[2] IRS' Accounts Receivable Inventory Statements before the Subcommittee on Oversight, Committee on Ways and Means, House of Representatives (GAO/T-GGD-90-19, Feb. 20, 1990) and the Committee on Governmental Affairs, United States Senate (GAO/T-GGD-90-60 Aug. 1, 1990).

Total delinquent tax collections once again failed to keep pace with the growth in the inventory, increasing by 8 percent during fiscal year 1990. It should be noted that the bulk of this growth came from increased collections as a result of computer-generated notices sent to taxpayers and installment agreements. The growth of collections directly attributable to the actions of IRS' collection staff at the Automated Collection System call sites and in the districts increased only 4 percent, from $6.7 billion in 1989 to $7 billion in 1990.

New IRS data has for the first time enabled us to project how much of the year's ending inventory the agency can expect to collect over the 10 year period before the statute of limitations expires. In a study prepared at the request of Chairman Pickle of the Oversight Subcommittee of the House Ways and Means Committee, we estimated that IRS may only collect about one-fourth of its accounts receivable if it continues its current strategy for collecting delinquent accounts.

As our next chart shows (see appendix II), IRS can expect to collect only an estimated $23 billion of its fiscal year 1990 ending accounts receivable inventory for individual and business taxpayers.[3] We estimate that $1.7 billion of these collections will result from extending the statutory collection period from 6

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[3] The ending fiscal year 1990 inventory for individual and business taxpayers was $92.6 billion of the $96.3 billion accounts receivable balance as of September 30, 1990.

to 10 years. We also estimate that $24 billion will be abated, in part, due to errors by IRS or the taxpayer. Most importantly, almost one half, $46 billion, will not be collected or abated during the 10-year statutory collection period and, thus, will be written off at the end of that period.[4]

At first glance, it is disturbing that over three-fourths of the accounts receivable inventory will go uncollected. However, one must look beyond these overall figures to determine what portion represents valid receivables that could be collected. Clearly, for example, much of the $24 billion that will be abated should not have been included in the accounts receivable inventory in the first place.

However, specific information is currently not available about the characteristics and validity of the $46 billion that we estimate will not be collected or abated before the statutory collection period expires. Although we know that a substantial portion of the accounts receivable is overstated because of duplicate and erroneous assessments, we do not know the complete extent of these overstatements. Thus, we were unable to estimate how much of the $46 billion is potentially collectible through additional collection efforts. IRS needs to determine the amount

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[4] One cautionary note on using these disposition data for the year end inventory: they do not, by themselves, measure collection's overall effectiveness because most collections and abatements occur in the year in which the receivables are established and, thus, are not reflected in the year end inventory.

of valid receivables in its inventory and the amount that could potentially be collected through enhanced or improved collection activities. We believe that this type of information is critical to developing a strategy to ensure that the government realizes the maximum revenues from the accounts receivable inventory. It will also help Congress assess future staffing needs for the collection area.

EMERGING MANAGEMENT STRATEGIES

Mr. Chairman, strategies are emerging at IRS that hold considerable promise for improving the agency's overall capacity to resolve the accounts receivable problem as well as other long-standing service delivery and tax enforcement problems. Perhaps the most important development has been the strengthening of the central leadership framework--including the appointment of a Chief Financial Officer and a Chief Information Officer--that can bring about a more concerted agency response to management challenges and promote greater accountability for meeting congressional and public objectives.

In our view, four emerging strategies are most critical: strategic planning and management, financial management, compliance initiatives, and state-of-the-art computer technology. How well IRS' leadership implements these strategies will largely determine how well it will meet the challenges of today and the future. Many of these developments are discussed in our report Managing IRS: Important Strides Forward Since 1988; but More Needs to Be Done (GAO/GGD-91-74) released to you on April 29, 1991. I will provide you now with a brief overview of each of these areas.

STRATEGIC PLANNING

IRS is a highly decentralized organization, with considerable authority for determining service and enforcement actions vested in 7 regional offices, 10 service centers, and 63 district offices. Although such decentralization may be appropriate in determining enforcement actions for individual taxpayers, it has limited the ability of the Commissioner, Congress, and the public to hold the agency accountable for meeting particular goals and objectives. Our study of IRS' college recruiting program, for instance, showed that IRS relied on often duplicative and uncoordinated local recruitment efforts and, thus, was not very successful in directing an efficient nationwide program.[5]

This decentralized environment accentuates the need for management information to track the nationwide results of programs but also serves to inhibit the availability of such information. For example, when Congress was seeking information

[5] Tax Administration: Need for More Management Attention to IRS' College Recruitment Program (GAO/GGD-90-32, Dec. 22, 1989).

on abuses of taxpayers in developing the Taxpayer Bill of Rights legislation, IRS was unable to report how many times it erroneously levied taxpayers' assets or even how much money had been collected through levies. We had to do special studies analyzing IRS' records to provide this kind of aggregate data.[6] As we testified at your August 1990 hearing, Congress' and this Committee's efforts to better understand the reasons for the growth in accounts receivable have been hampered by the lack of basic aggregate IRS information such as the types of taxpayers and the origins of assessments comprising the inventory.

Recognizing the need for improved central management direction and oversight, IRS started a strategic management process in 1984. As it has matured over time, this process has become a central tool of the Commissioner in his quest to overcome centrifugal forces at work in the agency.

The cornerstone of the process is the 5-year Strategic Business Plan. This plan, which is updated annually, has become the vehicle for the Commissioner to articulate his priorities and better ensure that the disparate parts of the IRS work together to implement national goals. In addition to setting agency priorities, the Strategic Business Plan serves as a benchmark for

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[6] Tax Administration: Statistics on IRS' Use of Levies to Collect Delinquent Taxes (GAO/GGD-89-97FS, July 17, 1989) and Tax Administration: Extent and Causes of Erroneous Levies (GAO/GGD-91-9, Dec. 21, 1990).

measuring the progress of each of IRS' entities toward achieving agency objectives.

Several improvements have been added to the strategic management process in recent years. First, IRS selected a limited number of specific goals from the business plan to help focus agency efforts on the Commissioner's highest priorities. For fiscal year 1991, 13 of these "corporate critical success factors" were chosen, including one that calls for containing the growth of accounts receivable to no more than 7 percent. Second, the agency instituted another critical accountability link--annual business reviews--which involve assessments of field office performance in achieving the corporate critical success factors. This link will be reinforced by IRS' plan to consider senior managers' accomplishment of these objectives in their performance evaluations.

Although providing a promising means of holding managers accountable for reaching national goals, the strategic management process will not be fully effective until IRS has developed clear and measurable performance standards. IRS has made some progress in that direction. For example, for fiscal year 1991 managers were charged with achieving at least an 85-percent accuracy rate in answers given to the public through IRS' toll-free telephone assistance program. IRS has committed to the development of at least some performance measures for each of its functions by

June 30, 1991, but recognizes that the full complement of measures will take several years to develop. Because the specific measures chosen could play a large role in driving performance, Congress needs to assure itself that the measures selected adequately capture the key dimensions of performance.

A key to developing sound performance measures is good management information to track results, such as quality and productivity, for specific activities. For example, we reported before the Permanent Investigations Subcommittee of this Committee in April on information suggesting that IRS is losing most of the dollars recommended in audits of large corporations in appeals or the courts. A measure should be articulated to hold the examination program accountable to improve the sustainability of the audit recommendations, but IRS does not currently have a system to track the eventual collections resulting from examinations.

One important area that IRS will attempt to measure is the quality of its service to the public. Over the past several years, IRS top management has initiated a promising quality management process intended to make employees more aware of the public as a primary customer and to involve those employees in teams dedicated to improving and redesigning work processes. Much needs to be done to improve work processes and organizational structures to better position the Service to provide quality service to the public. Among the more important initiatives needed in this regard is the development of a series of reliable measures of quality to track progress over time.

FINANCIAL MANAGEMENT

As the government's tax collector, IRS has unparalleled responsibility to maintain revenue accounting and administrative financial systems that are second to none. In our October 1988 general management report, we observed that IRS' ability to satisfy its financial responsibilities had been undermined by accounting processes with weak internal controls, old systems that produced inaccurate and untimely information, and a shortage of accounting personnel.[7]

Since then, IRS has established financial leadership to address its many long-standing financial management problems. IRS now has a Chief Financial Officer (CFO) and a Controller, who have authority for developing agencywide financial standards and controls, guiding the budget formulation process, and managing IRS' administrative accounting operations. IRS has also designated an Accounts Receivable Executive Officer who reports to the CFO and is expected to oversee agencywide efforts to reduce the inventory's growth. Although it is too early to

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[7] Managing IRS: Actions Needed to Assure Quality Service in the Future (GAO/GGD-89-1, Oct.14, 1988).

assess the results of these efforts, we believe IRS is on the right course.

However, we also believe the new financial leadership might be even better positioned to direct IRS' overall financial activities if they were directly responsible for all such activities. Currently, they are primarily responsible for accounting for IRS' own funds and not the $1 trillion collected in annual tax revenues. Although the Controller will set standards governing the revenue accounting operation, the Assistant Commissioner for Returns Processing is responsible for accounting for these revenues and accounting for the accounts receivable inventory.

The Chief Financial Officers Act of 1990, which was developed by your Committee, places responsibility on 23 agency CFOs for improving all financial management systems and operations within their agencies. The Department of the Treasury is one of these agencies. The act gives the Treasury CFO authority over all financial management activities, operations, and personnel of the department, including those of IRS. The organizational policies, structures, and procedures that will define the relationship between the Treasury CFO and IRS' CFO have not been developed yet. As Treasury develops and implements its CFO organizational and operational plans, we will monitor their effectiveness as well as the effectiveness of IRS' initiatives to implement its own CFO organization.

Mr. Chairman, as you know, IRS is part of a pilot project that requires it to prepare auditable financial statements for fiscal year 1992. As we have said on numerous occasions, preparing auditable financial statements is an integral part of improving agency financial management and of ensuring that Congress and the public receive accurate and comprehensive information on the agency's financial condition. We have elected, as authorized in the law, to audit IRS' financial statements. Prior to the actual audit, we will be working with IRS to identify and correct problems with information or internal controls hindering the proper preparation of financial statements.

One of the major issues IRS will have to confront in preparing financial statements is to accurately value its assets, including its accounts receivable inventory. To properly represent the value of its accounts receivable, IRS will have to estimate how much of the inventory will not be collected, known technically as an allowance for doubtful accounts. This is particularly important because the accounts receivable inventory is obviously overstated by numerous erroneous and duplicate assessments. IRS is currently refining its estimate for the allowance and plans to release its official allowance by September 30, 1991. The allowance is important not only for the preparation of the fiscal year 1992 financial statements but also to inform Congress and the public of how much they can expect to be collected from the inventory.

COMPLIANCE INITIATIVES

IRS has faced serious challenges in obtaining more complete compliance with the tax code. In addition to the growth of the accounts receivable -- representing the amount of taxes owed from taxpayers IRS has billed -- IRS has faced a growing gap between the amount taxpayers should have reported and the amount actually reported -- the tax gap. IRS projects that the tax gap will increase from $87 billion in 1988 to over $114 billion in 1992.

IRS' efforts need to be concentrated on those sectors of the economy with highest noncompliance. While taxpayers overall pay about 83 percent of taxes owed, ordinary wage earners, for example, pay close to 100 percent of their tax, thanks in large part to withholding and extensive information reporting on their incomes. However, compliance for other sectors of the economy is far lower; small corporations, for example, report only slightly more than 60 percent of taxes owed and merchants operating in the informal cash-and-carry economy pay less than 20 percent. For these types of taxpayers, audit coverage is particularly important because the Service presently does not have such tools as information reporting that it has for individuals.

Accordingly, the drop in audit coverage in recent years is particularly alarming. Chart 3 (see appendix III) shows how audit coverage has declined for both individual and business taxpayers since 1980. We are concerned that this decline in audit coverage will increase the tax gap and reduce voluntary compliance over the long run, particularly among business taxpayers where audits are the principal means for detecting noncompliance.

Reduced staffing trends would help explain these trends. But, it is somewhat puzzling to us, then, to find that the numbers of revenue agents who do the exams and revenue officers who collect accounts receivable have actually increased between 1981 through 1989 at a rate outpacing the growth in numbers of returns even as audit coverage declined and the accounts receivable inventory grew (See Appendix IV). We frankly do not understand all the factors driving the drop in audit coverage and suggest that IRS could do more to review its own productivity trends. IRS has explained this drop by pointing to the increasing complexity of returns audited, higher dollars recommended per return, and diversion of audit staff to tax shelter cases.

While staffing declines did not contribute to the problem, staff increases, in concert with other changes in work processes and practices, may nevertheless be part of the solution. In this regard, fiscal years 1989 and 1990 were not kind to IRS, where budgetary shortfalls prompted hiring freezes. IRS redirected funds authorized to hire new enforcement staff for revenue initiatives to support basic operations and pay for unfunded mandated costs such as pay raises and postage increases.

IRS' improved budgetary condition in fiscal year 1991 and the prospects for greater stability should permit increased hiring of enforcement staffs. Further, the pay reform legislation enacted last year has given the agency welcome aid in competing for staff in some high cost cities. In addition to improved funding for basic operating costs, the fiscal year 1991 appropriation authorized $191 million for revenue initiatives involving the addition of over 3,000 enforcement positions, including almost 2,000 examination staff to enhance audit coverage and over 900 collection staff to address accounts receivable. Although IRS is doing better than in past years in implementing these initiatives, the agency estimates it will be able to spend only $134 million for revenue initiatives, reducing the expected number of new hires by 36 percent and the projected first year revenue by more than 50 percent. IRS reduced compliance initiative funding to cover unbudgeted costs and to account for the postponement of recruiting when the late passage of appropriations delayed hiring by 3 months.

The administration's proposed fiscal year 1992 budget provided more good news for IRS, increasing funding by over 10 percent in the face of a government-wide increase of only 2.3 percent. The budget includes $45.9 million for compliance initiatives involving the addition of 818 new positions, 671 of which would be for collection. Despite these recent approved and proposed increases, however, staffing levels for examination revenue agents will still not return to fiscal year 1988 levels as shown in our final chart (see appendix IV). Staffing for collection revenue officers will be only 2 percent higher than in fiscal year 1988.

Mr. Chairman, increasing staffing is a necessary, albeit expensive, part of the solution to the tax gap and accounts receivable problems. A broad range of less intrusive, cost-effective measures also needs to be considered if we are to make significant inroads in tax noncompliance. The Commissioner has launched an initiative that he calls "Compliance 2000" which provides a general blueprint for improving compliance by using a mix of traditional enforcement tools and other tools, such as taxpayer education, tax law simplification, and positive incentives to promote higher compliance.

We believe that this broader set of strategies holds considerable promise for improving voluntary compliance in a more cost-effective and less intrusive manner than through traditional compliance programs alone. Our work and the research of others illustrates the potential payoff of broader strategies and the need for program changes to permit these strategies to work. For example,

-- We testified before this Committee last August that delinquency prevention programs could be a more cost effective strategy to reduce the future growth of accounts receivable but that IRS efforts in this area were very limited. Better information identifying characteristics of taxpayers most likely to be noncompliant would help the agency target education and other prevention programs toward high-risk groups.

-- Simplification of tax laws and processes could promote greater compliance. We reported in July 1990 that the complexity of the tax deposit rules helps explain why about one-third of the nation's employers are penalized every year for violations of the deposit requirements.[8] We proposed a simplified framework that should improve compliance.

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[8]Tax Policy: Federal Tax Deposit Requirements Should Be Simplified (GAO/GGD-90-102, July 31, 1990).

-- Enhanced computer matching of tax returns with third party information returns and social security records has been shown to improve voluntary compliance. For instance, the 1987 requirement to provide the social security number for each dependent age 5 years or older claimed as an exemption caused the number of claimed dependents to decrease by 7 million, increasing revenues by $2.9 billion.

-- Likewise, we believe that expanding the information returns reporting program to cover payments made to corporations for dividends, interest, rents, royalties, and capital gains could yield substantial additional revenues by encouraging increased income reporting by corporations. We recently testified before the Subcommittee on Commerce, Consumer and Monetary Affairs, House of Representatives, that a corporate document match program would generate about $1 billion a year at an annual cost of less than $70 million.[9]

-- Identification and tracking of chronic tax delinquents would help IRS and Congress identify and target alternative sanctions and enforcement toward the most troublesome and deliberate noncompliants. For example, if IRS could

[9]IRS Needs to Implement a Corporate Document Matching Program, Statement before the Subcommittee on Commerce, Consumer and Monetary Affairs, Committee on Government Operations, House of Representatives (GAO/T-GGD-91-40, June 10, 1991)

identify the group of repeat nonfilers owing taxes, other federal benefits including loans and contracts could be denied to these taxpayers, significantly raising their costs of noncompliance and possibly bringing more taxpayers into the system. Some states have conditioned receipt of state licenses and contracts on a clean tax record, and the Office of Management and Budget is exploring the denial of federal loans to federal tax delinquents. We are currently exploring these issues for federal contractors at the request of the Chairman, Subcommittee on Oversight, House Committee on Ways and Means.

TAX SYSTEMS MODERNIZATION

As you know, IRS is embarking on a massive modernization of its antiquated tax processing and information systems. Howard Rhile, from GAO's Information Management and Technology Division, will discuss the prospects for successful implementation of this new automated technology. But first let me caution that computers are only tools to help achieve management's vision of a future IRS, they are not a substitute for such a vision. Strong leadership inspired by a vision of what IRS could become, coupled with needed improvements in staffing, organizational structure, program strategies, financial management, and tax laws, are needed to unlock technology's greatest potential.

If successful, modernization clearly has great potential to help IRS meet its challenges--both in improving the processing of tax returns and in enhancing IRS' broader capacity to better serve taxpayers and improve compliance. Because of the cultural resistance to change that is inevitable, especially in an organization as large as IRS, and potential implications on the skills required of its employees, top management must exert strong leadership not only in identifying the many opportunities for change but also convincing employees that change is needed and dealing with the human resource implications.

Modernization offers IRS the opportunity to rethink the way it does business and the way it is structured to do that business. Once removed from the shackles of a paper-based environment, IRS could restructure itself in ways that could reduce operating costs and help it become a total quality organization. Modernization will also have a major impact on human resources, both in terms of the nature of jobs and the skills needed to operate in an automated environment.

We believe that thinking about these kinds of impacts and opportunities is critical if IRS and its many internal and external customers are to realize the full benefits from modernization. We are currently doing work for the Subcommittee on Commerce, Consumer and Monetary Affairs of House Government Operations Committee to further identify these opportunities. We fully acknowledge the difficulty in making such changes and the fact that this is a long term process. It is important, however, that IRS begin now to consider these organizational and human resource issues before the passage of time forecloses possibilities. This is why, Mr. Chairman, we expressed concern in our April 1991 report to you that IRS will not be completing a comprehensive human resources assessment of needed jobs and skills until September, 1994.[10]

CONCLUSION

Mr Chairman, we believe that these new strategies have emerged just in the nick of time. The old way of doing business is no longer sufficient to effectively address current workload and demands, let alone carry IRS into the 21st century. The new tools and strategies we have discussed offer the potential for better providing the quality service that the public deserves for better ensuring that everyone pays their fair share of taxes. Fully realizing this potential will require strong leadership with a vision of what IRS should become.

That concludes my part of our testimony. Mr. Rhile will now discuss IRS' tax systems modernization efforts.

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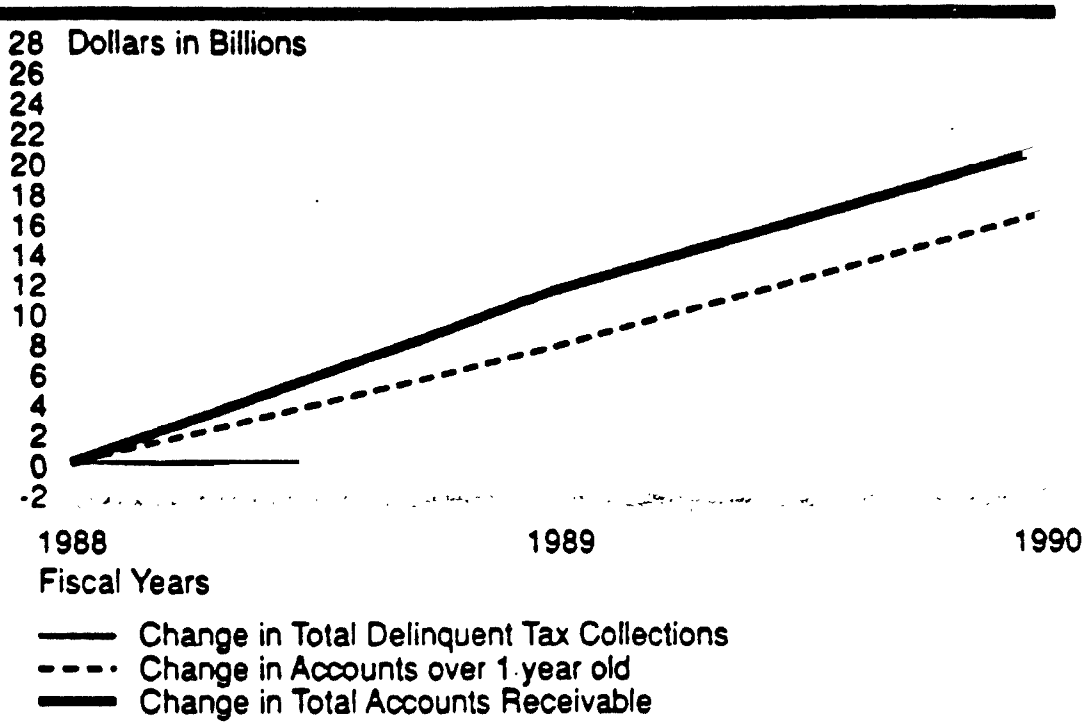
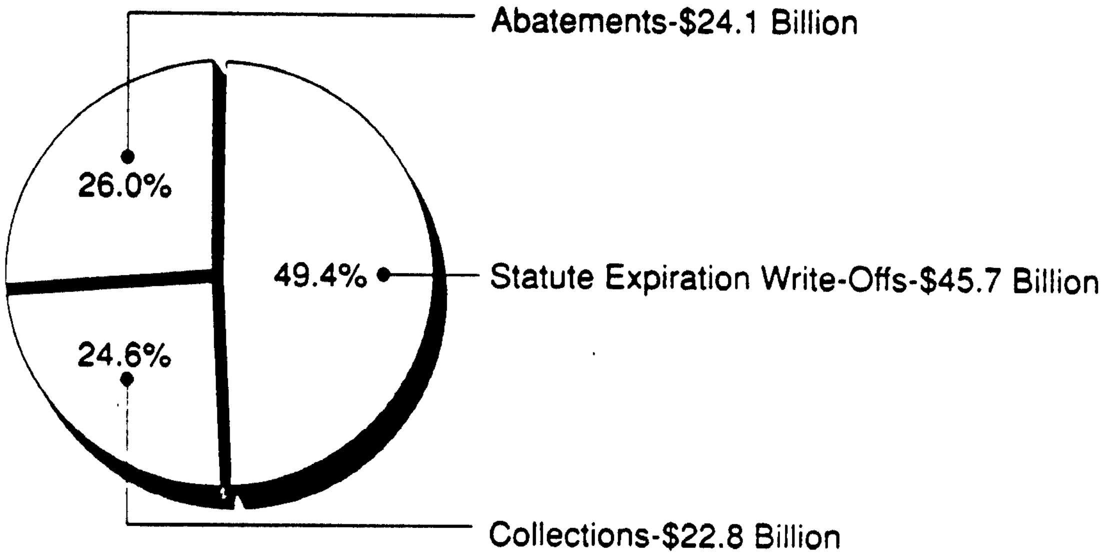
[10]Managing IRS: Important Strides Forward Since 1988 but More Needs to Be Done (GA)/GGD-91-74, Apr. 29, 1991).

GAO Delinquent Tax Collections & Accounts Receivable Trends



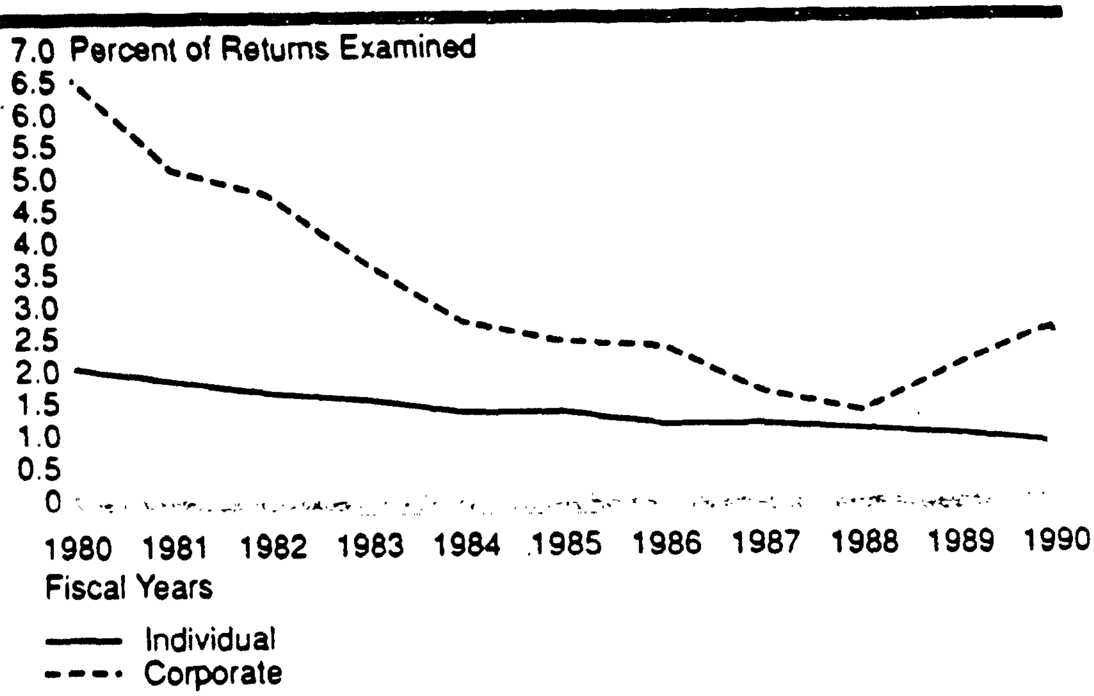
Source. IRS data
All values include interest and penalties accrued on Individual and Business Master File accounts.

GAO Estimated Dispositions of IRS' 9/30/90 Accounts Receivable



Source: GAO projections

GAO Trends in Individual and Corporate Audit Coverage



Source: IRS Annual Reports

GAO Average Number of Revenue Agents & Revenue Officers

Fiscal Year	Revenue Agents	Revenue Officers
1981	13,272	5,323
1982	13,554	6,028
1983	13,613	7,301
1984	13,442	7,531
1985	13,598	7,397
1986	13,658	7,265
1987	15,036	7,340
1988	16,720	8,340
1989	16,623	8,179
1990	15,735	8,293
1991	16,349	8,941

Source: IRS data
Data for fiscal years 1990 and 1991 are estimates.

 APPENDIX V

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