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General Government Division

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September 26, 1996

The Honorable J. Robert Kerrey
The Honorable Rob Portman
Co-Chairmen, National Commission on Restructuring
the Internal Revenue Service

As you requested, enclosed is a summary of GAO reports issued in fiscal years 1991 through 1995 and in the first three quarters of fiscal year 1996. These reports were selected from a comprehensive listing of our reports, which you will find in enclosure II. Any of these reports are available upon your request.

The summarized reports complement subjects outlined in my July 29, 1996, testimony. These reports identify areas that are particularly problematic to the Internal Revenue Service (IRS), which include processing tax returns, customer service, collection efforts, financial management, and information technology. These reports also indicate the formidable challenges IRS faces in making its organization, operations, and processes more effective and efficient while improving service to taxpayers.

With the Commission, Congress has created an excellent opportunity to bring about long-term, fundamental organizational and management changes at IRS. I look forward to working with the Commission. If you have any questions about these reports, please call me at (202) 512-9110.

We are sending copies of this letter and its enclosures to members of the Commission and other interested parties.

Lynda D. Willis
Director, Tax Policy
and Administration Issues

Enclosures - 2

157584

SUMMARY OF SELECTED GAO REPORTS
1991 to 1996

FISCAL YEAR 1996

TITLE: Internal Revenue Service: Results of Nonfiler Strategy and Opportunities to Improve Future Efforts

REPORT NUMBER: GGD-96-72 DOCUMENT DATE: 05/13/96

ABSTRACT:

At the beginning of fiscal year 1993, IRS had an inventory of about 10 million individual and business nonfilers. IRS estimated that unpaid taxes on nonfiled individual income tax returns for 1992 alone totaled more than \$10 billion. Concerned about this noncompliance, IRS began a strategy in fiscal year 1993 to bring nonfilers into the system and keep them there. IRS's strategy was generally successful in (1) reducing the size of the nonfiler inventory, (2) eliminating unproductive cases, and (3) increasing the number of returns secured from individual nonfilers. However, it is unclear whether voluntary taxpayer compliance actually improved and whether IRS' enforcement resources were effectively managed. GAO identified several areas where opportunities existed to improve IRS' nonfiler strategy, including (1) the amount of time it takes IRS to make telephone contact with nonfilers, (2) the use of higher graded staff to perform tasks that might be effectively done by lower graded staff, and (3) procedures for dealing with nonfilers who are brought into compliance and then become nonfilers again.

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TITLE: Tax Administration: Making IRS' Telephone Systems Easier to Use Should Help Taxpayers

REPORT NUMBER: GGD-96-74 DOCUMENT DATE: 03/11/96

ABSTRACT:

Three prototype interactive telephone systems--designed to reduce correspondence between IRS and taxpayers and to make IRS more accessible--suffer from too many menu options and other problems. Resolving these shortcomings is essential if IRS is

to achieve its goal of handling 45 percent of taxpayer calls by using interactive phone systems. IRS' telephone-routing system requires taxpayers to remember up to eight menu options, even though the contractor guidelines called for no more than four, and does not allow taxpayers to return to the main menu when they make a mistake or want to resolve other issues. IRS has yet to do a cost-benefit analysis of the use of multiple toll-free numbers, which IRS officials had recommended as a solution to the problem of too many menu options. Providing taxpayers with a written, detailed step-by-step description on how to use the menu options might be another way to make the telephone systems more user friendly. IRS complied with government security requirements when developing its first three interactive telephone systems. However, future interactive systems will allow taxpayers greater access to tax information, and more-secure features, such as a personal identification number, may be needed to protect taxpayer data.

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TITLE: Tax Administration: IRS Faces Challenges in Reorganizing for Customer Service

REPORT NUMBER: GGD-96-03

DOCUMENT DATE: 10/10/95

ABSTRACT:

IRS is undergoing a major effort to modernize its information systems and restructure its organization. This effort involves several components, one of which IRS calls its "customer-service vision," which seeks to improve IRS' interactions with taxpayers and fold parts of IRS' field structure into 23 customer service centers. These centers would work primarily by telephone to provide taxpayer service, distribute forms, collect unpaid taxes, and adjust taxpayer accounts. They would absorb current IRS telephone operations and try to convert much of IRS' written correspondence work to the telephone. However, a lack of clarity in management responsibilities has, to some extent, hampered IRS in implementing its customer-service plans. First, because the work units and related resources that are to make up the new customer service-organization belong to two separate IRS organizations, there is no "owner" in terms of a single individual responsible for the success of all the work activities. Second, at lower management levels, GAO found instances in which "products" were being developed for use in the customer-service sites that had no clearly designated process owners responsible for making sure the products are successfully integrated into the organizations. Third, GAO identified two instances in which IRS officials had assumed ownership roles for interactive telephone systems but had not carried out their duties

to establish the quality measures critical to evaluating the systems' performance.

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TITLE: Tax Administration: IRS Tax Debt Collection Practices

REPORT NUMBER: T-GGD-96-112 DOCUMENT DATE: 04/25/96

ABSTRACT:

IRS confronts major hurdles in collecting tens of billions of dollars in delinquent taxes. As Congress tries to balance the federal budget, these unpaid taxes have become increasingly important as have IRS' collection efforts. GAO testified that IRS could do more to improve its collection practices. Valuable lessons may be gained from IRS' pilot program testing the use of private debt collectors. IRS' improvement efforts are jeopardized by a lack of reliable information on its accounts receivable and the effectiveness of its collection tools, an aged inventory of receivables, outdated collection processes, and antiquated technology. IRS needs a long-term strategy to guide its efforts to improve delinquent tax collection. The key to any improvement lies in having accurate and reliable information. In addition, the private sector may be able to assist IRS by performing some collection activities.

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TITLE: Tax Systems Modernization: Progress in Achieving IRS' Business Vision

REPORT NUMBER: T-GGD-96-123 DOCUMENT DATE: 05/09/96

ABSTRACT:

IRS has developed a vision for 2001 that calls for organizational, technological, and operational changes affecting the way in which the agency processes tax returns, provides customer service, and ensures compliance. IRS has made progress in modernizing its operations, but the differences between IRS' existing operations and those proposed in its vision are great. IRS has made little progress either in reducing the number of paper returns it processes or in delivering the new systems needed to better process paper. In addition, taxpayers have long had difficulty reaching IRS by telephone. And, when they do reach IRS assistants, they do not always receive the information they need. Although IRS has developed a promising strategy to improve customer service, the agency faces many challenges in implementing it. IRS is seeking

to boost compliance to 90 percent by 2001. However, this goal relies on a set of assumptions that have since changed significantly. GAO questions IRS' ability to make sound investment decisions until it reengineers important processes, such as tax return processing. Until clearly defined business requirements drive Tax Systems Modernization (TSM) projects, there is no guarantee that these projects will successfully improve IRS operations.

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TITLE: Status of Tax Systems Modernization, Tax Delinquencies, and the Potential for Return-Free Filing

REPORT NUMBER: T-GGD/AIMD-96-88

DOCUMENT DATE: 03/14/96

ABSTRACT:

Regarding IRS' TSM, GAO is concerned about various weaknesses involving the electronic-filing strategy, software development, and other factors that jeopardize the success of this multimillion-dollar project. Until these deficiencies are corrected, IRS' ability to successfully complete TSM seems doubtful. In addition to more-effective use of technology, increased filing options could benefit both taxpayers and IRS. For example, if certain obstacles can be overcome, return-free filing can ease the burden for taxpayers while reducing the amount of paper IRS must process. In tax collection, IRS has made little progress in solving its accounts receivable problems. IRS continues to grapple with (1) inaccurate and unreliable information, (2) antiquated computers and a rigid collection process, (3) unintended problems with safeguards against potential taxpayer abuses, (4) a lack of accountability in its organizational structure, and (5) staffing imbalances. As a result, IRS cannot be sure how much money the government is owed or how much of the debt is collectible.

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TITLE: Tax Administration: Electronic Filing Falling Short of Expectations

REPORT NUMBER: GGD-96-12

DOCUMENT DATE: 10/31/95

ABSTRACT:

Electronic filing is the cornerstone of IRS' plan to move away from traditional paper-based tax return filing. Its primary marketing has been to professional tax return preparers. This strategy, however, has not been effective in producing significant increases in the number of electronic returns nor in attracting taxpayers who file complex returns that appear to contribute most to IRS' paper processing costs. GAO recommended that IRS (1) identify those groups of taxpayers most likely to file electronically and remove or reduce the impediments they may face, (2) set goals for reducing processing and operating costs in electronic filing, and (3) develop contingency plans for the possibility that IRS may not meet its goal of 80 million tax returns filed electronically by 2001.

FISCAL YEAR 1995

TITLE: Internal Revenue Service Receivables

REPORT NUMBER: HR-95-6

DOCUMENT DATE: 02/95

ABSTRACT:

Despite IRS' best efforts to collect more delinquent taxes and stem the growth in outstanding debts, the collection of delinquent taxes declined 8 percent, and the gross inventory of tax debt grew about 80 percent from 1990 through 1994. Some of the underlying causes for these disappointing results include (1) the lack of accurate and reliable management information for determining the validity and makeup of the inventory of tax debt and evaluating the effectiveness of individual collection activities; (2) IRS' lengthy, antiquated, rigid, and inefficient collection process; (3) the difficulty in balancing collection efforts with the need to protect taxpayer rights; and (4) a decentralized organization that blurs responsibility and accountability.

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TITLE: Tax Administration: IRS Notices Can be Improved

REPORT NUMBER: GGD-95-6

DOCUMENT DATE: 12/07/94

ABSTRACT:

In 1993, IRS sent out more than 60 million notices affecting about \$190 billion of taxpayer transactions. GAO reviewed 47 commonly used notices for clarity and found that taxpayers with multiple or interrelated tax problems would be better served by receiving a single, comprehensive notice summarizing the status of their accounts rather than the stream of multiple notices that IRS now sends them. GAO also found that IRS' efforts to improve the clarity of its notices have been hindered by limited computer-programming resources and higher priority programming demands. GAO recommended that IRS test the feasibility of using its Correspondex computer system to produce taxpayer notices and to establish a system that monitors proposed revisions in the text of the notices and resolves problems encountered in improving notice clarity.

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TITLE: Tax Administration: IRS Can Strengthen Its Efforts to See That Taxpayers Are Treated Properly

REPORT NUMBER: GGD-95-14

DOCUMENT DATE: 10/26/94

ABSTRACT:

Several initiatives have been undertaken in recent years to better protect taxpayers—particularly the enactment of the Taxpayer Bill of Rights in 1988 and IRS' continuing efforts to improve its operations and treat taxpayers as customers. IRS also has a wide range of procedures and oversight governing the behavior of its employees in the millions of contacts they have with taxpayers each year. However, because IRS has failed to define or track taxpayer abuse, it is hard to assess IRS' efforts to protect taxpayers from abusive enforcement, unnecessarily long conflict resolution, or unauthorized "snooping" into taxpayers' files.

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TITLE: Tax Administration: IRS Efforts to Improve Forms and Publications

REPORT NUMBER: GGD-95-34

DOCUMENT DATE: 12/07/94

ABSTRACT:

Providing taxpayers with easy-to-read forms and publications is a difficult task. IRS must strike a balance between the need for these documents to reflect a highly complex tax code and the need to make these documents understandable and easy-to-read. Although it faces many challenges in developing and revising forms and publications, IRS has instituted a process for doing so that includes reasonable components and is seeking ways to further improve it. IRS has begun a dialogue with groups representing tax professionals, but it has had problems in identifying and responding to the needs of individual taxpayers who are not represented by any professional organization. Because clear and understandable forms help to promote voluntary compliance, readability is a continuous concern. Thus, IRS should continue to seek ways to identify what individual taxpayers find most difficult to understand. IRS should also explore the use of potentially useful, but untapped, sources of information that may reveal points of taxpayer confusion and use existing information in new ways.

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TITLE: Tax Administration: Tax Compliance Initiatives and Delinquent Taxes

REPORT NUMBER: T-GGD-95-74

DOCUMENT DATE: 02/01/95

ABSTRACT:

IRS faces some formidable enforcement challenges, such as closing a tax gap that was last estimated at \$127 billion in tax year 1992 and collecting tens of billions of dollars of tax debt. Although Congress has provided compliance initiatives that would add more staff every year but one since 1990, staffing levels in IRS' three major enforcement programs actually declined between 1989 and 1994. However, GAO found that inadequate staffing was only one of the causes of IRS' accounts receivable problems. Other causes of IRS' accounts receivable problems include (1) the lack of accurate and reliable information, (2) an outdated and inefficient collection process, (3) difficulty in balancing collection efforts with taxpayer protections, and (4) a decentralized organizational structure.

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TITLE: Telephone Assistance: Adopting Practices Used by Others Would Help IRS Serve More Taxpayers

REPORT NUMBER: GGD-95-86

DOCUMENT DATE: 04/12/95

ABSTRACT:

Many taxpayers who seek help from IRS by telephone are not getting it. Although IRS has improved its telephone assistance program, the agency's telephone management practices have not kept up with those of the Social Security Administration and four private firms surveyed by GAO. IRS employees answered about the same number of calls each year—about 36 million—even though the staff available to answer calls declined. IRS answered about one out of two calls in fiscal year 1989 but only about one out of four calls in fiscal year 1994. IRS has improved its telephone assistance program, particularly its ability to route calls among call sites and provide assistors with taxpayer account information. However, IRS lagged in the application of modern information technology. GAO believes that IRS could adopt management practices used by other organizations to answer more calls with existing resources. GAO notes that IRS senior management has not aggressively and consistently pursued the

implementation of commonly used practices. In part, these attempts failed because IRS lacked a strategy for working with the National Treasury Employees Union, which represents most IRS telephone assistance workers, to introduce systemwide operating practices and standards.

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TITLE: Tax Administration: Administrative Improvements Possible in IRS' Installment Agreement Program

REPORT NUMBER: GGD-95-137

DOCUMENT DATE: 05/02/95

ABSTRACT:

This report evaluated IRS' use of installment agreements as a means for individual taxpayers to pay their tax debts. IRS changed the rules for installment agreements in April 1992 to streamline the process for taxpayers to request installment agreements and for IRS to approve them. As a result, IRS service center collection and district office taxpayer service staff approved more agreements than in the past, and more past-due taxes are being paid off in installments without going through IRS' routine collection process. However, IRS internal auditors reported that some taxpayers (1) choose installment agreements to pay their taxes even though they could have fully paid their taxes on time and (2) accumulate tax debt because it is easy to add subsequent income taxes to an existing agreement. GAO believes IRS should take steps to reduce the use of installment agreements to accumulate debt that could be paid through other methods and suggests that IRS notify taxpayers about the projected total costs and payoff periods when setting up installment agreements with taxpayers.

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TITLE: Financial Audit: Examination of IRS' Fiscal Year 1994 Financial Statements

REPORT NUMBER: AIMD-95-141

DOCUMENT DATE: 08/04/95

ABSTRACT:

This report presented the results of GAO's attempts to audit IRS' financial statements for fiscal years 1994 and 1993. This report also assessed IRS' internal controls and compliance with laws and regulations. IRS continued to face major challenges in developing meaningful and reliable financial management information and in providing

adequate internal controls that are essential to effectively manage and report on its operations. Overcoming these challenges has been difficult because of the long-standing nature and depth of IRS' financial management problems and the antiquated state of its systems. GAO found that (1) critical supporting information for IRS' financial statements was not available; (2) the available information was generally unreliable due to ineffective internal controls; and (3) IRS' internal controls did not effectively safeguard assets, provide a reasonable basis for determining material compliance with laws and regulations, or ensure that there were no material misstatements in the financial statements. As a result, GAO was unable to express an opinion on the reliability of IRS' financial statements for fiscal year 1994.

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TITLE: Tax Systems Modernization: Management and Technical Weaknesses Must Be Corrected If Modernization Is to Succeed

REPORT NUMBER: AIMD-95-156

DOCUMENT DATE: 07/26/95

ABSTRACT:

From 1986 to 1994, IRS spent \$2.5 billion on TSM and expects to spend more than \$8 billion on the project through 2002. By any measure, this is a world-class information systems development effort, much larger than most other organizations will ever undertake. TSM is the centerpiece of IRS' vision of virtually paperless tax processing to optimize operations and better serve taxpayers. However, IRS' efforts to modernize tax processing are at serious risk because of pervasive management and technical weaknesses that impede modernization efforts. Specifically, GAO found that (1) IRS did not have a comprehensive business strategy to cost-effectively reduce paper submissions; (2) strategic information management practices were not fully in place to guide systems modernization; (3) software development capability was immature and weak; (4) systems architectures, integration planning, and system testing and test planning were incomplete; and (5) an effective organizational structure to consistently manage and control systems modernization had not been fully established.

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TITLE: Tax Administration: IRS' Partnership Compliance Activities Could Be Improved

REPORT NUMBER: GGD-95-151

DOCUMENT DATE: 06/16/95

ABSTRACT:

In fiscal year 1992, the number of partnerships totaled about 1.5 million—about the same as in 1981. During this period, however, the number of partners nearly doubled from 9.1 million to 15.7 million, partnership assets rose from \$1 trillion to \$1.9 trillion, and partnership net income went from a net loss of \$4.1 billion to a net gain of \$42.9 billion. Between 1988 and 1992, IRS audits of partnerships decreased by nearly half—from 0.93 percent to 0.50 percent—while audits of corporations more than doubled. Meanwhile, IRS in 1989 dropped its program to detect partnerships that have stopped filing required returns. As a result, relatively few partnership returns were audited, yet in a 1991 document-matching program, IRS estimated that \$219.5 million in additional taxes could have been assessed if IRS had matched all K-1 partnership schedules. GAO recommended that IRS modify its audit management information systems to reflect changes in allocations of profits and losses among partners and any tax assessments against partners' income tax returns. GAO also recommended that IRS analyze computer partnership files to develop audit leads, reinstate the delinquency-check program for partnerships to identify partnerships that do not file returns, and develop plans for a document-matching program to verify partnership income.

FISCAL YEAR 1994

TITLE: Tax Administration: Collecting Delinquent Taxes and Communicating With Taxpayers

REPORT NUMBER: T-GGD-94-50

DOCUMENT DATE: 11/09/93

ABSTRACT:

GAO discussed how IRS collects tax debts, processes tax returns, and communicates with taxpayers. GAO noted that IRS' collection of delinquent taxes declined in 1993 for the third consecutive year due, in part, to questionable determinations of uncollectibility, faulty monitoring, uneven staffing, and antiquated collection processes. GAO also noted that the 1993 tax filing season, while generally successful, was marked by a decline in the number of tax returns filed, an increase in electronic filing fraud, and an increase in the amount of time it took taxpayers to reach an IRS assistor by phone. As GAO noted previously, IRS' written communication to taxpayers was too often inaccurate, incomplete, confusing, and late.

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TITLE: Tax Administration: IRS Can Do More to Collect Taxes Labeled "Currently Not Collectible"

REPORT NUMBER: GGD-94-2

DOCUMENT DATE: 10/08/93

ABSTRACT:

GAO reviewed IRS' procedures for classifying certain accounts as "currently not collectible" and for monitoring those accounts for possible future collection. GAO found that IRS failed to collect millions of dollars because of inadequate and questionable determinations of uncollectibility, monitoring limitations, and inefficient collection practices. GAO noted that IRS failed to provide its employees with specific guidance in making these determinations and that IRS' supervisory and post reviews were not identifying and correcting problems with the determinations. In addition, IRS' policy of not reevaluating collection potential during the first 65 weeks after an account is classified as uncollectible ensured that some accounts that could be collected would remain inactive. In addition, other suspended accounts were not reactivated because IRS tracked only one taxpayer when monitoring joint uncollectible

accounts and was, therefore, unaware when the other taxpayers involved had collection potential. GAO recommended that IRS (1) establish specific guidelines for determining taxpayers' ability to pay delinquent debts and require at least minimum payments from delinquent taxpayers with incomes above a specific level; (2) ensure that oversight mechanisms are thorough enough to identify and correct inappropriate determinations of uncollectibility; and (3) eliminate the 65-week hold period for uncollectible accounts, track all taxpayers connected to delinquent accounts, and use all available indicators of collection potential.

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TITLE: Tax Administration: Changes Needed to Cope With Growth in Offer-in-Compromise Program

REPORT NUMBER: GGD-94-47

DOCUMENT DATE: 12/23/93

ABSTRACT:

IRS' Offer-in-Compromise Program involved compromises on tax debts as a result of doubts about liability or collectibility. Amounts collected through the program were small relative to IRS' overall collections--\$106 million in accepted offers versus about \$24 billion in overall collections in fiscal year 1992. Nonetheless, the program has grown rapidly since IRS began promoting it in February 1992. IRS believed that the program improved taxpayer compliance and would boost collections but had no way of measuring whether the program was achieving these ends. Such information is crucial because the program's growth could strain IRS' collection resources and because the program could undermine voluntary compliance should taxpayers conclude that the program is too liberal. One effect of the program's growth has been added costs for IRS to investigate all taxpayer offers. The mounting number of offers and limited collection resources underscored the need for IRS to streamline the investigation of low-dollar cases, reduce inefficient manual monitoring of deferred payments receipts, and obtain authority to determine which offers need to be reviewed by legal counsel. Despite new IRS procedures clarifying its policy on offers, acceptance rates for offers continued to vary widely at IRS district offices.

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TITLE: Tax Administration: State Tax Administrators' Views on Delinquent Tax Collection Methods

REPORT NUMBER: GGD-94-59FS

DOCUMENT DATE: 02/02/94

ABSTRACT:

States have changed their delinquent tax collection strategies to boost collections and make their collection programs more efficient. Among the changes some states made were (1) new or improved accounts receivable management information systems; (2) updated written billing procedures; (3) use of telephone collection techniques; and (4) denying taxpayer state licenses and permits, such as those for liquor and car dealerships, if delinquent taxes go unpaid. Other developments on the state level included the increasing use of private collection companies to collect delinquent taxes and the use of credit card tax payments. This fact sheet summarized the view of state tax administrators on these efforts to collect delinquent state taxes.

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TITLE: Financial Management: Important IRS Revenue Information Is Unavailable or Unreliable

REPORT NUMBER: AIMD-94-22

DOCUMENT DATE: 12/21/93

ABSTRACT:

As the nation's primary tax collector, IRS reported about \$1.1 trillion in tax revenues for fiscal year 1992. This report discussed deficiencies and internal control weaknesses in the systems that account for this money. GAO identified these shortcomings during its audit of IRS' fiscal year 1992 financial statements. GAO recommended that IRS (1) develop a way to capture information on the specific taxes collected for trust funds so that the difference between amounts assessed and amounts collected is readily determinable and tax receipts can be distributed as required by law, (2) determine the trust fund revenue information needs of other agencies and provide such information, and (3) identify the information needed for revenue reporting and related sources and develop written policies and procedures for compiling this information.

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TITLE: Tax Systems Modernization: Status of Planning and Technical Foundation

REPORT NUMBER: T-AIMD-GGD-94-104 DOCUMENT DATE: 03/02/94

ABSTRACT:

GAO discussed the overall planning for and technical management infrastructure of IRS' TSM effort. GAO believes IRS must first define its business requirements in detail in order to be in a position to develop the technical specifications that would shape its various information systems. Without complete and detailed TSM requirements, the information systems that were being developed run the risk of not fitting with each other or into the whole system. GAO also believes that IRS must complete its technical and management standards for its TSM effort. Without technical standards, for example, many TSM systems and subsystems would be unable to exchange information or work cooperatively, a primary TSM goal. Without comprehensive management standards, the management of TSM and the physical deployment of its systems would be at risk. GAO recommended that IRS set aggressive schedules and clear accountability for completing its business requirements and technical and management standards.

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TITLE: Financial Management: IRS Does Not Adequately Manage Its Operating Funds

REPORT NUMBER: AIMD-94-33 DOCUMENT DATE: 02/09/94

ABSTRACT:

Significant weaknesses existed in the systems that IRS used to manage, spend, account for, and report on its operating funds. As a result, GAO was unable to audit \$4.3 billion of the \$6.7 billion in operating funds that IRS reported spending in fiscal year 1992 because IRS could not account for all of the money. Significant control weaknesses included (1) managers lacked current, reliable information on available budget authority; (2) some types of expenditures were recorded only after lengthy delays; and (3) reports used to monitor compliance with laws governing the use of budget authority contained unauthorized adjustments. In addition, IRS reports misclassified expenditures and did not periodically review and adjust its records to reflect changes in obligations and to remove canceled appropriations or resolve

billions of dollars in discrepancies between its records and those of the Treasury Department. Also, IRS could not ensure that outlays for goods and services were proper because of fundamental control weaknesses in its payment processes, including a lack of proper review and approval of payments.

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TITLE: Tax Administration: Compliance Measures and Audits of Large Corporations Need Improvement

REPORT NUMBER: GGD-94-70

DOCUMENT DATE: 09/01/94

ABSTRACT:

The largest, most complex corporations pay income taxes, excluding refunds, of about \$155 billion each year. IRS audits these corporations under its most important audit program, the Coordinated Examination Program (CEP). GAO reviewed IRS' audits under CEP and found that (1) conflicting incentives within IRS—auditors tasked with recommending more taxes in the shortest time while appeals officers focus on settling cases without going to court—contributed to a low collection rate; (2) lack of centralized authority allowed district offices to redirect audit resources, leaving audit teams ill-equipped, insufficiently funded for travel, poorly trained, and inadequately supported by outside experts; (3) IRS' rotation policies precluded auditors from developing corporate expertise by reassigning them to different corporations that often involved different industries, accounting standards, and tax issues; and (4) insufficient coordination between Appeals and other IRS functions led to inconsistent tax settlements.

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TITLE: Tax Administration: More Improvement Needed in IRS Correspondence

REPORT NUMBER: GGD-94-118

DOCUMENT DATE: 06/01/94

ABSTRACT:

From 1988 to 1994, GAO, IRS, and others have cited delayed, inaccurate, incomplete, and confusing responses to taxpayer letters as chronic IRS problems. Although IRS had made progress in correcting its correspondence problems by adopting quality and timeliness standards and by expanding quality reviews of outgoing mail, some

problems persisted. A GAO review of nearly 1,900 closed correspondence cases in IRS' Atlanta and Cincinnati service centers found that 15 percent of the cases were incorrect, unclear, incomplete, or nonresponsive. Also, 11 percent of the cases resulted from taxpayers repeatedly trying to contact IRS to resolve a matter. Problems such as these increased IRS' costs, frustrated taxpayers, and ultimately discouraged taxpayer compliance with the tax laws. GAO outlined several opportunities for IRS to improve its responsiveness to taxpayers, including resolving more taxpayer issues by telephone, clarifying the situations that warrant an IRS response to taxpayer correspondence, making timeliness indicators more useful, and improving interim letters.

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TITLE: Financial Audit: Examination of IRS' Fiscal Year 1993 Financial Statements

REPORT NUMBER: AIMD-94-120

DOCUMENT DATE: 06/15/94

ABSTRACT:

An audit of IRS' fiscal year 1993 financial statements revealed that the agency was hampered by serious, pervasive financial management problems, including the inability of antiquated systems to generate reliable financial information needed to manage IRS operations. GAO was unable to express an opinion on the reliability of IRS' fiscal year 1993 Principal Financial Statements. Critical supporting information for seized assets, accounts payable, and collection by type of tax was unavailable, and supporting information for in-process revenue transactions, tax credit balances, and funds with the Treasury Department was not properly analyzed and recorded. Additionally, most financial statement balances were plagued by errors in revenue and operating funds transactions. This report discussed the scope and severity of IRS' financial management and control problems, the adverse impact of these problems on IRS' ability to effectively carry out its mission, and IRS' actions to remedy the problems. GAO made recommendations to help IRS continue its efforts to resolve these long-standing and difficult problems and strengthen its financial management operations.

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TITLE: Internal Revenue Service: Changes Needed in the Role of Regional Offices

REPORT NUMBER: GGD-94-160

DOCUMENT DATE: 07/26/94

ABSTRACT:

Past studies of IRS have concluded that the agency needs regional offices. GAO reached the same conclusion after surveying the internal customers of regional offices—executives in IRS' National Office and field offices—and after reviewing regional office involvement in IRS' new initiative aimed at bringing nonfilers back into the tax system. IRS had about 96,000 field office workers spread over about 700 locations. Evidence suggested that regional offices are needed for effective management of such a large and far-flung organization. However, GAO found that these offices were not functioning in a way that yielded the greatest returns to internal customers. Many customers, although acknowledging the need for regional offices, often responded negatively to questions about how helpful regional offices had been. With that in mind and in conjunction with changes that would shrink the number and size of regional offices, IRS needed to rethink the role of those offices. For example, regional staff should not spend valuable time funneling information between national and field offices or doing unproductive reviews of field office activities. It is also unproductive for regional offices to manage activities, such as returns processing, in which the number of sites involved is small enough for the National Office to manage directly.

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TITLE: Tax Administration: IRS Can Better Pursue Noncompliant Sole Proprietors

REPORT NUMBER: GGD-94-175

DOCUMENT DATE: 08/02/94

ABSTRACT:

Noncompliance in reporting sole proprietor income represented a major challenge for IRS. Such noncompliance spread over a majority of the estimated 13 million sole proprietors and created an estimated income tax gap—the difference between the amount of income taxes owed and the amount voluntarily paid—of \$34 billion a year. During the past 15 years, sole proprietor rate of noncompliance has fluctuated with little evidence that IRS' compliance efforts would lead to significant improvements.

GAO found that each of IRS' compliance efforts had limitations. Specifically, computer matching was limited because information returns were not required for sole proprietor income earned from selling goods or from providing services to individuals. Compliance projects were often judgmentally selected and relied on local officials' expertise rather than on objective data. New information systems to better identify the causes of noncompliance and target enforcement resources were not expected to be fully operational for years, and data from IRS' Taxpayer Compliance Measurement Program that could be used to identify local compliance problems may not be available until 1998.

FISCAL YEAR 1993

TITLE: Internal Revenue Service Receivables

REPORT NUMBER: HR-93-13

DOCUMENT DATE: 12/92

ABSTRACT:

Many GAO audit reports have spotlighted the effect of management failures in the federal government—waste, inefficiency, and even scandal. Political leaders have been forced to spend too much time reacting to surprises like the Department of Housing and Urban Development debacle rather than doing the work the agencies were created to do. GAO began its high-risk program to identify those high-dollar government programs most vulnerable to fraud, waste, abuse, and mismanagement. This report is part of the program's high-risk series of reports, which examined the federal government's efforts to identify and correct problems in 17 especially vulnerable areas. The problems fell into three main categories: lending and insuring, contracting, and accountability. Many of the root causes of the problems afflicting these government programs were traceable to the absence of fundamental processes and systems. GAO urged that future congressional oversight focus on the agency reports and audited financial statements required by the Chief Financial Officers Act, agency management's progress in correcting material weaknesses in program internal control and accounting systems, and federal agency efforts to develop and implement performance standards. The Comptroller General summarized the high-risk series in testimony before Congress; see Government Management—Report on 17 High-Risk Areas, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs (GAO/T-OCG-93-2, Jan. 8, 1993).

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TITLE: Government Management: Status of Progress in Correcting Selected High-Risk Areas

REPORT NUMBER: T/AFMD-93-01

DOCUMENT DATE: 02/03/93

ABSTRACT:

In this status report on high-risk federal agencies, GAO said that IRS had not collected billions of dollars in taxes because of many structural problems it experienced and

that IRS needed to gather more and better data and remove organizational impediments to a unified collection strategy. GAO also said that establishing a balance between the need to protect taxpayers and the need to collect delinquent tax debts needed to be revisited with the Congress.

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TITLE: Financial Audit: Examination of IRS' Fiscal Year 1992 Financial Statements

REPORT NUMBER: AIMD-93-02 DOCUMENT DATE: 06/30/93

ABSTRACT:

GAO's attempt to audit IRS' 1992 Principal Financial Statements was unsuccessful because critical supporting information was not available. Where information was available, it was generally unreliable. In addition, IRS' internal controls did not effectively safeguard assets, provide a reasonable basis for determining material compliance with relevant laws and regulations, and ensure that there were no material misstatements in the Statements. Data limitations made it impossible to test compliance with many laws.

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TITLE: Financial Management: IRS Lacks Accountability Over Its ADP Resources

REPORT NUMBER: AIMD-93-24 DOCUMENT DATE: 08/05/93

ABSTRACT:

IRS had not adequately stressed the need for controls to ensure the accuracy of inventory records for computer equipment and software. As a result, information needed to manage and report on these assets was not readily available. In addition, IRS lacked a system of controls to ensure the accurate accounting of large acquisitions of hardware and software and the in-house development of software it had planned under its TSM effort. IRS officials, responding to the Chief Financial Officers Act's emphasis on developing more useful financial management information, planned to improve the reliability of automated data processing asset records. Having IRS' Chief Financial Officer account for and report on the agency's fixed assets helped ensure that adequate controls were implemented, further improving the reliability of information needed for managing and reporting on these assets.

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TITLE: IRS Information Systems: Weaknesses Increase Risk of Fraud and Impair Reliability of Management Information

REPORT NUMBER: AIMD-93-34

DOCUMENT DATE: 09/22/93

ABSTRACT:

Two main shortcomings have limited the effectiveness of IRS controls over the agency's computer systems. First, IRS did not restrict access to taxpayer data to only those computer support staff who needed it and did not adequately monitor the thousands of employees who were authorized to read and change taxpayer files. In some cases, IRS employees manipulated taxpayer records to generate unauthorized refunds; accessed taxpayer records to monitor the processing of fraudulent returns; and browsed taxpayer accounts, including those of friends, relatives, and celebrities. Second, controls did not guarantee that IRS used only authorized versions of its computer programs. As a result, programmers have been able to introduce unauthorized software changes, either inadvertently or deliberately, thus increasing the risk that taxpayer data may be processed inappropriately. In addition, an unexpected interruption in operations at IRS' main computer center could impede the agency's ability to maintain accurate and up-to-date taxpayer account records.

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TITLE: Tax Administration: IRS Can Improve Controls Over Electronic Filing Fraud

REPORT NUMBER: GGD-93-27

DOCUMENT DATE: 12/30/92

ABSTRACT:

A major advantage to filing electronically with IRS—returns that are sent via telephone lines and processed by computer—is that taxpayers can receive their refunds faster. The soaring popularity of electronic filing, however, has been accompanied by a rising incidence of fraudulent electronic returns; IRS identified more than 11,000 fraudulent returns in the first 7 months of 1992. IRS began tightening its controls in 1992 both by beefing up its screening of individuals and firms who want to file electronically and by increasing the number of fraud detection personnel. These steps probably contributed to the rise in the number of fraudulent returns spotted in 1992. The amount of fraudulent returns that IRS identified but could not stop before issuance, however,

increased by 35 percent during the first 7 months of 1992 compared with the same period a year earlier. A system of controls to totally prevent electronic filing fraud or to identify and stop all fraudulent returns before they are issued may be unrealistic. In GAO's view, however, additional controls could be implemented to further reduce IRS' vulnerability.

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TITLE: Tax Administration: Opportunities to Increase the Use of Electronic Filing

REPORT NUMBER: GGD-93-40

DOCUMENT DATE: 01/22/93

ABSTRACT:

The prospect of a prompt refund made electronic filing very appealing for most taxpayers. These expedited refunds came at a price, however. Taxpayers had to pay a third party to prepare or electronically transmit the returns and had to pay yet another fee if they wanted to obtain the expedited refund through a financial institution. IRS' research suggested that this cost deters most people from filing electronically unless they need their refunds right away. In promoting electronic filing, IRS has focused on attracting more preparers and transmitters. Although this approach has boosted the number of taxpayers filing electronically, about 90 percent of all individual income tax returns in 1992 were still filed in traditional ways. GAO believes that IRS needs to make electronic filing more appealing and more available to a broader segment of the population. IRS also needed to address various operational issues that if effectively resolved would make electronic filing more appealing and help IRS more fully realize the benefits available through this technology.

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TITLE: Tax Administration: Delayed Tax Deposits Continue to Cause Lost Interest for the Government

REPORT NUMBER: GGD-93-64

DOCUMENT DATE: 03/22/93

ABSTRACT:

IRS must identify the best revenue-enhancing way to process the heavy volume of tax payments sent to its service centers around the April 15 filing deadline. The government has been losing substantial interest earnings because of the extended time it takes to process those payments. IRS was considering having taxpayers send their payments directly to lockboxes, removing the service centers from the process entirely. Yet even if various issues surrounding this new cash-management strategy had been resolved, the strategy would not have been implemented before 1996. In the interim, IRS needed to weigh various options to hasten deposits and boost interest earnings. Adding the equipment and people needed to remove the processing bottlenecks might not have proven cost-effective because these additional resources would only be needed for a few days during the filing season. A preferable alternative, in GAO's view, would be to streamline IRS procedures so that available resources could be targeted to identify and process the largest payments. IRS' National Office needed to lead the service centers in resolving this problem.

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TITLE: Tax Administration: Improved Staffing of IRS' Collection Function Would Increase Productivity

REPORT NUMBER: GGD-93-97

DOCUMENT DATE: 05/05/93

ABSTRACT:

Although IRS' delinquent-taxpayer workload has continued to grow, productivity has varied greatly at the agency's field offices. As a result of IRS' staffing policies and procedures, some collection field offices lacked enough staff to pursue the more highly productive cases while other offices had relatively more staff and were investigating cases with less collection potential. The upshot was that IRS has been unable to maximize its collection of delinquent tax debts or effectively stem the growth of its accounts receivable. If IRS were to continue using a staff allocation

system that does not consider marginal productivity and uses single-year workload estimates, the agency would not know the complete extent of staffing imbalances. Problems would also persist if IRS continued to rely on overall staff growth and attrition as the primary means of eliminating field office staffing imbalances. IRS had several initiatives under way that may have reduced the number of invalid accounts in the delinquent taxpayer inventory, redefined the collection function, and distributed collection functions throughout IRS. All these changes would affect collection staffing needs.

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TITLE: Tax Administration: Computer Matching Could Identify Overstated Business Deductions

REPORT NUMBER: GGD-93-133

DOCUMENT DATE: 08/13/93

ABSTRACT:

IRS could have reaped substantial benefits by instituting computer matching for the more than 1 billion information returns that businesses file each year. Matching involves comparing expenses, or payments, that businesses deduct on their tax returns with the same expenses they report in information returns, such as wages on Form W-2. IRS audited very few businesses, allowing billions of dollars in overstated deductions and unfiled returns to go undetected. In GAO's view, reverse matching wages is feasible and could generate large tax revenues. Reverse matching for other deductions has potential but is less feasible because of limitations, such as the gap in information reporting. However, GAO believes that IRS' major automation effort, TSM, and other proposed changes could overcome many of these problems. For example, reverse matching for bad debts should be feasible if Congress required businesses to file information returns on bad debts.

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TITLE: Tax Administration: New Delinquent Tax Collection Methods for IRS

REPORT NUMBER: GGD-93-67

DOCUMENT DATE: 05/11/93

ABSTRACT:

If IRS is to compete successfully with private collection companies and state governments for payments from debtors, it must adopt more effective strategies for collecting delinquent taxes. IRS has traditionally followed a lengthy and rigid three-stage collection process beginning with a series of written notices, or bills; followed by telephone calls; and culminating in visits to delinquent taxpayers. Because of legal restrictions, IRS handled all aspects of delinquent tax collections and did not evaluate or reward its collection staff on the basis of collection performance. Because of inadequate information, IRS pursued delinquent accounts without knowing whether the amounts recorded in the accounts were valid receivables and with only limited knowledge of the characteristics of delinquent taxpayers. In contrast, many state tax departments and private sector collectors stressed early telephone contact. In addition, private collectors routinely used collection performance statistics in determining pay and bonuses for collectors. These firms increasingly used debtor profiles to customize their debt collection procedures. For IRS to be a successful competitor, it will have to adopt more effective collection strategies and expand its use of cooperative efforts with state governments.

FISCAL YEAR 1992

TITLE: Tax Administration: IRS' System Used in Prioritizing Taxpayer Delinquencies Can be Improved

REPORT NUMBER: GGD-92-6

DOCUMENT DATE: 03/26/92

ABSTRACT:

GAO reviewed IRS' efforts to revise the formulas it used to determine the probability of collecting delinquent taxes from both filers and nonfilers. GAO found that IRS' evaluation of its formulas was not as useful as it could have been because IRS' evaluation contained only limited analysis of the relationship between the score the formulas assigned and actual collections (from filers) or amounts due (from nonfilers). Furthermore, while IRS' evaluation relied on a sampling methodology, it failed to include statistical measures, such as sampling error or confidence level, that are needed to assess the validity and reliability of sample results. GAO believes IRS' sampling methodology would not be needed for the evaluation if IRS had a means of routinely comparing delinquencies with actual collections or amounts due. GAO recommended that IRS (1) seek the experience of private industry in identifying variables and prioritization practices affecting collections, (2) assess nonfiler delinquencies on the basis of probable collections rather than expected amounts due, (3) use its evaluation techniques to address employment tax delinquency identification and prevention, and (4) include the results of its evaluations in its master file records and collection reports that track delinquency dispositions to provide a means for continual evaluation.

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TITLE: Internal Revenue Service: Status of IRS' Efforts to Deal With Integrity and Ethics Issues

REPORT NUMBER: GGD-92-16

DOCUMENT DATE: 12/31/91

ABSTRACT:

In testimony before Congress in July 1991 (see GAO/T-GGD-91-58), GAO discussed IRS' efforts to address integrity and ethics issues. GAO concluded that IRS had communicated to its employees information on their ethical responsibilities, ways to

report misconduct, and protections against reprisal for reporting misconduct. IRS had also made some progress in dispelling negative perceptions about its willingness to take appropriate disciplinary actions for employee misconduct. However, IRS was still unable to fully use its management information system as a tool to help ensure that sanctions against employees were adequately and equitably applied.

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TITLE: Earned Income Tax Credit: Advance Payment Option Is Not Widely Known or Understood by the Public

REPORT NUMBER: GGD-92-26

DOCUMENT DATE: 02/19/92

ABSTRACT:

More than 11 million low-income wage earners received \$6.5 billion in earned income tax credits for tax year 1989. The earned income tax credit is a refundable credit that certain workers can receive upon filing a tax return. Workers can receive the credit as a lump-sum payment after filing a return in advance as part of their paycheck. Yet less than 1 percent of earned income credit recipients receive the credit in advance each year. GAO found that (1) many eligible workers and their employers were not aware of the advance payment option, (2) IRS' outreach efforts emphasized the earned income credit but not the advance payment option, and (3) employees preferred a lump-sum payment instead of smaller periodic payments. When advance payments were made, they did not appear to impose a major burden on employers; however, IRS experienced problems because almost half of those using the advance payment option failed to report that receipt on their tax returns while many others never filed tax returns.

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TITLE: Tax Administration: IRS' Implementation of the 1988 Taxpayer Bill of Rights

REPORT NUMBER: GGD-92-23

DOCUMENT DATE: 12/10/91

ABSTRACT:

While it is important for all citizens to pay their fair share of taxes, it is equally important for IRS to treat taxpayers fairly. GAO was generally satisfied with IRS' implementation of the Taxpayer Bill of Rights, which established rules and procedures

for resolving problems arising from IRS' interpretation and administration of the tax laws. The act also stressed principles such as fairness, consistent application of laws and regulations and the right of taxpayers to receive clear explanations of their tax situation. GAO believes that most IRS employees work diligently to treat taxpayers fairly and equitably. But IRS—an organization with over 700 locations and 120,000 employees who must administer complex tax laws—may not always provide taxpayers with the treatment to which they are entitled. For this reason, IRS will need to continually emphasize the act's requirements and measure performance in meeting its intent. GAO summarized this report in testimony before Congress; see Tax Administration: IRS' Implementation of the Taxpayer Bill of Rights, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Private Pension Plans and Oversight of the Internal Revenue Service, Senate Committee on Finance (GAO/T-GGD-92-9, Dec. 10, 1991).

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TITLE: Internal Revenue Service: Opportunities to Reduce Taxpayer Burden Through Return-Free Filing

REPORT NUMBER: GGD-92-88BR

DOCUMENT DATE: 05/08/92

ABSTRACT:

Under a return-free filing system, IRS would prepare tax returns using information received from third parties, thereby freeing millions of taxpayers from having to prepare and file their own returns. IRS studied this system and concluded that timing and cost considerations made it infeasible. While this system could be redesigned to incorporate new technologies that would overcome these objections, taxpayer resistance and the cost-effectiveness of other filing alternatives could make this an unattractive business proposition. IRS is using available technology to provide various filing alternatives that have significant benefits, such as faster refunds and more accurate filings. However, taxpayers must still prepare and submit paper documents to IRS, which in turn mails out refunds and bills. Many foreign countries use a version of return-free filing known as final withholding. Under this system, an employee's withholding becomes the tax, eliminating the need for many taxpayers to file returns. Final withholding could significantly reduce the number of individual returns in the United States; however, this system shifts some burden to employers and taxing authorities.

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TITLE: Tax Administration: Improvements in IRS' Telephone Assistor Accuracy

REPORT NUMBER: GGD-92-139FS

DOCUMENT DATE: 09/22/92

ABSTRACT:

During each of the last several filing seasons, the accuracy of IRS' answers to telephone inquiries from the public on tax matters has steadily increased, from 63 percent accuracy in 1989 to 88 percent in 1992. Increased management emphasis and the use of a standard reference guide seemed to be the key reasons for this improvement. However, the problems that some call sites have experienced in hiring and training staff will make it difficult for IRS to sustain these accuracy gains or to substantially improve 1992's accuracy rate.

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TITLE: Tax Administration: Opportunities to Further Improve IRS' Business Review Process

REPORT NUMBER: GGD-92-125

DOCUMENT DATE: 08/13/92

ABSTRACT:

IRS moved forward with its new business review process, which should help chart its progress in meeting agency objectives. Senior management appeared strongly committed to making the process work, the process has been structured to include various essential elements that GAO outlined in an earlier report (GAO/GGD-89-1), and the process has continued to improve from year to year. IRS could further improve the process by (1) compiling review results in an overall assessment of its progress in implementing long-term strategies and meeting long-term objectives, (2) doing business reviews of its National Office, (3) ensuring that the number of performance factors being measured is appropriate, and (4) expanding communications about the business review process within the agency. IRS sought to enhance the business reviews by developing better performance measures and addressed many of the opportunities GAO identified.

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TITLE: Tax Administration: IRS' Executives' Views on the Business Review Process

REPORT NUMBER: GGD-92-103FS

DOCUMENT DATE: 05/29/92

ABSTRACT:

GAO surveyed senior IRS executives on the annual business review, which assessed how well field offices achieved the goals set out in IRS' Strategic Business Plan, and how it might be improved. On the positive side, the executives noted the commitment of IRS top management to the business review process, and many specifically cited the former Commissioner's personal involvement in the process. The executives also said that the process has (1) improved communications between senior IRS executives and the Commissioner and (2) helped to focus attention on IRS' most important activities. As for needed improvements, IRS executives said that new or revised performance measures were needed, business reviews could be better focused, business review reports could be revised to better indicate what the review results mean, and paperwork could be reduced.

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TITLE: IRS Procurement: Software Documentation Requirement Did Not Restrict Competition

REPORT NUMBER: IMTEC-92-30

DOCUMENT DATE: 03/02/92

ABSTRACT:

IRS' software documentation requirements for the Check Handling Enhancements and Expert System—an automated system for processing tax remittances—were justified and did not improperly restrict competition. IRS had a sound basis for requiring that all software it expects to maintain, including both preexisting and off-the-shelf software, be documented in accordance with its initial standard. GAO agreed with the agency that it was much easier for IRS programmers to maintain software that was documented according to a single agencywide standard. However, GAO found that IRS had not been explicit in stating this requirement in other requests for proposals. Problems with future procurements could arise if this requirement remains unclear.

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TITLE: Tax Administration: Federal Contractor Tax Delinquencies and Status of the 1992 Tax Return Filing Season

REPORT NUMBER: T-GGD-92-23

DOCUMENT DATE: 03/17/92

ABSTRACT:

More than 5,700 federal contractors in 1991 owed the government \$773 million in back taxes and penalties, and another 1,100 were under investigation for not filing returns, but IRS has been lax in collecting delinquent tax payments from contractors. Although the 1986 Tax Reform Act requires federal agencies to report information on federal contracts, IRS lacked procedures to fully use the information received and to ensure that all required information is properly reported. Further, IRS had not taken full advantage of contract payments as a way to collect delinquent taxes. On a related matter, GAO testified that its monitoring of the 1992 filing season indicated that while the accuracy of telephone assistance had improved, the public continued to have difficulty reaching an assistor, getting forms and publications, and properly claiming the Earned Income Credit.

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TITLE: Performance Measurement: An Important Tool in Managing for Results

REPORT NUMBER: T-GGD-92-35

DOCUMENT DATE: 05/05/92

ABSTRACT:

Public officials must be able to better guarantee Americans that the government can effectively account for where their tax dollars go and how they are used, a task that will require federal agencies and Congress to shift their focus from correctly spending allocated dollars to managing for results. Better information on program status and a change in management attitude are needed, along with stronger incentives for agencies to account for their results. The Comptroller General testified that agencies need to (1) clearly articulate their missions in the context of statutory objectives and, with regard to services, citizen expectations; (2) develop implementation plans for the goals and objectives and specific measures of progress toward achieving them; and (3) report annually on their progress. In addition, Congress needs to carry out effective program oversight to demonstrate to the executive branch that it will use the

information provided to hold the agencies accountable.

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TITLE: Tax Administration: Opportunities to Reduce the Burden of Filing and Processing Tax Returns

REPORT NUMBER: T-GGD-92-41 DOCUMENT DATE: 05/13/92

ABSTRACT:

IRS was in the midst of a multibillion dollar modernization of its tax administration systems. Changes in how IRS conducted its business were essential if the agency was to fully realize the important benefits of modernization--namely, better service to taxpayers and lower costs to run the tax system. In GAO's view, one good candidate for change was the tax return, which is burdensome to taxpayers to prepare and file and costly to the government to process. Although IRS had come up with several filing alternatives, such as electronic filing, GAO believed that the tax filing burden would be reduced only if a way could be found to relieve many taxpayers of the need to file at all. Modernization presented IRS with opportunities to reduce its burden as well as those of taxpayers through a combination of technology and revised business tactics. But many of the potential benefits of modernization will go unrealized unless IRS revamps its fundamental business approach.

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TITLE: Tax Administration: IRS' Progress on Integrity and Ethics Issues

REPORT NUMBER: T-GGD-92-62 DOCUMENT DATE: 07/22/92

ABSTRACT:

IRS appeared to have made some headway in communicating to its employees the importance of ethical issues and in dispelling negative perceptions about its willingness to take appropriate disciplinary action, regardless of an employee's grade or position. Yet the agency was still unable to fully use its management information system to ensure that sanctions are adequately and appropriately applied. GAO interviewed IRS employees around the country and found that they were aware of and generally supportive of IRS efforts to strengthen ethics programs. GAO also discussed IRS' undercover operations and the need to strengthen the management and oversight

of this sensitive law enforcement technique. GAO believed that IRS needed to make a continuing commitment to oversee undercover operations and ensure adherence to controls, a move that should reduce potential misuse of funds and operational breakdowns during future undercover operations.

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TITLE: Internal Revenue Service: Status of IRS' Efforts to Deal With Integrity and Ethics Issues

REPORT NUMBER: GGD-92-16

DOCUMENT DATE: 12/31/91

ABSTRACT:

GAO reported on IRS' response to recommendations it made regarding integrity issues, focusing on (1) improved employee communication and ethics awareness and (2) perceptions about IRS disciplinary actions. GAO found that IRS had communicated to its employees information on their ethical responsibilities, ways to report misconduct, and protections against reprisal for reporting misconduct. GAO also found that IRS had made some progress to dispel negative perceptions about its willingness to take appropriate disciplinary actions for employee misconduct. Despite these improvements, GAO said that IRS was still unable to fully use its management information system as a tool to help ensure that sanctions against employees were adequately and equitably applied. GAO urged IRS to move quickly to improve the system.

FISCAL YEAR 1991

TITLE: Tax Administration: Effectiveness of IRS' Return Preparer Penalty Program Is Questionable

REPORT NUMBER: GGD-91-12

DOCUMENT DATE: 01/07/91

ABSTRACT:

In 1989, almost half of the individual income tax returns filed were prepared by paid return preparers. IRS had experienced problems with what it called incompetent and unscrupulous preparers who understated their clients' tax liabilities. GAO reviewed whether IRS administered preparer penalties appropriately and consistently. GAO found that IRS needed to better ensure that preparers who engage in negligent or abusive tax practices are penalized. GAO also found that IRS district offices might assess different penalties for similar misconduct, and that referrals were often not made when required. GAO recommended actions to ensure that IRS opened warranted preparer penalty cases, preparer penalties were assessed appropriately and consistently, and referrals were made as required. GAO believes IRS should continue to penalize these preparers regardless of the amounts owed to encourage voluntary compliance, and their compliance should be considered in determining the value of penalties set by IRS.

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TITLE: Tax Administration: IRS Needs to Improve Certain Measures of Service Center Quality

REPORT NUMBER: GGD-91-66

DOCUMENT DATE: 03/20/91

ABSTRACT:

GAO reviewed steps IRS took to monitor and improve the quality of its service center activities, focusing on the (1) quality of correspondence with taxpayers regarding their accounts, (2) extent to which IRS erred in processing tax returns, and (3) accuracy of notices sent to taxpayers informing them about return changes. GAO recommended that IRS use an indicator to measure returns processing quality that identifies the extent to which returns are being sent to error resolution, specifically because of errors made by service center staff in processing returns. To better assess its returns

processing performance, GAO recommended that IRS measure the overall quality of returns processing notices rather than just those that are referred to output review. IRS should also (1) compile data on output review results in a way that enables management to identify specific problems that need to be addressed and (2) ensure that the results are so used.

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TITLE: Tax Administration: IRS Does Not Investigate Most High-Income Nonfilers

REPORT NUMBER: GGD-91-36

DOCUMENT DATE: 03/13/91

ABSTRACT:

GAO found that IRS did not fully investigate high-income nonfilers. Unlike lower income nonfilers in the Substitute for Returns Program, high-income nonfilers who did not respond to IRS' notices were not investigated or assessed taxes. Revenue officers did not pursue them because IRS had understated the estimated yields from investigating them, and did not have a systematic way to check for underreported income or overstated deductions on delinquent returns that the high-income nonfilers eventually filed. GAO found that none of these delinquent returns were computer matched with information returns, and few returns were referred to the Examination Division to be checked.

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TITLE: Tax Administration: IRS Can Improve Its Program to Find Taxpayers Who Underreport Their Income

REPORT NUMBER: GGD-91-49

DOCUMENT DATE: 03/13/91

ABSTRACT:

GAO reported that IRS' Underreporter Program had been cost effective but could be more so. From 1982 to 1988, the percent of nationwide underreporter cases that were unproductive had increased from 54 percent to an estimated 66 percent. Unproductive cases (1) cost IRS money that could have been spent pursuing taxpayers who owed additional taxes and (2) imposed a burden on compliant taxpayers who had to respond to IRS' inquiries. To reduce the number of unproductive underreporter cases, GAO recommended that IRS modify its computer match to (1) search for income on

as many tax return lines as possible without inadvertently screening out productive cases, (2) use Social Security Administration's corrected wage data to identify when employers submit multiple information returns for the same taxpayer, and (3) count changes to specific amounts of income that taxpayers report on amended tax returns.

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TITLE: Tax Administration: Better Training Needed for IRS' New Telephone Assistors

REPORT NUMBER: GGD-91-83

DOCUMENT DATE: 06/12/91

ABSTRACT:

GAO reviewed IRS' training program for new telephone assistors, whose purpose is to assist taxpayers with questions regarding tax law, their accounts, and other issues relating to filing their tax returns. GAO identified areas needing improvement that could better ensure that assistor trainees completing the program were adequately prepared for the job. GAO's recommendations were directed at increasing the effectiveness of the training program in preparing the taxpayer assistors to communicate accurate information to the public and strengthening trainee testing, on-the-job training, and related procedures leading to certification for job readiness.

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TITLE: Tax Administration: Negligence and Substantial Understatement Penalties Poorly Administered

REPORT NUMBER: GGD-91-91

DOCUMENT DATE: 07/03/91

ABSTRACT:

GAO reported that the role of the negligence and substantial understatement penalties in enhancing compliance was being undermined by errors in IRS penalty administration. GAO estimated that, in the districts reviewed, about one-third of the cases contained erroneous penalty determinations. IRS generally was too lenient and either did not assess penalties that were warranted or assessed penalties that were too small. IRS cited human resource factors as the cause. GAO said the attitude of exam personnel on the value of pursuing penalties in relation to other examination issues was more likely the cause. GAO recommended that IRS initiate a Quality Improvement Project to clarify the root causes of these problems. Further, GAO

recommended that IRS require that the penalty explanations in its examination reports provide taxpayers with the specific facts, circumstances, and criteria that warranted the assessment of the penalty.

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TITLE: Managing IRS: Important Strides Forward Since 1988 but More Needs to Be Done

REPORT NUMBER: GGD-91-74

DOCUMENT DATE: 04/29/91

ABSTRACT:

Since GAO's 1988 report, IRS has made progress toward an agencywide strategic planning process. It has taken steps to establish a leadership framework that will enable it to address the challenges its faces. Among the more important steps were establishing the positions of Chief Financial Officer, Controller, and the Chief Information Officer and establishing a business review process. GAO identified actions that IRS needed to take to better ensure that those mechanisms were effective. For example, if IRS' new financial leadership was to successfully deal with the financial challenges facing IRS, it had to be responsible for all of IRS' financial matters. Also, if the Chief Information Officer was to successfully guide modernization, IRS needed to support him by enhancing the technical expertise of its senior managers and executives. And before IRS could effectively measure performance and hold managers accountable, it had to develop measurable performance goals.

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TITLE: Tax Administration: Opportunities to Increase Revenue Before Expiration of the Statutory Collection Period

REPORT NUMBER: GGD-91-89

DOCUMENT DATE: 09/30/91

ABSTRACT:

GAO found that although IRS established and resolved billions of dollars of accounts receivable each year, a substantial portion remained outstanding at the end of each year. Annual write-offs of assessed taxes, assessed or accrued interest, and penalties for IRS individual and business files grew from \$2.3 billion to \$4.6 billion between fiscal years 1986 and 1990. This report focused on (1) the amount of the accounts receivable that had been or would have been written off because the collection statute of limitations had expired, (2) the potential impact of the November 1990 extension of the collection statute of limitations from 6 to 10 years, and (3) IRS' procedures for managing accounts receivable nearing the end of their collection periods.

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TITLE: Tax Administration: Benefits of a Corporate Document-Matching Program Exceed the Costs

REPORT NUMBER: GGD-91-118

DOCUMENT DATE: 09/27/91

ABSTRACT:

GAO analyzed issues on the feasibility of an IRS' document-matching program for payments to corporations, focusing on (1) what legislative actions Congress needs to take and (2) how IRS can reduce the program's burden on the business community. GAO found that IRS' document-matching program for payments to individuals had proven to be a highly cost-effective way of bringing in billions of dollars in tax revenues to the Treasury while at the same time boosting voluntary compliance. However, the law did not require that information returns be submitted on most payments to corporations. GAO's analysis found that the benefits to the federal government from a corporate document-matching program exceeded the cost of such a program.

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TITLE: Tax Administration: Efforts to Prevent, Identify, and Collect Employment Tax Delinquencies

REPORT NUMBER: GGD-91-94

DOCUMENT DATE: 08/28/91

ABSTRACT:

GAO reviewed IRS' efforts to prevent, identify, and collect employment tax delinquencies, focusing on whether problems exist in the overall IRS strategy for addressing employment tax delinquencies. GAO found that IRS did not have a centralized effort for preventing, identifying, or collecting delinquent employment taxes. Further, IRS could not ensure that its resources were effectively allocated to address employment tax delinquencies, since its efforts were scattered throughout various functional areas with no central focus or assigned responsibility. IRS could not effectively target its prevention programs since it had not developed the information necessary to determine the employers most likely to be delinquent or the effectiveness of its employment tax delinquency efforts. The number of employment tax audits done by the IRS examination function fell from 109,000 in fiscal year (FY) 1979 to a low of about 24,000 in FY 1988 before rising to 42,000 in FY 1990. GAO recommended that IRS develop a comprehensive plan to prevent, identify, and collect employment tax delinquencies. The plan should coordinate efforts among all IRS functions and should (1) define the characteristics of employers who are delinquent in paying employment taxes and (2) measure the effectiveness of the IRS programs to prevent, identify, and collect employment tax delinquencies.

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TITLE: Management Challenges Facing IRS

REPORT NUMBER: T-GGD-91-20

DOCUMENT DATE: 06/25/91

ABSTRACT:

GAO discussed management challenges facing the IRS, focusing on trends in the accounts receivable inventory, strategic planning, financial management, compliance initiatives, and tax system modernization efforts. GAO noted that (1) IRS' accounts receivable continued to increase while collections decreased; (2) only \$23 million, or one-fourth of IRS' inventory, would have been collected if it continued its current

collection strategies, and another one-fourth would have been abated partly due to IRS and taxpayer errors; (3) IRS could not determine how much additional revenue it could collect through additional collection efforts; (4) IRS needed to improve its strategic management process and performance standards; (5) financial leadership to address IRS' long-standing financial management problems needed to be established; (6) IRS needed to proceed with its plans to hire enforcement staff to ensure taxpayer compliance; and (7) IRS needed to continue its efforts to modernize its tax processing and information systems. GAO suggested that Congress needed to ensure that IRS addressed its many challenges by routinely questioning whether IRS' efforts effectively address current and future problems.

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TITLE: IRS Needs to Implement a Corporate Document-Matching Program

REPORT NUMBER: T-GGD-91-40

DOCUMENT DATE: 06/10/91

ABSTRACT:

GAO discussed the feasibility of IRS' instituting a document-matching program for investment-type income earned by corporations, focusing on the benefits and costs of such a program, administrative issues, and potential burdens on businesses that file information returns. GAO noted that IRS data showed that corporate compliance with the tax laws had significantly declined. GAO stated that a business document-matching program would be a cost-effective way to improve business compliance and could generate about \$1 billion in additional revenue at a cost of less than \$70 million. An expanded program that included more types of unreported corporate income could generate even more revenue. Such administrative issues as differences among companies in accounting for income and reporting information returns still needed to be addressed, and corporate taxpayers and payers submitting information returns would have to change their accounting records and information systems if IRS implemented such a program.

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TITLE: Tax Systems Modernization: Private Sector Modernization Efforts IRS May
Want to Examine

REPORT NUMBER: GGD-91-133FS

DOCUMENT DATE: 09/24/91

ABSTRACT:

GAO provided data on 26 private companies that GAO had previously surveyed
regarding the pending modernization of the IRS' tax system, focusing on the
companies' computer modernizations and organizational changes. GAO found that (1)
of the 26 companies, 17 implemented some type of systems modernization and 14
implemented an organizational change; (2) several of the companies surveyed had
centralized or consolidated operations to gain economies of scale, become more
competitive, or provide better customer service; (3) customer services improved as a
result of organizational change; and (4) in 7 of the cases, GAO identified a link
between organizational change and new technology.

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TITLE: Tax System Modernization: Status of On-Line Files Initiative and
Telecommunications Planning

REPORT NUMBER: IMTEC-91-41FS

DOCUMENT DATE: 08/14/91

ABSTRACT:

GAO provided information on the status of IRS' Corporate Files On-Line (CFOL)
projects, intended to provide IRS immediate access to tax information, and on IRS'
telecommunications plans. IRS began CFOL in December 1987 as a short-term
initiative to reduce the number of erroneous and unreportable tax account
transactions and to allow employees to research the master file to identify taxpayers
or obtain tax return information. IRS had implemented four systems within its
On-Line Entity Index File Project, including the Integrated Data Retrieval System, but
was still developing most of the remaining CFOL projects and their supporting systems
and expected them to be operational by spring 1993. IRS decided not to implement a
second version of CFOL that used a separately purchased database management
system after GAO questioned its usefulness and, in October 1990, reorganized its
telecommunications division to facilitate coordinated telecommunications planning and

implementation and to assign telecommunications a higher priority in TSM program planning.

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TITLE: Tax System Modernization: Further Testing of IRS' Automated Taxpayer Service Systems Is Needed

REPORT NUMBER: IMTEC-91-42

DOCUMENT DATE: 06/20/91

ABSTRACT:

GAO reviewed the IRS' Taxpayer Service Integrated System (TSIS) to determine whether tests to measure TSIS' effectiveness provided the information necessary to justify installing TSIS at all call-in sites. GAO found that tests of two of the three TSIS projects to automate its taxpayer inquiry program, the Taxpayer Service Expert Assistance System and the Automated Taxpayer Service System (ATSS), during the 1989 and 1990 tax filing seasons did not conclusively demonstrate whether the automated system could improve accuracy and productivity. The Expert System could not answer about 62 percent of the questions taxpayers asked because it lacked adequate information and it took more time to answer simple questions than human assistors did. IRS' Integrated Test Call Survey System (ITCSS) could not adequately evaluate the Expert System because ITCSS measurements did not consider whether assistors used the system properly, or at all, in responding to taxpayers. IRS found that assistors using ATSS correctly answered almost 94 percent of taxpayers' questions while those not using ATSS answered questions correctly about 90 percent of the time. But according to the ITCSS, those not using ATSS gave correct answers 10 percent more often than those who used ATSS. GAO also found that less-experienced personnel had higher rates of productivity when they used ATSS, but more-experienced staff members' productivity suffered. Despite inconclusive test results, IRS planned to install the Expert System at four more locations for the 1991 tax season and to extend the development and installation of TSIS through FY 1997. The Office of Management and Budget, however, denied the IRS' FY 1992 budget request for \$41 million to expand TSIS since IRS did not show the system to be cost effective.

GAO recommended that IRS not install TSIS nationwide until IRS had developed a test methodology that would allow it to conclusively determine the impact of TSIS on call site operations.

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TITLE: IRS' Efforts to Ensure Corporate Tax Compliance

REPORT NUMBER: T-GGD-91-21

DOCUMENT DATE: 04/17/91

ABSTRACT:

GAO discussed the IRS' Coordinated Examination Program (CEP) to audit large corporations. GAO noted that between 1982 and 1992, the corporate tax gap would have grown over 3 times faster than the individual tax gap. Small corporations were voluntarily paying 61 percent of the tax they owed in 1987, compared with 82 percent in 1980. This decline was the result of major changes in tax laws, the lack of information returns to IRS and corporations for payments to corporations, and the decline in audit coverage of small corporations. Yet, while it estimated that large corporations appealed 80 percent of taxes recommended and won 75 percent of the appealed amounts, IRS lacked a system to identify the amounts of CEP-recommended taxes that were appealed, assessed, and ultimately collected. Furthermore, IRS' training program had not kept pace with changing tax laws, and IRS was still auditing returns that were filed several years ago. GAO said that IRS could better manage CEP and ensure that large corporations pay their fair share of taxes by simplifying troublesome sections of the Internal Revenue Code, providing accurate information on CEP effectiveness, and improving IRS employee training.

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TITLE: Identifying Options for Organizational and Business Changes at IRS

REPORT NUMBER: T-GGD-91-54

DOCUMENT DATE: 07/09/91

ABSTRACT:

GAO discussed IRS' efforts to identify options for organizational and business changes at IRS through TSM. GAO noted that IRS' Design Master Plan did not provide a vision of how the new technology would enable IRS to transform its future organizational structure and business operations. Although the automation of business processes should provide clear benefits, IRS' current organizational structure and business constrained it from using new systems to provide the best quality service to taxpayers. GAO also noted that the design of the new systems would constrain the consideration of such business options as consolidating or changing the functions of the 10 existing

service centers before they have been adequately exposed and discussed. Yet while IRS had made efforts to redefine several aspects of its business operations, they were not linked to the new systems under the plan. GAO's survey of 25 private companies showed that such modernization could result in major organizational change. GAO said that IRS should have begun a systematic effort to examine options for major changes in business processes to fully realize the significant opportunities offered by the modernization effort.

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TITLE: Tax Systems Modernization: Attention to Critical Issues Can Bring Success

REPORT NUMBER: T/IMTEC-91-08 DOCUMENT DATE: 06/25/91

ABSTRACT:

GAO commented that over the past 25 years, IRS had unsuccessfully tried on two occasions to modernize its 1950s-era tax processing system. At that point in time, GAO said, IRS was in the best position it had ever been in to modernize its antiquated systems. However, a number of prerequisites to moving forward with this multibillion-dollar modernization remained unfinished, such as a clear vision statement and a Design Master Plan to serve as the baseline for modernization. The testimony went into more detail on the status of the modernization effort at that time.

CHRONOLOGICAL LISTING OF GAO
PRODUCTS ON TAX MATTERS

GAO PRODUCTS ISSUED IN FIRST THREE QUARTERS OF FISCAL YEAR 1996

Report title and number	Date issued
Tax Administration: Information on IRS' Taxpayer Compliance Measurement Program (GAO/GGD-96-21)	10/06/95
Tax Administration: IRS Faces Challenges in Reorganizing for Customer Service (GAO/GGD-96-3)	10/10/95
Tax Exempt (GAO/GGD-96-29R)	10/10/95
Tax Administration: Electronic Filing Falling Short of Expectations (GAO/GGD-96-12)	10/31/95
College Savings Issues (GAO/HEHS-96-16R)	11/04/95
Tax Exempt (GAO/GGD-96-46R)	11/08/95
Tax Exempt (GAO/GGD-96-47R)	11/08/95
The 1995 Tax Filing Season: IRS Performance Indicators Provide Incomplete Information About Some Problems (GAO/GGD-96-48)	12/29/95
Tax Administration: Diesel Fuel Excise Tax Change (GAO/GGD-96-53)	01/16/96
IRS Staffing Trends (GAO/GGD-96-73R)	01/31/96
Budget Issues: Selected GAO Work on Federal Financial Support of Business (GAO/AIMD/GGD-96-87)	03/07/96
Tax Policy and Administration: 1995 Annual Report on GAO's Tax-Related Work (GAO/GGD-96-61)	03/08/96
Tax Administration: Making IRS' Telephone System Easier to Use Should Help Taxpayers (GAO/GGD-96-74)	03/11/96
Status of Tax Systems Modernization, Tax Delinquencies, and the Potential for Return-Free Filing (GAO/T-GGD/AIMD-96-88)	03/14/96
Tax Administration: IRS Can Improve Information Reporting for Original Issue Discount Bonds (GAO/GGD-96-70)	03/15/96
IRS Efforts to Control Fraud in 1995 (GAO/GGD-96-96R)	03/25/96
Tax Systems Modernization: Management and Technical Weaknesses Must Be Overcome to Achieve Success (GAO/T-AIMD-96-75)	03/26/96
Tax Administration: IRS' Fiscal Year 1996 and 1997 Budget Issues and the 1996 Filing Season (GAO/T-GGD-96-99)	03/28/96
Tax System Burden: A Perspective on the Compliance Burden of the U.S. Tax System (GAO/T-GGD-96-100)	04/04/96
Tax Administration: Audit Trends and Results for Individual Taxpayers (GAO/GGD-96-91)	04/26/96
Tax Administration: Alternative Strategies to Obtain Compliance Data (GAO/GGD-96-89)	04/26/96
Tax Systems Modernization: Progress in Achieving IRS' Business Vision (GAO/T-GGD-96-123)	05/09/96
Internal Revenue Service: Results of Nonfiler Strategy and Opportunities to Improve Future Efforts (GAO/GGD-96-72)	05/13/96
Tax Policy and Administration: Review of Studies of the Effectiveness of the Research Tax Credit (GAO/GGD-96-43)	05/21/96
Tax Research: IRS has Made Progress but Major Challenges Remain (GAO/GGD-96-109)	06/05/96
Tax Systems Modernization: Actions Underway But IRS Has Not Yet Corrected Management and Technical Weaknesses (GAO/AIMD-96-106)	06/07/96

Report title and number	Date issued
Tax Refund Timeliness (GAO/GGD-96-113R)	06/26/96

GAO PRODUCTS ISSUED IN FISCAL YEAR 1995

Report title and number	Date issued
Tax Administration: Continuing Problems Affect Otherwise Successful 1994 Filing Season (GAO/GGD-95-5)	10/07/94
Tax Administration: Earned Income Credit-Data on Noncompliance and Illegal Alien Recipients (GAO/GGD-95-27)	10/25/94
Tax Administration: IRS Can Strengthen Its Efforts to See That Taxpayers Are Treated Properly (GAO/GGD-95-14)	10/26/94
College Savings: Using EE Savings Bonds and Loans From Thrift Savings Plan to Pay for College (GAO/HEHS-95-16R)	11/04/94
Tax Administration: IRS Efforts to Improve Forms and Publications (GAO/GGD-95-34)	12/07/94
Tax Administration: Changes Needed to Reduce Volume and Improve Processing of Undeliverable Mail (GAO/GGD-95-44)	12/07/94
Tax Administration: IRS Notices Can Be Improved (GAO/GGD-95-6)	12/07/94
Tax System Burden: Tax Compliance Burden Faced by Business Taxpayers (GAO/T-GGD-95-42)	12/09/94
IRS User Fees (GAO/GGD-95-58R)	12/15/94
Tax Administration: Estimates of the Tax Gap for Service Providers (GAO/GGD-95-59)	12/28/94
Tax Administration: Process Used to Revise the Federal Employment Tax Deposit Regulations (GAO/GGD-95-8)	12/29/94
Tax Compliance: Status of the Tax Year 1994 Compliance Measurement Program (GAO/GGD-95-39)	12/30/94
U.S. Insular Areas: Information on Fiscal Relations With the Federal Government (GAO/T-GGD-95-71)	01/31/95
Tax Administration: Tax Compliance Initiatives and Delinquent Taxes (GAO/T-GGD-95-74)	02/01/95
Tax Policy And Administration: 1994 Annual Report on GAO's Tax-Related Work (GAO/GGD-95-66)	02/16/95
Tax Systems Modernization: Unmanaged Risks Threaten Success (GAO/T-AIMD-95-86)	02/16/95
Tax Administration: IRS' Fiscal Year 1996 Budget Request and the 1995 Filing Season (GAO/T-GGD-95-97)	02/27/95
Tax-Exempt Organizations: Information on Selected Types of Organizations (GAO/GGD-95-84BR)	02/28/95
High-Risk Series: Internal Revenue Service Receivables (GAO/HR-95-6)	02/95
Information on Tax Liens Imposed by IRS (GAO/GGD-95-87R)	03/03/95
Addressing the Deficit: Budgetary Implications of Selected GAO Work for Fiscal Year 1996 (GAO/OCG-95-02)	03/15/95
Earned Income Credit: Targeting to the Working Poor (GAO/GGD-95-122BR)	03/31/95
Tax Policy: Information on the Research Tax Credit (GAO/T-GGD-95-140)	04/03/95
Tax Policy: Experience With the Corporate Alternative Minimum Tax (GAO/GGD-95-88)	04/03/95
Earned Income Credit: Targeting to the Working Poor (GAO/T-GGD-95-136)	04/04/95
Telephone Assistance: Adopting Practices Used by Others Would Help IRS Serve More Taxpayers (GAO/GGD-95-86)	04/12/95
International Taxation: Transfer Pricing and Information on Nonpayment of Tax (GAO/GGD-95-101)	04/13/95
Paid Tax Preparers and Tax Software (GAO/GGD-95-125R)	04/14/95
Tax Administration: Administrative Improvements Possible in IRS' Installment Agreement Program (GAO/GGD-95-137)	05/02/95

Report title and number	Date issued
Options Reporting to IRS (GAO/GGD-95-145R)	05/05/95
Tax Policy: Additional Information on the Research Tax Credit (GAO/T-GGD-95-161)	05/10/95
Money Laundering: Needed Improvements for Reporting Suspicious Transactions Are Planned (GAO/GGD-95-156)	05/30/95
Reducing the Tax Gap: Results of a GAO-Sponsored Symposium (GAO/GGD-95-157)	06/02/95
Taxpayer Compliance: Reducing the Income Tax Gap (GAO/T-GGD-95-176)	06/06/95
Earned Income Credit: Noncompliance and Potential Eligibility Revisions (GAO/T-GGD-95-179)	06/08/95
Tax-Exempt Organizations: Activities and IRS Oversight (GAO/T-GGD-95-183)	06/13/95
Tax Administration: IRS' Partnership Compliance Activities Could Be Improved (GAO/GGD-95-151)	06/16/95
Welfare Benefits: Potential to Recover Hundreds of Millions More in Overpayments (GAO/HEHS-95-111)	06/20/95
Tax-Exempt Organizations: (Additional Information on Activities and IRS Oversight (GAO/T-GGD-95-198)	06/29/95
Tax Policy and Administration: California Taxes on Multinational Corporations and Related Federal Issues (GAO/GGD-95-171)	07/11/95
Tax Compliance: 1994 Taxpayer Compliance Measurement Program (GAO/T-GGD-95-207)	07/18/95
Other Income Reporting (GAO/GGD-95-199R)	07/19/95
Tax Systems Modernization: Management and Technical Weaknesses Must Be Corrected If Modernization Is to Succeed (GAO/AIMD-95-156)	07/26/95
Tax Administration: Issues Involving Worker Classification (GAO/T-GGD-95-224)	08/02/95
College Savings: Information on State Tuition Prepayment Programs (GAO/HEHS-95-131)	08/03/95
Financial Audit: Examination of IRS' Fiscal Year 1994 Financial Statements (GAO/AIMD-95-141)	08/04/95
Tax Administration: IRS Could Do More to Verify Taxpayer Identities (GAO/GGD-95-148)	08/30/95
Tax Administration: Sole Proprietor Identification Numbers Can Be Improved (GAO/GGD-95-160)	09/18/95
Tax Administration: Recurring Issues in Tax Disputes Over Business Expense Deductions (GAO/GGD-95-232)	09/26/95

GAO PRODUCTS ISSUED IN FISCAL YEAR 1994

Report title and number	Date issued
Tax Administration: IRS Can Do More to Collect Taxes Labeled "Currently Not Collectible" (GAO/GGD-94-2)	10/08/93
Financial Management: IRS' Self-Assessment of Its Internal Control and Accounting Systems Is Inadequate (GAO/AIMD-94-2)	10/13/93
Environmental Infrastructure: Effects of Limits on Certain Tax-Exempt Bonds (GAO/RCED-94-2)	10/28/93
Money Laundering: Progress Report on Treasury's Financial Crimes Enforcement Network (GAO/GGD-94-30)	11/08/93
Tax Administration: Collecting Delinquent Taxes and Communicating with Taxpayers (GAO/T-GGD-94-50)	11/09/93
Farmers Home Administration (FmHA) Forgiven Debts (GAO/GGD-94-25R)	11/10/93
Money Laundering: Characteristics of Currency Transaction Reports Filed in Calendar Year 1992 (GAO/GGD-94-45FS)	11/10/93
Tax Administration: IRS' New Business Vision (GAO/T-GGD-94-58)	11/17/93
Paperwork Reduction: Reported Burden Hour Increases Reflect New Estimates, Not Actual Changes (GAO/PEMD-94-3)	12/06/93
Financial Management: Important IRS Revenue Information Is Unavailable or Unreliable (GAO/AIMD-94-22)	12/21/93
Tax Administration: Increased Fraud and Poor Taxpayer Access to IRS Cloud 1993 Filing Season (GAO/GGD-94-65)	12/22/93
Tax Administration: Changes Needed to Cope with Growth in Offer-in-Compromise Program (GAO/GGD-94-47)	12/23/93
Improving Government: Actions Needed to Sustain and Enhance Management Reforms (GAO/T-OCG-94-1)	01/27/94
Tax Administration: State Tax Administrators' Views on Delinquent Tax Collection Methods (GAO/GGD-94-59FS)	02/02/94
International Taxation: IRS' Administration of Tax-Customs Valuation Rules in Tax Code Section 1059A (GAO/GGD-94-61)	02/04/94
Financial Management: IRS Does not Adequately Manage Its Operating Funds (GAO/AIMD-94-33)	02/09/94
Tax Administration: Electronic Filing Fraud (GAO/T-GGD-94-89)	02/10/94
Money Laundering: Project Gateway (GAO/GGD-94-91R)	02/15/94
Tax Systems Modernization: Status of Planning and Technical Foundation (GAO/T-AIMD-GGD-94-104)	03/02/94
Budget Process: Some Reforms Offer Promise (GAO/T-AIMD-94-86)	03/02/94
Addressing the Deficit: Budgetary Implications of Selected GAO Work (GAO/OCG-94-3)	03/11/94
Money Laundering: The Volume of Currency Transaction Reports Filed Can and Should Be Reduced (GAO/T-GGD-94-113)	03/15/94

Report title and number	Date issued
Tax Policy and Administration: 1993 Annual Report on GAO's Tax-Related Work (GAO/GGD-94-82)	03/31/94
Tax Administration: Analysis of IRS' Budget Request for Fiscal Year 1995 (GAO/GGD-94-129)	04/20/94
Tax Policy: Health Insurance Tax Credit Participation Rate Was Low (GAO/GGD-94-99)	05/02/94
White House: Travel Office Operations (GAO/GGD-94-132)	05/02/94
Tax Gap: Many Actions Taken but A Cohesive Compliance Strategy Needed (GAO/GGD-94-123)	05/11/94
Tax Policy: Pharmaceutical Industry's Use of the Research Tax Credit (GAO/GGD-94-139)	05/13/94
Paperwork Reduction Act: Opportunity to Strengthen Government's Management of Information and Technology (GAO/T-AIMD/GGD-94-126)	05/19/94
Tax Administration: Information on IRS Executive Relocations and Travel Matters (GAO/GGD-94-140)	06/01/94
Tax Administration: More Improvement Needed in IRS Correspondence (GAO/GGD-94-118)	06/01/94
Tax Policy: Tax Expenditures Deserve More Scrutiny (GAO/GGD/AIMD-94-122)	06/03/94
Feasibility of a Meter to Capture Business Income (GAO/GGD-94-158R)	06/07/94
Financial Audit: Examination of IRS' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-120)	06/15/94
Effect of Proposed IRS Compliance Initiatives on Budget Deficits (GAO/GGD-94-141R)	06/16/94
Tax Administration: Information on IRS' International Tax Compliance Activities (GAO/GGD-94-96FS)	06/27/94
Tax Systems Modernization: Automated Underreporter Project Shows Need for Human Resource Planning (GAO/GGD-94-159)	07/08/94
GSEs: Implications of Removing State and Local Tax Exemption (GAO/T-GGD-94-182)	07/14/94
IRS Automation: Controlling Electronic Filing Fraud and Improper Access to Taxpayer Data (GAO/T-AIMD/GGD-94-183)	07/19/94
Internal Revenue Service: Changes Needed in the Role of Regional Offices (GAO/GGD-94-160)	07/26/94
Financial Audits: CFO Implementation at IRS and Customs (GAO/T-AIMD-94-164)	07/28/94
Tax Administration: IRS Can Better Pursue Noncompliant Sole Proprietors (GAO/GGD-94-175)	08/02/94
Tax Administration: Improving Independent Contractor Compliance With Tax Laws (GAO/T-GGD-94-194)	08/04/94
Pension Plans: Stronger Labor ERISA Enforcement Should Better Protect Plan Participants (GAO/HEHS-94-157)	08/08/94
Tax Administration: Better Measures Needed to Assess Progress of IRS' One-Stop Service (GAO/GGD-94-131)	08/29/94
Correspondence on the Dependent Exemption for Noncustodial Parents (GAO/GGD-94-200R)	08/31/94
Tax Administration: Compliance Measures and Audits of Large Corporations Need Improvement (GAO/GGD-94-70)	09/01/94
Social Security: Trust Funds Can Be More Accurately Funded (GAO/HEHS-94-48)	09/02/94
Information on Transfer Pricing (GAO/GGD-94-206R)	09/15/94
Tax Administration: Data on the Tax Compliance of Sweatshops (GAO/GGD-94-210FS)	09/23/94

Report title and number	Date issued
Undelivered Tax Refunds: IRS' Handling of Undelivered Income Tax Refund Checks (GAO/T-GGD-94-186)	09/26/94
IRS Use of Customs Data (GAO/GGD-94-217R)	09/30/94

GAO PRODUCTS ISSUED IN FISCAL YEAR 1993

Report title and number	Date issued
Money Laundering: State Efforts to Fight It Are Increasing but More Federal Help Is Needed (GAO/GGD-93-1)	10/15/92
Tax Systems Modernization: IRS' Use of Consultants to Do the TMAC Price/Technical Trade-Off Analysis (GAO/IMTEC-93-4BR)	10/23/92
Implementation of IRS Employee Suggestions (GAO/GGD-93-22)	11/24/92
IRS Can Improve Controls Over Electronic Filing Fraud (GAO/GGD-93-27)	12/30/92
Internal Revenue Service Receivables (GAO/HR-93-13)	12/92
Internal Revenue Service Issues (GAO/OCG-93-24TR)	12/92
Overstated Real Estate Tax Deductions Need to Be Reduced (GAO/GGD-93-43)	01/19/93
Tax Administration: Opportunities to Increase the Use of Electronic Filing (GAO/GGD-93-40)	01/22/93
Status of Tax Systems Modernization, Tax Delinquencies, and the Tax Gap (GAO/T-GGD-93-04)	02/03/93
Government Management: Status of Progress in Correcting Selected High-Risk Areas (GAO/T-AIMD-93-1)	02/03/93
Review of Tax-Exempt Insurance Companies (GAO/GGD-93-11R)	02/08/93
Tax Administration: Information Returns Can Improve Reporting of Forgiven Debts (GAO/GGD-93-42)	02/17/93
Tax Systems Modernization: Comments on IRS' Portion of President's Request for Fiscal Year 1993 Supplemental Funds (GAO/T-IMTEC-93-1)	02/24/93
Tax Administration: Erroneous Dependent and Filing Claims (GAO/GGD-93-60)	03/19/93
Tax Administration: Delayed Tax Deposits Continue to Cause Lost Interest for the Government (GAO/GGD-93-64)	03/22/93
International Taxation: Updated Information on Transfer Pricing (GAO/T-GGD-93-16)	03/25/93
Tax Policy: Many Factors Contributed to the Growth in Home Equity Financing in the 1980s (GAO/GGD-93-63)	03/25/93
IRS Tax Identity Data Can Help Improve SSA Earnings Records (GAO/HRD-93-42)	03/29/93
Earned Income Credit: Effectiveness of Design and Administration (GAO/T-GGD-93-20)	03/30/93
Tax Systems Modernization: Program Status and Comments on IRS' Portion of President's Request for Fiscal Year 1993 Supplemental Funds (GAO/T-IMTEC-93-3)	03/30/93
1992 Annual Report on GAO's Tax-Related Work (GAO/GGD-93-68)	03/31/93
IRS' Plans to Measure Tax Compliance Can Be Improved (GAO/GGD-93-52)	04/05/93
Collection and Exchange of Data by the IRS and the U.S. Customs Service (GAO/GGD-93-33R)	04/06/93
Information on Tax Counseling for the Elderly Program (GAO/GGD-93-90BR)	04/08/93
Industrial Development Bonds: Achievement of Public Benefits Is Unclear (GAO/RCED-93-106)	04/26/93
IRS' Test of Tax Return Filing by Telephone (GAO/GGD-93-91BR)	04/26/93
Examples of Waste and Inefficiency in IRS (GAO/GGD-93-100FS)	04/27/93
Implementation of Actions Involving IRS Correspondence in Responding to Taxpayers (GAO/GGD-93-38R)	04/27/93

Report title and number	Date issued
Tax Administration: Achieving Business and Technical Goals in Tax Systems Modernization (GAO/T-GGD-93-24)	04/27/93
Tax Systems Modernization: Comments on IRS' Fiscal Year 1994 Budget Request (GAO/T-IMTEC-93-6)	04/27/93
IRS' Budget Request for Fiscal Year 1994 (GAO/T-GGD-93-23)	04/28/93
IRS Can Improve the Federal Tax Deposit System (GAO/AFMD-93-40)	04/28/93
Selected IRS Forms, Publications, and Notices Could Be Improved (GAO/GGD-93-72)	04/30/93
Value-Added Tax: Administrative Costs Vary With Complexity and Number of Businesses (GAO/GGD-93-78)	05/03/93
Recurring Tax Issues Tracked by IRS' Office of Appeals (GAO/GGD-93-101)	05/04/93
Improved Staffing of IRS' Collection Function Would Increase Productivity (GAO/GGD-93-97)	05/05/93
IRS Significantly Overstated Its Accounts Receivable Balance (GAO/AFMD-93-42)	05/06/93
Improvements for More Effective Tax-Exempt Bond Oversight (GAO/GGD-93-104)	05/10/93
Implications of Replacing the Corporate Income Tax With a Consumption Tax (GAO/GGD-93-55)	05/11/93
New Delinquent Tax Collection Methods for IRS (GAO/GGD-93-67)	05/11/93
IRS Activities to Increase Compliance of Overseas Taxpayers (GAO/GGD-93-93)	05/18/93
Review of the Internal Revenue Service's Information Systems Management Organization (GAO/GGD-93-37R)	05/25/93
Trends for Certain IRS Programs (GAO/GGD-93-102FS)	05/26/93
Net Farm Income: Primary Explanations for the Difference Between IRS and USDA Figures (GAO/GGD/RCED-93-113)	06/03/93
Tax Policy: Puerto Rico and the Section 936 Tax Credit (GAO/GGD-93-109)	06/08/93
International Taxation: Taxes of Foreign- and U.S.-Controlled Corporations (GAO/GGD-93-112FS)	06/11/93
Public Housing: Projects Developed With Low-Income Housing Tax Credit Differ From Traditional Public Housing Development Projects (GAO/T-RCED-93-54)	06/17/93
Long-Term Care Insurance: Tax Preferences Reduce Costs More for Those in Higher Tax Brackets (GAO/GGD-93-110)	06/22/93
Examination of IRS' Fiscal Year 1992 Financial Statements (GAO/AIMD-93-2)	06/30/93
Public Housing: Low-Income Housing Tax Credit as an Alternative Development Method (GAO/RCED-93-31)	07/16/93
Information Reporting of Interest Payments Using IRS Form 1099-INT (GAO/GGD-93-55R)	07/22/93
Financial Management: First Financial Audits of IRS and Customs Revealed Serious Problems (GAO/T-AIMD-93-3)	08/04/93
IRS Lacks Accountability Over Its ADP Resources (GAO/AIMD-93-24)	08/05/93
Tax Administration: Computer Matching Could Identify Overstated Business Deductions (GAO/GGD-93-133)	08/13/93
Improving Compliance With Real Estate Tax Deductions (GAO/T-GGD-93-46)	09/21/93
IRS Information Systems: Weaknesses Increase Risk of Fraud and Impair Reliability of Management Information (GAO/AIMD-93-34)	09/22/93
Corporate Taxes: Many Benefits and Few Costs to Reporting Net Operating Loss Carryover (GAO/GGD-93-131)	09/23/93
Tax Policy: Earned Income Tax Credit: Design and Administration Could Be Improved (GAO/GGD-93-145)	09/24/93
Tax Systems Modernization: Time Tables for Critical Planning Documents (GAO/AIMD-93-81FS)	09/30/93

GAO PRODUCTS ISSUED IN FISCAL YEAR 1992

Report title and number	Date issued
Testimony on Amortizing Purchased Intangible Assets (GAO/T-GGD-92-01)	10/02/91
Proposed Tax Credit Would Add to Government's Cost of Selling Resolution Trust Corporation's Assets (GAO/GGD-92-14BR)	11/01/91
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