United States General Accounting Office

GAO

Report to the Subcommittee on Government Management, Information and Technology, Committee on Government Reform and Oversight, House of Representatives

October 1998

INTERNAL REVENUE SERVICE

Composition and Collectibility of Unpaid Assessments

GAO

United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-280501

October 29, 1998

The Honorable Stephen Horn
Chairman
The Honorable Dennis J. Kucinich
Ranking Minority Member
Subcommittee on Government Management, Information
and Technology
Committee on Government Reform and Oversight
House of Representatives

This report responds to your June 4, 1998, request for information on our analysis of the composition and collectibility of the Internal Revenue Service's (IRS) September 30, 1997, balance of unpaid assessments. The analysis is based on work performed as part of our audit of the IRS' fiscal year 1997 Custodial Financial Statements.[1] Our opinion was separately reported in February 1998,[2] and the results shared with your Subcommittee in a hearing on IRS financial management issues on April 15, 1998.[3]

As part of our fiscal year 1997 financial statement audit, we examined IRS' taxes receivable and other unpaid assessments. Our tests and analysis during the course of the audit provided us with detailed information on the composition of IRS' total unpaid assessments, and the key factors that contributed to the estimate of the collectibility of these unpaid assessments as reported in the financial statements. As requested, this letter provides details about the composition and collectibility of IRS' unpaid assessments as of September 30, 1997.

On July 22, 1998, the President signed into law the IRS Restructuring and Reform Act of 1998. The act requires changes in the structure and management of IRS, the creation of an oversight board for the agency, and expansion of taxpayer rights, including providing additional protections for taxpayers in dealings with IRS. This letter does not specifically address the impact that provisions of the act may have on the future composition and collectibility of IRS' unpaid assessments. However, it is important to

[1]The Custodial Financial Statements report assets, liabilities, and results of activities related solely to IRS' custodial responsibilities for implementing federal tax legislation, including collecting federal tax revenues, refunding overpayments of taxes, and pursuing collections of amounts owed.

[2]Financial Audit: Examination of IRS' Fiscal Year 1997 Custodial Financial Statements (GAO/AIMD-98-77, February 26, 1998).

[3]Internal Revenue Service: Remaining Challenges to Achieve Lasting Financial Management Improvements (GAO/T-AIMD/GGD-98-139, April 15, 1998).

note that certain provisions of the act, such as limitations on IRS' assessing of certain penalty and interest charges on delinquent tax debts and the application of tax deposits to tax liabilities, could affect the future composition of IRS' unpaid assessments.

Results in Brief

Most of IRS' $214 billion in unpaid assessments as of September 30, 1997, are not taxes receivable and are not collectible. Of this balance, $76 billion, or 36 percent, consists of write-offs, which are typically over 6 years old and have no potential for collection. Write-offs consist primarily of corporate income and payroll taxes owed by bankrupt or defunct businesses, including failed financial institutions resolved by the Federal Deposit Insurance Corporation (FDIC) and former Resolution Trust Corporation (RTC) during the savings and loan and banking crises of the 1980s and early 1990s. Another $48 billion, or 22 percent, of the unpaid assessments represents compliance assessments, which are amounts IRS has identified as owed to the federal government, but which have not been agreed to by taxpayers or a court. Many of these unagreed assessments result from IRS' various compliance efforts, such as examinations and audits. The lack of acknowledgement by the taxpayer or courts of the amounts owed, and evidence of little or no payment activity on compliance assessments, diminish prospects for their collection. We noted less than $75,000 in collections since 1995 on $2.6 billion of unpaid compliance assessments.

Only $90 billion, or 42 percent of the September 30, 1997, balance of unpaid assessments, represents taxes receivable under federal accounting standards. These are distinguished from compliance assessments in that they are amounts that either taxpayers or courts have agreed are owed to the federal government. However, of this amount, only an estimated $28 billion, or 13 percent of the total balance of unpaid assessments, will likely be collected. The accounts comprising this $28 billion balance show evidence of both willingness and ability on the part of the taxpayers to pay their tax liability. For example, a substantial amount of this estimated collectibility was based on evidence of regular payments made under installment agreements by individuals and estates. Also, most of the cases making up this $28 billion balance are from the last 4 tax years. The remaining $62 billion, or 29 percent of the unpaid assessments balance, represents taxes receivable that are estimated to be uncollectible and will likely eventually be written off. These cases consist of amounts owed by individuals or businesses experiencing serious financial difficulties, in some cases those in the midst of bankruptcy proceedings, or with a history of delinquent taxes and no viable means of repaying the amounts owed. We found little or no evidence of payments made on these uncollectible taxes receivable. These cases are older debts, with most predating the 1990 tax year.

Growth in the overall unpaid assessments balance reported by IRS in the last several years is largely due to the accrual of interest and penalties. Regardless of collection potential, IRS accrues interest through the statutory collection period of the delinquent tax debt, which can last 10 years or more. For example, IRS continues to accrue interest and penalties on hundreds of failed financial institutions resolved by the FDIC and the RTC despite the fact that these delinquent taxes will not likely ever be paid. As of September 30, 1997, $136 billion, or 64 percent, of IRS' balance of unpaid assessments represented interest and penalties. Most of these amounts will not likely be collected.

Background

Each year, the federal government, through the Internal Revenue Service, collects tax revenue to fund government operations. The federal government relies on IRS to collect the proper amount of tax revenue at the least cost to the public. In fiscal year 1997, IRS collected over $1.6 trillion used to finance various government programs and activities. These receipts represent payments by individuals, businesses, corporations, estates, and other types of taxpayers primarily for amounts owed as a result of wages, income, employment, sales, and consumption. To a large extent, the annual receipts collected by IRS represent the amounts taxpayers owe for the given period.

However, not all taxpayers pay the amounts they owe the federal government. Some simply do not provide payments on their tax liability when they file their tax returns. Others underreport, either mistakenly or deliberately, the amounts they owe the government. Still others do not report the amounts they owe. While some taxpayers eventually pay some or all of the amounts due, others do not. Also, those that do pay may pay over an extended period. This has resulted in a significant build-up in the amount of unpaid taxes due the federal government because, in addition to taxes owed, taxpayers also become liable for penalty and interest charges that continue to accrue over time until the tax, plus accrued penalty and interest charges, have either been paid in full or the statutory period of collection has expired.[4] As of September 30, 1997, information accompanying IRS' fiscal year 1997 financial statements reflected a total balance of $214 billion in unpaid taxes, penalties, and interest. These amounts are referred to as unpaid assessments.

IRS identifies unpaid assessments through a number of means. Most are identified through the filing of tax returns by the taxpayer. In cases where the taxpayer files a return that reflects an amount or tax liability owed the federal government but does not provide payment or provides only partial payment, the unpaid assessment represents the difference between the tax liability as reflected on the return and the amount actually paid by the taxpayer. IRS refers to these as self-assessments because the amount of the delinquent tax is identified solely through information provided by the taxpayer.

IRS also identifies unpaid assessments through its enforcement programs. Such programs include IRS' underreporter program, where information such as wages, interest, and dividends contained on the tax return is compared to other third party-supplied information, such as wage and earnings statements and annual interest statements. Any differences identified through this process can result in the identification of additional tax liabilities or assessments owed by the taxpayer. Also, IRS tax examinations and audits can identify additional taxes owed the government. IRS' substitute for return program, where IRS constructs tax returns through the use of third party information and prior taxpayer history for taxpayers who have filed returns in the past but have not filed for the given period, is another tool used by IRS to attempt to identify amounts that are owed the government.

Through these various enforcement programs, IRS attempts to close what is referred to as the tax gap, which is the difference between taxes actually collected and the amount that is legally due under the Internal Revenue Code. The tax gap can be further subdivided into the "compliance gap" and the "collection gap." The compliance gap, which is outside the scope of this report, represents the difference between taxes that should actually be due and those that have been identified by IRS, either through self-assessments or through assessments resulting from IRS enforcement programs. It is this compliance gap that IRS' enforcement programs

[4]The Internal Revenue Code allows IRS up to 10 years to collect any unpaid assessments. The collection statute period starts when the tax assessment is recorded and is suspended only in certain circumstances such as litigation, offers in compromise and bankruptcy proceedings, or when there is an agreement between IRS and the taxpayer to extend the collection period. The unpaid assessment balance is removed from IRS' records upon expiration of the statutory collection period.

attempt to close, although considerable amounts of taxes due on legal and illegal income remain unassessed or underassessed each year.

The collection gap represents the difference between the amounts that have been identified as being due through assessments and the amounts that will ultimately be collected on these assessments. This collection gap, which is the subject of this report, represents the amount of IRS' unpaid assessments that is not collectible. Like a commercial lender's loan portfolio, IRS' ability to collect amounts owed is constrained to a great extent by the financial condition of the taxpayer. However, unlike a commercial lender, who can review the financial condition and viability of a prospective borrower prior to extending a loan, IRS does not choose who owes the government taxes. Taxpayers who owe delinquent taxes generally do not have good credit, reliable incomes, or significant assets and in many instances are corporations that have gone out of business. Consequently, IRS cannot manage risk in a manner similar to commercial lenders. This makes closing the collection gap significantly more problematic for IRS than for a commercial lender.

The balance of unpaid assessments as of September 30, 1997, consists of the types of taxes that IRS collects, the majority of which result from individual income taxes, Social Security and Hospital Insurance taxes, and corporate income taxes. Payments for these taxes may be made on a periodic basis, or for individuals by their employers via withholdings from their wages. The major types of taxes in IRS' unpaid assessments balance are:

- individual income taxes and self-employment taxes,[5]
- payroll taxes,[6] and
- corporate income taxes, which are generally taxes on business profits.

Other types of taxes in IRS' balance of unpaid assessments include (1) unemployment taxes, (2) excise taxes, such as fuel, communications, air transportation, sporting goods, alcohol, and environmental taxes, and (3) estate taxes.

[5]Self-employment taxes are Social Security taxes and Hospital Insurance taxes for self-employed individuals.

[6]Payroll taxes consist of (1) individual federal income tax withholdings and (2) employer contributions and employee withholdings under the Federal Insurance Contribution Act, which include Social Security and Hospital Insurance taxes.

Not all unpaid assessments are considered accounts or taxes receivable. Federal accounting standards provide criteria for distinguishing which unpaid assessments constitute taxes receivable.[7] IRS has had considerable difficulty properly distinguishing and reporting taxes receivable in its financial statements because its systems were not designed to generate information for use in preparing financial statements in accordance with these standards. Fiscal year 1997 was the first time IRS was able to successfully prepare reliable financial statements covering its tax collection activities. However, this required the use of special programming to extract information from IRS' master files—its only detailed database of taxpayer information—for use in preparing the financial statements as its systems cannot readily produce this information. Also, this approach still required significant manual intervention and, in the end, adjustments totaling tens of billions of dollars, principally to correct significant misclassifications and duplication of unpaid assessments.[8]

Objectives, Scope, and Methodology

As part of our audit of IRS' fiscal year 1997 Custodial Financial Statements, we reviewed IRS' unpaid assessments using statistical sampling techniques. Our objectives for the unpaid assessments segment of that audit were to determine (1) whether IRS had properly classified its balance of unpaid assessments between taxes receivable, compliance assessments, and write-offs, (2) whether the balances for taxes receivable, compliance assessments, and write-offs were accurate, and (3) in conjunction with IRS, an estimate of the amount IRS could reasonably expect to collect on its balance of taxes receivable. See appendix I for the scope and methodology used to accomplish these objectives.

The objective of this report is to provide detailed information on the composition and collectibility of IRS' September 30, 1997, balance of unpaid assessments based on the work we performed as part of our audit of IRS' fiscal year 1997 custodial financial statements.

It is important to note that, in performing our work, we did not assess the effectiveness of IRS' enforcement and collection programs, nor did we attempt to address the compliance gap component of the tax gap. Also, we

[7]Statement of Federal Financial Accounting Standards (SFFAS) No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, provides this criteria.

[8]See Financial Audit: Examination of IRS' Fiscal Year 1997 Custodial Financial Statements (GAO/AIMD-98-77, February 26, 1998). This issue will be discussed further in a subsequent report on internal controls identified in our fiscal year 1997 financial audit.

did not specifically analyze the impact provisions of the IRS Restructuring and Reform Act of 1998 may have on the future composition and collectibility of IRS' unpaid assessments. We conducted our work from August 1997 through February 1998 in accordance with generally accepted government auditing standards.

In commenting on a draft of this report, IRS provided preliminary oral comments, which we have incorporated where appropriate. We requested written comments on a draft of this report from the Commissioner of Internal Revenue. The Deputy Commissioner provided us with written comments, which are discussed in the "Agency Comments" section and are reprinted in appendix II.

Not All IRS Unpaid Assessments Are Taxes Receivable

Taxes receivable are one category of unpaid assessments, and they comprised less than half the balance of IRS' unpaid assessments as of September 30, 1997. Under federal accounting standards, unpaid assessments fall into three categories: taxes receivable, compliance assessments, and write-offs.

Taxes receivable are taxes and associated penalties and interest due for which IRS can support the existence of a receivable through taxpayer agreement, such as the filing of a tax return without sufficient payment, or a court ruling favorable to IRS. The key distinction between taxes receivable and compliance assessments is the acknowledgement by the taxpayer or a court that the taxpayer owes money to the federal government.

Compliance assessments are unpaid assessments in which neither the taxpayer nor a court has affirmed that the taxpayer owes money to the federal government. For example, an assessment resulting from an IRS audit or examination in which the taxpayer does not agree with the results of the audit or examination is a compliance assessment but is not considered a receivable under federal accounting standards.

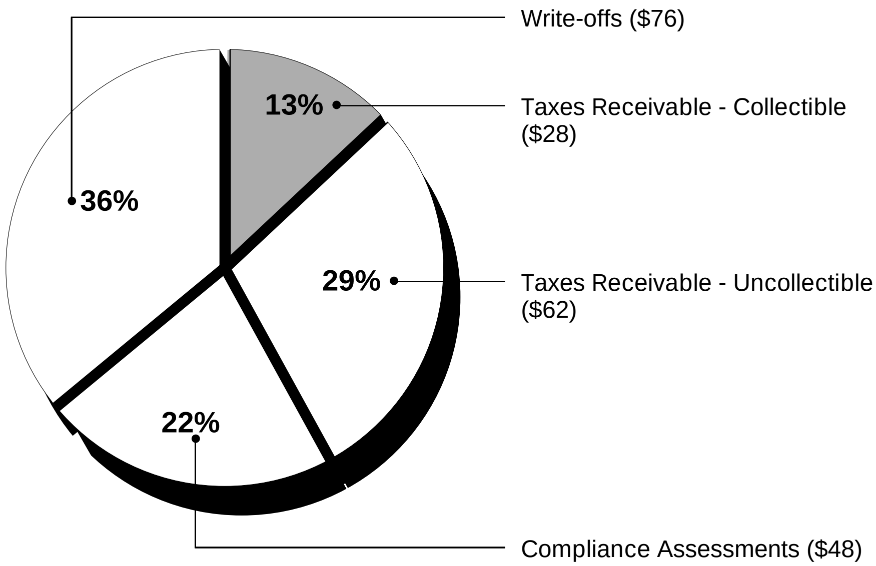
Write-offs are unpaid assessments for which IRS does not expect further collections due to factors such as the taxpayer's bankruptcy, insolvency, or death. Write-offs may at one time have been taxes receivable, but the absence of any future collection potential prevents them from being considered receivables under federal accounting standards.

Although compliance assessments and write-offs are not considered receivables under federal accounting standards, they represent legally enforceable claims of IRS—acting on behalf of the federal government—against taxpayers. There is, however, a clear distinction between these categories from the standpoint of assessing what they represent with respect to future cash flow to the federal government. Our review of these categories of unpaid assessments as part of our fiscal year 1997 Custodial Financial Statement audit confirmed that there are significant differences in their collection potential, which clearly supports the usefulness of the distinctions between unpaid assessments required under federal accounting standards.

Fiscal Year 1997 Financial Statements Presented First Reliable Reporting of Unpaid Assessments

IRS' fiscal year 1997 Custodial Financial Statements for the first time presented reliable information on the components of IRS' balance of unpaid assessments. The Statement of Custodial Assets and Liabilities appropriately reflected that portion of IRS' unpaid assessments that represented taxes receivable that were estimated to be collectible. In information accompanying the financial statements, IRS separated the September 30, 1997, balance of unpaid assessments into the three categories. This categorization, along with an understanding of what these categories represent, allows the users of the financial statements to gain a useful perspective on the portion of the unpaid assessments balance that represent viable future cash flow for the federal government. Figure 1 presents this categorization.

Figure 1: Components of IRS' $214 Billion of Unpaid Assessments (Dollars in Billions)



Source: IRS' fiscal year 1997 custodial financial statements.

As reflected in figure 1 and as reported in the accompanying supplemental information to IRS' fiscal year 1997 Custodial Financial Statements, IRS' balance of unpaid assessments as of September 30, 1997, totaled about $214 billion. It is important to note that IRS' systems reflected unpaid assessments totaling about $236 billion, which is $22 billion more than the final reported balance. During our audit, we found that most of this $22 billion represented amounts recorded as assessments multiple times in IRS' systems. These amounts primarily represented "trust fund recovery penalties."

Such penalties can result when a business does not forward payroll taxes to the government. Each officer and director is individually liable for the amounts withheld from employees, provided the officers or directors were found willful and responsible for the nonpayment of these taxes. Consequently, IRS may record assessments against several individuals, each for the total amount withheld from employees in an effort to collect the total payroll tax liability of the business. Such recording of these multiple assessments is necessary for enforcement tracking purposes.

However, IRS cannot collect from these multiple individuals and the business more than the total payroll tax liability owed. Consequently, by counting each of the individual and business assessments owed, IRS systems distort the balance of amounts that IRS has authority to collect. Also, systems limitations lead to frequent erroneous balances, and have led to collection of trust fund recovery penalties that had already been paid. This issue will be discussed further in a subsequent report on internal control issues identified in our fiscal year 1997 financial audit.

It is also important to note that these systems limitations result in IRS having to resort to unconventional means to obtain information for use in preparing its financial statements. In particular, the lack of an adequate general ledger and a subsidiary ledger for taxes receivable results in IRS running special computer programs against the detailed taxpayer accounts in its master files to extract information on unpaid assessments and attempt to classify this information into the three unpaid assessment categories defined by federal accounting standards. The use of this process led to significant misclassifications of unpaid assessment amounts within these three categories. The following table shows the extent of misclassified items we found, by category of unpaid assessments, in our statistical sample of 730 items.

Table 1: Initial and Final Classification of Unpaid Assessment Sample Items

Category	Original classification	Final classification
Taxes Receivable	626	465
Compliance Assessments	74	90
Write-offs	30	197
Total	730	752[a]

[a]The final count of items does not agree with the original number of sample items because of a number of items that we and IRS concluded needed to be eliminated or partially reclassified from their original unpaid assessment classification. These included portions of taxes receivable items being reclassified as write-offs, taxes receivable items being reclassified as both compliance assessments and write-offs, and compliance assessments being reclassified as both taxes receivable and write-offs.

In total, the effect of these misclassifications was significant and resulted in reclassification of tens of billions of dollars between the three categories of unpaid assessments to arrive at reliable fiscal year-end balances. This issue is discussed more fully in our report on internal control issues identified in our fiscal year 1997 financial audit.

A Significant Portion of Unpaid Assessments Consist of Write-Offs

Of IRS' $214 billion in unpaid assessments as of September 30, 1997, $76 billion were write-offs. Consequently, 36 percent of IRS' balance of unpaid assessments consisted of amounts for which there is virtually no hope of collection. Write-offs are comprised largely of amounts owed for corporate income taxes and payroll taxes by businesses or corporations that have subsequently become bankrupt or defunct. For example, over $24 billion of unpaid assessments classified as write-offs, or 32 percent, related to corporate income taxes due from failed financial institutions resolved by the FDIC and the former RTC.

In our statistical sample of 730 unpaid assessments, 197 were deemed wholly or partially write-offs. Of these 197 write-offs, 123 (62 percent) consisted of amounts owed from defunct corporations such as failed financial institutions, and another 41 (21 percent) consisted of amounts owed by other bankrupt corporations or businesses.[9] Most of the remaining 33 write-off cases (17 percent) included amounts due from taxpayers who were deceased, whom IRS was unable to locate, or who had no identifiable assets or other means of repaying the amounts owed.

Write-offs also consist primarily of older amounts owed. Of the 197 items in our sample that were ultimately determined to be wholly or partially write-offs, about 90 percent of the total amounts owed were over 6 years old. As we discuss later in this report, age is an indicator of the extent to which unpaid taxes are likely to be collected.

Also, a significant portion of the total amounts classified as write-offs were comprised of penalties and interest that have and continue to accrue on the delinquent tax assessment balance. Of the 197 items in our sample that were ultimately classified wholly or partially as write-offs, 19 percent of the total outstanding amounts owed were comprised of penalties and 45 percent of the total amounts owed consisted of interest.

IRS is required to maintain unpaid assessment accounts on its records until the statutory period for collecting taxes, 10 years, has expired.[10] During this period, IRS must continue to accrue interest and penalties on the

[9]A defunct corporation has discontinued its business operations. A bankrupt corporation has been declared insolvent by a court. In bankruptcy, the court decides how the corporation's remaining assets will be distributed to its creditors.

[10]Note that the requirement that IRS maintain delinquent tax accounts in its records for the required statutory period does not mean that these amounts are to be reflected on IRS' principal financial statements. Only those unpaid assessments meeting the definition of taxes receivable are reported on the principal financial statements. Compliance assessments and write-offs are reported as supplementary financial information.

outstanding amounts owed regardless of whether IRS concludes that the delinquent taxes owed will ever be collected. For example, IRS continues to accrue interest and penalties on hundreds of failed financial institutions resolved by FDIC and the former RTC, despite the fact that these were insolvent institutions with no viable means of repaying their delinquent taxes. In one case, over 60 percent of the $1 billion balance of amounts owed by the failed financial institution consisted solely of accrued interest and penalties. Consequently, with respect to write-offs, interest and penalties continue to be accrued against the delinquent taxes owed and thus continue to increase the total outstanding balance, despite the fact that there is virtually no prospect for collection.

Compliance Assessments Also Comprise a Significant Portion of IRS' Unpaid Assessments

Forty-eight billion dollars of IRS' $214 billion balance of unpaid assessments as of September 30, 1997, about 22 percent, consisted of compliance assessments. As discussed previously, the key distinction between unpaid assessments classified as compliance assessments and those considered taxes receivable is the lack of acknowledgement either by the taxpayer or by a court that delinquent taxes are owed. Many of these unagreed assessments resulted from IRS' various compliance efforts, such as its examinations or audits and its various computer matching programs, in which IRS uses third-party information to identify potential underreporting of tax liabilities.

Compliance assessments are generally comprised of individual and business income tax liabilities and payroll tax liabilities. In our sample of 730 unpaid assessments, 90 were ultimately classified wholly or partially as compliance assessments. Of these 90 compliance assessments, 60 (67 percent) consisted of amounts owed for individual income taxes, 25 (28 percent) consisted of amounts owed for business income taxes and payroll taxes, and 5 (5 percent) consisted of other tax types, such as estate taxes, taxes on transferor of property to a foreign entity, and other miscellaneous taxes.

While compliance assessments have some future collection potential, the lack of taxpayer or court agreement as to the amounts identified by IRS as owed reduces the likelihood of IRS collecting these amounts. As a category of unpaid assessments, compliance assessments have significantly less likelihood of collection than those unpaid assessments classified as taxes receivable. Based on our sample, we found that taxpayers who do not agree that they owe IRS usually do not make payments. Specifically, we noted less than $75,000 in collections since 1995 on the $2.6 billion balance of amounts owed for the 90 unpaid assessment sample items that were ultimately wholly or partially classified as compliance assessments. It should be noted that, although compliance assessments are not likely to generate significant revenue, IRS will generally pursue collection on them (and on unpaid assessments classified as uncollectible taxes receivable, discussed later in this report) to encourage compliant taxpayers to continue to be compliant, and noncompliant taxpayers to become compliant, with respect to reporting and paying their tax liabilities.

Like write-offs, a significant portion of the total amounts classified as compliance assessments is comprised of penalties and interest. Of the 90 items in our sample that were ultimately classified wholly or partially as compliance assessments, about 10 percent of the total outstanding amounts owed were comprised of penalties, and about 72 percent of the total amounts owed consisted of interest. As noted in the discussion of write-offs, IRS' requirement to continue to accrue penalties and interest through the statutory collection period contributes to the higher and increasing percentage of penalties and interest to the total outstanding amounts owed. It also contributes to an increasing balance that is unlikely to generate significant revenues for the federal government.

Taxes Receivable Comprise Only a Portion of IRS' Unpaid Assessments

Collectively, write-offs and compliance assessments totaled $124 billion, which was 58 percent of IRS' balance of unpaid assessments as of September 30, 1997. This represents a significant portion of IRS' unpaid assessments balance for which collection, based on our audit work and IRS' financial statements, is highly unlikely.

The remaining balance of IRS' unpaid assessments as of September 30, 1997, $90 billion (42 percent) represent amounts that are considered to be taxes receivable under federal accounting standards. These amounts meet the definition of taxes receivable because they represent amounts for which IRS has obtained concurrence, either by the taxpayer or a court, that the amounts are in fact owed to the federal government. These unpaid assessments thus constitute the most probable category of unpaid assessments from which there is potential for collection of tax revenues.

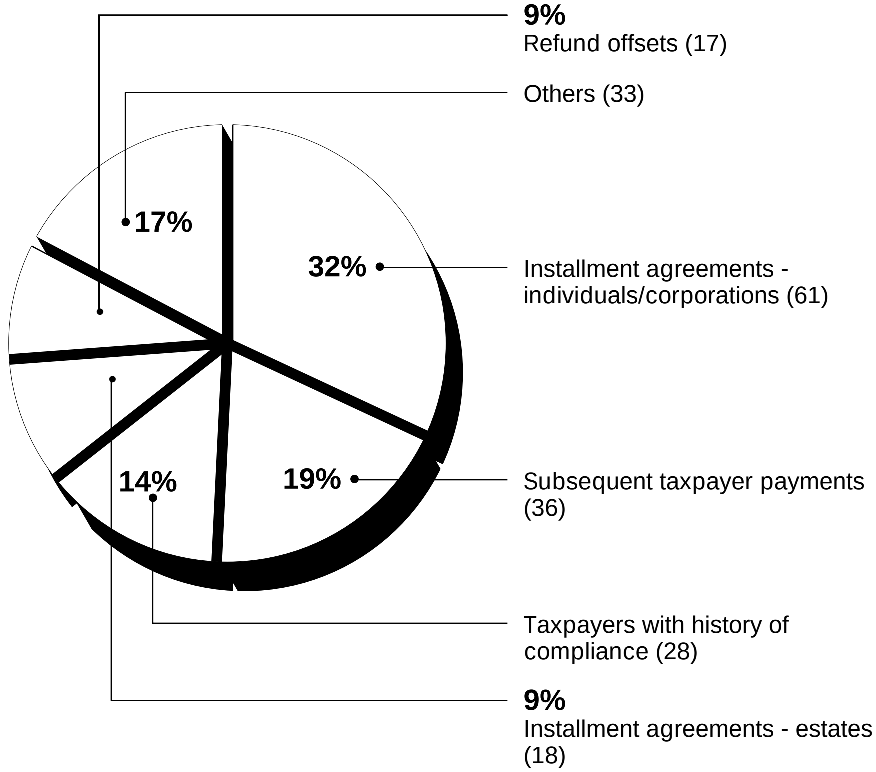
Of the 730 items in our statistical sample, 465 items were ultimately classified wholly or partially as taxes receivable. Of these items, only 193 were determined by IRS and us to be fully or partially collectible. The other 272 items were determined by IRS and us to be uncollectible as of September 30, 1997. Based on a projection of these items to the total population, only $28 billion, about 31 percent of the balance of unpaid assessments classified as taxes receivable, was estimated to be collectible. In contrast, $62 billion, 69 percent of the balance of taxes receivable, was estimated to be uncollectible. Consequently, of the $214 billion balance of IRS' total unpaid assessments at September 30, 1997, only 13 percent was estimated to be collectible.[11]

Profile of Taxes Receivable Sample Items Determined to Have Some Collectibility

As noted above, 193 sample items that were ultimately determined to be taxes receivable had at least some future collection potential based on available information. In general, these items consisted of taxes owed where IRS was receiving at least some payments from the taxpayer, where the taxpayer had entered into agreements with IRS to repay all or some of the amounts owed and appeared to have the resources to comply with these agreements, or where IRS had identified other means of obtaining full or partial payment. Figure 2 shows the composition of the 193 items that we determined were fully or partially collectible.

[11]Note that because of a lack of historical information, the amount of compliance assessments that will ultimately be collected is not reasonably estimable; however, we believe that any collectible amounts would not be significant.

Figure 2: Profile of Taxes Receivable Sample Items Determined to Have Some Collectibility



Source: 193 taxes receivable sample items with some estimated collectibility.

The following paragraphs detail each of these categories, discussing the primary consideration for determining that all or some portion of each item's balance was collectible:

- Sixty-one items consisted of amounts owed where individuals or businesses had entered into installment agreements to repay some or all of the delinquent taxes and associated penalties and interest. It is important to note that the existence of an installment agreement alone was not a sufficient basis from which to conclude that some or all of the outstanding balance of a given item was collectible. We and IRS accepted installment agreements as the basis for collectibility only if they were supported by evidence of a regular stream of payments. On the other hand, if IRS was not receiving payments in accordance with the terms of the installment agreement, we and IRS generally considered the installment agreement to be in default and thus did not use it as a basis for determining collectibility.

- Thirty-six items were determined to have full or partial collectibility based on payments IRS received subsequent to the sample selection. In some instances, these payments were sufficient to fully pay the outstanding balance owed. In these cases, because of the certainty of the payment, the item was classified as fully collectible.
- Twenty-eight items involved amounts owed by taxpayers with a history of compliance, including 10 large established corporations.
- Eighteen items involved installment agreements between IRS and taxpayer estates. These estate cases are distinguishable from the other installment agreement cases involving individuals in that these items are not considered delinquent and are generally fully collectible due to the executors' fiduciary responsibility to manage the affairs of the estate and evidence of estate assets sufficient to satisfy the tax liability. Specifically, in certain cases the Internal Revenue code allows estates to enter into 15-year installment agreements to pay their taxes. These agreements are allowed so that estates do not have to sell family businesses or other nonliquid assets to satisfy tax liabilities.
- Seventeen items involved amounts owed by taxpayers with a history of allowing IRS to keep overpayments from other tax periods to pay off some or all of the amounts owed. The IRS refers to such cases as refund offsets, where refunds that would normally be paid to the taxpayer are instead kept by IRS and used to reduce the taxpayer's liability from another tax period.
- Twelve items involved taxpayers who were in the process of entering into either an installment agreement or an offer-in-compromise to pay off some or all of the outstanding amounts owed, and where there was evidence, either through good faith payments or other financial resources, that the taxpayer would be able to comply with the agreement or offer.
- Eight items involved situations in which IRS was in the process of levying taxpayer assets for amounts owed.
- Seven items involved taxpayers in bankruptcy. Estimates of collectibility were based on anticipated payments from the bankruptcy proceedings and evidence that assets available were sufficient to make payments.
- Five items involved taxpayers who had submitted, and IRS had accepted, offers-in-compromise to satisfy the outstanding amounts owed. In these cases, the payments had not yet been made but the taxpayer had the financial resources to pay off the compromised amount owed.

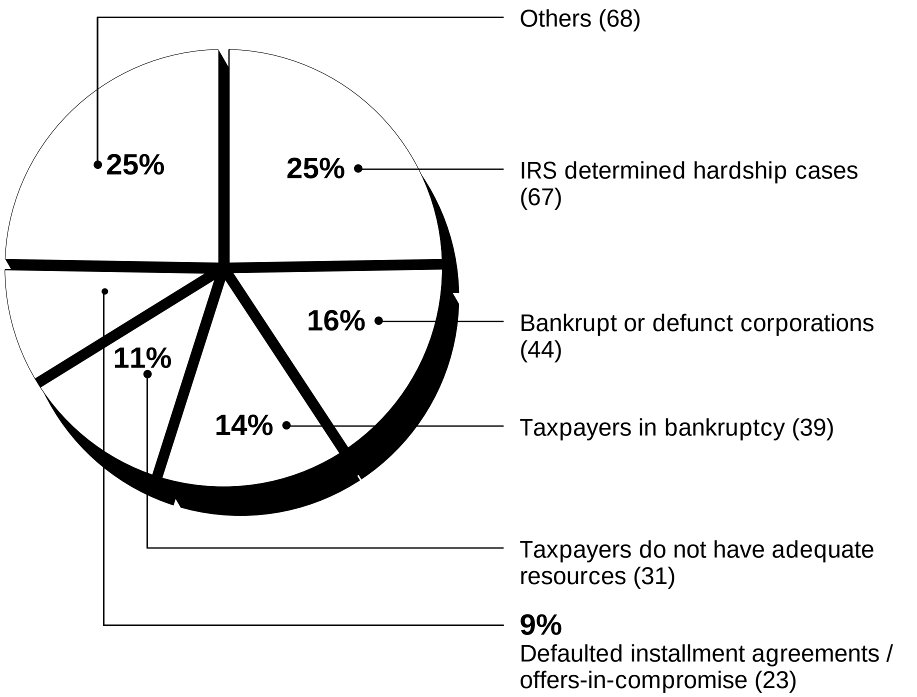
- One item involved IRS seizing certain assets of the taxpayer to satisfy the outstanding amounts owed, but IRS had not yet liquidated the assets.

Most of the items where we identified the likelihood of full or partial collection of the outstanding amounts owed tended to be more recent balances and were typically amounts owed within the last 4 tax years. The more recent age of the items limited the extent to which the original tax assessment owed was compounded by accruals of interest and penalties, in contrast to write-offs and compliance assessments, as discussed earlier.

Profile of Taxes Receivable Sample Items Determined to Be Uncollectible

As discussed earlier, 272 items in our sample that were ultimately classified wholly or partially as taxes receivable were assessed by IRS and us as being uncollectible based on available information. These items consisted of taxes owed where the taxpayer, for a variety of reasons, was deemed unwilling or unable to pay the amounts owed. Figure 3 shows the composition of the 272 items that we determined were uncollectible.

Figure 3: Profile of Taxes Receivable Sample Items Determined to Be Uncollectible



Source: 272 taxes receivable sample items with no estimated collectibility.

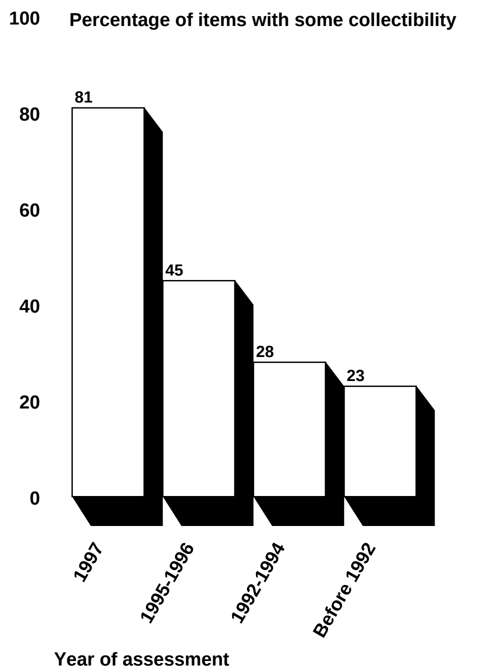
A discussion of each of these categories and the primary consideration for determining that all or some portion of each item's balance was not collectible follows:

- Sixty-seven items involved hardship cases, in which IRS determined that the taxpayer was unable to pay due to insufficient income and assets. IRS will follow up if the taxpayer subsequently reports a certain level of income.
- Forty-four items involved the portion of unpaid payroll taxes due from defunct or bankrupt businesses that were assessed as trust fund recovery penalties against the businesses' officers or directors who were found willful and responsible for the nonpayment of withheld payroll taxes. In these cases, we saw no evidence of an ability or willingness on the part of these officers or directors to pay some or all of the amounts owed.

- Thirty-nine items involved taxpayers in bankruptcy proceedings (the court had not yet determined whether any amount would be paid to IRS for delinquent taxes) or other defunct corporations. In these cases, we found no evidence of either ability or willingness on the part of the taxpayers to pay some or all of the amounts owed.
- Thirty-one items involved cases where IRS' collection source (levy, installment, etc.) would be applied to prior outstanding tax periods and was not sufficient to cover the taxes owed for our sample items.
- Twenty-three items involved cases where the taxpayer defaulted on an installment agreement or offer-in-compromise and IRS records did not identify alternative collection sources.
- Eighteen items involved cases where individuals or businesses had amounts due from multiple tax periods and in recent tax periods had stopped filing tax returns.
- Sixteen items involved assessments that resulted from the discovery of illegal acts, including drug trafficking, embezzlement, prostitution, international arms dealing, and real estate fraud. These were generally high-dollar cases related to criminal prosecutions. In all cases, we saw little or no evidence of assets to satisfy the assessments. Income from illegal acts is taxable and multiple penalties generally apply.
- Twelve items related to taxpayers who had no payment history (no voluntary payments, levies, refund offsets, etc.).
- Eight items involved amounts owed by individuals who we determined, through a review of IRS records and discussions, IRS was unable to locate or contact.
- Eight items involved cases where IRS could not provide sufficient documentation to support the existence of collection sources identified in the collection files.
- Four items related to unemployed taxpayers. In these cases, IRS records did not identify any potential sources of collection.
- Two items related to taxpayers involved in litigation with IRS, cases in which IRS expects no recovery.

The age of the items is also an indicator of the extent to which the outstanding amounts owed are not likely to be collected. In contrast to those taxes receivable sample items where we identified the likelihood of full or partial collection, the items where we identified no reasonable expected collection typically were older items, with the majority of these cases predating the 1990 tax year. In fact, as illustrated in figure 4, for the 465 items in our sample that were ultimately classified wholly or partially as taxes receivable, the percentage of items where we identified the likelihood of full or partial collection declined dramatically as the age of the items increased.

Figure 4: Age and Collectibility of Taxes Receivable Sample Items



Source: 465 sample items ultimately classified as taxes receivable.

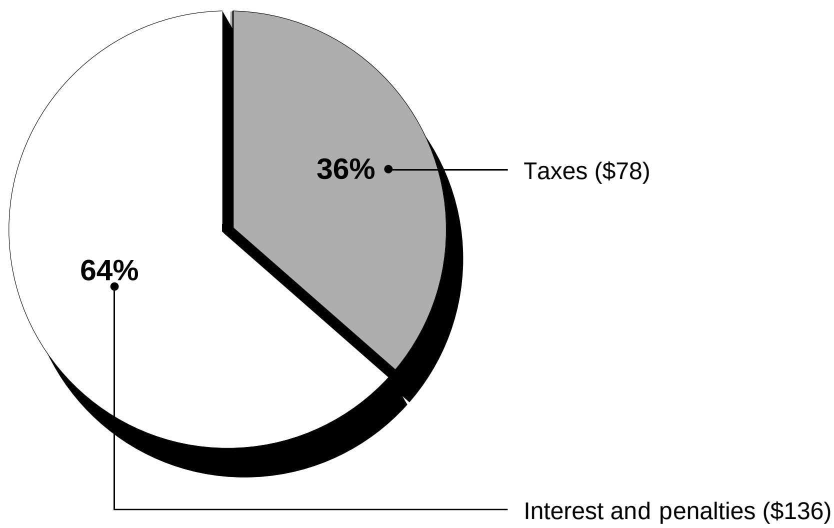
The inability or unwillingness of taxpayers to pay the delinquent taxes they owe results in the overall balance of IRS' unpaid assessments continuing to age and also results in the continued accrual of significant amounts of interest and penalties. This contributes to the high loss rate reflected in IRS' allowance for doubtful accounts pertaining to its taxes receivable, as reported in its fiscal year 1997 custodial financial statements.

Another factor that presents difficulties for IRS in its effort to collect amounts owed is the degree to which some taxpayers repeatedly fail to pay taxes year after year. For the majority of the 730 items we reviewed, the taxpayers actually owed more than just the unpaid assessment we examined. This was particularly applicable for officers and directors against whom trust fund recovery penalties were assessed. Of the 730 unpaid assessment sample items, 83 were unpaid corporate payroll tax assessments related to trust fund recovery penalties assessed against officers and directors of businesses who were found willful and responsible for the nonpayment of withheld payroll taxes. In many of these 83 items, the same officer was responsible for the nonpayment of withheld taxes over multiple years. Additionally, for 17 of these 83 items, the same individual was responsible for nonpayment of withheld taxes at more than one company. In one of these instances, the same individual was responsible for the nonpayment of eight tax periods for taxes withheld from his employees at three different businesses, and in another case, one individual was responsible for nonpayment of withheld payroll taxes at five separate businesses. In only 9 of the 83 unpaid payroll tax assessment items in our sample related to trust fund recovery penalties did IRS and we determine that recovery of at least some of the amounts owed was likely. The remainder of these items was determined to be uncollectible. We will be examining issues associated with trust fund recovery penalties further in conjunction with our audit of IRS' fiscal year 1998 financial statements.

Growth in Unpaid Assessments Balance Largely a Result of Continued Accrual of Penalties and Interest

Because IRS continues to accrue penalties and interest through the statutory collection period of a delinquent tax assessment, regardless of the likelihood of collecting on even the original tax assessment owed, this has, over time, contributed substantially to the buildup of IRS' balance of unpaid assessments. According to IRS records, $136 billion, over 60 percent of IRS' $214 billion balance of unpaid assessments as of September 30, 1997, consisted of interest and penalties. Figure 5 breaks down the balance of unpaid assessments between the original tax assessment and the accrued interest and penalties.

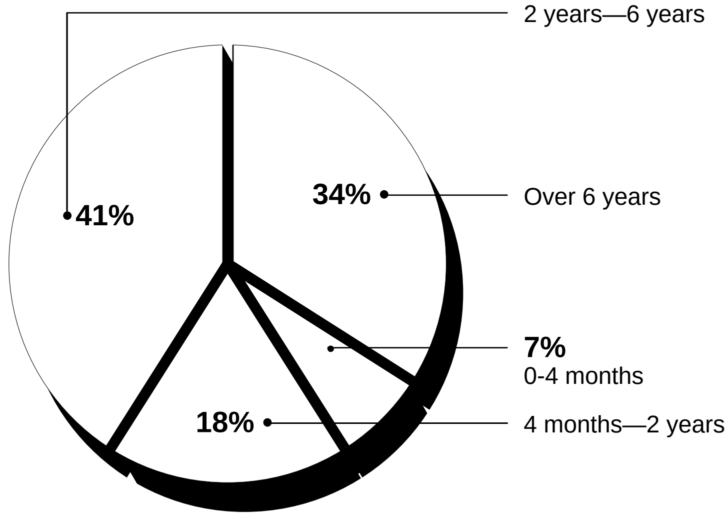
Figure 5: Unpaid Taxes Compared to Interest and Penalties Comprising the $214 Billion in Unpaid Assessments
(Dollars in Billions)



Source: IRS' fiscal year 1997 custodial financial statements and masterfile data.

While IRS records show that it accrued tens of billions of dollars in interest and penalties on its unpaid assessments during fiscal year 1997, according to IRS it collected less than $13 billion in interest and penalties during the year. The large interest and penalty amounts are a consequence of the age of IRS' unpaid assessments. According to IRS records and as reflected in figure 6, about 75 percent of its September 30, 1997, balance of unpaid assessments is over 2 years old, and about 34 percent is in excess of 6 years old.

Figure 6: Age of Unpaid Assessments



Source: Unaudited IRS masterfile data.

The age of IRS' unpaid assessments leads to large and increasing amounts of accrued interest and penalties. IRS is required to continue to accrue interest and penalties on all unpaid assessments, regardless of their collection potential, until the statutory period for collecting taxes has expired. In contrast, major financial institutions in the private sector place older nonperforming loans in a nonaccrual status to stop interest and penalties from continually increasing the outstanding loan balances.

The statutory period for collecting taxes is generally 10 years from the date of the tax assessment. However, this period can be extended under a variety of circumstances, and such extensions, we noted, do occur. For example, of the 730 unpaid assessment items in our sample, 16 (2 percent) related to tax years prior to 1979. In total, 290 sample items (40 percent) related to tax years prior to 1989, and many of these items had extensions to their collection periods.

In our sample items, we noted that a major reason for extending the collection period was ongoing litigation, such as bankruptcy, appeal, or tax court. These actions result in the suspension of the 10-year collection period until they have been resolved. Also, offers submitted by taxpayers for less than the amount owed, known as “offers-in-compromise,” also result in a suspension of the 10-year period while IRS considers the offer. Also, taxpayers often sign waiver agreements that extend the collection period beyond the initial 10 years. Waivers are frequently used in conjunction with installment agreements. IRS has recently determined that the use of waiver agreements in certain instances is inappropriate;[12] however, we would not expect this to have a significant impact on IRS' unpaid assessments.

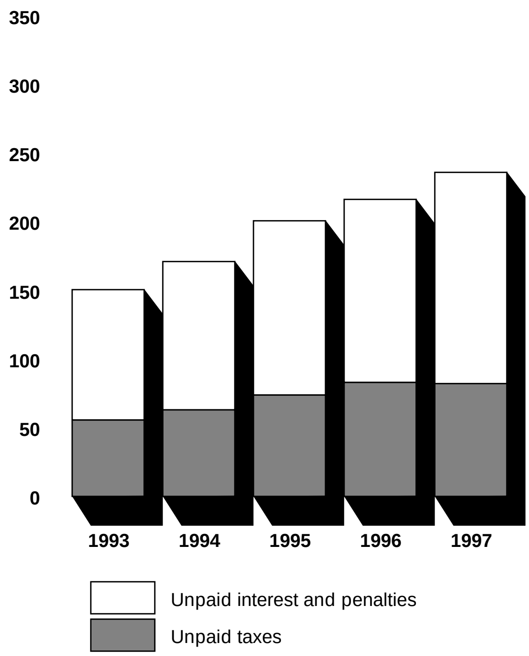
To illustrate how an older tax assessment can remain on IRS' records for decades, an individual could file a 1979 tax return in 1980. IRS, based on its various enforcement programs, could identify and assess additional taxes in 1983. The taxpayer could bring the matter to litigation. Assume for the purpose of this illustration that this litigation takes 6 years to resolve, at the end of which the court could decide in favor of IRS. The taxpayer could then enter into an installment agreement in 1989 with repayment terms extending out through the year 1999.

IRS must accrue interest and penalties through the statutory collection period, regardless of whether an unpaid assessment meets the criteria for financial statement recognition or has any collection potential. For example, interest and penalties continue to accrue on write-offs, such as the FDIC and RTC cases, as well as on exam assessments where taxpayers have not agreed to the validity of the assessments. In fact, per IRS records, the balances for the RTC cases alone will increase from about $22 billion (which was already mostly interest and penalties) in 1997 to an estimated $40 billion by the year 2003, under current interest rates.

According to IRS records, the overall growth in unpaid assessments during fiscal year 1997 was wholly attributable to the accrual of interest and penalties. In fact, most of the year-to-year growth in unpaid assessments during the past 5 years is attributable to increases in interest and penalties, as noted in figure 7.

[12]This determination was made on the basis of the fact that the waivers obtained by IRS in these cases were subsequent to, and not in conjunction with, the taxpayer entering into the installment agreement.

Figure 7: Growth in Unpaid Taxes and Overall Unpaid Assessments (Dollars in Billions)



Note: Includes duplicative assessments, such as trust fund recovery penalties, which amounted to $15 billion for 1997.

Source: Unaudited IRS masterfile data.

Because much of IRS' inventory of unpaid assessments consists of (1) write-offs, which have no future collection potential, (2) compliance assessments, which have little likelihood of being collected, and (3) taxes receivable with no estimated collectibility, and because these items are mostly penalties and interest, a substantial portion of the $136 billion in accumulated interest and penalties is not collectible.

It is important to note that the IRS Restructuring and Reform Act of 1998 contains several provisions that affect the manner in which IRS will assess interest and penalties on future delinquent tax debts. For example, IRS will not be allowed to assess interest and certain penalties for individual taxpayers if IRS does not send a notice to the taxpayer of any tax deficiency within the statutory time frame after the taxpayer files a return or the due date of the tax return, whichever is later. In addition, the penalty IRS assesses taxpayers for failing to pay their original tax assessment is reduced by half for taxpayers with active installment agreements with IRS. Also, IRS' application of tax deposits to taxpayers' tax liabilities will no longer be based on a first in/first out principle, but will instead be based on taxpayer designation. This could result in a reduction in IRS' assessed penalty for the failure to make tax deposits.

Conclusions

Less than half of IRS' balance of unpaid assessments as of September 30, 1997, was considered taxes receivable, and only about one-third of the taxes receivable, about 13 percent of the $214 billion total unpaid assessments balance, was estimated to be collectible. The composition of the unpaid assessments balance consisted largely of amounts owed by businesses that no longer existed, deceased individuals, taxpayers who cannot be located, or taxpayers who do not have the financial ability or willingness to pay the amounts they owe the federal government. As a result, despite the fact that many of these delinquent taxes will never be paid, many of these balances remain on IRS' records through the statutory collection period and continue to grow due to the accruing of penalties and interest. Unlike commercial lenders, IRS does not choose who owes the government taxes, and much of what exists in IRS' balance of unpaid assessments is more analogous to a commercial lender's list of troubled loans or loans that have been written off than to a lender's entire loans receivable portfolio.

Given the serious financial problems of taxpayers who owe these delinquent taxes, the fact that over one-third of the delinquent taxes are over 6 years old, and the fact that nearly two-thirds of the unpaid assessments balance at September 30, 1997, consisted of penalties and interest, it is likely that IRS will collect only an estimated 13 cents of every dollar of unpaid assessments.

Agency Comments

IRS stated that it was pleased with this report and appreciated our efforts in better explaining the composition and collectibility of IRS' unpaid assessments.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this report. At that time, we will send copies of this report to the Commissioner of Internal Revenue; the Director of the Office of

Management and Budget; the Secretary of the Treasury; and the Chairmen and Ranking Minority Members of the Senate Committee on Appropriations, Subcommittee on Treasury and General Government, Senate Committee on Finance, Subcommittee on Taxation and IRS Oversight, Senate Committee on Governmental Affairs, Senate Committee on the Budget, House Committee on Appropriations and its Subcommittee on Treasury, Postal Service, and General Government, House Committee on Ways and Means, House Committee on Government Reform and Oversight, House Committee on the Budget, and other interested congressional committees. Copies will be made available to others upon request.

Please contact me at (202) 512-9505 or Steven J. Sebastian, Assistant Director, Governmentwide Accounting and Financial Management Issues, at (202) 512-9521 if you or your staff have any questions concerning this report. Other major contributors are listed in appendix III.

Gregory D. Kutz
Associate Director
Governmentwide Accounting and
Financial Management Issues

Contents

Abbreviations

FDIC	Federal Deposit Insurance Corporation
IRACS	Interim Revenue Accounting Control System
IRS	Internal Revenue Service
RTC	Resolution Trust Corporation
SFFAS	Statement of Federal Financial Accounting Standards

Objectives, Scope, and Methodology

As part of our audit of IRS' fiscal year 1997 Custodial Financial Statements, we reviewed IRS' unpaid assessments using statistical sampling techniques. Our objectives in the unpaid assessment segment of the audit were to determine (1) whether IRS had properly classified its balance of unpaid assessments between taxes receivable, compliance assessments, and write-offs, (2) whether the balances for taxes receivable, compliance assessments, and write-offs were accurate, and (3) in conjunction with IRS, an estimate of the amount IRS could reasonably expect to collect on its balance of taxes receivable.

To achieve these objectives, we requested that IRS run its computer program against the master files to initially classify the population of unpaid assessments into taxes receivable, compliance assessments, and write-offs. IRS' general ledger—the Interim Revenue Accounting Control System (IRACS)—does not maintain detail transaction information, nor does it classify unpaid assessments into the three classifications, so it could not be used to develop the three separate populations of unpaid assessments for testing purposes. However, it does contain overall summarized assessment data, so it could be used to verify the completeness of the populations of unpaid assessments obtained from the master files. To gain assurance that IRS provided us with a complete population of unpaid assessments from which to draw our samples, we reviewed and recalculated IRS' reconciliations of its unpaid assessments recorded in its master files and compared them to the assessment information recorded in IRACS.

The populations were obtained from information contained in the master files as of July 17, 1997. We selected this interim date for our detailed test work instead of September 30, 1997, because (1) detailed testing of statistical samples of unpaid assessments as of September 30, 1997, could not have been completed in time to facilitate meeting our statutory audit report date of March 1, 1998, and (2) we expected little change in the balance of unpaid assessments between July 17, 1997, and September 30, 1997. We performed additional audit procedures of an analytical nature to ensure that, in fact, no significant changes in either the overall unpaid assessments balance or between the three categories of unpaid assessments occurred between July 17, 1997, and the fiscal year-end.

From the three separate populations of unpaid assessments, we selected statistical samples of items on which to conduct detail testing. For the population of unpaid assessments initially classified as taxes receivable, we employed a classical variable sampling approach. In addition to testing for the proper classification and recorded amount, use of classical variable sampling allowed us, in conjunction with IRS, to project a statistically valid estimate of the amount of taxes receivable that IRS could reasonably expect to collect. We stratified the population into 20 dollar ranges to (1) decrease the effects of variances in the total unpaid assessment population, (2) gain assurance that the sample amounts were representative of the population, and (3) obtain assurance that the resulting net tax receivable amount is a reliable estimate of the amount IRS can reasonably expect to collect. Separate random samples were then selected for 19 of the 20 strata. For the remaining strata, which consisted of all tax receivable items in excess of $30 million individually, all items were selected for testing. We used $5 billion as our materiality level, a 95 percent confidence level, and a planned precision level of plus or minus $2.5 billion. This approach resulted in a total sample size of 626 tax receivable items, totaling $5.9 billion, which is 4.6 percent of the $127.8 billion in unpaid assessments initially classified as taxes receivable by IRS.

For the populations of unpaid assessments initially classified by IRS as compliance assessments and write-offs, we employed dollar unit sampling techniques to test their proper classification and amount and to evaluate the significance of any misclassifications. We used $5 billion as our materiality level, a 95 percent confidence level, and an expected aggregate error rate of $1.29 billion. This resulted in a sample size of 74 compliance assessment items totaling $3.7 billion, which is 5.1 percent of the $72.3 billion in unpaid assessments initially classified as compliance assessments by IRS, and a sample size of 30 write-off items totaling $8.4 billion, which is 27.5 percent of the $30.6 billion in unpaid assessments initially classified as write-offs by IRS.

In total, we selected for testing 730 items totaling about $18 billion, 7.8 percent of the unadjusted unpaid assessments balance as of July 17, 1997. These items covered various tax types. A summary of the 730 sample items, broken down by major tax type, is presented in table I.1.

Table I.1: Summary of Unpaid Assessments Sample Items by Type of Tax

Type of tax	Sample items	Unadjusted book value (dollars in billions)
Individual income and self-employment taxes	373	$ 1.3
Corporate payroll tax (includes individual withholdings and FICA)	185	0.4
Corporate income tax	97	13.3
Estate tax	24	0.5
Miscellaneous penalty (trust fund recovery penalties)	22	0.0[a]
Employer's annual unemployment tax	11	0.0[a]
Other taxes	18	2.5
Totals	**730**	**$18.0**

[a]Book value of these sample items rounds to zero.

To determine whether the taxes receivable sample items were properly classified and recorded for the appropriate amounts, we examined taxpayers' case files to determine whether IRS had sufficient and reliable information to document (1) taxpayers' agreement to the assessment or (2) evidence of court rulings favorable to IRS. We also analyzed detailed masterfile transcripts of the taxpayers' accounts, reviewed correspondence between IRS and taxpayers, and examined IRS internal documents to verify that the items were recorded at the correct amounts.

To determine if and to what extent IRS could reasonably expect to collect the outstanding taxes receivable balance for each sample item we concluded was properly classified as taxes receivable, we examined detailed masterfile transcripts of the taxpayers' account and IRS collection case files, which could include documentation of taxpayers' income and assets, earnings potential, other outstanding unpaid assessments, payment history, and other relevant collection information that affected the taxpayers' ability to pay. We also considered the extent and results of IRS' documented efforts to collect the assessment amount.

To determine whether the compliance assessments and write-off sample items were properly classified and recorded for the appropriate amounts, we examined taxpayers' case files, reviewed taxpayers' transcripts, reviewed correspondence between IRS and taxpayers, and examined IRS internal documents to verify that the items were recorded at the correct amounts.

In testing these sample items, we identified numerous instances where unpaid assessments were incorrectly classified between the three categories of unpaid assessments. We projected the impact of these misclassified sample items to the three populations and proposed adjustments based on these projections. Additionally, we identified unpaid assessment balances counted multiple times. We proposed adjustments to remove the associated amounts from the unpaid assessments balance. IRS reviewed all of these items, agreed with our conclusions, and agreed with the proposed adjustments. We projected the results of our collectibility assessment to the population of taxes receivable. We then employed analytical procedures to adjust September 30, 1997, balances for the results of our detail testing of July 17, 1997, unpaid assessments data. IRS reviewed our estimates of amounts that were reasonably expected to be collectible, our collectibility projection to the entire population, and the adjustments from our analytical procedures and agreed with the results.

In conducting our work, we did not assess the effectiveness of IRS' enforcement and collection programs, nor did we address issues associated with the compliance gap component of the tax gap. In addition, we did not specifically analyze the impact provisions of the IRS Restructuring and Reform Act of 1998 may have on the future composition and collectibility of IRS' unpaid assessments.

We conducted our work at IRS' National Office in Washington, D.C., and at the IRS Kansas City Service Center from August 1997 through February 1998. We conducted our work in accordance with generally accepted government auditing standards.

Comments From the Internal Revenue Service

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

DEPUTY COMMISSIONER

September 14, 1998

Mr. Gene L. Dodaro
Assistant Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro:

We would like to thank you for the opportunity to comment on your draft report, Internal Revenue Service: Composition and Collectibility of Unpaid Assessments. We were pleased with this report and appreciate your staff's effort in better explaining the composition of IRS' total inventory of unpaid assessments.

We have provided the General Accounting Office with preliminary comments which your staff has agreed to incorporate. We have no further comments to offer at this time.

If you have any questions or comments, your staff may contact Lisa D. Fiely, National Director for Financial Management, at (202) 622-8710.

Sincerely,

Michael P. Dolan

Major Contributors to This Report

Accounting and Information Management Division, Washington, D.C.

Steven J. Sebastian, Assistant Director
West Coile, Assignment Manager
Helen Branch, Evaluator

Atlanta Field Office

Fannie Bivins, Senior Auditor
James Douglas, Senior Auditor
Alva Archie, Auditor
Veronica Mayhand, Auditor
Angel Sharma, Auditor

Los Angeles Field Office

David Elder, Auditor
Gary Wiggins, Auditor

San Francisco Field Office

Laurie King, Evaluator

Seattle Field Office

Alvin Finegold, Senior Evaluator
Pat Seaton, Senior Evaluator
Quan Thai, Senior Evaluator
Catherine Arnold, Evaluator

Office of General Counsel

Thomas Armstrong, Assistant General Counsel
Andrea Levine, Attorney

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov