

May 2004

TAX DEBT COLLECTION

IRS Is Addressing Critical Success Factors for Contracting Out but Will Need to Study the Best Use of Resources



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-04-492](#), a report to congressional committees

TAX DEBT COLLECTION

IRS Is Addressing Critical Success Factors for Contracting Out but Will Need to Study the Best Use of Resources

Why GAO Did This Study

Congress is considering legislation to authorize IRS to contract with private collection agencies (PCA) and to pay them out of the tax revenue that they collect. Some have expressed concerns that this proposal might be unsuccessful, inefficient, or result in taxpayers being mistreated or having their private tax information compromised.

This report discusses (1) the critical success factors for contracting with PCAs for tax debt collection; (2) IRS's actions to address these factors in developing the PCA program and actions left to be done; and (3) whether IRS, if it receives the authority to use PCAs, plans to do a study that will help policy makers judge whether PCAs are the best use of funds to meet IRS's collection objectives.

What GAO Recommends

If Congress authorizes the use of PCAs, as soon as practical after experience is gained using PCAs, the IRS Commissioner should ensure that a study is completed that compares the use of PCAs to a collection strategy that officials determine to be the most effective and efficient overall way of achieving collection goals.

In commenting on a report draft, IRS said it would plan a study to ensure that IRS is making the most effective and cost efficient use of total resources available.

www.gao.gov/cgi-bin/getrpt?GAO-04-492.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

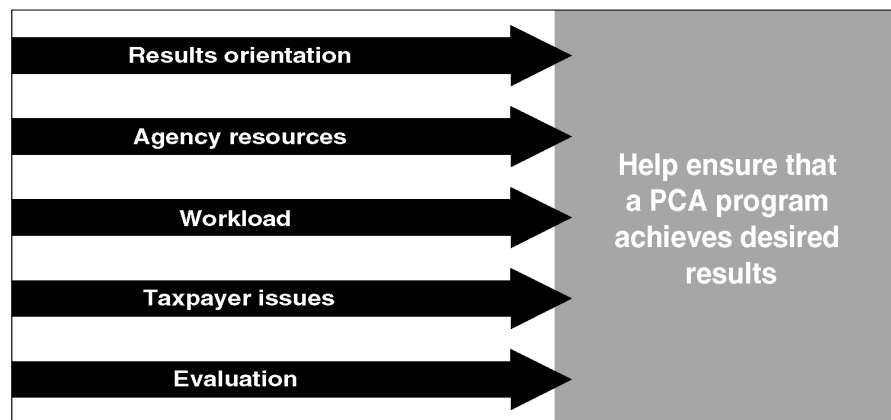
What GAO Found

Based on our analysis of information from various parties, including officials from selected state revenue departments and federal agencies that use PCAs, five factors are critical to the success of a PCA collection program. Together, these factors increase the chances for success and, as illustrated below, help the program achieve desired results.

Although incomplete, IRS has taken actions to address these factors. For example, IRS has been developing (1) program performance measures and goals, (2) plans for a computer system to transmit data to PCAs, (3) a method to select cases for PCAs, and (4) contract provisions to govern data security and PCAs' interactions with taxpayers. IRS officials recognize that major development work remains and have plans to finish it. Officials said they would suspend work if PCA authorizing legislation is not passed during 2004. If legislation passes, officials estimated that it would take 18 to 24 months to send the first cases to PCAs.

Aware of concerns about the efficiency of using PCAs, IRS intends to study the relative performance of PCAs and IRS employees in collecting tax debts after gaining some experience with them. However, the initial idea for a study would provide limited information to judge whether or when the PCA approach is the best use of resources. The tentative idea—comparing PCA and IRS performance for the same type of simpler cases to be sent to PCAs—does not recognize that IRS officials believe that using IRS employees on such cases would not be the best use of staff. Federal guidance emphasizes efficiently and effectively using resources to achieve results and identifying the most realistic and cost-effective program option. Experience gained in using PCAs and a new IRS case selection process would help officials design such a study.

Critical Success Factors Help Achieve Desired Results



Source: GAO.

Contents

Letter

Results in Brief	1
Background	2
Objectives, Scope, and Methodology	4
Five Factors Are Critical for a Successful PCA Collection Program	7
IRS Has Taken Steps to Address Aspects of the Critical Success Factors but Has Much Work Remaining	9
Potential Study Design Would Provide Limited Information to Judge Whether Contracting with PCAs Is the Best Use of Resources	12
Conclusions	14
Recommendation	19
Agency Comments and Our Evaluation	20

Appendixes

Appendix I: Trends in IRS Collections Programs, 1996-2003	23
Appendix II: Actions IRS Has Taken to Address Critical Success Factors	25
Appendix III: Comments from the Internal Revenue Service	28
Appendix IV: GAO Contacts and Staff Acknowledgments	30
GAO Contacts	30
Acknowledgments	30

Tables

Table 1: Critical Success Factors and Related Subfactors for Contracting with PCAs for Tax Debt Collection	11
Table 2: Examples of Key Actions IRS Has Taken to Address Critical Success Factors and Examples of Major Tasks Remaining	12

Figures

Figure 1: Five Critical Success Factors Help Achieve Desired Results	10
Figure 2: Annual Gap Between Collection Cases Assigned and Cases Closed as a Percentage of Cases Assigned, Fiscal Years 1996 through 2003	23
Figure 3: Number of Revenue Officers Working on Delinquent Accounts, 1996 through 2003	24

Contents

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



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

May 24, 2004

Congressional Committees

For the last several years, Congress, the Internal Revenue Service (IRS), and others have been concerned that performance declines in IRS's programs to collect known unpaid taxes due the government¹ might be affecting taxpayers' confidence in the fairness of our tax system and voluntary compliance. In testimonies and reports, we have highlighted such declines in the collection programs, including a growing gap between the number of cases assigned for collection action and the number of cases closed each year. Also, the amount of potentially collectable known tax debt has grown. As of September 30, 2003, IRS had an inventory of unpaid taxes with some collection potential—including interest and penalties—of \$120 billion,² up from \$112 billion the previous year. According to IRS, the backlog of outstanding tax debt continues to grow 3 to 4 percent each year. Because of potential revenue losses and the threat to voluntary compliance, we have designated collection of unpaid taxes as a high-risk area for the federal government.³

To help address the growing tax debt inventory, the Department of the Treasury has proposed that Congress pass legislation to authorize IRS to use private collection agencies (PCA) to help collect tax debts for simpler types of cases, paying them out of a revolving fund of tax revenues that they collect. IRS officials said that this proposal arose, in part, because of the belief that Congress was not likely to provide the increased budget to hire enough IRS staff to work on the inventory of collection cases. Although the proposal has received support, some have expressed concerns that it might be unsuccessful, inefficient, or result in taxpayers being mistreated or having private tax information compromised. In addition, some in Congress and elsewhere in the tax community have said that increasing IRS collection staff—instead of contracting out tax

¹ Known unpaid taxes due the government include delinquent taxes (as well as penalties and interest) owed that IRS has attempted to collect but has decided not to continue pursuing.

² U.S. General Accounting Office, *Financial Audit: IRS's Fiscal Years 2003 and 2002 Financial Statements*, [GAO-04-216](#) (Washington, D.C.: Nov. 13, 2003).

³ U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of the Treasury*, [GAO-03-109](#) (Washington, D.C.: January 2003). The collection of unpaid taxes high-risk area also encompasses the amount of unpaid taxes that are due the government but that IRS has not identified.

collection—could result in tax debts being collected at less cost. A 1996 IRS pilot test to contract with PCAs was discontinued, in part, because the revenue collected was less than IRS's direct costs plus revenues lost from using IRS employees to support PCAs rather than to collect taxes. Our review of the pilot found that, among other limitations, IRS's computer systems and inability to transfer data hampered efforts to send appropriate cases to PCAs.⁴

Due to congressional interest in the legislation being considered to authorize IRS contracts with PCAs to collect simpler tax debts, we reviewed, as part of our basic legislative responsibility for reviewing federal programs and activities, various issues related to IRS's preparations to implement the proposal, if enacted, and to report on the role of PCAs in IRS's overall collections strategy. Specifically, our objectives were to (1) identify the critical success factors for contracting with PCAs for tax debt collection; (2) determine whether IRS has addressed the critical success factors in developing the proposed PCA contracting program and, if not, what is left to be done; and (3) determine whether, if IRS receives authority to use PCAs, it will do a study that will enable policymakers to judge whether contracting with PCAs is the best use of limited federal funds to achieve IRS's collection objectives.

To identify the critical success factors, we interviewed officials from selected state revenue departments and federal agencies that use PCAs and PCA contractors for government debt collection. We reviewed related documentation from these sources. In addition, we analyzed our reports on contracting practices. For our other objectives, we gathered and analyzed PCA program development documents and interviewed IRS officials responsible for developing the PCA program. We conducted our work between June 2003 and March 2004 in accordance with generally accepted government auditing standards. Our scope and methodology are discussed in detail beginning on page 7.

Results in Brief

Five broad factors are critical to the success of a program for contracting with PCAs to collect tax debt. Although addressing these factors does not guarantee success, together they can improve the chances. First, the PCA program should have a results orientation, including established PCA

⁴ U.S. General Accounting Office, *Internal Revenue Service: Issues Affecting IRS's Private Debt Collection Pilot*, [GAO/GGD-97-12R](#) (Washington, D.C: July 18, 1997).

program goals and performance measures, such as for the amounts of tax debt collected. Second, agency resources needed to help achieve desired program results should be obtained and deployed, such as computer systems to exchange data and staff to work on cases that PCAs refer back to IRS. Third, PCAs' workload should be carefully considered, such as selecting the type and volume of cases on which PCAs work. Fourth, taxpayer issues should be addressed, such as protecting taxpayer data shared with PCAs and ensuring that PCAs treat taxpayers properly. Fifth, the agency should do evaluations, including ongoing monitoring of PCAs, program results, and costs compared to program goals.

IRS has taken a number of steps to address each of the critical success factors. For example, IRS has (1) developed program performance goals and measures, (2) been planning development of a computer system to send cases and case data to PCAs, (3) been developing a method to select PCA cases based on collection potential, and (4) drafted contract provisions to govern the security of taxpayer data and PCA interactions with taxpayers. As for the evaluation factor, IRS officials have been developing approaches for monitoring and measuring contractor performance, and said that they intend to start developing an evaluation of whether the PCA program achieves its goals after they receive legislative authority. The officials recognize that major work needs to be done to sufficiently address each factor and have a project plan to finish work on the factors. In January 2004, Congress approved the IRS fiscal year 2004 budget, which would provide the funding to further develop the PCA program, but IRS delayed spending the funds until passage of the legislation appears to be more imminent. IRS officials said that if authorizing legislation did not pass during 2004, IRS would suspend work on developing the program. IRS officials estimated that it would take 18 to 24 months after the authorizing legislation passes to finish the remaining work and send cases to PCAs.

Aware of concerns about the efficiency and effectiveness of using PCAs, IRS officials also said that they intend to study the relative performance of PCAs and IRS employees in collecting delinquent taxes. However, the tentative study approach being considered would provide policymakers limited information to judge whether or when the PCA strategy is the best use of resources. This tentative approach—comparing PCA and IRS performance for the same type of simpler cases that would be sent to PCAs—does not recognize that IRS officials believe that using employees on simpler cases would not be the best use of these employees given the need to work on other, higher priority cases. Various guidance on federal

programs emphasizes that managers are to ensure that resources are used efficiently and effectively to achieve intended results, to consider benefits and costs in deciding on program options, and to determine which program option is the most realistic and cost effective.

If Congress authorizes IRS to use PCAs, we are recommending that the Commissioner of IRS ensure that, after experience is gained using PCAs to collect tax debt, a study be conducted that compares the use of PCAs to another collection strategy, which might include hiring more IRS employees, that officials determine to be the most efficient and effective overall way of achieving collection goals.

In providing written comments on this report (see app. III), the Commissioner of Internal Revenue agreed that IRS would need to analyze the PCA program to determine its effectiveness and impact on the overall collection of delinquent taxes. He said that IRS's plans for evaluating the use of PCAs will include a study to ensure that IRS is making the most effective and cost efficient use of total resources available.

Background

IRS has two major programs to collect tax debts: telephone collection and field collection. If taxpayers become delinquent (that is, do not pay their taxes after being notified of amounts owed), IRS staff assigned to the telephone collection program may attempt collection over the phone or in writing. According to IRS officials, IRS collection staff who make phone calls have not been initiating many calls to ask taxpayers to pay their tax debts but rather have been responding to phone calls from taxpayers about mailed tax due notices. If more in-depth collection action or analyses of the taxpayer's ability to pay tax debt is required, telephone collection staff may refer the case to field collections, where staff may visit delinquent taxpayers at their homes or businesses as well as contact them by telephone and mail. Under certain circumstances, the telephone or field staff are authorized to initiate enforced collection action, such as recording liens on taxpayer property and sending notices to levy taxpayer wages, bank accounts, and other financial assets held by third parties. Field staff also can be authorized to seize other assets owned by the taxpayer to satisfy the tax debt.

As we have previously reported, in recent years IRS has deferred collection action on billions of dollars of delinquent tax debt and IRS collection program performance indicators have declined. By the end of fiscal year 2003, IRS's inventory of tax debt with some collection potential was \$120 billion (up from \$112 billion in the previous year). As we reported in May 2002, from fiscal years 1996 through 2001, IRS had almost universal declines in collection performance, including declines in coverage of workload, cases closed, direct staff time used, productivity, and dollars of unpaid taxes collected.⁵ Although IRS's collection workload declined, the collection cases closed declined more rapidly, increasing the gap between the number of cases assigned for collection action and the number of cases closed each year (see fig. 2 in app. I). As a result, in March 1999, IRS started deferring collection action⁶ on billions of dollars in delinquencies. By the end of fiscal year 2002, IRS had deferred collection action on about \$15 billion, and, as of May 2003, was deferring action on about one of every three collection cases.

Furthermore, IRS's collection staffing has declined overall comparing 1996 to 2003 (see fig. 3 in app. I) despite IRS's efforts to increase collection staffing in its budget requests since 2001. As we previously reported,⁷ IRS officials have said that collection staffing declines and delays in hiring have been caused by increased workload in other essential operations (such as as processing returns, issuing refunds, and answering taxpayer mail), other priorities (such as taxpayer service), and unbudgeted cost increases (such as rent and pay increases).

According to statements by the previous and current IRS commissioners, IRS's growing workload has outpaced its resources. The former IRS Commissioner's report to the IRS Oversight Board during September 2002 made a case for additional staff to check tax compliance and collect taxes

⁵ U.S. General Accounting Office, *Tax Administration: Impact of Compliance and Collection Program Declines on Taxpayers*, [GAO-02-674](#) (Washington, D.C.: May 22, 2002).

⁶ In 1999, IRS's collection case selection system began forwarding cases for collection only if they met certain dollar threshold, age, and case characteristics. Those not forwarded were "deferred."

⁷ See U.S. General Accounting Office, *Compliance and Collection: Challenges for IRS in Reversing Trends and Implementing New Initiatives*, [GAO-03-732T](#) (Washington, D.C.: May 7, 2003); and *Internal Revenue Service: Assessment of Fiscal Year 2005 Budget Request and 2004 Filing Season Performance*, [GAO-04-560T](#) (Washington, D.C.: Mar. 30, 2004).

owed. The Commissioner recognized that IRS needed to improve the productive use of its current resources, but also cited a need for an annual 2 percent staffing increase over 5 years to help reverse the trends. According to the Commissioner, IRS would require 5,450 new full-time collection staff. IRS officials said that the PCA program proposal was undertaken because it is unlikely that IRS will receive funding adequate to handle the growing collection workload.

Since current law requires IRS to collect tax debts, legislation has been proposed⁸ to authorize IRS to use PCAs to collect simpler tax debts under defined activities—including locating taxpayers, requesting full payment of the tax debt or offering taxpayers an installment agreement if full payment cannot be made, and obtaining financial information from taxpayers. Given the limited authorities proposed for PCAs,⁹ IRS would refer those cases that are simplest to collect and have no need for IRS enforcement action, including cases in which (1) taxpayers filed a tax return showing taxes due but that have not been paid and (2) taxpayers made three or more voluntary payments to satisfy an additional tax assessed by IRS but have stopped the payments.

In 1996, Congress directed IRS to test the use of PCAs, earmarking \$13 million for that purpose. IRS canceled the pilot project in 1997, in part, because it resulted in significantly lower amounts of collections and contacted significantly fewer taxpayers than expected (about 14,000 of 153,000 taxpayers). IRS reported that through January 1997, this program accounted for about \$3.1 million in collections and about \$4.1 million in expenses (\$3.1 million in design, start-up, administrative expenses, and about \$1 million in PCA payments). IRS also reported lost opportunity costs of about \$17 million because IRS collection staff shifted from collecting taxes to helping with the pilot.

The current proposal to use PCAs has some significant differences from the 1996 pilot test of PCAs. First, PCAs in the current proposal will actually try to resolve collection cases within certain guidelines. In the 1996 test, PCAs only contacted taxpayers to remind them of their outstanding tax debt and suggest payment options. Second, PCAs under the current proposal will be

⁸ See, e.g., S. 1637, 108th Cong. § 487 (2003) and H.R. 3967, 108th Cong. § 521 (2004).

⁹ According to IRS officials, decisions such as the adjustment of the amount of tax debts and the use of enforcement powers to collect the debts are inherently governmental functions that are to be made by government employees rather than PCA employees.

paid a percentage of dollars they help collect from a revolving fund of all PCA collections. In the 1996 test, PCAs were paid a fixed fee for such actions as successfully locating and contacting taxpayers, even if payments were not received. Third, IRS will electronically transmit cases and data about the taxpayer and taxes owed to PCAs. In 1996, IRS's computers were not set up to electronically transmit the cases and data to PCAs. For the current proposal, IRS intends to develop the capability to make secure transmissions to PCAs and protect confidentiality.

Objectives, Scope, and Methodology

To identify the critical success factors for contracting with PCAs for tax debt collection, we used multiple sources. We reviewed three of our reports on leading practices in contracting¹⁰ and interviewed our staff that review government contracting. We also interviewed parties with experience in contracting for government debt collection, including both tax and non-tax debt, to identify any factors common to both debt types. Specifically, we interviewed officials from

- 11 state revenue departments that, according to officials from the Federation of Tax Administrators (FTA),¹¹ represented a mix—in aspects such as amount of resources and PCA roles—of experience in contracting with PCAs for tax debt collection and provided examples of program practices in such areas as case selection and use of performance data;¹²
- the Department of the Treasury's Financial Management Service and Department of Education—two federal agencies with large-scale, non-tax debt collection contracting; and

¹⁰ U.S. General Accounting Office, *Information Technology: Leading Commercial Practices for Outsourcing of Services*, [GAO-02-214](#) (Washington, D.C.: Nov. 30, 2001); *Contract Management: Guidance Needed for Using Performance-Based Service Contracting*, [GAO-02-1049](#) (Sep. 30, 2002); and *Contract Management: Commercial Use of Share-in-Savings Contracting*, [GAO-03-327](#) (Jan. 31, 2003).

¹¹ FTA is an organization whose membership includes the principal tax collection agencies of the 50 states, the District of Columbia, and New York City. According to its charter, FTA's mission is to improve the quality of state tax administration by providing services to state tax authorities and administrators.

¹² According to IRS data, about 40 state revenue departments and the District of Columbia have used PCAs for the collection of delinquent taxes.

-
- the three PCA firms that IRS selected as subject matter experts to assist in drafting the provisions of a contract for PCA collection services.

To help corroborate the factors that others identified, we interviewed officials from the IRS office that is developing the proposed PCA program, the IRS Office of Taxpayer Advocate, and the National Treasury Employees Union, which represents IRS employees.

To summarize and categorize the critical success factors identified, we grouped together similar factors that were most frequently cited by the officials with experience in government debt collection contracting. We first grouped factors associated with the start of a program and with a maturing program into two broad time-oriented factors, including topics we identified as implicit in the interviews and documents cited above. Between these two time-oriented factors, we categorized three other factors according to the broad topics that were most frequently cited. To validate our summarization and categorization, we asked for comments on our draft list of critical success factors from those who we had consulted to identify the factors as well as from officials at four additional PCA firms that, according to interviewed officials from two state revenue departments and the two federal agencies, had experience in government debt collection. In commenting on the draft list of factors, some officials stressed certain factors more than others or elaborated on selected factors or subfactors, but generally did not suggest factors beyond those encompassed in our draft list. We made changes based on their comments where appropriate.

To determine whether IRS has addressed the critical success factors in developing the PCA contracting program and, if not, what is left to be done, we interviewed IRS program officials. We analyzed program documents, including the draft PCA contract as outlined in IRS's Request for Quotes (RFQ)¹³ and the Office of Management and Budget (OMB) Form E-300¹⁴ budgetary document that describes goals and plans for the program. We did not attempt to analyze how well or to what extent IRS addressed the factors, or whether IRS made the right decisions on issues such as the program goals or measures.

¹³ An RFQ is a solicitation to identify contractors willing to meet the statement of work to be done.

¹⁴ OMB Form E-300, Capital Asset Plan and Business Case, 2003.

To determine whether, if IRS receives authority to use PCAs, it will do a study that will enable policymakers to judge whether contracting with PCAs is the best use of federal funds to achieve IRS's collection objectives, we interviewed IRS program officials. We reviewed any studies IRS had done to compare the use of PCAs with other strategies and assessed IRS's intended approach for any future studies. We also applied our knowledge of how to study the cost-effectiveness of options to meet a desired result or benefit.

We did our work from June 2003 through March 2004 in accordance with generally accepted government auditing standards.

Five Factors Are Critical for a Successful PCA Collection Program

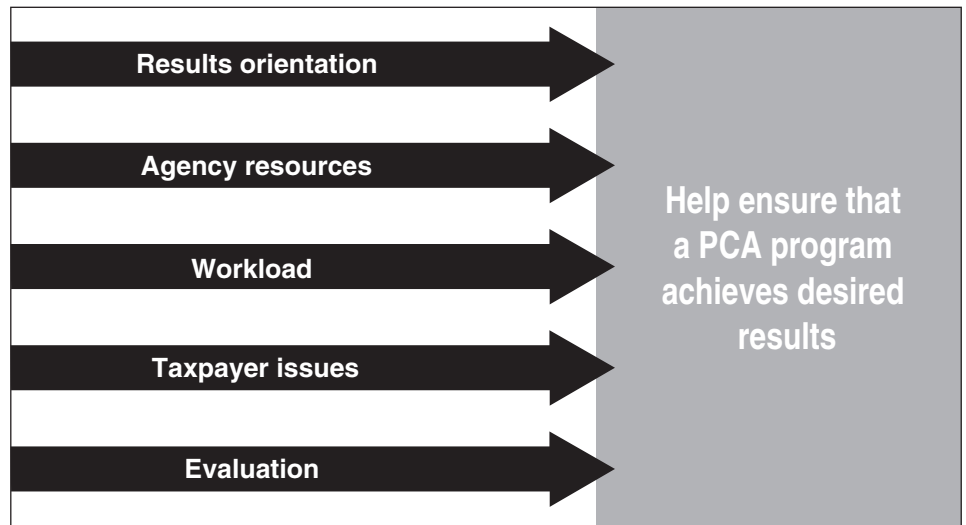
Our work identified and validated five broad factors that are critical to the success of a proposed program for contracting with PCAs to collect tax debt. A general description of each critical success factor follows:

- Results orientation involves establishing expectations, measures, and desired results for the program.
- Agency resources involve obtaining and deploying various resources.
- Workload involves ensuring that the appropriate cases and case information are provided to PCAs.
- Taxpayer issues involve ensuring that taxpayer privacy and other rights are protected.
- Evaluation involves monitoring performance and collecting data to assess the performance of PCAs and the overall program.¹⁵

As figure 1 illustrates, the factors are considered “success” factors because each one, if adequately addressed, can help ensure that the PCA program achieves desired results, such as in collecting tax debts. Although addressing all factors during program design and implementation does not guarantee success, doing so could improve the chances.

¹⁵ The purpose of program performance evaluation is to help assess how well the program is achieving its goals, rather than whether another program option would be a better use of agency resources to achieve those goals.

Figure 1: Five Critical Success Factors Help Achieve Desired Results



Source: GAO.

Table 1 further describes the critical success factors by showing their related subfactors that we identified and validated.

Table 1: Critical Success Factors and Related Subfactors for Contracting with PCAs for Tax Debt Collection

Critical success factor	Related subfactors
Results orientation	<ul style="list-style-type: none"> • Determine expected program goals, costs, and overall results for contracting with PCAs. • Establish contract provisions and operational expectations, measurable PCA performance evaluation standards, and PCA rewards and disincentives based on performance and ensure that the government agency and PCAs have a common understanding of these elements. • Give PCAs as much freedom as practical on how to achieve performance goals. • Use a contracting process that will help ensure that PCAs selected are able to meet operational and performance expectations.
Agency resources	<ul style="list-style-type: none"> • Provide sufficient staffs to do work associated with contracting with PCAs, including administrative functions, contract oversight, and working collection cases referred back by the PCAs. • Have management commitment to using PCAs. • Ensure that PCA employees receive appropriate training on such areas as taxes and case handling procedures. • Ensure that computer systems will allow data to be exchanged electronically between PCAs and the government agency and that payments will be tracked and accounts updated. • Be aware of and control costs of functions related to contracting.
Workload	<ul style="list-style-type: none"> • Select the appropriate type and volume of cases for PCAs to work on. • Ensure that contractors work on the range of cases that they are assigned in terms of ease of collection and amounts due. • Provide PCAs appropriate, accurate information on taxpayers and accounts.
Taxpayer issues	<ul style="list-style-type: none"> • Ensure that taxpayers are treated properly by PCAs. • Ensure the security of taxpayer information provided to PCAs.
Evaluation	<ul style="list-style-type: none"> • Perform ongoing monitoring of PCAs in various aspects of operations and performance expectations. • Measure PCAs' performance in light of performance standards and distribute rewards/disincentives. • Evaluate whether the program meets its goals and expectations and adjust the program as needed.

Source: GAO analysis of selected GAO reports and interviews with officials from selected state and federal agencies and PCA firms.

IRS Has Taken Steps to Address Aspects of the Critical Success Factors but Has Much Work Remaining

IRS has taken steps to address the critical success factors and developed a project plan to help finish addressing the factors if Congress authorizes use of PCAs. Officials recognize that much work needs to be done to sufficiently address each factor, which they estimate will take 18 to 24 months after any legislation passes. Table 2 shows examples of the key actions taken to address the critical success factors and major tasks remaining. Discussion after table 2 elaborates on some of these major tasks.

Table 2: Examples of Key Actions IRS Has Taken to Address Critical Success Factors and Examples of Major Tasks Remaining

Critical success factor	Examples of key actions taken	Examples of major tasks remaining
Results orientation	<ul style="list-style-type: none"> Developed performance measures and goals, spelling out desired results for PCAs. Adopted a performance-based PCA compensation strategy, using incentives and disincentives. Provided PCAs freedom to determine how to collect tax debts, but imposed certain restrictions (e.g., taxpayer rights, privacy). Decided to use the list of approved federal contractors maintained by the U.S. General Services Administration. 	<ul style="list-style-type: none"> Finalize the goals, measures, and compensation system in the contract to be put out for bids.
Agency resources	<ul style="list-style-type: none"> Identified an infrastructure to administer contracts, provide oversight, and work on cases referred back to IRS. Identified initial staff needs. Received IRS management commitment to support the PCA program if legislative authority is granted. 	<ul style="list-style-type: none"> Complete the administration infrastructure. Verify that initial staffing is appropriate. Illustrate management commitment by providing resources. Develop a program to track resources and costs associated with the PCA program.
Workload	<ul style="list-style-type: none"> Started to develop a risk-scoring model to identify the most appropriate cases to be referred to PCAs. Established incentives to encourage PCAs to work on the full range of simpler cases assigned to them. Started planning development of a computer interface system to ensure that PCAs receive accurate data on taxpayer accounts. 	<ul style="list-style-type: none"> Finish and test the case selection model. Use the model to annually determine the type and number of cases to be referred to PCAs. Finish and test the computer interface system. Train IRS staff on working with PCAs on case selections/referrals and data transfers.
Taxpayer issues	<ul style="list-style-type: none"> Established draft contract provisions on how <ul style="list-style-type: none"> PCAs must treat taxpayers and protect data, PCAs must follow federal laws, and IRS will check PCA compliance in these areas. 	<ul style="list-style-type: none"> Develop training courses and train PCA employees on taxpayer issues. Develop and finalize plans to monitor calls to taxpayers and survey their satisfaction with PCAs.
Evaluation	<ul style="list-style-type: none"> Established draft contract provisions on monitoring and evaluating PCA and program performance against program goals, performance measures, and the performance-based compensation system. 	<ul style="list-style-type: none"> Develop programs for monitoring PCA performance and evaluating program performance against the goals. Train IRS staff on how to do the evaluations and monitoring. Use the results to manage the PCA program.

Source: Interviews with IRS officials and reviews of IRS documents.

IRS officials are aware of these major tasks that must be completed to address the critical success factors and implement the PCA program. In discussing their intent to address them, IRS officials elaborated on some of the major tasks.

- Under “results orientation,” IRS is aware that it has to clarify a goal on how much it expects to collect. IRS had estimated originally that the PCA program would result in \$9 billion in tax collections and produce \$7.2 billion in net revenue over 10 years. The Department of the Treasury estimated that \$1.5 billion in net revenue would be produced over 10 years. IRS officials said the differences arise because each estimate was done differently. IRS acknowledged that its original estimate may be too high and is reworking it in light of the Treasury estimate.
- Under “workload,” IRS officials said that they are aware of the importance of selecting the right cases to send to PCAs for collection and plan to use consumer credit history data on delinquent taxpayers to identify those that would be more likely to pay if contacted. IRS officials said that the new case collection system will extend beyond selecting cases for PCAs, and that the experience and knowledge IRS will gain would contribute to IRS’s broader modernization program for using data to improve how IRS does collection work. For example, IRS officials said that, in the future, the case selection data might be used to help determine which collection method—such as sending notices, using PCAs, or making in-person contact—might be more effective in attempting collection from a given taxpayer.
- Under “evaluation,” IRS officials said that they were aware that they had not developed plans or dates for evaluating the program to assess how well the PCA program achieves its results. IRS officials said that developing the evaluation was premature given the other work needed to develop the program and lack of legislative authority. IRS officials said they intend to start developing the evaluation plan after they receive this authority and to finish it before sending cases to PCAs. Evaluation plans developed before program implementation increase the likelihood that the necessary data and resources for proper evaluation will be available when needed.
- Many of the factors involve the development of an information system. Testing of information systems being developed for the PCA program is an important task left to do. Our interviews with IRS officials and our

reviews of IRS documents indicate that IRS plans on testing the information systems to be used in the PCA program.

IRS officials informed us that they have slowed development of the program due to funding constraints and uncertainty over whether and when legislation will pass to authorize contracts with PCAs. Because IRS's fiscal year 2004 budget was not passed until January 2004, IRS officials said that, since September 2003, IRS slowed work on the PCA program. These officials said that, because of various budgetary procedures, the appropriated funds were not released to the PCA program until March 2004. However, the officials explained that IRS, intending to be fiscally prudent, is delaying spending of the funds until passage of the legislation appears to be more imminent.

IRS officials stated that if legislation to authorize the program was not passed during 2004, IRS eventually would suspend work on developing the program. These officials said that they have been balancing and managing their existing funds and the timing of their work given that the authorizing legislation might not pass. If this legislation passes, IRS officials said that they would need another 18 to 24 months afterwards to complete the many tasks remaining, as shown in table 2. IRS officials said that, if Congress passes authorizing legislation in summer 2004, the estimated date for starting to send cases to PCAs is July 2006.

Potential Study Design Would Provide Limited Information to Judge Whether Contracting with PCAs Is the Best Use of Resources

Although IRS officials intend to study the relative performance of PCAs and IRS employees in collecting delinquent taxes, the study approach under initial consideration would provide policymakers limited information to judge whether and when the PCA strategy is the best use of resources. The tentative idea for a design—comparing PCA and IRS performance for similar types of simple cases that would be sent to PCAs—does not recognize that IRS officials believe that using employees on these cases would not be their best use given the need to work on other, higher priority cases.

The Cost-Effectiveness of the Proposed Use of PCAs Has Been Questioned

Among other issues concerning the proposed use of PCAs, policymakers and others have questioned whether using PCAs to collect tax debts is more efficient or effective than having IRS employees do so. During consideration of IRS's proposal, some members of Congress questioned whether IRS could collect the taxes that IRS plans to assign to PCAs at less cost or whether IRS would be able to collect a higher portion of the taxes that are due. During hearings, some witnesses raised similar concerns.¹⁶

IRS officials have said that IRS employees might be more effective than PCAs in collecting delinquent taxes because IRS employees have greater powers to enforce collections. These powers (such as tax liens and wage levies) may enable IRS employees to collect a higher portion of the taxes from the same types of cases on which PCAs would work.

IRS officials said that the proposal to use PCAs to collect simpler tax debts was not based on a judgment that PCAs would necessarily be more efficient or effective in collecting delinquent tax debt. Rather the proposal was based on a judgment that Congress was unlikely to approve a substantial increase in IRS's budget to fund additional staff for the collection function. Officials believed that the growing inventory of tax debts was not a good signal to taxpayers about the importance of complying with their tax obligations. Given constraints in hiring staff, IRS officials said that using PCAs was the only practical means available to begin working on significantly more collection cases that otherwise would not be worked on due to IRS staffing constraints.

¹⁶ For example, see Subcommittee on Oversight, Committee on Ways and Means, U.S. House of Representatives, *Hearing on Use of Private Collection Agencies to Improve IRS Debt Collection* (Washington, D.C.: May 13, 2003), <http://waysandmeans.house.gov/hearings.asp?formmode=view&id=1043> (downloaded Apr. 6, 2004).

Although this policy judgment served as the rationale behind the PCA proposal, in March 2004, IRS provided us with projections of revenues and federal government costs for the proposed PCA program compared to projections for an alternative approach under which IRS would hire additional staff to work on the same volume for selected types of cases on which the PCAs would work.¹⁷ According to the analysis, PCAs would generate \$4.6 in revenue for every dollar in cost and IRS employees would generate \$4.1.

We did not review the data and assumptions that underlie these revenue and cost projections because the comparison that IRS constructed did not address the relevant economic question for policymakers seeking to reduce the backlog of uncollected taxes—which is, what is the least costly approach for reaching a certain revenue collection goal. IRS’s analysis did not examine other feasible approaches that IRS might be able to use, if given additional resources, to collect the same amount of revenue that the PCAs would bring in, but at lower cost.

Study Approach Being Considered

Assuming IRS receives authority to use PCAs, IRS officials said they would design a study to compare the performance of PCAs versus IRS employees. However, the study approach under initial consideration would provide policy makers limited information to help determine whether the use of PCAs as currently proposed is the best use of federal resources to collect tax debts. IRS’s approach might show whether PCAs or IRS employees are best at working on certain types of collection cases, but would not show whether the use of PCAs as planned would be the best use of resources to deal with the overall collection workload.

IRS officials said that although they believe they should conduct a study that compares PCA results to results achieved by IRS employees, they have not designed such a study.¹⁸ They expect to design the study after authorization to use PCAs is enacted and before sending cases to PCAs.

¹⁷ The types of cases PCAs would work on include cases in which (1) taxpayers filed a tax return showing taxes due but that have not been paid and (2) taxpayers made three or more voluntary payments to satisfy an additional tax assessed by IRS but have stopped making payments. The total cost to the federal government included those paid from IRS’s budget as well as fees paid to PCAs.

¹⁸ Given other work and limited staff, officials were deferring work on the study design until the use of PCAs was authorized.

Although the study approach will evolve, officials said that they are considering selecting a sample of the same type of simpler cases that will be sent to PCAs and having such cases also sent to a group of IRS telephone collection employees. The results generated by these IRS employees and by PCAs would be compared to see which option is more effective; how effectiveness would be defined and measured would be determined in designing the study. This potential design would help answer the relatively narrow—but important—question of whether and when PCAs or IRS employees are a better choice for working on the specific types of cases to be sent to PCAs.

However, IRS officials told us that using IRS employees on these simpler cases would be less productive than assigning them to work on a different mix of collection cases. These officials said that the simpler cases IRS plans to assign to PCAs are generally not those cases that IRS would assign to any additional collection employees, if hired. IRS employees would work on more complex cases that fit their skills and enforcement powers and that have a higher priority due to such factors as the type and amount of tax debt or length of the delinquency.

Generally, federal officials are responsible for ensuring that they are carrying out their responsibilities as efficiently and effectively as possible. Various federal and IRS guidance reinforces this responsibility. For example, according to OMB Circular A-123 “the proper stewardship of Federal resources is a fundamental responsibility of agency managers and staff. Federal employees must ensure that government resources are used efficiently and effectively to achieve intended program results.” OMB Circular A-94 states that agencies should have a plan for periodic, results-oriented studies of program effectiveness to, among other purposes, help determine whether the anticipated benefits and costs have been realized and program corrections are needed. IRS guidance states that in selecting among course of action options, IRS managers should determine which is the most realistic and most cost effective. Further, IRS has adopted a critical job responsibility for its managers that specifies their responsibility to achieve goals by leveraging available resources to maximize efficiency and produce high-quality results.

A study that focuses on the least costly approach to collecting a desired amount of tax debts would be more in line with federal guidance than the study that officials anticipate performing. Such a study would more likely answer the broader question of how IRS can be the most efficient and effective in achieving its collection goals. One alternative design might entail comparing the results of using PCAs to the results from using the same amount of funds to be paid to PCAs in an unconstrained manner that IRS determines to be the most effective overall way of achieving its collection goals. Determining the most effective and efficient overall way of achieving collection goals would undoubtedly require some judgment. However, because IRS is developing a new case selection model for its own use, after some experience is gained both with using PCAs and with new IRS case selection processes, IRS should have better data to use in determining the best way of achieving its collection goals. If using PCAs as expected under the current proposal meets IRS's collection goals at less cost than the best unconstrained alternative, policymakers could be comfortable with continuing their use. If not, policy makers would have information available to consider whether changes in the use of PCAs would be appropriate.¹⁹

Regardless of the approach chosen, IRS would have to address several challenges in designing a study to compare the use of PCAs and IRS employees. For instance, contracting for PCA assistance may provide flexibility over hiring additional IRS staff. To recruit, select, and train the new staff, IRS could need many months or more and, if experienced staff assists in training newly hired staff, the experienced staff would not be able to handle normal workloads. Further, if the collection workload were to decrease, IRS may be able to reduce contract commitments more rapidly than it could reassign and, if needed, retrain IRS staff. To some extent, the study would have to account for similar types of direct and opportunity costs to hire, train, assign, and release employees of the PCA contractor. Accounting for these and other factors raises challenges to the design of a comparative study.

¹⁹As noted earlier in this report, IRS's budget requests for more collection staffing have not resulted in increased staffing because of such factors as increased workloads in other areas and unfunded cost increases. If IRS were to request more staffing to reduce the tax debt inventory, and Congress wanted to be assured that funds would be used for this purpose, Congress could dedicate the appropriation. Congress has done this for selected other areas in which tax compliance has been a concern, such as earmarking appropriated funds to address concerns with overclaims for the earned income tax credit.

Because IRS would not assign cases to PCAs for collection until 2006, it will have time to take these challenges into account and to better ensure that its study would be useful to policy makers. Further, in designing the study, IRS would have time to identify the data that would be needed for the study and develop systems or processes for collecting the data.

Conclusions

IRS has an inventory of over \$100 billion dollars of tax debts that has some potential for being collected. In recent years, IRS has deferred collection actions on billions of dollars of debt because it lacked collection staff to do the work. The growth in the backlog of unpaid taxes poses a risk to our voluntary tax system, particularly as IRS has fallen further behind in pursuing existing as well as new tax debt cases. We have placed the collection of unpaid taxes on our high-risk list since 1990 due to the potential revenue losses and the threat to voluntary compliance with our tax laws.

Accordingly, we believe that effective steps need to be taken to improve the collection of these unpaid taxes. Because we did not analyze available options in this review, we are not taking a position on whether the use of PCAs is a preferable option. However, doing nothing more than has been done recently is not preferable. The compliance signals sent to taxpayers from the backlog of delinquent tax debts are not appropriate. When the majority of taxpayers receiving phone calls from IRS are those who respond to written IRS notices, taxpayers and practitioners may conclude that failing to respond to IRS is an effective tactic for avoiding tax responsibilities.

If Congress does authorize PCA use, IRS's planning and preparations to address the critical success factors for PCA contracting provide greater assurance that the PCA program is heading in the right direction to meet its goals and achieve desired results. Nevertheless, much work and many challenges remain in addressing the critical success factors and helping to maximize the likelihood that a PCA program would be successful.

Although IRS did an analysis that suggests that using PCAs may be a somewhat more efficient means to collect certain types of delinquent debts, that analysis was not done in a manner that informs policymakers whether the proposed use of PCAs is the least costly option to achieve IRS's collection goals. Further, given the lack of experience in using PCAs to collect tax debts, key assumptions are untested. Accordingly, if Congress authorizes the use of PCAs, Congress and IRS would benefit from

a study that uses the experience gained with PCAs and by IRS itself in using new case selection processes to better determine whether and how the use of PCAs fits into an overall collection strategy that is designed to most effectively and efficiently collect delinquent taxes. Although IRS officials have preliminary plans to do a study that compares the use of PCAs and IRS employees to work the same type of cases, this study design would not help policymakers in Congress and the executive branch judge whether using PCAs as currently proposed is the best use of scarce federal resources.

Recommendation

If Congress authorizes the use of PCAs, as soon as practical after experience is gained using PCAs, the IRS Commissioner should ensure that a study is completed that compares the use of PCAs to a collection strategy that officials determine to be the most effective and efficient overall way of achieving collection goals.

Agency Comments and Our Evaluation

The Commissioner of Internal Revenue provided written comments on a draft of this report in a letter dated May 14, 2004 (see app. III). In the letter, the Commissioner said that our findings would help IRS focus its PCA program development efforts on those areas most critical to success of the program if Congress authorizes IRS's use of PCAs. He agreed that IRS had taken actions to address the critical success factors we identified and acknowledged that significant actions are yet to be done, referring to several key PCA program project plan steps that have not been completed.

In response to our recommendation that, if Congress authorizes IRS's use of PCAs, IRS do a study that compares the use of PCAs to a collection strategy that officials determine to be the most effective and efficient overall way of achieving collection goals, the Commissioner agreed that IRS would need to analyze the PCA program to determine its effectiveness and impact on the overall collection of delinquent taxes. He said that the detailed design for evaluating the PCA program will include a study to ensure that IRS is making the most effective and cost efficient use of total resources available.

We are also sending copies to the Secretary of the Treasury, the Commissioner of Internal Revenue, the Director, Office of Management and Budget, and other interested parties. We will make copies available to

others on request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

This report was prepared under the direction of Thomas D. Short, Assistant Director. Appendix IV also lists major contributors to this report. If you have any questions about this report, contact me at brostekn@gao.gov or Tom Short at shortt@gao.gov, or either of us at (202) 512-9110.

A handwritten signature in black ink that reads "Michael Brostek". The signature is written in a cursive style with a large initial "M".

Michael Brostek
Director, Tax Issues

List of Committees

The Honorable Charles E. Grassley
Chairman

The Honorable Max Baucus
Ranking Minority Member
Committee on Finance
United States Senate

The Honorable William M. Thomas
Chairman

The Honorable Charles B. Rangel
Ranking Minority Member
Committee on Ways and Means
House of Representatives

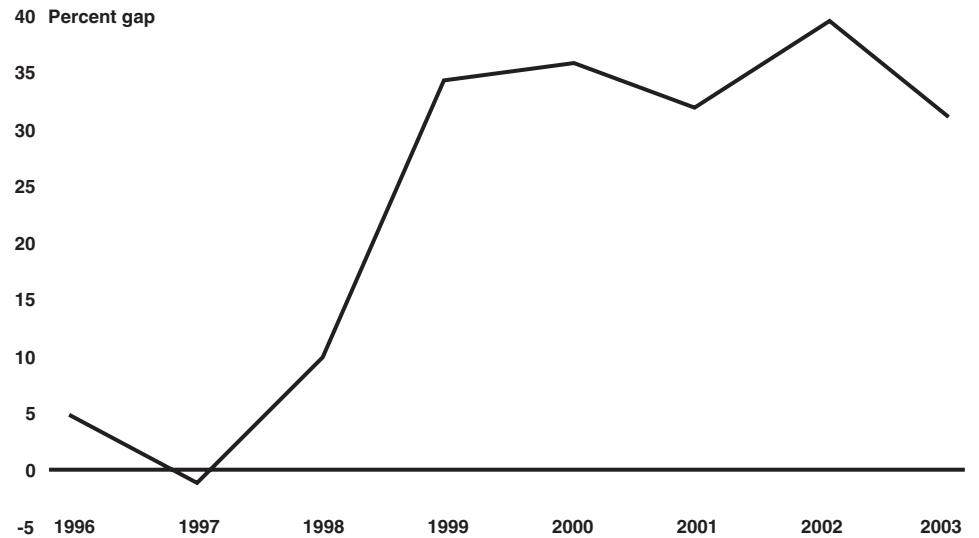
The Honorable Tom Davis
Chairman

The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

Trends in IRS Collections Programs, 1996-2003

Figure 2 below shows the annual gap between the number of cases assigned to field and telephone collections and the number of delinquent accounts worked to closure (excluding accounts for which collection workload was deferred) expressed as a percentage of the number of cases assigned.

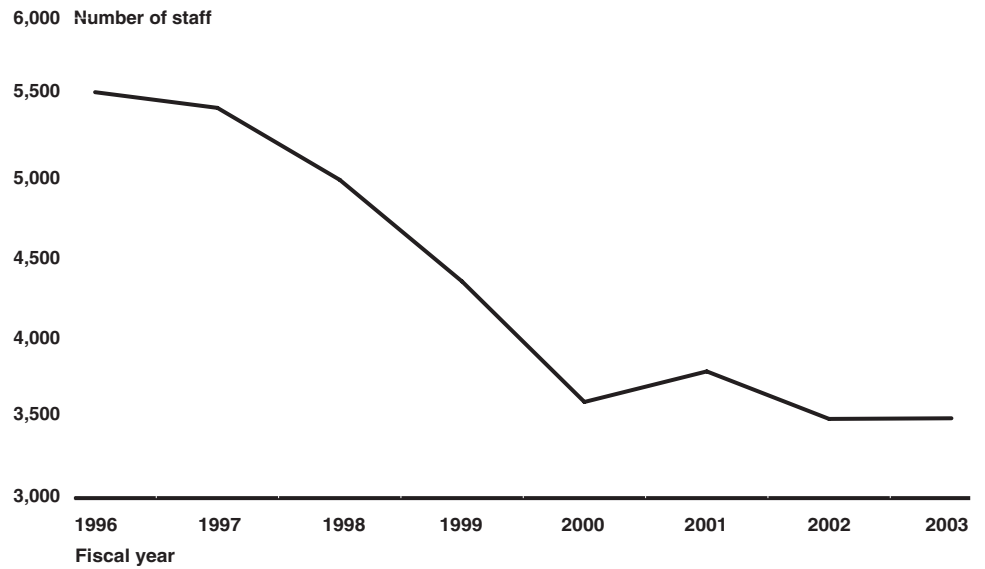
Figure 2: Annual Gap Between Collection Cases Assigned and Cases Closed as a Percentage of Cases Assigned, Fiscal Years 1996 through 2003



Source: GAO analysis of IRS data.

Appendix I
Trends in IRS Collections Programs, 1996-
2003

Figure 3: Number of Revenue Officers Working on Delinquent Accounts, 1996 through 2003



Source: Data from the Treasury Inspector General for Tax Administration and IRS.

Actions IRS Has Taken to Address Critical Success Factors

The following appendix provides some detail on various IRS actions to address the critical success factors.

Critical Success Factor—Results Orientation:

IRS envisions that the PCA program will meet the following goals:

- Increase the collection of tax debts by \$9.2 billion.
- Increase the closure of tax debt cases by 17 million taxpayers.
- Reduce the tax debt backlog; and
- Increase taxpayer satisfaction by 12.5 percent.

To motivate PCAs to achieve these results, IRS is devising a balanced set of measures—the “balanced scorecard”—and a related performance-based compensation system. The performance scores on these measures also are to be used in determining financial bonuses and future case allocations to PCAs. Specifically, PCAs with above-average performance scores are to be eligible for monetary bonuses if they meet minimum thresholds for five of six performance measures. Also, the performance score is to be translated into a value for each PCA that is to be used to determine a proportionate allocation of cases for the next quarter. IRS’s intent is that the balanced scorecard will ensure that collection efforts are balanced appropriately in providing quality service; ensuring adherence to taxpayer rights; and complying with IRS policies, procedures, and regulations. The performance measures are to include the following.

- **Collection effectiveness:** Dollars collected as a percentage of dollars assigned to be collected over the contract period.
- **Case resolution:** Resolving cases assigned through the payment of the tax debts immediately or through installment payments over 3 years, identification of bankrupt or deceased taxpayers, or identification of hardships that affect the taxpayers’ ability to pay.
- **Taxpayer satisfaction:** Satisfaction will be measured through random surveys of taxpayers on the accuracy and quality of actions taken by PCA employees and their adherence to various standards, and through taxpayer complaints.

- PCA employee satisfaction: Satisfaction will be measured through surveys of employees and their retention rates.
- Work quality: Quality will be measured through audits of PCA cases and telephone monitoring of interactions with taxpayers.
- Validated taxpayer complaints: Financial penalties will be assessed and points will be subtracted from PCA performance scores if taxpayer complaints are validated.

Critical Success Factor—Agency Resources:

IRS has set up an infrastructure to

- administer the PCA program,
- oversee PCA contractors, and
- work on cases referred back to IRS from PCAs.

IRS has identified initial staffing needs for the PCA program. IRS has estimated that 100 full-time equivalency positions (FTE) will be needed to initially staff the three elements of the program. IRS estimates that it will need 30 FTEs to administer the program and do oversight, and 70 FTEs to work on the cases referred back to IRS from PCAs for the first round of PCAs selected to work on cases. As IRS learns about its staffing needs and sends cases to more PCAs over time, IRS plans to adjust its staffing accordingly.

Critical Success Factor—Workload:

IRS has informed PCAs that the number of cases that they receive over a set time period is to be based on their performance scores against balanced measures. IRS plans to oversee the assigned workload to ensure that PCAs work on the full range of simpler cases. To motivate PCAs to work on the full range of cases, IRS plans to measure, among other things, the extent to which PCAs resolve cases sent to them, including those that PCAs refer back to IRS without resolving the tax debt. IRS also is working on systems to help it identify the best cases to send to PCAs and to help it transmit and manage those cases.

Critical Success Factor—Taxpayer Issues:

IRS has drafted provisions to ensure that PCAs know that they have to treat taxpayers properly and make them aware of the consequences of not treating taxpayers properly. Proper treatment of taxpayers is one of the performance measures used to determine a performance score for use in granting monetary bonuses and case allocations for PCAs. The following provides examples of the draft provisions on proper taxpayer treatment.

- PCAs shall comply with all applicable federal and state laws. The principal federal statutes and regulations currently governing collection activities are to be followed. Further, IRS plans to monitor PCA collection activities and treatment of taxpayers; any behavior that is not in conformance with cited federal and state laws and regulations will be considered a breach of contract.
- IRS has informed PCAs that it will be conducting customer satisfaction surveys and that customer satisfaction is one of the key components of the balanced scorecard to be used to determine financial bonuses and future case allocation.
- IRS plans to require that PCAs inform taxpayers orally and in writing on how to report improper treatment by PCA employees to IRS.

Critical Success Factor—Program Evaluation

IRS has established preliminary plans for monitoring and measuring PCA performance through such means as conducting site visits and compensating PCAs according to their performance reflected in the balanced measures scorecard. However, IRS has deferred doing much work on evaluating program performance overall given the other work that had to be done and the resources that were available.

Comments from the Internal Revenue Service



COMMISSIONER

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

May 14, 2004

Mr. Michael Brostek
Director, Tax Issues
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Brostek:

I am responding to your draft report titled, *Tax Debt Collection: IRS Is Addressing Critical Success Factors for Contracting Out but Will Need to Study the Best Use of Resources (GAO-04-492)*. I believe the findings presented in your draft report will assist IRS to continue focusing our development efforts in those areas most critical to successful implementation of the Collection Contract Support (CCS) program. This preparation will greatly assist us in implementation, should Congress enact legislation authorizing IRS to contract with Private Collection Agencies (PCAs).

As noted in your draft report, we have already undertaken a number of actions to ensure success in the development of the PCA program, which include: developing performance measures and goals; adopting a performance-based PCA compensation strategy; identifying an infrastructure to administer contracts, providing oversight and working accounts not resolved by PCAs; drafting provisions on how taxpayer's are to be treated by PCAs; drafting contract provisions for monitoring and evaluating PCA and program results against goals, and developing measures and the performance-based compensation system.

We acknowledge there are significant activities that still need to be accomplished in order to successfully implement the CCS program, such as: finalizing goals, measures, and the compensation system for the final request for proposals; developing a program to track resources and costs associated with the PCA program; completing development and testing of the case selection and inventory management systems; developing training courses for PCA and IRS employees and conducting the training; and using results to manage the PCA program.

Your report recognizes we have a project plan in place to finish work on the critical success factors associated with implementation of this legislation. Along with the action items already mentioned, the project plan includes: identifying and securing IRS and developing resources to ensure all project activities are completed timely; managing the technology phases of the project including

2

integration into current systems; coding and testing of applications; reviewing, certifying and deploying systems security; developing policy and procedures; identifying and selecting of PCAs; performing risk management planning; and engaging stakeholders. We believe this comprehensive and detailed project plan puts us on track to achieve success.

Our comments concerning your recommendation follow.

Recommendation: If Congress authorizes the use of PCAs, as soon as practical after experience is gained using PCAs the IRS Commissioner should ensure that a study is completed that compares the use of PCAs to a collection strategy that officials determine to be the most effective and efficient overall way of achieving collection goals.

Comments: We agree with the need to perform analysis of the CCS program, once data is readily available, to determine its effectiveness and the impact on the overall collection of delinquent taxes. The GAO has acknowledged we have preliminary plans to develop and conduct program evaluation of PCAs after implementation of the CCS program. The detailed design of this phase will include a study to ensure we are making the most effective and cost efficient use of total resources available. As part of those efforts we will evaluate the effectiveness of the PCA program and how this program fits into the overall Collection strategy.

I appreciate GAO's input and will continue to take the necessary steps to ensure the success of the Collection Contract Support program.

If you have any questions, please contact me at (202) 622-9511 or Dale F. Hart, Commissioner, Small Business/Self-Employed Division, at (202) 622-0600.

Sincerely,



Mark W. Everson

GAO Contacts and Staff Acknowledgments

GAO Contacts

Michael Brostek, (202) 512-9110
Thomas D. Short, (202) 512-9074

Acknowledgments

In addition to those named above, Evan Gilman, Ronald Jones, John Lesser, Cheryl Peterson, and Jim Wozny made key contributions to this report.

GAO's Mission

The General Accounting Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to e-mail alerts" under the "Order GAO Products" heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
 TDD: (202) 512-2537
 Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Official Business
Penalty for Private Use \$300**

Address Service Requested

**Presorted Standard
Postage & Fees Paid
GAO
Permit No. GI00**

