

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **Fiscal Year 2025 Statutory Review of Compliance With Notice of Federal Tax Lien Filing Collection Due Process Procedures**

August 19, 2025

Report Number: 2025-300-034

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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# HIGHLIGHTS: Fiscal Year 2025 Statutory Review of Compliance With Notice of Federal Tax Lien Filing Collection Due Process Procedures

Final Audit Report issued on August 19, 2025

Report Number 2025-300-034

## Why TIGTA Did This Audit

We are required by law to determine annually whether the IRS complied with Collection Due Process requirements pursuant to Internal Revenue Code § 6320.

## Impact on Tax Administration

The IRS files Form 668(Y)(C), *Notice of Federal Tax Lien* (NFTL), to protect the federal government's interest in a delinquent taxpayer's property. On the first filing of a NFTL for a tax period, the IRS must notify the taxpayers in writing at their last known address within five business days of their right to a Collection Due Process hearing before the Independent Office of Appeals. Taxpayers may not be timely advised of their appeal rights if the IRS does not comply with this statutory requirement. Taxpayers have the right to elect a hearing after the tax lien filing wherein the taxpayer can raise any relevant issue, including the appropriateness of the lien filing or other collection actions. Taxpayers have 30 calendar days to request a hearing with the IRS's Independent Office of Appeals.

## What TIGTA Found

We reviewed a statistically valid sample of 116 out of 109,531 NFTLs that the IRS filed from July 1, 2023, through June 30, 2024, in which a Collection Due Process lien notice was required to be sent to the taxpayer. We found that the IRS generally complied with legal requirements to send lien notices to the taxpayer's last known address by certified or registered mail and within five business days of the lien filing.

However, we found instances where the IRS did not provide all the taxpayers' representatives with a copy of the lien and hearing notice. From the statistical sample of 116 NFTLs, there were 58 cases in which the taxpayer designated their authorized representative(s) to receive notices. The IRS did not provide notices in 5 of the 58 cases to every authorized representative designated by the taxpayer. Taxpayer representatives should be provided with copies of all taxpayer correspondence, if they are authorized, to address the taxpayer's tax matters. A taxpayer's account may be adversely affected when a taxpayer's representative is not properly and timely notified of tax matters, resulting in taxpayers being unnecessarily burdened.

We have reported this issue previously. For example, in Fiscal Year 2022, we recommended that the IRS reinforce its guidance to ensure that taxpayers' representatives are notified of NFTL filings. Additionally, in Fiscal Year 2023, we recommended that the IRS revise its procedures to clarify that copies of notices and other written communications should only be provided to representatives expressly designated by taxpayers to receive this information.

## What TIGTA Recommended

We recommended that the Director, Collection Policy, Small Business/Self-Employed Division, should remind employees of the NFTL filing requirement for notifying a taxpayer's representative(s) who are authorized for any tax period listed on the NFTL and designated to receive notices and for updating the Integrated Collection System Power of Attorney Module with new information pertaining to those representatives.

The IRS agreed with the recommendation and will issue a reminder to employees to ensure that the NFTL request includes current information about the taxpayer's authorized and designated representatives.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**U.S. DEPARTMENT OF THE TREASURY**

**WASHINGTON, D.C. 20024**

August 19, 2025

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

**FROM:** Diana M. Tengesdal  
Acting Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Fiscal Year 2025 Statutory Review of Compliance  
With Notice of Federal Tax Lien Filing Collection Due Process  
Procedures (Audit No.: 2025300001)

This report presents the results of our review to determine whether liens issued by the Internal Revenue Service (IRS) comply with legal guidelines and Treasury Regulations. We are required by law to determine annually whether lien notices issued by the IRS comply with the legal requirements in Internal Revenue Code (I.R.C.) § 6320. This review is part of our Fiscal Year 2025 Annual Audit Plan and addresses the major management and performance challenge of *Taxpayer Rights*.

Management's complete response to the draft report is included as Appendix VI. If you have any questions, please contact me or Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

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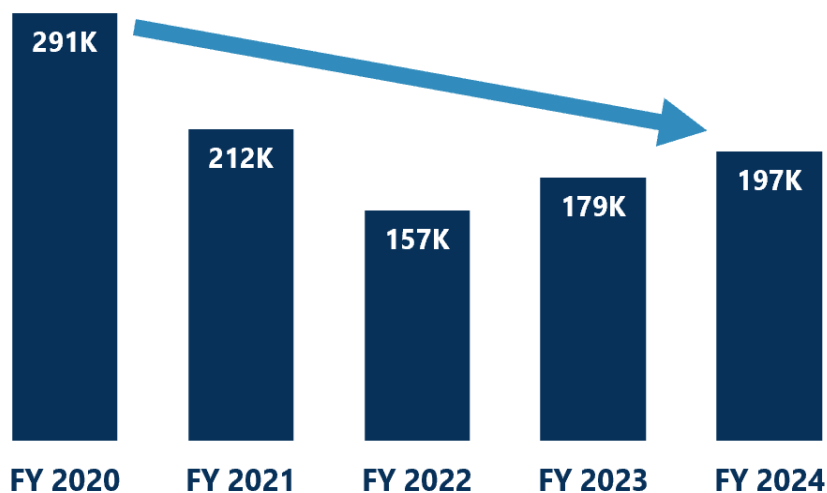
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## **Background**

The Internal Revenue Service (IRS) attempts to collect delinquent federal taxes due from taxpayers by sending letters, and in some instances either making telephone calls or meeting face-to-face with taxpayers. Pursuant to Internal Revenue Code (I.R.C.) § 6322, a lien automatically arises upon the occurrence of a tax delinquency and encumbers the property of the delinquent taxpayer. To protect the government's claim, the IRS has the authority under I.R.C. § 6323 to file a Form 668(Y)(C), *Notice of Federal Tax Lien* (NFTL), in the appropriate state and local office to notify interested parties that a lien exists.<sup>1</sup>

Figure 1 shows the annual NFTL filings for the past five fiscal years. The number of liens filed in Fiscal Year (FY) 2024 was 32 percent lower than in FY 2020. The filings reached a peak exceeding 1 million in FY 2010 (not shown in Figure 1) and have generally declined since then.

**Figure 1: NFTL Filings Have Decreased 32 Percent  
From Fiscal Year 2020 Through 2024**



*Source: IRS Data Book for FYs 2020 through 2024. K = Thousands.*

The decline in the number of NFTL filings from FY 2020 to FY 2022 was due, in part, to the suspension of collection activities in response to the pandemic, as well as the pause of automated enforcement activities while backlogs associated with incoming mail and outgoing notices were being resolved. The NFTL filings increased from FY 2023 to 2024 due to an increase in the number of revenue officers. Given recent events at the IRS relating to workforce reductions, we anticipate that NFTL filings may decrease in FY 2025.

Depending on employee access and case status, NFTL requests can be generated using one of three IRS systems:

- 1) The Integrated Collection System (ICS).
- 2) The Automated Collection System (ACS).

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<sup>1</sup> I.R.C. § 6323.

3) The Automated Lien System (ALS).<sup>2</sup>

The law has long required the IRS to notify taxpayers in writing of the filing of a lien; however, the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98) expanded upon this notice requirement, creating I.R.C. § 6320(a)(2)(C) to give taxpayers additional rights.<sup>3</sup> Specifically, when the first lien is filed for a tax period, the lien notice must be sent by certified or registered mail to the last known address, not more than five business days after the lien filing.

The IRS issues a Letter 3172, *Notice of Federal Tax Lien Filing and Your Right to a Hearing Under I.R.C. § 6320*, to advise taxpayers that they have 30 calendar days, after the 5-business-day period, to request a Collection Due Process hearing with the IRS's Independent Office of Appeals. During this hearing the taxpayer can raise any relevant issues, including spousal defenses, the appropriateness of the collection actions, and collection alternatives. The lien notice indicates the date on which this 30-calendar-day period expires. When a subsequent lien is filed for the same assessments for which the taxpayer previously was issued a right to a hearing, a Letter 3171, *Notice of Federal Tax Lien Additional Filing*, is issued.

If the taxpayer fails to request a hearing within the 30-calendar-day period, Treasury Regulation 301. 6320-1(i)(2) Q&A 16-17 allows taxpayers an "equivalent hearing." Taxpayers can file a request for an equivalent hearing within one year following the five-business-day period after the lien is filed. An equivalent hearing is like a regular hearing; however, the taxpayer cannot seek judicial review of the Independent Office of Appeals' decision.

The law also requires that the lien notice explain, in simple terms, the amount of unpaid tax, other administrative appeal rights available to the taxpayer, and provisions of the law and procedures related to the release of the lien on the property.<sup>4</sup> The lien notice must be:



Given in person, left at the taxpayer's home or business; or



Sent by certified or registered mail to the taxpayer's last known address.

We are required to determine annually whether the IRS complied with the law pertaining to Collection Due Process rights when filing liens.<sup>5</sup> This is our twenty-seventh annual audit to determine whether the IRS complied with the legal requirements and its own related internal guidelines for issuing lien notices. In three of the past five years, we reported full compliance with the law of timely notifying taxpayers each time a lien is filed. In FY 2022, we reported that 17 lien notices were not mailed within 5 business days as required by I.R.C. § 6320(a).<sup>6</sup> Programming problems during migration of data to a new platform caused the 17 notices to be delayed. The notices were reissued to the impacted taxpayers, and they were provided with a new appeal window. We also reported in FY 2024 that the IRS did not mail 272 lien notices

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<sup>2</sup> See Appendix III for information about these systems and their use. See Appendix IV for the description for each system, and Appendix VII for a glossary of terms.

<sup>3</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2, 5, 16, 19, 22, 23, 26, 31, 38, and 49 U.S.C.); I.R.C. § 6320.

<sup>4</sup> I.R.C. § 6320(a)(3)(A), (a)(3)(C), and (a)(3)(D).

<sup>5</sup> I.R.C. § 7803(d)(1)(A)(iii).

<sup>6</sup> TIGTA, Report No. 2022-30-060, [Fiscal Year 2022 Statutory Review of Compliance With Notice of Federal Tax Lien Filing Due Process Procedures](#) (September 2022).

timely as required by I.R.C. § 6320.<sup>7</sup> ALS migration issues caused 93 of the 272 lien notices to be mailed late and manual input errors related to identifying taxpayers using an alter ego caused 177 of the 272 lien notices to be mailed late. In addition, ■ of the 272 lien notices were not mailed timely. In the last five years, we also reported that the IRS has not achieved full compliance with guidelines involving power of attorney notifications.

## **Results of Review**

The law requires the IRS to notify taxpayers in writing, at their last known address, within five business days of the tax lien filing. We found that the IRS generally complied with this requirement and did not find any instances in our sample where the IRS exceeded this statutory requirement from the lien filing to mail date. However, we found instances where the IRS did not comply with their notification procedures that require the IRS to provide copies of Collection Due Process notices to the taxpayers' authorized representatives.

### **The IRS Generally Complied With Legal Requirements to Send Lien Notices to Taxpayers**

We reviewed a statistically valid random sample of 116 out of 109,531 NFTLs that the IRS filed from July 1, 2023, through June 30, 2024, which also required a Collection Due Process lien notice. Our review of the 116 NFTLs found that the IRS generally mailed lien notices in a timely manner and correctly sent the lien notices to the respective taxpayer's last known address. However, we found instances where the IRS did not provide copies of the lien notices to the taxpayers' authorized representatives.

### **Some Taxpayer Representatives Were Not Provided Lien Notices**

Our review of a statistically valid sample of 116 NFTLs identified a total of 58 (50 percent) cases in which the taxpayers had representatives designated to receive notifications. Our review found that the IRS did not send copies of the lien and hearing notice to all the taxpayers' representatives for 5 cases (4 percent of the total sample size of 116 and 9 percent of the 58 cases identified with a representative designated to receive notices). We estimate that in 4,721 cases the IRS did not follow procedures to notify all the taxpayers' authorized representatives of the taxpayers' rights related to the lien notice and taxpayer rights to a hearing.<sup>8</sup>

Taxpayers have the right to retain a representative of their choice to represent them in matters with the IRS.<sup>9</sup> When completing Form 2848, *Power of Attorney and Declaration of*

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<sup>7</sup> TIGTA, Report No. 2024-300-037, [Fiscal Year 2024 Statutory Review of Compliance With Notice of Federal Tax Lien Filing Collection Due Process Procedures](#) (August 2024).

<sup>8</sup> Our sample was selected using a 90 percent confidence interval (where 90 is the confidence percentage – typically 90 or 95 percent), 2 percent error rate, and  $\pm 2.5$  percent precision factor. When projecting the results of our statistical sample, we are 90 percent confident that the actual total amount is between 1,878 and 9,689 (where the 1,878 and 9,689 represent the lower and upper range, respectively).



<sup>9</sup> I.R.C. § 7803(a)(3)(I).

**Fiscal Year 2025 Statutory Review of Compliance With  
Notice of Federal Tax Lien Filing Collection Due Process Procedures**

*Representative*, the taxpayer may check a box to indicate that the IRS should ordinarily send the representative(s) copies of notices and other written communications. If the taxpayer does not check the box, the IRS will not ordinarily send copies of notices to the listed representative. Figure 2 shows where on the Form 2848 the taxpayer can elect whether their representative should be sent copies of all notices and communications.

**Figure 2: Excerpt Taken From Form 2848**

**2 Representative(s)** must sign and date this form on page 2, Part II.

Name and address  	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
<b>Check if to be sent copies of notices and communications</b> <input type="checkbox"/>	
Name and address  	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
<b>Check if to be sent copies of notices and communications</b> <input type="checkbox"/>	
Name and address  (Note: IRS sends notices and communications to only two representatives.)	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address  (Note: IRS sends notices and communications to only two representatives.)	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>

Source: Excerpt taken from IRS Form 2848 (Rev. January 2021).

Similarly, when completing Form 8821, *Tax Information Authorization*, taxpayers can check a box authorizing the IRS to send copies of notices or other written communications to their third-party designee on an ongoing basis. If the taxpayer does not check the box on Form 8821, the third-party designee should not receive notices on an ongoing basis.

Taxpayer representative information is contained in the Centralized Authorization File. Using the Integrated Data Retrieval System, employees can research the Centralized Authorization File to determine if the taxpayer has a representative on file and whether that representative is designated to receive notices and details of the timeframe during which the representative holds an active authorization.

Treasury regulations require that any notice or other written communication (or a copy thereof) required or permitted to be given to a taxpayer in any matter before the IRS must be given to the taxpayer and the representative unless restricted by the taxpayer.<sup>10</sup> More specifically, when a lien is filed, IRS policy requires that a copy of the lien notice be sent to the taxpayer's authorized representative for any of the tax periods on the notice, if designated to receive notices, as soon as possible after the lien notice is sent to the taxpayer.

The IRS agreed with ■ of the five exceptions we identified. ■ the revenue officer did not manually update the ICS Power of Attorney module with the respective representative information. The IRS disagreed with the remaining ■ exceptions explaining that in all ■ cases, the taxpayer representative was not actively involved in the taxpayer case discussions and that for ■ of these cases, the notice was sent to another of the taxpayer's representatives who

<sup>10</sup> Treas. Reg. § 601.506, *Conference and Practice Requirements, Statement of Procedural Rules* (2009).



was actively involved in the case. However, as previously stated, lien notice policy requires that a copy of the lien notice be sent to the taxpayer's authorized representative for any tax period on the notice, unless restricted by the taxpayer. Therefore, all five remain valid exceptions.

We previously reported similar issues where the IRS did not properly notify taxpayer representatives of lien filings.<sup>11</sup> In our FY 2022 review, we recommended that the IRS reinforce guidance to ensure that taxpayers' representatives are notified of NFTL filings. In response, the IRS issued an alert on November 28, 2022, to remind employees who request NFTLs of the procedures to ensure that taxpayers and their authorized representatives are properly notified of the NFTL filing. In our FY 2023 review, we recommended that the IRS revise its procedures to clarify that copies of notices and other written communications should only be provided to representatives expressly designated by taxpayers to receive this information.<sup>12</sup> In response to this recommendation, the IRS reviewed its procedures and determined that their policy was sufficient, and did not make any changes to their guidance.

The IRS should continue to emphasize that its employees follow available guidance for notifying taxpayers' authorized representatives regarding lien filings. When a taxpayer's representative is not properly and timely notified, a taxpayer's account may be adversely affected by additional interest, penalties, and/or unnecessary enforcement actions, resulting in taxpayers being unnecessarily burdened.

**Recommendation 1:** The Director, Collection Policy, Small Business/Self-Employed Division, should remind employees of the NFTL filing requirement for notifying a taxpayer's representative(s) who are authorized for any tax period listed on the NFTL and designated to receive notices and updating the ICS Power of Attorney Module with new information pertaining to those representative(s).

**Management's Response:** IRS management agreed with this recommendation and will issue a reminder to employees who request NFTLs on ensuring information about authorized and designated representatives is current and included with their requests.

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<sup>11</sup> See Appendix V for additional information on taxpayer representatives not receiving notification.

<sup>12</sup> TIGTA, Report No. 2023-30-057, [Fiscal Year 2023 Statutory Review of Compliance With Notice of Federal Tax Lien Filing Collection Due Process Procedures](#) (September 2023).

## **Appendix I**

### **Detailed Objective, Scope, and Methodology**

The overall objective of this audit was to determine whether liens issued by the IRS comply with legal guidelines and Treasury Regulations. To accomplish our objective, we:

- Determined whether lien notices issued by the IRS complied with legal requirements set forth in I.R.C. § 6320(a) and Treasury Regulations. The IRS provided a data extract of 182,156 NFTLs that were prepared nationwide from July 1, 2023, through June 30, 2024, that originated in the ICS, the ALS, or the ACS. We attempted to review only NFTLs that included a lien notice. Factoring for when the first lien is filed for a tax period, we arrived at a sample population of 109,531. We selected a statistical sample of 116 cases to conduct our testing and determined if the lien notices adhered to legal guidelines regarding timely notifications of lien filings and if the notices were mailed to the current addresses of the taxpayer, the taxpayer's spouse, or business partners. In addition, we used this sample to determine if the taxpayers' representatives were provided with a copy of the lien due process notice. A statistical sample was used to allow the results to be projected to the overall population. Our contracted statistician assisted with reviewing the sampling plans and projections.
- Determined if internal guidelines were implemented or modified since our last review through discussion of procedures and controls with appropriate IRS personnel.

#### **Performance of This Review**

This review was performed with information obtained from the Small Business/Self-Employed Division's Office of Collection Policy in New Carrollton, Maryland, during the period September 2024 through May 2025. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

#### **Data Validation Methodology**

During this review, we performed an analysis of the ALS data extract received from the IRS for the period of July 1, 2023, through June 30, 2024. We performed tests to assess the reliability of the data and evaluated the data by (1) performing electronic testing of required data elements to identify missing data, outliers, or obvious errors, (2) validating relevant data fields in the ALS data extract against the information in the Integrated Data Retrieval System and through direct access of the ALS, and (3) interviewing and making inquiries to agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

## **Internal Controls Methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the Small Business/Self-Employed Division Collection function's policies, procedures, and practices for timely notifying taxpayers of lien filings and handling taxpayer representation issues when working collection cases.

## Appendix II

### Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective action will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

#### Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 4,721 cases in which all taxpayers' representatives may not have been provided copies of Letter 3172, *Notice of Federal Tax Lien Filing and Your Right to a Hearing Under I.R.C. § 6320* (see Recommendation 1).

#### Methodology Used to Measure the Reported Benefit:

From a statistically valid sample of 116 NFTL cases, we identified 58 cases with authorized taxpayer representatives. From those 58 cases, we identified 5 cases for which the IRS did not provide lien and hearing notices to all the taxpayer representatives, resulting in the potential violation of taxpayers' rights. The sample size was selected using a 90 percent confidence interval, a 2 percent error rate, and  $\pm 2.5$  percent precision factor. When projecting the results of our statistical sample, we are 90 percent confident that the actual total amount is between 1,878 and 9,689 (where the 1,878 and 9,689 represent the lower and upper range, respectively). We projected a 4 percent (5 of 116 lien cases) error rate to the total population (provided by the IRS) of 109,531 NFTLs generated by the ALS that included a lien notice from July 1, 2023, through June 30, 2024, to arrive at 4,721 representatives that may not have been provided with notification.

## **Appendix III**

### **Synopsis of IRS Collection and Notice of Federal Tax Lien Filing Processes**

The collection of unpaid tax begins with a series of letters (notices) sent to taxpayers advising them of their debt and asking for payment of the delinquent tax. IRS computer systems are programmed to mail these notices when certain criteria are met. If either face-to-face or telephone contact is required:

- IRS employees, called revenue officers who work in various locations, make personal contact with taxpayers. The ICS is used for workload management, case assignment/tracking, inventory control, and case analysis.<sup>1</sup>
- IRS employees make telephone contact to collect unpaid taxes and secure delinquent returns. The ACS is used in the call sites to track collection actions taken on taxpayer accounts.

When these efforts have been taken and the taxpayer has not paid the tax liability, designated IRS employees are authorized to file a lien by sending a Form 668(Y)(C) to the appropriate local government offices. An NFTL protects the federal government's interest by informing the public of its claim to the taxpayer's assets for the amount of unpaid tax. A tax lien is created by I.R.C. § 6321 when:

- The IRS has made an assessment and given the taxpayer notice of the assessment, stating the amount of the tax liability and demanding payment.
- The taxpayer has neglected or refused to pay the amount after the notice and demand for payment.

The authority to file an NFTL is found in I.R.C. § 6323. When employees request the filing of an NFTL using either the ICS or the ACS, the ALS processes the requests. In an expedited situation, employees can manually prepare the NFTL. Even for manually prepared NFTLs, the ALS controls and tracks the lien notice and initiates subsequent notices to notify responsible parties of NFTL filings and of their appeal rights.<sup>2</sup> The ALS maintains an electronic database of all open NFTLs and updates the IRS's primary computer records to indicate that a lien has been filed.

Lien notices are provided to taxpayers by certified mail, registered mail, or in person. To maintain a record of the notices, the IRS prepares a certified mail list (U.S. Postal Service Form 3877, *Firm Mailing Book for Accountable Mail*), which identifies each notice that is to be mailed. The U.S. Postal Service date-stamps the list and returns a copy to the IRS. The stamped certified mail list is the documentation the IRS has that certifies the date on which the notices were mailed. IRS guidelines require that the stamped certified mail list be retained for 10 years after the end of the processing year.

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<sup>1</sup> See Appendix IV for detailed descriptions of IRS computer systems used in the filing of NFTLs.

<sup>2</sup> Letter 3172.

## Appendix IV

### **IRS Computer Systems Used in the Filing of Notices of Federal Tax Lien**

**Automated Collection System** – The ACS accepts Integrated Data Retrieval System balance due and nonfiler cases requiring telephone contact for resolution and generates levies and correspondence. Tax examiners use the ACS's case management abilities to contact taxpayers, review their case histories, issue notices, request NFTLs, and issue levies to resolve the cases.

**Automated Lien System** – The ALS stores NFTL and Collection Due Process document data and provides the tools for users to create, release, refile, and withdraw NFTLs; revoke releases; process Collection Due Process letters; and print lien notices and Collection Due Process letter facsimiles. Systemic NFTL requests are received from the ACS and the ICS. The ALS generates lien documents that are printed and processed for mailing by Centralized Lien Operations and the Consolidated Production Services.

**Integrated Collection System** – The ICS is a program that provides workload management, case assignment/tracking, inventory control, case analysis tools, and management information system capabilities to support the Small Business/Self-Employed Division's Collection function fieldwork.

**Integrated Data Retrieval System** – The Integrated Data Retrieval System is an application consisting of databases and operating programs that support IRS employees working active tax cases within each business function across the entire IRS. It allows IRS employees to take specific actions on taxpayer account issues, track status, and post transaction updates back to the Master Files. Actions taken via the Integrated Data Retrieval System include notice issuance, installment agreement processing, offers in compromise processing, adjustment processing, penalty and interest computations and explanations, credit and debit transfers within an account or other related accounts, and research of taxpayer accounts for problem resolution of taxpayer inquiries.

## Appendix V

### Error Rates Reported on Taxpayer Representatives Not Receiving Notification for Reports Issued in Fiscal Years 2020 Through 2024

Figure 1: Error Rate for Reports Issued in FYs 2020 Through 2024

Report FY	Sample Cases Requiring Representative Notification	Sample Cases Not Receiving Representative Notification	Error Rate
2020	37	■	■
2021	35	3	9%
2022	57	6	11%
2023	42	7	17%
2024	41	3	7%

Source: Prior year results of TIGTA's tests on taxpayer representatives not receiving notification when authorized.

## **Appendix VI**

### **Management's Response to the Draft Report**



COMMISSIONER  
SMALL BUSINESS/SELF-EMPLOYED DIVISION

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

August 6, 2025

MEMORANDUM FOR DIANA M. TENGESDAL  
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Lia Colbert     **Amalia C. Colbert** Digitally signed by Amalia C. Colbert  
Date: 2025.08.07 07:42:00 -04'00'  
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Audit Report – Fiscal Year 2025 Statutory Review of  
Compliance With Notice of Federal Tax Lien Filing Collection  
Due Process Procedures (Audit No.: 2025300001)

Thank you for the opportunity to review and comment on the subject draft audit report, which evaluates whether taxpayers were properly notified of their appeal rights when a Notice of Federal Tax Lien (NFTL) is filed.

We appreciate that the report recognizes our compliance with legal requirements by sending Collection Due Process (CDP) lien notices to taxpayers' last known addresses by certified or registered mail and within five business days of the NFTL filing. We are committed to observing taxpayer rights and adhering to procedural safeguards.

We support a taxpayer's right to representation, and we agree a copy of the taxpayer's CDP lien notice should be sent to their duly authorized and designated representative. Although the report confirms that we properly notified representatives in most cases, we agree there were a few instances where a representative was not sent a copy of the CDP lien notice. As noted in the report, this includes some cases where there were multiple authorized representatives. A copy of the CDP lien notice was sent to the representative who was actively involved in the taxpayer's case but not to another authorized representative who was not actively involved. While we acknowledge that both representatives were entitled to notification, the potential harm to these taxpayers was mitigated by one of their representatives being notified.

We continue to make improvements to ensure that representatives are issued copies of taxpayer correspondence as appropriate. As a result, TIGTA has reported fewer instances of representatives not being notified during the last two audits. We agree with



the recommendation in the report and will take action to further reinforce existing policies regarding representative notification.

Attached are our comments and proposed actions to your recommendation. If you have any questions, please contact me or Frederick W. Schindler, Director, Collection, Small Business/Self-Employed Division.

Attachment

**Fiscal Year 2025 Statutory Review of Compliance With  
Notice of Federal Tax Lien Filing Collection Due Process Procedures**

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Attachment

**RECOMMENDATION 1:**

The Director, Collection Policy, Small Business/Self-Employed Division, should remind employees of the NFTL filing requirement for notifying a taxpayer's representatives who are authorized for any tax period listed on the NFTL and designated to receive notices and updating the ICS Power of Attorney Module with new information pertaining to those representatives.

**CORRECTIVE ACTION:**

We agree. We will issue a reminder to employees who request NFTLs on ensuring information about authorized and designated representatives is current and included with their requests.

**IMPLEMENTATION DATE:**

November 15, 2025

**RESPONSIBLE OFFICIAL:**

Director, Collection Policy, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

IRS will monitor this corrective action as part of our internal management system of controls.

## **Appendix VII**

### **Glossary of Terms**

<b>Term</b>	<b>Definition</b>
Automated Collection System	A legacy system that provides a computerized telephone tax collection system designed to assist Collection employees with automatic contact and follow-up on delinquent taxpayers.
Automated Lien System	A database that generates and prints NFTL documents (Notices of Federal Tax Lien, Certificates of Release, <i>etc.</i> ), generates Collection Due Process lien notices, stores taxpayer information, and documents all lien activity. NFTL requests from Automated Collection System and Integrated Collection System cases are controlled on the Automated Lien System. The Centralized Lien Operation, located at the Covington, Kentucky Campus has primary responsibility for processing lien documents and responding to lien filing inquiries using the Automated Lien System.
Centralized Authorization File	Contains information about the types of authorizations taxpayers have given their representatives for their tax returns.
Integrated Collection System	An information management system designed to improve revenue collection by providing revenue officers with access to the most current taxpayer information while in the field.
Integrated Data Retrieval System	An IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.
Master File	The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

## **Appendix VIII**

### **Abbreviations**

ACS	Automated Collection System
ALS	Automated Lien System
FY	Fiscal Year
ICS	Integrated Collection System
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
NFTL	Notice of Federal Tax Lien
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,  
contact our hotline on the web at  
<https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems  
affecting taxpayers, contact us at [www.tigta.gov/form/suggestions](http://www.tigta.gov/form/suggestions).**

Information you provide is confidential, and you may remain anonymous.