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

COMMISSIONER

April 15, 2019

The Honorable Charles E. Grassley
The Honorable Ron Wyden
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Richard E. Neal
The Honorable Kevin Brady
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairmen and Ranking Members:

I am enclosing the IRS's second annual Private Debt Collection report for Fiscal Year 2018, as required by Public Law 114-94, The Fixing America's Surface Transportation (FAST) Act. Section 32102(f) of the FAST Act added new IRC section 6306(j), requiring the IRS to submit an annual report to Congress with respect to qualified tax collection contracts, known as the Private Debt Collection (PDC) program. The report includes information on:

- the total number and amount of tax receivables provided to each contractor for collection,
- the total amounts collected (and amounts of installment agreements entered into) with respect to each contractor and the collection costs incurred (directly and indirectly) by the IRS with respect to such amounts,
- the impact of such contracts on the total number and amount of unpaid assessments, and on the number and amount of assessments collected by IRS personnel after initial contact by a contractor,
- the amount of fees retained by the Secretary,
- a description of the use of such funds, and
- a disclosure safeguard report.

Included with the report is the Bi-Annual report on the PDC program. This consists of a measurement plan that includes a comparison of the best practices used by the private collectors to the collection techniques used by the Internal Revenue Service and mechanisms to identify and capture information on successful collection techniques used by the contractors that could be adopted by the IRS.

I hope the information in this report is helpful. If you have any questions, please feel free to contact me, or your staff may contact Leonard Oursler, Director, Legislative Affairs, at 202-317-6985.

Sincerely,

Charles P. Rettig

Enclosure

Message from the Small Business/Self-Employed Commissioner

I am pleased to present the Internal Revenue Service Private Debt Collection Fiscal Year (FY) 2018 Annual Report to the Congress. This report provides important information to the American public on the status of the Internal Revenue Service, Small Business/Self-Employed Private Debt Collection efforts, which are intended to supplement the IRS's efforts in collecting taxes owed. In addition, this report contains a measurement plan that captures best practices and information on the collection techniques used by the private collectors that could be adopted by the IRS.

Table of Contents

I. INTRODUCTION

On December 4, 2015, Public Law 114-94, the Fixing America's Surface Transportation (FAST) Act, was signed into law. The law requires the Internal Revenue Service to use private collection agencies (PCAs) for the collection of inactive, outstanding tax receivables. Sections 32102 and 32103 of the FAST Act amended Internal Revenue Code (IRC) sections 6306 and 6103 and created new section 6307. Collectively, these sections reform the rules relating to qualified tax collection contracts and create a special compliance personnel program.

IRC section 6306(j) requires the IRS to report to Congress annually on activities related to Private Debt Collection (PDC). This is the second such report to Congress. It outlines the law, the IRS timeline to implement the program, IRS oversight, the results of private debt collection for the period October 2017 through September 2018, and the PDC measurement plan.

II. FAST ACT

The law requires the IRS to use PCAs for the collection of all outstanding inactive tax receivables.

The law defines inactive tax receivables as any tax receivable if[1]:

- The IRS removes from active inventory for lack of resources or inability to locate the taxpayer,
- More than 1/3 of the period of the applicable statute of limitation has lapsed and such receivable has not been assigned for collection to any employee of the IRS, or
- In the case of a receivable which has been assigned for collection, more than 365 days have passed without interaction with the taxpayer or a third party for purposes of furthering the collection of such receivable.

The PCAs are authorized to[2]:

- Locate and contact any taxpayer specified by the IRS,
- Request full payment or offer the taxpayer an installment agreement for full payment during a period not to exceed 5 years[3], and
- Obtain financial information specified by the IRS.

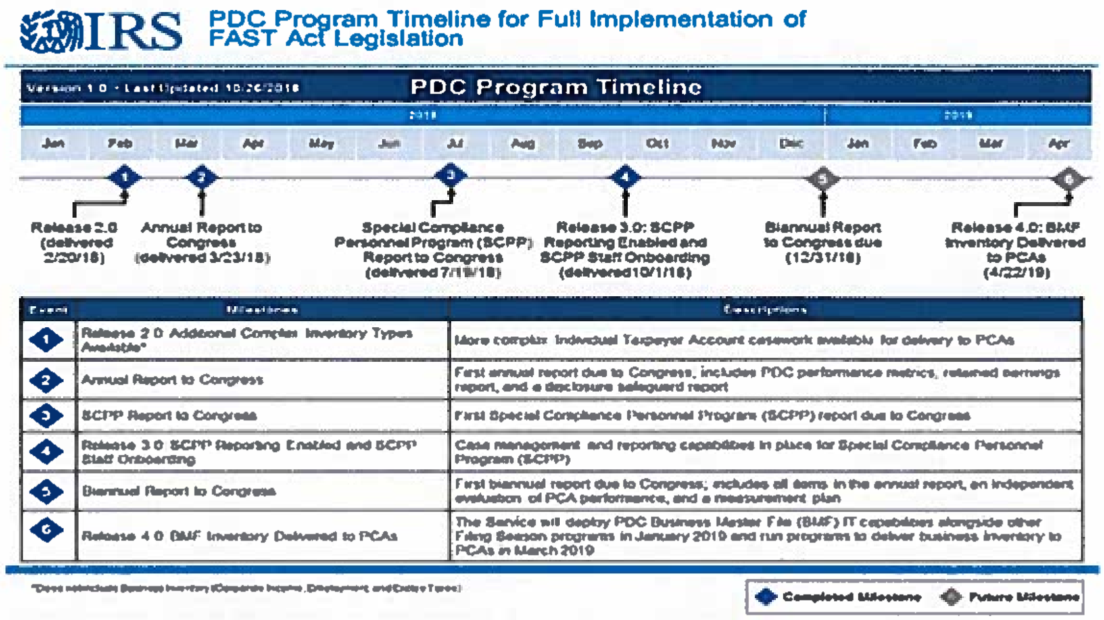
Certain taxpayer accounts are excluded from being assigned to a PCA[4]:

- Deceased
- Under the age of 18
- In designated combat zones
- Victims of tax-related identity theft
- Currently under examination, litigation, criminal investigation or levy
- Subject to pending or active offers in compromise
- Subject to an installment agreement
- Subject to a proper exercise of the right of appeal
- Classified as innocent spouse cases

The law prohibits PCAs from committing any act or omission which employees of the IRS are prohibited from committing in the performance of similar services.[5]

[1] IRC Sec. 6306(c)(2)
[2] IRC Sec. 6306(b)(1)
[3] or up to 7 years with IRS approval
[4] IRC Sec. 6306(d)
[5] IRC 6306(b)(2)

III. PRIVATE DEBT COLLECTION PROGRAM TIMELINE



A. Program Delivery

The IRS developed information technology (IT) capabilities, referred to Release 1.0 through 4.0, to implement the PDC program in stages. Each release expanded the system capabilities and the types of cases the IRS delivers to the PCAs. This ensures the secure delivery of inventory to PCAs, sensitive information is safeguarded, and taxpayer data is protected. Releases 1.0, 2.0 and 3.0 were completed. Release 4.0 is expected in April 2019, with the delivery of delinquent business accounts.

i. Release 1.0 (April 2017)

The IRS successfully initiated a controlled launch of the PDC program in April 2017 with Release 1.0, which included simple and relatively low-dollar taxpayer cases.

ii. Release 2.0 (February 2018)

In February 2018, with Release 2.0 IT capabilities, the IRS delivered additional inventory of individual taxpayers, including balance due accounts associated with unfiled returns, certain penalty cases, and un-agreed compliance assessments (that is, assessments resulting from audits or other compliance activities where the taxpayer may still be able to dispute the amount owed).

iii. Release 3.0 (October 2018)

The IRS developed IT tracking and reporting capabilities necessary to facilitate the hiring of special compliance personnel (SCP) per IRC section 6307.

iv. **Release 4.0 (April 2019)**

The IRS expects to deploy Business Master File (BMF) IT capabilities, which include the ability to assign delinquent business accounts. The PCAs are scheduled to receive business accounts starting in April 2019.

IV. IRS OVERSIGHT

IRS oversight of the PDC program ensures compliance with applicable laws, protection of taxpayer rights, and adherence to contractual requirements, policy, and procedures. Compliance is monitored through the established quality assurance plan, reviews, contractor security assessments, taxpayer complaint process, and customer satisfaction surveys.

A. Reviews

IRS performs onsite and virtual reviews of PCA operations to ensure adherence to prescribed policies, procedures and contractual responsibilities outlined in the PCA Policy & Procedure Guide (PPG), Task Order and Quality Assurance Surveillance Plan (QASP). The IRS achieves this by listening to live and recorded phones calls with taxpayers, reviewing operational plans, training plans, correspondence sent to taxpayers, and documented case actions. Overall, during the reporting period, the reviews were positive and demonstrated continued engagement and shared commitment to program success.

B. Contractor Security Assessments

IRS performs contractor security reviews annually to monitor compliance and assess the effectiveness of security controls applicable to any given contracting action subject to Publication 4812, Contractor Security Controls. The security controls also ensure compliance with Federal Information Security Management Act (FISMA). A summary of the reviews is included in section V (F Safeguards) of this report.

C. Quality

The quality review process is an additional layer of oversight where both the IRS and the PCAs perform independent quality reviews of the PDC phone calls using similar attributes. This allows the IRS to assess the PCA scoring and IRS PDC quality scoring, as well as a comparison between each of the PCAs.

In FY 2018, the PCA quality review results were excellent. The IRS measured customer accuracy at 97.65 percent, and the PCAs measured accuracy at 99.75 percent.

Quality Measure	Accuracy Rate (IRS reviewed)	Accuracy Rate (PCA reviewed)
Customer Accuracy[1]	97.65	99.75
Timeliness[2]	97.90	99.96
Professionalism[3]	99.61	99.96
Procedural[4]	99.03	98.89
Regulatory[5]	99.07	99.61

[1]Customer accuracy is measured based upon the taxpayer receiving a correct response or resolution to the case or issue.
[2]Timeliness is taking action within the prescribed timeframes outlined in the PCA Policy and Procedures Guide.
[3]Professionalism is promoting a positive image by using effective communications techniques.
[4]Procedural accuracy is adhering to non-statutory/non-regulatory internal process requirements.
[5]Regulatory is adhering to statutory/regulatory process requirements.

D. Customer Satisfaction Survey

Taxpayers have an opportunity to provide feedback and participate in an independent and voluntary customer satisfaction survey sponsored by the IRS. The same questions were asked of taxpayers assigned to a PCA as those who remain with IRS for a comparative analysis and to improve service.

In FY 2018, taxpayers had a similar satisfaction rate working with both the PCAs and the IRS, at 93 percent. The PCAs received a 5 percent dissatisfaction rate and 4 percent with the IRS. The PCAs and IRS received a neutral rating of 2 percent and 3 percent, respectively.

E. Complaints

The PDC Project Office collaborated with Treasury Inspector General for Tax Administration – Office of Investigations (TIGTA-OI) and IRS Human Capital Office - Employees Issues Branch (EIB) to incorporate the PDC complaint process into the existing IRS process for investigating complaints made by taxpayers. TIGTA-OI investigates all complaints. In FY 2018, TIGTA-OI reviewed a total of 188 complaints or other issues. Of the 188 complaints, 165 were closed and 23 are pending review.

V. FY 2018 PRIVATE DEBT COLLECTION RESULTS

The IRS PDC Revenue and Costs table summarizes PDC program data from sections A-E by fiscal year. In FY 2018, the program revenue exceeded costs by $51 million and from program start, exceeded costs by $22 million.

IRS Private Debt Collection Revenue and Costs
Program Start through September 30, 2018

Category	Total Amount	FY 2018	FY 2017	FY 2016
Revenue (Collections)				
Commissionable Payments[1]	$80,736,597	$75,372,679	$5,363,918	
Non-Commissionable Payments[1]	$8,038,074	$6,820,047	$1,218,027	
Total Revenue	**$88,774,672**	**$82,192,727**	**$6,581,945**	
Cost				
Commissions Paid[2]	$15,990,652	$14,921,708	$1,068,944	
Contract Administration/SCPP Costs[3]	$4,341,020	$4,341,020		
Other IRS Costs[4]	$46,123,106	$11,870,974	$18,967,201	$15,284,931
Total IRS Costs[5]	**$66,454,778**	**$31,133,702**	**$20,036,145**	**$15,284,931**
Program Balance (Revenue less Total IRS Costs)	**$22,319,893**	**$51,059,024**	**($13,454,200)**	**($15,284,931)**

[1] Data extracted from tables in Section B, Amounts Collected.
[2] Data extracted from tables in Section E, Fees Retained - Cost of Services Fund.
[3] Data extracted from tables in Section E, Fees Retained - Special Compliance Personnel Program (SCPP) Fund.
[4] Includes IT and other costs not payable from the Cost of Services or SCPP Fund per IRC sections 6306(e) and 6307(a).
[5] Data extracted from tables in Section C, IRS Private Debt Collection Costs. The amounts were rounded to nearest whole dollar.

The data in Sections A through E below reflect results from September 15, 2017, through September 30, 2018, unless otherwise notated. Commissions are through September 13, 2018. Other costs are through September 30, 2018.

A. Tax Receivables

[IRC 6306(j)(1)(A)—The total number and amount of tax receivables provided to each contractor for collection]

The tax receivables table below displays the number and dollar value of individual taxpayer entities delivered to each PCA. The entities are taxpayer accounts that can be composed of multiple years (or modules) with outstanding tax liabilities.

Tax Receivables

PCA	Number of Entities	Amount
CBE	150,463	$1,197,912,716
ConServe	150,502	$1,195,962,894
Performant	150,563	$1,194,433,437
Pioneer	150,143	$1,199,588,544
Total	**601,671**	**$4,787,897,591**

Source: "FY2018 All PCAs Report", 09/13/2018, Collection Analytics, Routing & Selection

B. Amounts Collected

[IRC 6306(j)(1)(B) [part 1]—The total amounts collected (and amounts of installment agreements entered into under subsection (b)(1)(B))[6] with respect to each contractor and…]

The table below displays the total dollars collected (commissionable and non-commissionable) by each PCA. This includes full payment and amounts collected through a PCA installment agreement.

Dollars Collected

PCA	Total	Commissionable Payments	Non-Commissionable Payments
CBE	$24,350,155	$22,269,872	$2,080,283
ConServe	$19,266,193	$17,747,441	$1,518,752
Performant	$17,881,169	$16,290,511	$1,590,658
Pioneer	$20,695,211	$19,064,856	$1,630,354
Total	**$82,192,727**	**$75,372,679**	**$6,820,047**

Source: "PDC Dollars Collected", 09/13/2018, SB/SE Planning and Performance Analysis

The table below reflects the number of installment agreements the PCAs established and the dollar value of those accounts. The amount decreases as taxpayers make payments and increases as the PCAs offer new installment agreements.

Installment Agreements Entered

PCA	Number of Entities	Amount
CBE	7,825	$50,561,122
ConServe	6,042	$35,297,308
Performant	3,312	$21,985,632
Pioneer	4,198	$27,382,997
Total	**21,377**	**$135,227,060**

Source: "PDC Dollars Collected", 09/13/2018, SB/SE Planning and Performance Analysis

[6] IRC 6306(b)(1)(B) provides that the PCA may request full payment from such taxpayer of an amount of Federal tax specified by the Secretary and, if such request cannot be met by the taxpayer, to offer the taxpayer an installment agreement providing for full payment of such amount during a period no to exceed 5 years.

C. IRS Private Debt Collection Costs

[IRC 6306(j)(1)(B) [part 2]—…the collection costs incurred (directly and indirectly) by the Internal Revenue Service with respect to such amounts]

The FY 2018 IRS Private Debt Collection cost table below represents total direct and indirect costs that include commissions paid, IT and Non-IT expenses.

IRS Collection Cost

Expense	Total Amount
Commissions Paid	$14,921,708
Labor	$5,117,406
Information Technology	$967,603
Non-Information Technology	$4,149,803
Travel	$113,732
Information Technology	$2,131
Non-Information Technology	$111,601
Print	$24,617
Non-Information Technology	$24,617
Contract	$5,786,726
Information Technology	$3,597,981
Non-Information Technology	$2,188,745
Background investigations	$337,322
Non-Information Technology	$337,322
Indirect Costs [1,2]	$4,832,192
Total Direct and Indirect Costs	$31,133,702

Source: SB/SE Finance

[1]Indirect costs are ongoing expenses of operating an organization that cannot be immediately associated with the activity or program.

[2]Indirect costs are determined by applying an overhead rate to known salary and benefits. The FY 2017 overhead rate of 94.43% was provided by CFO Cost Accounting.

D. Impacts

[IRC 6306(j)(1)(C) [part 1]—The impact of such contracts on the total number and amount of unpaid assessments, and…]

The unpaid assessments table (UA) reflects the balance of the number and dollar value of individual unpaid assessments that result from taxpayers filing returns without sufficient payments and from the enforcement programs and compliance assessments, such as examinations, trust fund recovery penalty, under-reporter, substitute for return, and combined annual wage reporting.

Unpaid Assessments (UA)

Date	Assigned to PCA (entities)	Assigned to PCA (amount)	Total UA (entities)	Total UA (amount)
October 2017	39,644	$266,705,205	16,670,152	$294,213,936,568
November 2017	33,489	$225,289,687	16,898,205	$300,615,704,905
December 2017	39,678	$279,228,568	16,547,877	$298,707,806,635
January 2018	19,863	$170,785,630	16,273,707	$296,161,014,445
February 2018	6,895	$82,280,317	15,860,226	$295,201,769,106
March 2018	36,531	$409,763,001	15,425,822	$294,401,878,397
April 2018	59,183	$604,813,312	15,145,161	$292,490,440,385
May 2018	68,286	$681,554,716	17,372,700	$302,422,132,868
June 2018	70,980	$449,091,213	17,416,668	$302,387,470,628
July 2018	84,959	$608,592,681	17,028,884	$300,379,760,447
August 2018	71,128	$505,742,339	16,816,361	$300,495,566,474
September 2018	71,035	$504,050,922	16,685,933	$300,894,160,634

Source: Chief Financial Officer (CFO)

[IRC 6306(j)(1)(C) [part 2]—…on the number and amount of assessments collected by Internal Revenue Service personnel after initial contact by a contractor]

The IRS may collect funds after the PCA made initial contact with a taxpayer. The table below reflects the number of entities and amounts collected by the IRS after initial contact by the PCA with the entity.

IRS Collected After Initial Contact by PCA

Date	Number of Entities	Amount
October 2017	1,009	$565,588
November 2017	1,107	$653,095
December 2017	1,098	$795,695
January 2018	1,749	$1,117,048
February 2018	951	$470,734
March 2018	4,722	$4,329,986
April 2018	4,143	$3,582,183
May 2018	29,849	$28,251,829
June 2018	2,456	$1,152,445
July 2018	3,050	$1,468,763
August 2018	2,615	$1,773,122
September 2018	2,871	$1,853,102
FY 2018 Total	**55,620**	**$46,013,590**

Source: SB/SE - PDC Operational Reports

E. Fees Retained

[IRC 6306(j)(1)(D)—The amount of fees retained by the Secretary under subsection (e)[7] and a description of the use of such funds, and...]

Cost of Services

The IRS may retain up to 25 percent of the amounts collected by the PCAs to pay the PCAs for services performed under the contracts. The cost of services fund table below represents 25 percent of all commissionable amounts collected and the total fees (commissions) paid to the PCAs.

Cost of Services Fund

Description	Amount
Commissionable Payments	$75,372,679
Fiscal Year 2017 Carryover	$179,508
Fiscal Year 2017 Sequestration Returned	$92,528
25% of Commissionable Payments	$18,843,170
Less: Sequestration[1]	($1,243,649)
Retained Earnings	**$17,871,557**
Fees Paid to PCAs	($14,921,708)
Remaining Balance in Cost of Services Fund	**$2,949,849**

Source: SB/SE Finance

[1]Sequestered funds become available in future fiscal years.

[7] IRC 6306(e) provides that the Secretary may retain and use (1) an amount not in excess of 25 percent of the amount collected under any qualified tax collection contract for the costs of services performed under such contract, and (2) an amount not in excess of 25 percent of such amount collected to fund the special compliance personnel program account under section 6307.

Special Compliance Personnel Program (SCPP) Fund

The IRS retains 25 percent of amounts collected through PDC for the cost of contract administration and Special Compliance Personnel Program (SCPP) costs. The SCPP fund table below represents the fees retained, contract administration costs, and program costs. IRS did not incur any costs for SCPP activities in FY 2018.

The SCPP fund may be used to pay for contract administration costs and SCPP costs.

Contract administration refers to activities that take place after contracts are signed and before final payment and closeout. Activities that are encompassed within contract administration, include monitoring the contractor's technical performance, reviewing and approving payment invoices, controlling government property, monitoring subcontractors, reviewing task orders, and overseeing contract modifications and terminations. Contract administration also includes activities and travel that support the program office regarding program reviews, program status, program performance, and providing technical direction required for performance of work under the terms of contract.

SCPP costs refers to total salaries, benefits, and employment taxes for SCP employed or trained under the program. This also includes the direct overhead costs relating to support staff and indemnities for SCP hired and employed.

IRS Collection Costs are those not covered under contract administration or SCPP.

Special Compliance Personnel Program (SCPP) Fund

Fees	Amount
Fiscal Year 2017 Carryover	$1,248,452
Fiscal Year 2017 Sequestration Returned	$92,528
25% of Commissionable Payments	$18,843,170
Less: Sequestration[2]	($1,243,649)
Retained Earnings	**$18,940,501**
Costs	**Amount**
Special Compliance Personnel Program[1]	$0
Contract Adminstration	$4,341,020
Total SCPP Fund Costs	**$4,341,020**
Available Balance in SCPP Fund	**$14,599,481**

Source: SBSE Finance - FY 2018 cumulative through September 30, 2018

[1] Special Compliance Personnel Program is scheduled to begin October 2018.

[2] Sequestered funds become available in future fiscal years.

F. Safeguards

[IRC 6306(j)(1)(E)—A disclosure safeguard report in a form similar to that required under section 6103(p)(5)[8].]

PCA Contractor Information Assurance
October 1, 2017 – September 30, 2018

The IRS takes its responsibility to protect the privacy of taxpayer information seriously. The PDC program was designed with ample safeguards requiring specific precautions for contractors, contractor employees, and vendors that work with taxpayers and taxpayer information. Compliance with these safeguards is monitored through Contractor Security Assessments. The reviews ensure the contractors, contractor employees, and vendors protect confidential tax information.

Program Overview

Contractors and sub-contractors that store, process or collect IRS Sensitive but Unclassified (SBU) information on contractor owned and operated information technology or facilities must maintain physical and logical safeguards to protect the confidentiality, integrity, and availability of IRS SBU information. IRS Publication 4812, *Contractor Security Controls,* defines the security controls, requirements, and standards that are contractually required of contractors and contractor employees.

Process

Contractor Security Assessments (CSAs) are on-site evaluations performed by the IRS to assess and validate the effectiveness of security controls established to protect IRS information and information systems. Security control effectiveness addresses the extent to which the controls are implemented correctly, operating as intended, and producing the desired outcome with respect to protecting information and individual privacy, or meeting the security requirements for the information system in its operational environment. These assessments help to determine when additional controls or protections are necessary to protect returns and return information or personal privacy, or other SBU information, and organizational assets and operations.

Findings identified are required to be addressed by the contractors monthly in a Plan of Actions and Milestones (POAM). The POAM addresses each finding, the needed correction, and the projected completion or completed date. Cybersecurity and the PDC Program Office review the POAMs to ensure corrections are made in a timely fashion.

Summary

The annual filing season readiness CSAs were conducted for each of the four PCA IT sites, four PCA call centers and three print vendor sites. During this reporting period, the IRS issued eleven Contractor Site Security Assessment (CSSA) documents. The reviews are summarized below.

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[8] IRC 6103(p)(5) provides that after the close of each calendar year, the Secretary shall furnish to each committee described in subsection (f)(1) a report which describes the procedures and safeguards established and utilized by such agencies, bodies, or commissions, the Government Accountability Office, and the Congressional Budget Office for ensuring the confidentiality of returns and return information as required by this subsection. Such report shall also describe instances of deficiencies in, and failure to establish or utilize, such procedures.

PCA Annual Filing Season Assessments

In partnership with Physical Security Specialists from IRS FMSS, Cybersecurity conducted a total of eleven site assessments for all PCA Information Technology Operations and Maintenance (ITO&M) facilities, call centers and mailing vendor facilities. The objective of the assessments was to examine all the controls defined in IRS Publication 4812 as part of annual filing season readiness efforts. One significant deficiency was identified. That deficiency was addressed in the monthly POAM process and resolved/closed on August 28, 2018. CSA will validate appropriate resolution of the deficiency during the next annual filing season assessment scheduled in FY 2019.

G. Independent Evaluation

[IRC Sec. 6306(j)(2)(A) – biannually – …an independent evaluation of contractor performance, and…]

The independent evaluation was conducted by TIGTA and submitted autonomously.

H. Measurement Plan

[IRC Sec. 6306(j)(2)(B) – biannually – …a measurement plan that includes a comparison of the best practices used by the private collectors to the collection techniques used by the Internal Revenue Service and mechanisms to identify and capture information on successful collection techniques used by the contractors that could be adopted by the Internal Revenue Service.]

The IRS successfully launched the PDC program in April 2017. The final IT Release 4.0 is scheduled for April 2019, when business accounts will be delivered to the PCAs. As the PDC program matures, the IRS continues learn about PCA collection techniques. The private collection industry utilizes varying techniques to communicate with customers and manage their inventory. The principle examples that we identified include: phone contact, the prioritization of inventory, and the monitoring of payment plans.

The IRS developed a measurement plan to identify and capture information on the PCA's collection strategies and techniques that align to the Service's desired outcome metrics and goals below:

- Enhance the taxpayer's level of engagement and experience,
- Provide efficiencies, and
- Improve payment compliance.

The measurement plan includes three questions that focus on a strategy to achieve these goals:

1) How can the IRS improve the taxpayers' level of engagement through different contact methods?
2) Are there other viable means to prioritize collection inventory?
3) Is frequent contact and flexibility throughout the term of an agreement the key component to improving the default rate?

The table below identified and captures some of the PCAs' collection techniques and the impact to the respective goals. The IRS will continue to identify and capture collection techniques to determine if adoption could facilitate achieving the Service's goals.

<table>
<tr><th colspan="4">PRIVATE DEBT COLLECTION MEASUREMENT PLAN</th></tr>
<tr><th colspan="4">Taxpayer Contact - (How can the IRS improve the taxpayers level of engagement through different contact methods?)
Goal: Increased engagement</th></tr>
<tr><th>Collection Technique
(Practices used by both IRS and PCAs)</th><th>Variable
(Techniques the PCAs are doing differently)</th><th>Measurement
(Metrics used to measure the performance of the PCA variables)</th><th>Desired Outcome
(Achievement of defined goal)</th></tr>
<tr><td>Phone Contacts</td><td>• Skip tracing methods/tools/sub-contractors for Right Party Contact (RPC)
• Use and purpose of outgoing phone contact</td><td>• Contact rate
• Case resolution rate</td><td>• Increased contacts
• Increased case resolution rate</td></tr>
<tr><td colspan="4">Tools Used: Skip Tracing Companies, Credit Bureaus, Legal Databases, Research</td></tr>
<tr><th colspan="4">Inventory - (Are there other viable means to prioritize collection inventory?)
Goal: Increased Efficiency</th></tr>
<tr><th>Collection Technique
(Practices used by both IRS and PCAs)</th><th>Variable
(Techniques the PCAs are doing differently)</th><th>Measurement
(Metrics used to measure the performance of the PCA variables)</th><th>Desired Outcome
(Achievement of defined goal)</th></tr>
<tr><td>Prioritization or segmentation</td><td>• Scoring models</td><td>• Number of payment arrangements
• Number of full paid accounts
• Number of full paid payment arrangements
• Contact rate</td><td>• Increased case resolution rate
• Increased contacts</td></tr>
<tr><td colspan="4">Tools Used: Skip Tracing Companies, Credit Bureaus, Legal Databases, Research</td></tr>
<tr><th colspan="4">Payment Arrangements - (Is frequent contact and flexibility throughout the term of an agreement the key component to improving the default rate?)
Goal: Improved Compliance</th></tr>
<tr><th>Collection Technique
(Practices used by both IRS and PCAs)</th><th>Variable
(Techniques the PCAs are doing differently)</th><th>Measurement
(Metrics used to measure the performance of the PCA variables)</th><th>Desired Outcome
(Achievement of defined goal)</th></tr>
<tr><td>Monitoring a Payment Plan</td><td>• Specialized work groups</td><td>• Default rate
• Number of overdue payments
• Number of restructured PA
• Number of no payments
• Number of full paid payment arrangements
• Number of payments made against the PA</td><td>• Increased case resolution rate
• Increased payment arrangement compliance</td></tr>
<tr><td colspan="4">Tools Used: N/A</td></tr>
</table>

APPENDIX

Appendix I: Data Element Descriptions

Data Element	Description
Section V, A	
Tax Receivables	Number and dollar value of taxpayer entities assigned to a private collection agency. The entities reported in Section A are tax receivables supported by a taxpayer agreement, such as the filing of a tax return without sufficient payment, or a court ruling in favor of the IRS. The number of entities assigned also includes assessments resulting from an IRS audit or examination, compliance assessments and Trust Fund Recovery Penalty. NOTE: In accordance with the Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, compliance assessments are not considered tax receivables under federal accounting standards. Although not considered a tax receivable, compliance assessments represent legally enforceable claims.
Section V, B	
Amounts Collected	Commissionable and non-commissionable dollars collected.
Installment Agreements Entered	The dollar value and number of entities that are currently in an active payment arrangement and monitored by a PCA.
Section V, C	
IRS PDC Collection Cost	Total IRS Collection costs include: commissions paid, expenses related to performing contract administration tasks such as quality assurance reviews, required oversight, SCP program, IT and non-IT costs, and indirect costs.
Section V, D	
Unpaid Assessments	The number and dollar value of unpaid assessments that result from taxpayers filing returns without sufficient payments and from the enforcement programs and compliance assessments, such as examinations, trust fund recovery penalty, under-reporter, substitute for return and combined annual wage reporting.
IRS Collected After Initial Contact by PCA	The number of entities and the dollar amount the IRS collected after the PCA made initial contact. The PCA will make initial contact no sooner than the 11th calendar day after receiving an account. The IRS may collect on these accounts in the form of a levy or offset while assigned to the PCA or after disposition (IRS recall or PCA return).

Data Element	Description
Section V, E	
Cost of Services Fund – Fees Retained	The IRS may retain up to 25 percent of the amounts collected by the PCAs to pay the PCAs for services performed under the contracts.
Cost of Services – Fees Paid to PCAs	Amount paid to the PCAs (commissions).
Special Compliance Personnel Program Fund – Fees Retained	The IRS may retain 25 percent of the amounts collected by PCAs to fund the Special Compliance Personnel (SCP) Program account under IRC Section 6307.
Contract Administration	Contract administration includes certain labor costs, the independent bi-annual evaluation of contractor performance, background investigations, and PDC travel related to quality assurance and contract oversight.
Special Compliance Personnel Program Cost	The SCPP costs are zero until implementation scheduled in October 2018.