



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

Accounting and Information  
Management Division

B-281569

February 25, 1999

The Honorable Charles C. Masten  
Inspector General  
Department of Labor

Subject: Agreed-Upon Procedures: Black Lung Disability Trust Fund Excise  
Taxes

Dear Mr. Masten:

We have performed the procedures contained in enclosure I to this letter, which we agreed to perform solely to assist your office in ascertaining whether the net excise tax revenue distributed to the Black Lung Disability Trust Fund (BLDTF) for the fiscal year ended September 30, 1998, is supported by the underlying records. As agreed upon with your office, we evaluated fiscal year 1998 BLDTF activity.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants (AICPA). Accordingly, the adequacy of the procedures to meet your objectives is your responsibility and we make no representations in that respect. The procedures we agreed to perform included (1) detailed tests of transactions that represent the underlying basis of amounts distributed to BLDTF, (2) review of the Internal Revenue Service's (IRS) quarterly BLDTF certifications, (3) review of the Department of the Treasury Financial Management Service adjustments to BLDTF for fiscal year 1998, (4) review of the Office of Tax Analysis process for estimating amounts to be distributed to BLDTF for the fourth quarter of fiscal year 1998, (5) comparison of net excise tax distributions to BLDTF during fiscal year 1998 and amounts reported in the financial statements prepared by the Bureau of Public Debt for BLDTF and the Department of Labor's consolidated financial statements, and (6) review of key reconciliations of IRS records to Treasury records. Enclosure I contains the agreed-upon procedures and our results and findings from performing each of the procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the net excise taxes distributed to

GAO/AIMD-99-73R Black Lung Disability Excise Tax Procedures

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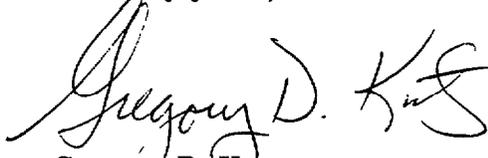
BLDTF. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We provided a draft of this letter to IRS and Treasury officials, along with its enclosure, for review and comment. They agreed with the contents of this letter and its enclosure.

We completed the agreed-upon procedures on February 12, 1999. In performing the agreed-upon procedures, we conducted our work in accordance with generally accepted government auditing standards, which incorporate financial audit and attestation standards established by the AICPA. These standards also provide guidance when performing and reporting the results of agreed-upon procedures.

This report is intended for the use of the Office of Inspector General of the Department of Labor. However, this report is a matter of public record and its distribution is not limited. Consequently, copies are available to others upon request. If you have any questions, please call me at (202) 512-3406.

Sincerely yours,

A handwritten signature in black ink that reads "Gregory D. Kutz". The signature is written in a cursive style with a large initial "G" and "K".

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

Enclosure

Agreed-upon procedures	Description of findings and results
<p><b>(A) PROCEDURES PERFORMED FOR FISCAL YEAR 1998 EXCISE TAX DISTRIBUTIONS RELATED TO QUARTERS ENDED JUNE 30, 1997, AND SEPTEMBER 30, 1997<sup>a</sup></b></p>	
<p>(1) Nonrepresentative selection of tax returns</p>	
<p>(a) For the quarters ending June 30, 1997, and September 30, 1997, select the 30 largest excise tax returns on the basis of the assessment amount for each quarter. Select a minimum of 6 Airport and Airway Trust Fund (AATF) returns for each quarter.</p>	<p>(a) A total of 67 excise tax returns from the quarters ended June 30, 1997, and September 30, 1997, were selected for review. The selection was based on total assessment amount and the inclusion of additional tax returns related to AATF. The selection exceeded 30 returns per quarter to obtain a minimum of 6 AATF tax returns in each quarter.</p>
	<p>The total assessment amount related to these 67 returns was approximately \$14.5 billion, or 64 percent of total excise tax assessment amounts (\$22.7 billion) for the two quarters combined. Of the 67 returns, 48 contained primarily Highway Trust Fund (HTF)-related taxes, 16 contained primarily AATF-related taxes and 3 contained other taxes that related to the general fund. None of the returns contained taxes related primarily to BLDTF.</p>

<sup>a</sup>Although the law requires that certifications be based on tax collections, IRS based certifications on tax assessments until June 1998. Since certifications usually are not completed until 6 months after the end of the quarter, the certifications for the quarters ended June 30 and September 30, 1997, were actually performed in fiscal year 1998, based on tax assessments. In June, for collections in the first quarter of fiscal year 1998, IRS began using a new certification method that brings IRS into compliance with the requirements of the law.

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
<p>(b) For each of the selected returns:</p> <ul style="list-style-type: none"> <li>- trace the assessment amount for selected abstracts<sup>b</sup> from the tax return to IRS' master file and to the Automated Quarterly Excise Tax Listing system (AQETL)<sup>c</sup> to determine if the amounts were properly input into the master file and properly transferred to AQETL.</li> <li>- check the mathematical accuracy of the taxpayer's calculations for selected abstracts.</li> </ul>	<p>(b) For each of the 67 returns, abstracts related primarily to HTF, AATF, and the general fund were selected for tracing to IRS' master file and AQETL system. This resulted in our testing of approximately \$14 billion in net excise tax assessments.</p> <p>The assessment amount for 62 of the 67 selected cases agreed with the amount in IRS' master file and AQETL. Six errors with an absolute value of approximately \$2.4 million were identified in five cases that resulted in incorrect assessment amounts input to IRS' master file and AQETL. These incorrect amounts resulted in an error rate of less than 1 percent of the \$14 billion tested. None of these errors had an effect on the BLDTF.</p>
<p>(2) Receipt certifications</p>	
<p>(a) Inspect the certification letters for authorizing signature.</p>	<p>(a) The certification letters for the certifications related to the quarters ended June 30, 1997, and September 30, 1997, had authorizing signatures.</p>

<sup>b</sup>The abstract numbers identify the tax type (e.g., diesel fuel tax) and are used as a basis to determine the distribution of the excise taxes to the various trust funds. Abstract numbers are preprinted on the Form 720 and are used by taxpayers to report excise tax assessments.

<sup>c</sup>The AQETL contains excise tax data extracted from the master file. This system is used by IRS to monitor excise tax assessments reported on Forms 720 and to generate gross certified tax amounts for each tax type.

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
(b) Determine if evidence exists that the certification letters were checked by the supervisor or another analyst.	(b) There was no evidence that data on the BLDTF certification letters or supporting documents for the certifications related to the quarters ended June 30, 1997, and September 30, 1997, were checked by either the supervisor or another analyst.
(c) Recalculate the totals on the certification letters to determine if they are mathematically correct.	(c) The totals on the BLDTF certification letters for the certifications related to the quarters ended June 30, 1997, and September 30, 1997, were mathematically correct.
(d) Trace the certified amounts for underground mined coal at \$1.10 per ton (abstract 36), underground mined coal at 4.4 percent of the sales price (abstract 37), surface mined coal at \$0.55 per ton (abstract 38), and surface mined coal at 4.4 percent of sales price (abstract 39) from the certification letter to the AQETL system.	(d) The gross certified amounts for underground mined coal at \$1.10 per ton (abstract 36), underground mined coal at 4.4 percent of the sales price (abstract 37), surface mined coal at \$0.55 per ton (abstract 38), and surface mined coal at 4.4 percent of sales price (abstract 39) on the certification letters for the certifications related to the quarter ended June 30, 1997, were the same as the amounts for these on the AQETL system.

Agreed-upon procedures	Description of findings and results
	<p>The gross certified amounts for underground mined coal at \$1.10 per ton (abstract 36), underground mined coal at 4.4 percent of the sales price (abstract 37), surface mined coal at \$0.55 per ton (abstract 38), and surface mined coal at 4.4 percent of sales price (abstract 39) on the certification letter for the certification related to the quarter ended September 30, 1997, did not agree with the AQETL report. The analyst preparing the certification transferred the wrong amounts from the AQETL report onto the certification letter. As a result, IRS understated the certified amount to BLDTF by approximately \$469,000 on its certification for the quarter ended September 30, 1997. IRS subsequently identified the error and made an adjustment on its BLDTF certification for the quarter ended December 31, 1997, to correct the error.</p>
<p>(e) Compare totals from the supporting reports of master file data to the AQETL certification results to determine if they agree.</p>	<p>(e) Supporting reports of master file data agreed with the AQETL certification results.</p>
<p>(f) For one abstract, total the individual assessments per this abstract from the master file and compare the amount to the AQETL computed total to determine if AQETL included all the assessments when computing the total gross certified amount.</p>	<p>(f) For the tire tax (abstract 66), the AQETL system included all of the assessments when computing the total gross certified amount.</p>

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
(3) FMS adjustments	
(a) Compare the Financial Management Service (FMS) adjustments made to BLDTF for fiscal year 1998 with original Office of Tax Analysis (OTA) estimates and IRS certified amounts to see if these agree with the supporting schedules. Recompute the difference between the OTA estimate and final IRS certified amount to see if the amount agrees with the difference computed by FMS.	(a) For the FMS adjustments made to BLDTF, the original OTA estimates and IRS certified amounts agreed with the supporting schedule. <sup>d</sup> The independently recalculated differences between the OTA estimates and the final IRS certified amounts for BLDTF for the quarters ended June 30, 1997—\$7,773,000 <sup>e</sup> —and September 30, 1997—(\$3,483,265)—agree with the difference computed by FMS.

<sup>d</sup>This schedule, called the "Subsidiary Quarterly Account of Estimates and Actual Related Excise Taxes Appropriated to BLDTF" is compiled by an accountant at FMS and it computes the difference between IRS certified amounts and the OTA estimate for excise taxes, individually and in total, that relate to BLDTF. The schedule, along with OTA transfers forms and IRS certifications, supports the FMS adjustment.

<sup>e</sup>A positive amount indicates that the FMS adjustment increased the excise tax distributions to the trust fund. A negative amount indicates a decrease in the excise taxes distributed to the trust funds.

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
<p><b>(B) PROCEDURES PERFORMED FOR FISCAL YEAR 1998 EXCISE TAX DISTRIBUTIONS RELATED TO QUARTERS ENDED DECEMBER 31, 1997, AND MARCH 31, 1998</b></p>	
<p>(1) Sampling</p>	
<p>(a) Obtain excise tax assessments and collections data from IRS' master file for the first 6 months of fiscal year 1998. Determine if excise tax collections per the master file agree with IRS' general ledger. Reconcile total excise tax collections from the master file to total excise tax collections from the Collection Certification System audit files<sup>f</sup> to determine if they materially<sup>g</sup> agree.</p>	<p>(a) Excise tax collections for the first 6 months of fiscal year 1998 per the master file materially agreed with IRS' general ledger and with total excise tax collections from the Collection Certification System.</p>
<p>(b) Select an attribute sample of 78 excise tax assessments. Compare assessment information for each sample item from the master file to the assessment information in the Collection Certification System to determine if assessments from the master file are contained in the Collection Certification System.</p>	<p>(b) For each sample item, assessments from the master file are contained in the Collection Certification System</p>

<sup>f</sup>IRS' Collection Certification System produces, what IRS refers to as "audit files." These audit files contain the individual prorated collections, by abstract and taxpayer identification number, that make up the certified total amounts for each abstract.

<sup>g</sup>For purposes of this reconciliation, materiality is defined as \$200 million. This represents 1 percent of total Form 720-related excise tax collections, related to the quarters ended December 31, 1997, and March 31, 1998.

Agreed-upon procedures	Description of findings and results
<p>(c) To determine if the Collection Certification System properly summarized the prorated collections, total the prorated collections for selected abstracts from the audit files and compare these amounts to amounts indicated on the "Report of Excise Tax Collection."<sup>h</sup></p>	<p>(c) The Collection Certification System properly summarized the prorated collections for abstracts related to the BLDTF, HTF, and AATF. Prorated collections for the above mentioned trust funds from the audit files agreed with the corresponding amounts indicated on the "Report of Excise Tax Collection."</p>
<p>(d) Separate the total population of prorated collections from the audit files into the following distinct sampling populations 1) prorated tax collections relating to all excise trust funds<sup>i</sup> other than the HTF and AATF, 2) prorated tax collections for the HTF, and 3) prorated tax collections for the AATF. Use random attribute sampling to extract a sample of 45 prorated excise tax collections from the population of prorated tax collections related to all excise trust funds other than the HTF and the AATF.</p>	<p>(d) Forty five random items from the population of prorated tax collections related to all excise trust funds other than the HTF and AATF funds were selected for testing.<sup>j</sup> Of these 45 sample items, two were BLDTF prorated collections.</p>

<sup>h</sup>The "Report of Excise Tax Collection" is produced by the Collection Certification System. The IRS analyst uses information from these reports as the basis for calculating the gross certified amount for each abstract.

<sup>i</sup>Prorated tax collections for BLDTF are included in this population.

<sup>j</sup>For this sample, if no errors are found in testing the 45 items, we would be 90 percent confident that the error rate in the population would not exceed 5 percent.

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
<p>(e) Extract samples of prorated excise tax collections from the populations of prorated excise tax collections for the HTF and AATF.</p>	<p>(e) Use of Dollar Unit Sampling (DUS) with a confidence level of 80 percent, a test materiality of \$230 million and an expected aggregate error amount of \$69 million resulted in a sample of 125 prorated excise tax collections for the HTF. Use of DUS with a confidence level of 80 percent, a test materiality of \$90 million and an expected aggregate error amount of \$27 million resulted in a sample of 57 prorated excise tax collections for AATF.</p>
<p>(2) Detailed tests of transactions</p>	
<p>(a) For each prorated excise tax collection sampled from all excise trust funds other than the HTF and the AATF populations:</p> <ul style="list-style-type: none"> <li>- Check to see that the assessment amount on the tax return, for the sampled abstract, agrees with the amount recorded in IRS' master file. Separately identify the results for the BLDTF abstracts.</li> </ul>	<p>(a) For all of the sampled abstracts, including those related to BLDTF, the assessment amounts on the tax returns agreed with the amounts recorded in IRS' master file.</p>
<ul style="list-style-type: none"> <li>- Test the mathematical accuracy of the taxpayer's calculations on the tax return for the related abstract. Separately identify the results for the BLDTF abstracts.</li> </ul>	<ul style="list-style-type: none"> <li>- For all of the sampled abstracts, including those related to BLDTF, the taxpayer's calculations on the tax returns for these abstracts were mathematically correct.</li> </ul>

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
<ul style="list-style-type: none"> <li>- Recompute the prorated collection amount and compare this amount to the result from the Collection Certification System. Separately identify the results for the BLDTF abstracts.</li> </ul>	<ul style="list-style-type: none"> <li>- For all of the sampled abstracts, including those related to BLDTF, the recomputed prorated collection per the master file agreed with the amounts from the Collection Certification System audit file.</li> </ul>
(b) Perform detailed testing on the two samples of prorated collections from the HTF and AATF populations to determine if they contain any BLDTF excise tax collections.	(b) The two samples of prorated collections from the non-BLDTF populations did not contain any BLDTF excise tax collections.
(3) Receipt certifications	
(a) Inspect the certification letters for authorizing signature.	(a) The certification letters for the certifications related to the quarters ended December 31, 1997, and March 31, 1998, had authorizing signatures.
(b) Determine if evidence exists that the certification letters were checked by the supervisor or another analyst.	(b) There was evidence that data on the BLDTF certification letters and documents supporting the certification results for the certifications related to the quarters ended December 31, 1997, and March 31, 1998, were checked by another analyst.
(c) Recalculate the totals on the certification letters to determine if they are mathematically correct.	(c) The totals on the certification letters for the certifications related to the quarters ended December 31, 1997, and March 31, 1998, were mathematically correct.

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
<p>(d) Trace the gross certified amounts for underground mined coal at \$1.10 per ton (abstract 36), underground mined coal at 4.4 percent of the sales price (abstract 37), surface mined coal at \$0.55 per ton (abstract 38), and surface mined coal at 4.4 percent of sales price (abstract 39) from the certification letter back to the "Report of Excise Tax Collection."</p>	<p>(d) The gross certified amounts for underground mined coal at \$1.10 per ton (abstract 36), underground mined coal at 4.4 percent of the sales price (abstract 37), surface mined coal at \$0.55 per ton (abstract 38) and surface mined coal at 4.4 percent of sales price (abstract 39) did not agree with the "Report of Excise Tax Collection" because IRS incorrectly reversed some prorated collections related to previous quarters from its December 31, 1997, certification.</p> <p>As a result, IRS understated gross prorated collections related to BLDTF by approximately \$3.3 million on its certification for the quarter ended December 31, 1997. IRS subsequently made adjustments on its BLDTF certification for the quarter ended June 30, 1998, which was completed in December 1998, to correct the error.</p>

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
	(d) Additionally, IRS did not reverse the total amount of "estimates" <sup>k</sup> included in the previous quarter's certification. Since the "estimates" are not supported by underlying tax returns or collections, the amounts IRS certified to BLDTF in fiscal year 1998 were overstated by approximately \$5 million. IRS did not make any adjustment on later fiscal year 1998 BLDTF certifications to correct this error.
(4) FMS adjustments	
(a) Compare the FMS adjustment made to the BLDTF for fiscal year 1998 with original OTA estimates and IRS certified amounts to see if these agree with the supporting schedules. Recompute the difference between the OTA estimate and final IRS certified amount to see if the amount agrees with the difference computed by FMS.	(a) For the FMS adjustments made to BLDTF, the original OTA estimates and IRS certified amounts agreed with the supporting schedule. The independently recalculated differences between the OTA estimates and the final IRS certified amounts for BLDTF for the quarters ended December 31, 1997--(\$5,243,735)--and March 31, 1998--(\$7,524,000)--agree with the difference computed by FMS.

<sup>k</sup>Under IRS' previous certification process, which was used for the June 30, 1997, and September 30, 1997, certification, the AQETL system added estimated tax amounts to the gross certified tax if a taxpayer's return was not posted to the master file when the certification was performed. IRS believed the accuracy of the specific quarter's certifications would be improved by including these estimates. The AQETL system would subsequently reverse the estimated amounts from the following quarter's certification, which would include the actual amounts per the return. When IRS began its new certification process that started with the December 31, 1997, certification, it reversed actual prorated collections related to previous quarters rather than the amount that had been originally estimated. These amounts differed by approximately \$5 million.

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
<p><b>(C) PROCEDURES PERFORMED FOR FISCAL YEAR 1998 EXCISE TAX DISTRIBUTIONS RELATED TO THE QUARTER ENDED JUNE 30, 1998</b></p>	
<p>(1) Receipt certifications</p>	
<p>(a) Inspect the certification letter for authorizing signature.</p>	<p>(a) The certification letter for the certification related to the quarter ended June 30, 1998, had an authorizing signature.</p>
<p>(b) Determine if evidence exists that the certification letter was checked by the supervisor or another analyst.</p>	<p>(b) There was evidence that data on the BLDTF certification letter and documents supporting the certification results for the certification related to the quarter ended June 30, 1998, were checked by another analyst.</p>
<p>(c) Recalculate the totals on the certification letter to determine if they are mathematically correct.</p>	<p>(c) The totals on the certification letter for the certification related to the quarter ended June 30, 1998, were mathematically correct.</p>
<p>(d) Trace the gross certified amounts for underground mined coal at \$1.10 per ton (abstract 36), underground mined coal at 4.4 percent of the sales price (abstract 37), surface mined coal at \$0.55 per ton (abstract 38), and surface mined coal at 4.4 percent of sales price (abstract 39) from the certification letter to the "Report of Excise Tax Collection."</p>	<p>(d) The gross certified amounts for underground mined coal at \$1.10 per ton (abstract 36), underground mined coal at 4.4 percent of the sales price (abstract 37), surface mined coal at \$0.55 per ton (abstract 38), and surface mined coal at 4.4 percent of sales price (abstract 39) agreed with the related amounts on the "Report of Excise Tax Collection."</p>

Agreed-upon procedures	Description of findings and results
(2) FMS adjustments	
(a) Compare the FMS adjustment made to BLDTF for fiscal year 1998 with original OTA estimates and IRS certified amounts to see if these agree with the supporting schedules. Recompute the difference between the OTA estimate and final IRS certified amount to see if the amount agrees with the difference computed by FMS.	(a) For the FMS adjustments made to BLDTF, the original OTA estimates and IRS certified amounts agreed with the supporting schedule. The independently recalculated differences between the OTA estimates and the final IRS certified amounts for BLDTF for the quarter ended June 30, 1998—(\$418,000)—agree with the difference computed by FMS.
<b>(D) PROCEDURES PERFORMED FOR FISCAL YEAR 1998 EXCISE TAX DISTRIBUTIONS RELATED TO THE QUARTER ENDED SEPTEMBER 30, 1998</b>	
(1) OTA estimation process	
(a) Determine if the OTA has a process to determine whether new legislation affecting excise tax receipts is identified and included in the receipt estimates.	(a) OTA has a process for identifying and including new laws and regulations affecting excise tax receipts into its receipt estimates. This process includes consultations with Treasury's Tax Legislative Counsel, IRS' Chief Counsel, Office of Management and Budget, and the Joint Committee on Taxation. These communications are not routinely documented.

Agreed-upon procedures	Description of findings and results
	<p>An OTA tax rate table is used to capture information relating to legislation that affects tax rates, tax basis, accounts, and deposit rules in effect during the tax period and to communicate this information to interested parties at Treasury and the Department of Labor (DOL). OTA does not obtain documentation indicating review and concurrence with the information in this table by relevant Treasury offices or DOL.</p>
	<p>OTA does not routinely compile a comprehensive listing of laws and regulations that affect the receipt estimates.</p>
<p>(b) Determine if OTA has a process that considers the views of DOL prior to its finalizing of the receipt estimates.</p>	<p>(b) OTA has a process that considers the views of DOL prior to its finalizing the receipt estimates. During the development of the receipt estimates, OTA staff economists communicate with analysts at DOL about the development of the estimates. These communications are not documented. Prior to finalizing the full year estimates, which are the basis for the monthly tax distributions, OTA transmits the full year estimates to the DOL for their review. The documentation maintained does not indicate the nature of review comments and whether DOL concurred with the final estimates.</p>

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
<p>(c) Determine if OTA has a review process to ensure that new information received between the budget preparation cycles is reflected in the receipt estimates.</p>	<p>(c) OTA has a review process to ensure that new information received between the budget preparation cycles is reflected in the receipt estimates. At least two reviews are conducted by OTA's Director of the Revenue Estimation Division (RED) for the impact of various technical, economic, and legislative factors on the receipt estimates. The Director of RED reviews the changes to the earlier forecasts, provides input to each staff economist as appropriate, and approves the changes to the forecasts. Documentation of review comments is not maintained and Director approval of the final changes is not documented by signature.</p>
	<p>The Director of RED reviews the monthly receipt forecasts prepared by OTA staff economists, which are based on the fiscal year forecasts described above, and indicates his concurrence by his signature on the monthly transfer documents transmitted to FMS.</p>
	<p>The Director of RED reviews the adjustments prepared by OTA staff economists for the impact of new legislation enacted in the period between the budget cycles and indicates his concurrence by his signature on the adjustment and transmittal memo to FMS.</p>

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
<p>(d) Determine if OTA has a process to consider the impact of variances between actual and previously forecasted excise tax receipts and incorporate these into its receipt estimates.</p>	<p>(d) OTA has a process to consider the impact of variances between actual and previously forecasted excise tax receipts and incorporate these into its receipts estimation process. OTA compares prior estimates of excise tax receipts to actual excise tax collections as reported by Treasury's FMS, to adjust its excise tax receipts estimation models.<sup>1</sup> In addition, OTA staff economists review the differences between prior quarterly estimates and IRS certified amounts at the trust fund level. This information is considered along with other factors to determine if adjustments to the excise tax receipts estimation models are warranted.</p>

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<sup>1</sup>OTA uses economic models to develop estimates for the amounts of excise tax receipts to be transferred to BLDTF.

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
<b>(E) OTHER PROCEDURES RELATED TO TOTAL FISCAL YEAR 1998 EXCISE TAX DISTRIBUTIONS</b>	
(1) Compare total fiscal year 1998 excise taxes distributed to BLDTF with drafts of the 1) Bureau of Public Debt's (BPD) financial statements for BLDTF and 2) DOL consolidated financial statements to determine if they materially agree.	(1) Fiscal year 1998 excise taxes distributed to the BLDTF materially agreed with drafts of the 1) BPD financial statements for BLDTF and 2) DOL consolidated financial statements with one exception. BPD and DOL omitted the FMS adjustment for the quarter ended June 30, 1998, in the amount of \$418,000 because they determined that it was immaterial.
<b>(F) OTHER PROCEDURES</b>	
(1) Performed as part of fiscal year 1998 IRS financial statement audit	
(a) Use DUS to extract statistical samples of 1) total revenue receipts and 2) refunds from IRS master files for the first 9 months of fiscal year 1998. For each item in the sample of revenue receipts and refunds, test that the collection or refund amount and tax class from source documentation agrees with amounts recorded in IRS master files.	(a) Detailed testing of the total of 413 revenue collection and 109 refund sample transactions did not reveal any instances of misclassification related to excise taxes.

<u>Agreed-upon procedures</u>	<u>Description of findings and results</u>
<p>(b) Review selected service center's monthly Treasury 224 reconciliations by tax class<sup>m</sup> to determine if IRS-reported revenue receipts and refunds, including excise taxes, are properly classified and reconciled to Treasury FMS records.</p>	<p>(b) - Tax revenue collections reported by selected IRS service centers via the monthly Treasury 224 reconciliation process were properly classified and materially<sup>n</sup> agreed with Treasury FMS records.</p> <p>- Total refunds reported by selected IRS service centers via the monthly Treasury 224 reconciliation process materially agreed with Treasury FMS records.</p>
<p>(c) Perform a proof of cash for fiscal year 1998 to determine whether revenue receipt balances, by tax class, including excise tax, and refund balances per IRS' general ledger materially agree with IRS' master files and Treasury records.</p>	<p>(c) - Fiscal year-end tax collection balances for all the classes, including excise taxes, per IRS' general ledger materially agreed with IRS' master files and with Treasury records.</p> <p>- Fiscal year-end refund balances per IRS' general ledger materially agreed with the master file and with Treasury records.</p>

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<sup>m</sup>IRS assigns a tax class number to specific types of taxes. Excise taxes are Tax Class 4.

<sup>n</sup>For the purposes of this section, we defined materiality as \$17 billion.

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