



*The Taxpayer Assistance Blueprint Phase 2
Was Generally Reliable, but Oversight of the
Survey Design Needs Improvement*

February 5, 2008

Reference Number: 2008-40-059

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.




TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 5, 2008

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: 
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Taxpayer Assistance Blueprint Phase 2 Was Generally Reliable, but Oversight of the Survey Design Needs Improvement (Audit # 200740012.002)

This report presents the results of our review to assess the accuracy and reliability of the data used to develop the Taxpayer Assistance Blueprint (TAB) Phase 2 report. This is the second phase of our review of the Taxpayer Assistance Blueprint. We conducted the first phase on the TAB Phase 1 report¹ and reported that the majority of the information reviewed was accurate.

Impact on the Taxpayer

The TAB Phase 2 report outlines the Internal Revenue Service (IRS) strategic plan to enhance the services it provides to taxpayers. The IRS developed and implemented a Quality Assurance process that helped ensure the accurate and reliable reporting of information contained in the TAB Phase 2 report. However, improvements are needed to ensure that taxpayer survey results are reliable and consistent. As the IRS moves forward with its 5-year service delivery plan, inconsistencies in the surveys will put the plan at risk of improperly aligning service content, delivery, and resources with taxpayer and partner expectations.

¹ *The Strategic Improvement Themes in the Taxpayer Assistance Blueprint Phase I Report Appear to Be Sound; However, There Were Some Inaccurate Data in the Report* (Reference Number 2007-40-078, dated May 18, 2007).



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Synopsis

In July 2005, Congress issued a report requesting that the IRS develop a 5-year plan for taxpayer service activities;² in November 2005, Congress requested that the IRS report to the House and Senate subcommittees by April 14, 2006. The TAB Phase 2 report details research and analyses efforts of the IRS and outlines the TAB Strategic Plan.

More than 100 data sources were developed to support information contained in the TAB Phase 2 report. A review of 29 judgmentally selected statements identified 7 (24 percent) as inaccurate. However, none of the inaccuracies were significant. Continued refinement in the Quality Assurance process will ensure the accuracy and reliability of results and conclusions being drawn from the additional planned research.

Inaccuracies identified were not the result of errors in data analyses but incorrect wording in the report.

Much of the understanding of taxpayer needs, preferences, and behaviors was developed from responses to four surveys. Because the IRS had a limited time to issue the TAB Phase 1 and Phase 2 reports, it decided to include the results of two existing surveys, along with the *TAB Conjoint II Study* and the *Opinion Survey of Taxpayer Resources and Services*, to gain a better understanding of taxpayer needs, preferences, and behaviors. The methods in which the surveys were conducted, sampling methodologies, number of respondents, and time periods of the surveys differed. Therefore, at times the surveys produced very different estimates on closely related questions, making comparison among the four surveys difficult.³

The IRS drew correct conclusions based on the survey results included in the TAB Phase 2 report.

The IRS acknowledged this and stated that it generally selected results from a single survey when illustrating a predominant pattern and reporting results. Testing did not show that the IRS drew incorrect conclusions based on the survey results included in the TAB Phase 2 report. Nevertheless, as the IRS moves forward with additional research and surveys, it should ensure that the survey designs and survey questions are more comparable so the results can be more effectively and efficiently analyzed and used to draw conclusions and make decisions.

The four surveys were conducted with the assistance of outside contractors. Although one of the contracts awarded included specific steps the contractor was to follow to ensure the

² United States Congress, Senate Report 109-109. *Transportation, Treasury, The Judiciary, Housing and Urban Development, and Related Agencies Appropriations Bill, 2006: Internal Revenue Service, Processing, Assistance and Management, Committee Recommendation*, July 26, 2005.

³ Appendices IV and V detail the method in which the surveys were conducted and give examples of specific questions with the different options for respondents.



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completeness and accuracy of documentation compiled, the IRS did not ensure that these required steps were followed. The contract required the contractor to (1) provide scanned images of surveys to the IRS quarterly and (2) select and review 10 percent of the survey responses to ensure the quality of the information being compiled. There was no documentation that either action was completed.

As the IRS moves forward with its research and surveys, it should ensure that contractors comply with documentation and quality standards. This will provide additional assurance as to the usability and reliability of the results and the conclusions drawn from them.

Recommendations

The Commissioner, Wage and Investment Division, should ensure: (1) the Quality Assurance process and requirements are thoroughly documented and formalized, (2) survey instruments are consistent to enable comparisons of results and reliable conclusions, and (3) contractors maintain adequate documentation supporting the results of the survey and have a process in place to ensure the accuracy of the information being compiled and provided to the IRS.

Response

IRS management agreed with all of our recommendations. Management will incorporate the Quality Assurance process and requirements implemented during the TAB Phase 2 report into their Research and Analysis Project Guidelines. They will document the substantive procedures for review of text results, use and application of methodology, and detail the variety of data analyses. Management will define standard demographic criteria for use in future TAB-related research and is reviewing a number of surveys to clarify wording of standard questions, such as for demographic information and questions relating to taxpayer satisfaction. Finally, for future Wage and Investment Division, Office of Research and Analysis contracts, management will require that contractors providing support to develop, administer, and analyze surveys that will employ a robust quality assurance process and document the basis of the survey results. Management's complete response to the draft report is included as Appendix VI.

Please contact me at (202) 622-6510 if you have questions or Michael E. McKenney, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 622-5916.



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Abbreviations

IRS	Internal Revenue Service
TAB	Taxpayer Assistance Blueprint



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Background

In July 2005, Congress issued a report requesting that the Internal Revenue Service (IRS) develop a 5-year plan for taxpayer service activities;¹ in November 2005, Congress requested that the IRS report to the House and Senate subcommittees by April 14, 2006. The plan was to include strategic, quantitative long-term goals that balance enforcement and service activities.² The Senate Committee Report stated the plan should outline the services the IRS should provide to improve service to taxpayers. The plan was also to detail how the IRS intends to meet the service needs on a geographic basis and address how it would improve taxpayer service based on reliable data. The plan was to be developed with the IRS Oversight Board³ and the National Taxpayer Advocate.⁴

On April 24, 2006, the IRS issued its Taxpayer Assistance Blueprint (TAB) Phase 1 report, which presented the following five strategic improvement themes:

Strategic Improvement Themes
1. Improve and expand education and awareness activities.
2. Optimize the use of partner services.
3. Elevate self-service options to meet taxpayer expectations.
4. Improve and expand training and support tools to enhance assisted services.
5. Develop short-term performance and long-term outcome goals and metrics.

Source: *The TAB Phase 1 report.*

¹ United States Congress, Senate Report 109-109. *Transportation, Treasury, The Judiciary, Housing and Urban Development, and Related Agencies Appropriations Bill, 2006: Internal Revenue Service, Processing, Assistance and Management, Committee Recommendation*, July 26, 2005.

² United States Congress, Conference Report 109-307. *Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing Assistance, and Management (Including Rescission of Funds)*, November 14, 2005.

³ A nine-member independent body charged with overseeing the IRS in its administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws and to provide experience, independence, and stability to the IRS so it may move forward in a cogent, focused direction.

⁴ The National Taxpayer Advocate heads the Taxpayer Advocate Service, which is an independent organization within the IRS whose employees assist taxpayers who are seeking help in resolving tax problems that have not been resolved through normal channels.



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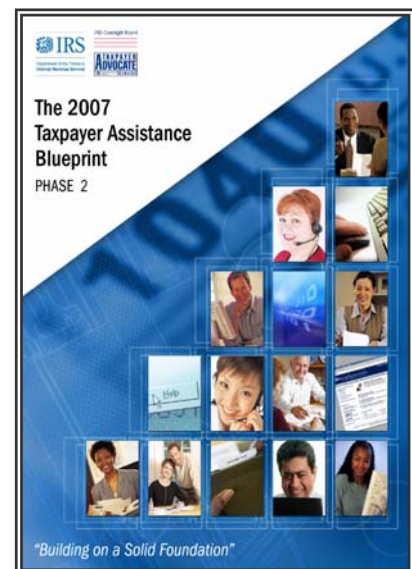
We conducted an audit on the TAB Phase 1 report⁵ and reported that the majority of the information reviewed was accurate. However, inaccuracies in the report related to changes in Taxpayer Assistance Center⁶ visits and the number of telephone calls answered. In addition, the IRS did not ensure consistency between income and generational analyses and conclusions. The inconsistencies relating to income and generational segmentation did not affect the resulting strategic improvement themes outlined in the TAB Phase 1 report.

IRS management responded that, prior to the completion of our TAB Phase 1 audit report, a thorough Quality Assurance process was developed and implemented for the TAB Phase 2 report. Experienced analysts validated information in the TAB Phase 2 report, including all citations, reference documents, and data presented. This Quality Assurance process was also thoroughly documented. The IRS believes the result is an accurate and well-documented TAB Phase 2 report.

Overview of the TAB Phase 2 report

Issued in April 2007, the TAB Phase 2 report details the IRS' research and analyses efforts and outlines the TAB Strategic Plan, which is the future of service delivery as envisioned collaboratively by the IRS, the Oversight Board, and the National Taxpayer Advocate. Within the scope of the TAB Strategic Plan, portfolios of service improvements, performance measures, and additional research projects comprise a solid foundation for the future of service at the IRS. The research results presented are not exhaustive or all-inclusive but instead focus on presenting baselines, trends, and tendencies. The work started with the TAB will continue as the IRS works to expand and refine its knowledge.

The TAB Phase 2 report identifies the following five areas for improvement of IRS service delivery within the strategic environment to increase value to all stakeholders.



1. Channel and Service Capability

Goal: Align service tasks and channels with the most effective and efficient methods of delivery possible.

⁵ *The Strategic Improvement Themes in the Taxpayer Assistance Blueprint Phase I Report Appear to Be Sound; However, There Were Some Inaccurate Data in the Report* (Reference Number 2007-40-078, dated May 18, 2007).

⁶ An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face to face.



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2. Channel and Service Performance

Goal: Strengthen performance across services and channels by improving first contact resolution, promptness of service, and accuracy of information.

3. Channel and Service Awareness

Goal: Improve awareness of services and channels to taxpayers and partners to facilitate their choice of the most effective and efficient service delivery options.

4. Burden Reduction

Goal: Reduce burden to taxpayers and partners by improving the effectiveness and efficiency of service delivery.

5. Migration to the Electronic Channel and Services

Goal: Enhance stakeholder value by helping to move taxpayers and partners who are willing and able to specific services that are most effectively and efficiently delivered through the electronic channel.

The TAB Phase 2 report provides an analysis of current IRS services and channels, along with taxpayer needs, preferences, and behaviors resulting from four surveys. It also presents guiding principles and a strategic plan for taxpayer services. The TAB Strategic Plan includes performance measures, service improvements portfolios, and an implementation strategy.

This review was performed at the IRS Wage and Investment Division, Taxpayer Services Program Management Office and the Strategy and Finance function Research Office in Atlanta, Georgia, during the period April through October 2007. 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. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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Results of Review

An Improved Quality Assurance Process Helped Ensure the Reliability and Accuracy of Data

In response to inaccuracies and inconsistencies identified during our review of the TAB Phase 1 report, the IRS developed and implemented a Quality Assurance process that helped ensure the accurate and reliable reporting of information for the TAB Phase 2 report. In addition, the process facilitated an independent third-party assessment. The Quality Assurance process included the following actions:

- Training personnel involved in the various stages of the report's development process, including personnel responsible for performing the research detailed in the report, indexing information in the report to supporting documentation, and quality reviewing the report for accuracy.
- Requiring an indepth review and verification of the report text, data points, charts, and footnotes. In addition, computer links were verified as being accurate with source documents required to be located and touched to verify their existence and the accuracy of the information the documentation supported.
- Developing a Quality Review Template that tracks citations (statements supported by footnotes) from the report, including the names of the individuals who performed the Quality Assurance process reviews of the citations and the steps taken to review them.
- Developing a template, called an analytic, to assist in an independent review of the TAB Phase 2 report and its supporting documentation. Research analysts were required to develop the analytic that details the specific methodology and steps the analysts followed to arrive at their research results. The analytic provided our auditors with an understandable path to the research results supporting the TAB Phase 2 report, thus reducing the time it took to review the documentation and validate the results.

***More than 100 data sources
were developed to support
information contained in the
TAB Phase 2 report.***

More than 100 data sources were developed to support information contained in the TAB Phase 2 report. A review of 29 judgmentally selected statements identified 7 (24 percent) as inaccurate. However, none of the inaccuracies were significant. One inaccuracy had been previously identified by IRS Quality Assurance process reviewers, but the IRS decided not to call the report back from printing because the inaccuracy was insignificant. In addition, the



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inaccuracies identified were not the result of errors in the data analyses but rather incorrect wording in the report.

Nevertheless, improvements can be made to further increase the effectiveness of the Quality Assurance process. Although a number of training courses were held, written guidance was not always provided to analysts to explain how to document their data analyses, which at times can be complex.

Without written guidance, documentation may not be complete and independent reviewers may not have the required information to reach the same conclusions. In addition, documentation was not always maintained to support the steps performed during the Quality

Assurance process. In five instances, we were unable to determine what actions the Quality Assurance process reviewers performed to validate the specific statements.

Improvements can be made to further increase the effectiveness of the Quality Assurance process.

The IRS has included a request for \$15 million in its Fiscal Year 2008 budget to conduct additional research, which included measuring the effect of service on taxpayer compliance. Continued refinement in the Quality Assurance process will ensure the accuracy and reliability of results and conclusions being drawn from the additional planned research.

Recommendation

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Ensure the Quality Assurance process and requirements are thoroughly documented and formalized. The written guidelines should require a documented process detailing the review of text results, the development of analytics detailing specific methodology and steps taken when performing data analyses, and a process to ensure that analysts are adhering to documentation requirements.

Management's Response: IRS management agreed with this recommendation. Management will incorporate the Quality Assurance process and requirements implemented during the TAB Phase 2 report into their Research and Analysis Project Guidelines. They will document the substantive procedures for review of text results, use and application of methodology, and detail the variety of data analyses. Documentation requirements will be highlighted throughout the written Quality Assurance guidelines and will focus on the core principle of reproducibility of results.

Improvements Are Needed to Ensure That Taxpayer Survey Results Are Reliable and Consistent

Much of the IRS' understanding of taxpayer needs, preferences, and behaviors was developed from responses to four surveys. Only two surveys, the *TAB Conjoint II Study* and the *Opinion*



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Survey of Taxpayer Resources and Services, were commissioned specifically for the TAB. The other two surveys were developed outside the TAB strategy.

- The *Taxpayer Customer Service and Channel Preference Survey* was conducted to understand taxpayer use of and preferences for IRS service channels.⁷ Analyses of responses also identified taxpayer attitudes toward tax service and administration in general. Survey data were gathered from 1,101 respondents during the period March 19 through April 13, 2006.
- The *TAB Conjoint II Study* was conducted to determine taxpayer preferences for contacting the IRS to resolve tax-related issues and for assistance with tax return preparation and filing. The survey also gathered information about taxpayers' past experiences contacting the IRS. Survey data were gathered from 2,196 respondents during the period June 23 through July 5, 2006.
- The *Opinion Survey of Taxpayer Resources and Services* was conducted to gain insight about taxpayer awareness of, prior use of, expectations for, and future willingness to use IRS and non-IRS tax-related resources and services. Survey data were gathered from 8,160 respondents during August 2006.
- The *2006 Wage and Investment Market Segment Survey* was conducted to help the IRS understand taxpayer needs, preferences, and behaviors; reveal use and acceptance of key Wage and Investment Division products and services; and provide feedback for education and outreach functions. Survey data were gathered from 3,114 respondents during the period June through August 2006.

The *Taxpayer Customer Service and Channel Preference Survey* was commissioned by the Oversight Board. The remaining three surveys were either commissioned or conducted by the IRS.

The surveys were not consistently designed, making comparisons difficult

Because the IRS had a limited time to issue the TAB Phase 1 and Phase 2 reports, it decided to include the results of two surveys developed outside the TAB strategy, along with the results of the *TAB Conjoint II Study* and the *Opinion Survey of Taxpayer Resources and Services*, to gain a better understanding of taxpayer needs, preferences, and behaviors. However, the methods in which the surveys were conducted, sampling methodologies, number of respondents, and

Comparison of surveys was difficult because different methods were used to conduct the surveys, similar questions were worded differently, and/or taxpayers were offered different choices of responses for similar questions.

⁷ Service channels are the means for obtaining taxpayer services, including telephone, face-to-face, electronic, and written correspondence.



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time periods of the surveys differed. At times, the surveys produced very different estimates on closely related questions, making a comparison among the four surveys difficult.⁸ The IRS acknowledged this and stated that it generally selected results from a single survey when illustrating a predominant pattern and reporting results included in the TAB Phase 2 report.

Overall, IRS conclusions from the survey results included in the TAB Phase 2 report appeared to be sound. Nevertheless, the following four examples demonstrate the differences in the surveys and the challenges the IRS had in attempting to analyze and compare the results.

Example 1: In an attempt to identify the percentage of taxpayers who had contacted the IRS during a given time period, the IRS used questions from each of the four surveys. The results varied from 27 percent to 43 percent. The IRS acknowledged the *Opinion Survey of Taxpayer Resources and Services* low estimate and concluded the lower estimate likely occurred because the *Survey's* questions covered a short time interval and the *Survey* did not include contacts with respondents after they had filed their Tax Year 2005 tax returns. Figure 1 presents a comparison of the questions, the related choices, the different time periods covered, and the results.

Figure 1: Percentage of Taxpayers Who Had Contacted the IRS

Survey	Sources and Service Channels	Time Period	Percentage of Taxpayers
The <i>Taxpayer Customer Service and Channel Preference Survey</i> asked respondents 1 question on whether they had contacted the IRS in the last 2 years for any reason. Five service channels were provided for respondents to select.	Email, IRS Telephone, IRS Office Visit, IRS Web Site, Postal Service	Past 2 Years	41 percent
The <i>TAB Conjoint II Study</i> asked respondents 4 separate questions about service channels they had used in the last 2 years. Each of the four questions was specific to a service channel.	IRS Telephone, IRS Office Visit, IRS Web Site, Postal Service	Past 2 Years	41 percent

⁸ Appendices IV and V detail the methods in which the surveys were conducted and give examples of specific questions with the different options for respondents.



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Survey	Sources and Service Channels	Time Period	Percentage of Taxpayers
The <i>Opinion Survey of Taxpayer Resources and Services</i> asked respondents to select the resources and services used when completing their Tax Year 2005 returns. Sixteen choices (including six sources and seven IRS service channels) were provided for respondents to select. ⁹	Accountant, Books, Email, IRS Forms and Publications, IRS Kiosk, IRS Office Visit, IRS Telephone, IRS Web Site, Non-IRS Web Site, Postal Service, Tax Preparation Company, Tax Preparation Software, Volunteer Tax Preparation	Filing Season 2006 ¹⁰	27 percent
The <i>2006 Wage and Investment Market Segment Survey</i> asked eight separate questions. <ul style="list-style-type: none"> • Four questions asked if respondents had contacted the IRS in the past year. • One question asked respondents how they had handled the most recent notice. • One question asked respondents to identify where they had obtained their tax forms and instructions. Fifteen choices¹¹ (including 10 non-IRS channels and 3 IRS service channels) were provided. 	Accountant, Bank, Copy Center, Email, Employer, IRS Kiosk, IRS Telephone, IRS Office Visit, IRS Web Site, Library, Other Government Office, Non-IRS Web Site, Postal Service, Some Other Place, Tax Preparation Software, Volunteer Tax Preparation	Past 1 year	43 percent

⁹ The two choices “I did not use any of the above resources or services” and “Not applicable” were not included in Figure 1. In addition, the two choices for the toll-free telephone operations (automated and representative) are reflected under the category of telephone. Some choices are repeated in different questions. See Appendix IV for questions.

¹⁰ Filing Season is the period from January through mid-April when most individual income tax returns are filed.

¹¹ The two choices “Do not know” and “Refused” were not included in Figure 1. See Appendix IV for questions.



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Survey	Sources and Service Channels	Time Period	Percentage of Taxpayers
<ul style="list-style-type: none"> • Two questions asked if there was a need to contact the IRS for assistance with their tax returns and, if so, how they had contacted the IRS. Seven service channels were provided for selection.¹² 			
<p>TAB Phase 2 Report Conclusion: Between 41 percent and 43 percent of all taxpayers contacted the IRS directly for help over a 1-year to 2-year period.</p>			

Source: *The 2007 TAB Phase 2 report and related surveys.*

Example 2: The *Opinion Survey of Taxpayer Resources and Services* asked respondents about customer service channels about which they had little knowledge or experience, while the *2006 Wage and Investment Market Segment Survey* did not ask respondents to evaluate or even respond to questions regarding IRS customer service channels they had not used.

Example 3: All four surveys included questions to determine how taxpayers prepared their tax returns, but each survey provided respondents with different choices.¹³

- The *Taxpayer Customer Service and Channel Preference Survey* asked respondents what main individual prepared their Federal tax returns. Seven choices were provided.
- The *TAB Conjoint II Study* asked respondents what main person prepared their most recent tax returns. Three choices were provided.
- The *Opinion Survey of Taxpayer Resources and Services* asked respondents to select the resources and services used when completing their Tax Year 2005 returns. Sixteen choices were provided.
- The *2006 Wage and Investment Market Segment Survey* asked respondents who prepared their tax returns. Eight choices were provided.

Example 4: The number of respondents for the 4 surveys varied from more than 1,000 to more than 8,000, making it difficult to compare the percentages among them and to analyze the overall results. The IRS' attempt to analyze the results for similar questions in different surveys resulted in different percentages (see Figure 1). The IRS, for example, would choose to use the responses from the survey with the highest population or number of respondents, assuming the higher the

¹² Three of the 7 channels were also included in the 16 choices shown. Some choices are repeated in different questions. See Appendix IV for examples of questions.

¹³ See Appendix V for a list of questions and choices.



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population of respondents, the lower the margin of error. However, there are statistical methods to test whether two percentages from different populations are equal.

Considerable effort and resources were used to administer the surveys, analyze the results, and draw conclusions that could be used to make decisions on taxpayer service delivery. As the IRS moves forward with additional research and surveys, it should ensure that the survey designs and survey questions are consistent and more comparable. Consistency will ensure that the survey results can be more effectively and efficiently analyzed and used to draw conclusions and make decisions.

The IRS should ensure that contractors follow documentation and quality assurance requirements for the surveys

The four surveys were conducted with the assistance of outside contractors. Although one of the contracts awarded included specific steps the contractor must follow to ensure the completeness and accuracy of documentation compiled, the IRS did not ensure that these required steps were followed.

During tests of the data for one survey, auditors identified blank responses (respondents did not appear to answer the questions). Auditors attempted to obtain copies of the survey responses to determine the reason for the blank responses and how they affected survey results. The contract required the contractor to (1) provide scanned images of surveys quarterly and (2) select and review 10 percent of the survey responses to ensure the quality of the information being compiled. There was no documentation that either action was completed. The scanned images were destroyed along with the hard copies of the surveys. As a result, our auditors were unable to validate the overall results of the survey. In addition, because the contractor did not complete the required 10 percent review of the survey responses, the risk increases that the survey results are misleading or inaccurate.

One contractor did not perform steps to ensure that data were accurate and complete.

Internal controls should be in place to ensure that management's directives are carried out. Control activities should occur at all levels and functions and include a wide range of activities, including creation and maintenance of related records that provide evidence of the execution of these activities as well as appropriate documentation.

As the IRS moves forward with its research and surveys, it should ensure that contractors comply with documentation and quality standards. This will provide additional assurance as to the usability and reliability of the results and the conclusions drawn from them.



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Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 2: Ensure survey instruments are consistent to enable comparisons of results and reliable conclusions.

Management's Response: IRS management agreed with this recommendation. Management will define standard demographic criteria for use in future TAB-related research and is reviewing a number of surveys to clarify wording of standard questions, such as for demographic information and questions relating to taxpayer satisfaction.

Recommendation 3: Ensure contractors maintain adequate documentation supporting the results of the survey and have a process in place to ensure the accuracy of the information being compiled and provided to the IRS.

Management's Response: IRS management agreed with this recommendation. For future Wage and Investment Division, Office of Research and Analysis contracts, they will require that contractors providing support to develop, administer, and analyze surveys employ a robust quality assurance process and document the basis of the survey results.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to assess the accuracy and reliability of the data used to develop the TAB Phase 2 report. To accomplish this objective, we:

- I. Assessed the reliability of the IRS Quality Assurance process followed for validating information included in the TAB Phase 2 report.
 - A. Met with IRS officials to discuss the process followed for validating the TAB Phase 2 report.
 - B. Selected a judgmental sample of 29 statements from the 5 sections of the Tab Phase 2 report and reviewed supporting documentation provided by the IRS to determine if the information contained evidence that the data were validated. The judgmental sample included both income and generational segmentation, which were issues in the prior Treasury Inspector General for Tax Administration report.
 - C. Validated a judgmental sample of 29 statements by following the IRS' methodology to ensure that the output was the same as the IRS results and, in addition, determined if the information contained evidence that the data were accurate.
- II. Determined if documentation and validation standards exist and were incorporated into the Wage and Investment Division Research function analyses of data by identifying IRS and Federal Government-wide standards.
- III. Determined the accuracy of the statements cited in the TAB Phase 2 report.
 - A. From the judgmental sample of 29 statements reflected in the TAB Phase 2 report, identified the source information supporting the statements.
 - B. Reviewed the source documents provided by the IRS to determine the accuracy of the source data and the accuracy of the TAB Phase 2 report statements.
- IV. Assessed the methodology and performance of the four major surveys.
 - A. Provided survey methodology and results to a contract statistician to assess the methodology and performance of the four surveys.
 - B. Provided survey results to an external statistician to review the results, to determine if weighting and projection are sound.



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Appendix II

Major Contributors to This Report

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Russell P. Martin, Audit Manager

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Robert Howes, Senior Auditor

Kathy Coote, Auditor

Roberta Fuller, Auditor

Kevin O’Gallagher, Information Technology Specialist



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Appendix III

Report Distribution List

Acting Commissioner C
Office of the Commissioner – Attn: Acting Chief of Staff C
Deputy Commissioner for Operations Support OS
Deputy Commissioner for Services and Enforcement SE
Chief, Agency-Wide Shared Services OS:A
Deputy Commissioner, Wage and Investment Division SE:W
Director, Customer Assistance, Relationships, and Education, Wage and Investment Division
SE:W:CAR
Acting Director, Strategy and Finance, Wage and Investment Division SE:W:S
Director, Taxpayer Services Program Management Office, Wage and Investment Division
SE:W:TSPMO
Chief, Performance Improvement, Wage and Investment Division SE:W:S:PI
Director, Stakeholder Partnerships, Education, and Communication, Wage and Investment
Division SE:W:CAR:SPEC
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluations and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Senior Operations Advisor, Wage and Investment Division SE:W:S



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Appendix IV

Inconsistent Survey Questions – How Taxpayers Contacted the Internal Revenue Service

The following survey questions demonstrate the different methodologies in which the surveys were conducted and provide examples of specific questions with the different options for respondents.

Taxpayer Customer Service and Channel Preference Survey: This survey was conducted by telephone using random digit dialing.

Did you contact the IRS in any of the following ways in the last 2 years for any reason?

a. Called the IRS on the telephone.

- Yes
- No
- Do not know

b. Visited an IRS office for in-person help.

- Yes
- No
- Do not know

c. Wrote an email to the IRS.

- Yes
- No
- Do not know

d. Visited the IRS web site, other than to file taxes.

- Yes
- No
- Do not know

e. Sent the IRS a letter in the mail, other than to file taxes.

- Yes
- No
- Do not know



*The Taxpayer Assistance Blueprint Phase 2 Was Generally
Reliable, but Oversight of the Survey Design
Needs Improvement*

TAB Conjoint II Study: This survey was conducted through the Internet or via television top box (provided to those without computer access).

Have you visited a local IRS office for any reason in the last 2 years (24 months)?

Yes
No

Have you tried calling the IRS Toll Free telephone line in the last 2 years?

Yes
No

Have you visited the IRS web site in the last 2 years?

Yes
No

The IRS also answers questions through regular mail. Have you sent a letter to the IRS with a tax question in the last 2 years?

Yes
No

Opinion Survey of Taxpayer Resources and Services: This survey was conducted using questionnaires mailed to taxpayers and returned by mail.

Which of the following tax resources and services, if any, did you use when completing your 2005 tax return? (The respondent was instructed to select all answers that applied).

1. IRS forms and instruction booklets.
2. IRS web site (www.irs.gov).
3. IRS Taxpayer Assistance Centers¹ (walk-in sites).
4. Automated IRS telephone system.
5. IRS telephone representatives.
6. Email with the IRS.
7. Written correspondence with the IRS (other than email).
8. IRS Kiosk (similar to an Automated Teller Machine).
9. Volunteer tax preparation clinics.
10. Tax preparation company.
11. Non-IRS books and publications.
12. Personal accountant/bookkeeper.
13. Tax preparation software.

¹ An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face to face.



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14. Internet web sites (other than the IRS web site).
15. I did not use any of the above resources or services.
16. Not applicable. I was not required to file a 2005 tax return.

2006 Wage and Investment Market Segment Survey: This survey was conducted by telephone using a computer-assisted interview system.

Where did you go to get your forms and instructions about filing your 2005 taxes? (The respondent was instructed to select all answers that applied).

1. Accountant or tax preparer.
2. Bank.
3. Copy center.
4. Employer or workplace.
5. IRS office.
6. IRS toll-free telephone line.
7. IRS web site.
8. Other web site (non-IRS).
9. Library.
10. Other Government office.
11. Post office.
12. Tax preparation software, for example Turbo Tax.
13. Some other place.
14. Do not know.
15. Refused.

Did you need to contact the IRS about preparing your 2005 tax return?

- Yes.
- No.
- Do not know.
- Refused.

How did you contact the IRS for help with your 2005 taxes?

1. Called the IRS Toll-Free telephone line?
 - Yes.
 - No.
 - Do not know.
 - Refused.



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2. Visited the local IRS office (Taxpayer Assistance Center)?

- Yes.
- No.
- Do not know.
- Refused.

3. Emailed the IRS?

- Yes.
- No.
- Do not know.
- Refused.

4. Sent regular mail to the IRS?

- Yes.
- No.
- Do not know.
- Refused.

5. Visited the IRS web site?

- Yes.
- No.
- Do not know.
- Refused.

6. Used volunteers trained by the IRS that provide free tax preparation?

- Yes.
- No.
- Do not know.
- Refused.

7. Used an IRS kiosk, which is like a bank automatic teller machine?

- Yes.
- No.
- Do not know.
- Refused.



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In the past year, have you called any IRS Toll-Free telephone line FOR ANY REASON?

- Yes.
- No.
- Do not know.
- Refused.

In the past year, have you visited the IRS web site for any reason?

- Yes.
- No.
- Do not know.
- Refused.

After you filed your 2005 tax return did you contact the IRS, including checking the IRS web site, about your refund or receipt of your return?

- Yes.
- No.
- Do not know.
- Refused.

How did you handle the most recent notice?

- Contacted the IRS yourself.
- Had someone else handle it.
- Both.
- Did nothing regarding the notice.

In addition to any interaction with the IRS that we have already discussed, have you contacted the IRS for the following 3 reasons in the past 12 months?

a. To get information about payments.

Yes.
No.

b. To obtain a prior year's tax return.

Yes.
No.

c. To obtain an employer or individual tax identification number.

Yes.
No.



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Appendix V

Inconsistent Survey Questions – Who Prepared Taxpayers' Tax Returns

The following survey questions demonstrate the different methodologies in which the surveys were conducted and provide examples of specific questions with the different options for respondents.

Taxpayer Customer Service and Channel Preference Survey: This survey was conducted by telephone using random digit dialing.

Who was the main individual that prepared your Federal tax return?

1. You (SELF PREPARER).
2. Another family member in the household. (If the respondent made this response, the surveyor was instructed to ask to speak with that person and restart interview).
3. A paid tax preparer.
4. The IRS.
5. A volunteer, such as someone working at a Volunteer Income Tax Assistance or Tax Counseling for the Elderly site.
6. Other.
7. Do not know.

TAB Conjoint II Study: This survey was conducted through the Internet or via television top box (provided to those without computer access).

Who was the main person who prepared your most recent tax return? (The respondent was instructed to select only one answer).

1. You (yourself).
2. A paid preparer.
3. An unpaid preparer (friend, relative, colleague, or IRS representative at a Volunteer Income Tax Assistance site).

Opinion Survey of Taxpayer Resources and Services: The survey was conducted using questionnaires mailed to taxpayers and returned by mail.

Which of the following tax resources and services, if any, did you use when completing your 2005 tax return? (The respondent was instructed to select all answers that applied).

1. IRS forms and instruction booklets.
2. IRS web site (www.irs.gov).



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3. IRS Taxpayer Assistance Centers¹ (walk-in sites).
4. Automated IRS telephone system.
5. IRS telephone representatives.
6. Email with the IRS.
7. Written correspondence with the IRS (other than email).
8. IRS Kiosk (similar to an Automated Teller Machine).
9. Volunteer tax preparation clinics.
10. Tax preparation company.
11. Non-IRS books and publications.
12. Personal accountant/bookkeeper.
13. Tax preparation software.
14. Internet web sites (other than the IRS web site).
15. I did not use any of the above resources or services.
16. Not applicable. I was not required to file a 2005 tax return.

2006 Wage and Investment Market Segment Survey: This survey was conducted by telephone using a computer-assisted interview system.

Who was the main person who prepared your taxes?

1. You (yourself).
2. A friend or family member (relative).
3. The IRS.
4. A volunteer (at a Volunteer Income Tax Assistance or Tax Counseling for the Elderly site where volunteers prepare your taxes).
5. A paid tax professional, such as an accountant or a tax preparation firm.
6. (Spanish-only) Notario.²
7. Respondent did not know.
8. Respondent refused to answer.

¹ An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face to face.

² The translation from Spanish to English is notary public.



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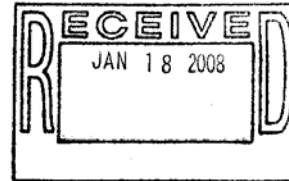
Appendix VI

Management's Response to the Draft Report



COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308



MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Richard Byrd, Jr. *Richard Byrd, Jr.*
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – The Taxpayer Assistance Blueprint Phase 2
Was Generally Reliable, but Oversight of the Survey Design
Needs Improvement (Audit # 200740012.002)

I have reviewed the subject draft report and appreciate the observations made by your auditors during the course of this audit. Ensuring the accuracy of Taxpayer Assistance Blueprint (TAB) research was of utmost importance to us. As a result, I was pleased that you concluded that "IRS drew correct conclusions based on the survey results." You also identified that "within the scope of the TAB Strategic Plan, portfolios of service improvements, performance measures, and additional research projects comprise a solid foundation for the future of service at the IRS." By applying lessons learned from TAB Phase 1, we developed and implemented a Quality Assurance process that helped ensure the accurate and reliable reporting of information for the TAB Phase 2 report.

I agree with your overall conclusion and recommendations. The corrective actions we have planned in response to your recommendations will further improve our service to taxpayers through a more sophisticated understanding of their needs and preferences.

Our response to your recommendations is detailed in the attachment. If you have any questions, please call me at (404) 338-7060, or members of your staff may contact Susan Boehmer, Acting Director, Strategy and Finance, at (404) 338-8887.

Attachment



*The Taxpayer Assistance Blueprint Phase 2 Was Generally
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Attachment

RECOMMENDATION 1

The Commissioner, Wage and Investment Division, should ensure the Quality Assurance process and requirements are thoroughly documented and formalized. The written guidelines should require a documented process detailing the review of text results, the development of analytics detailing specific methodology and steps taken when performing data analyses and a process to ensure analysts are adhering to documentation requirements.

CORRECTIVE ACTION

We agree with this recommendation and will incorporate the Quality Assurance process and requirements implemented during the TAB Phase 2 report in our Research & Analysis Project Guidelines. Specifically, we will document the substantive procedures for review of text results, use and application of methodology, and detail the variety of data analyses. Furthermore, documentation requirements will be highlighted throughout the written Quality Assurance guidelines. We will focus on the core principle of reproducibility of results.

IMPLEMENTATION DATE

March 15, 2008

RESPONSIBLE OFFICIAL

Director, Research & Analysis, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 2

The Commissioner, Wage and Investment Division, should ensure survey instruments are consistent to enable comparisons of results and reliable conclusions.

CORRECTIVE ACTION

We agree with this recommendation and are implementing a two-part response. First, we will define standard demographic criteria for use in future TAB-related research. Second, we are reviewing a number of surveys to clarify wording of standard questions, such as for demographic information, and questions relating to taxpayer satisfaction.

IMPLEMENTATION DATE

May 15, 2008



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RESPONSIBLE OFFICIAL

Director, Research & Analysis, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 3

The Commissioner, Wage and Investment Division, should ensure contractors maintain adequate documentation supporting the results of the survey and have a process in place to ensure the accuracy of the information being compiled and provided to the IRS.

CORRECTIVE ACTION

We agree with this recommendation. For future Wage and Investment, Research and Analysis contracts, we will require that contractors providing support to develop, administer, and analyze surveys will employ a robust quality assurance process and document the basis of the survey results.

IMPLEMENTATION DATE

February 15, 2008

RESPONSIBLE OFFICIAL

Director, Research & Analysis, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

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