



## Treasury Inspector General for Tax Administration

### IMPROVEMENTS IN THE DISTRIBUTION AND DESIGN OF INTERNAL DOCUMENTS AND TAX PUBLICATIONS, FORMS, AND NOTICES COULD REDUCE COSTS CONSIDERABLY

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## Highlights

Highlights of Report Number: 2008-40-125 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

### IMPACT ON TAXPAYERS

In Fiscal Year 2007, the Internal Revenue Service (IRS) spent more than \$237 million to print, process, and distribute internal documents, tax publications, forms, and written correspondence, including notices, to taxpayers and employees. The IRS can strengthen internal controls and increase oversight to reduce costs for the publishing and postal budget. Taxpayers indirectly benefit when management of tax administration is efficient and cost effective.

### WHY TIGTA DID THE AUDIT

Controlling and accounting for the IRS' publishing and postal budget is an enormous task considering the volume and variety of publications, forms, instructions, letters, and notices used to serve its customers. For Fiscal Years 2006 and 2007, the IRS realized postal budget deficits of \$7.4 and \$23.9 million, respectively. The IRS projects that it will experience a \$29.5 million postage deficit for Fiscal Year 2008. The deficits were attributed to increases in compliance activities, longer notices, and increases in postal rates. For the past 2 fiscal years, the IRS has funded a large portion of its postage costs from other programs.

### WHAT TIGTA FOUND

Tests in three Media and Publication function programs show the IRS could save substantial publishing and mailing costs by improving oversight and/or internal controls.

The Post of Duty Program distributes tax forms, instructions, and publications to the IRS' 401 Taxpayer Assistance Centers. However, the IRS does not have an effective process to determine the volume of tax products needed at the Centers. A statistical sample of 58 of the 401 Taxpayer Assistance Centers showed an excess inventory of tax products costing approximately \$96,000 in Fiscal

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Year 2006 and approximately \$91,000 in Fiscal Year 2007. The 2-year actual lost dollars and 3-year future projected cost savings from the elimination of printing and distribution of excess tax products totaled \$3.2 million.

The Internal Management Document Distribution System (IMDDS) is used to distribute internal documents to IRS functional offices. A statistical sample of 133 of the 8,841 offices listed on the IMDDS in Fiscal Year 2007 showed that 11,627 internal documents were unnecessarily delivered to functional offices at a cost of approximately \$13,371. The 1-year actual lost dollars and 4-year future projected cost savings from the elimination of printing and distribution of unnecessary documents totaled \$4.6 million.

The Notice/Letter Program generates and mails notices and letters to taxpayers pertaining to their tax accounts. A judgmental sample of 40 notices and letters most frequently issued to taxpayers in Fiscal Years 2005 through 2007 showed that the IRS could have saved approximately 408 million pages of paper at a cost of approximately \$7.3 million by improving oversight and centralizing authority over the Program. The 2-year future projected cost savings from the elimination of unnecessary pages and stuffers in notices and letters issued to taxpayers totaled \$4.9 million.

### WHAT TIGTA RECOMMENDED

The Commissioner, Wage and Investment Division, should:

- Establish a control system to ensure that the level of inventory of tax products at Taxpayer Assistance Centers is cost effective.
- Ensure that IRS functional offices are aware of the significance of the IMDDS.
- Establish and implement a system of internal controls to ensure that IMDDS data are current and reliable.
- Enhance the notice improvement process to include reviews of all notices and letters to ensure that they use the least possible resources.

The IRS agreed with all of our recommendations and has taken or plans to take actions to improve oversight and reduce costs. It also agreed that planned corrective actions would generate cost savings but did not agree with all the actual and projected measurable benefits of \$20 million. However, our tests allowed for variables and were based on the best data available. The reported outcomes are a conservative estimate of cost savings the IRS could realize from its corrective actions.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2008reports/200840125fr.pdf>

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