



*The Field Assistance Office Has Taken
Appropriate Actions to Plan for the
2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

March 2006

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TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 31, 2006

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

Michael R. Phillips

FROM:

Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – The Field Assistance Office Has Taken
Appropriate Actions to Plan for the 2006 Filing Season, but Challenges
Remain for the Taxpayer Assistance Center Program
(Audit # 200540037)

This report presents the results of our review of Wage and Investment (W&I) Division Field Assistance Office planning for the 2006 Filing Season.¹ The overall objectives of this review were to determine whether the Field Assistance Office adequately planned for the 2006 Filing Season and considered and accounted for the effects of Hurricanes Katrina and Rita during filing season preparations.

This review was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating the Inspectors' General reviews of this important subject.

Synopsis

Most taxpayers' only contact with the Internal Revenue Service (IRS) is during the filing season. During these months, millions of taxpayers seek assistance in filing their tax returns by calling the IRS on its toll-free telephone lines, walking into local offices called Taxpayer Assistance Centers (TAC), or accessing the IRS' public Internet site (IRS.gov). Although more taxpayers obtain assistance by calling the toll-free telephone lines or accessing IRS.gov, over 7 million taxpayers chose to seek face-to-face assistance at the TACs during Fiscal Year 2005.

¹ The period from January through mid-April when most individual income tax returns are filed.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

In its Fiscal Year 2006 Program Letter,² the Field Assistance Office states it expects to meet all its Fiscal Year 2006 challenges, including the mandate from Congress to keep all TACs open and the need to provide new services to taxpayers affected by the recent Hurricanes. Recognizing and communicating these challenges is a positive first step to delivering a successful filing season. The Program Letter appropriately tied Field Assistance Office initiatives and priorities to the W&I Division Strategy and Program Plan Fiscal Years 2006–2007 and established the policies, goals, and objectives for Fiscal Year 2006.

- ***All employees affected by the Hurricanes have been accounted for.***
- ***Alternate space for offices in affected areas has been obtained.***
- ***All TACs in impacted areas are open and operational.***

The Field Assistance Office also appropriately considered Hurricanes Katrina and Rita issues when planning for the 2006 Filing Season. In addition, the Field Assistance Office added services for the 2006 Filing Season to help lessen taxpayer burden. Taxpayers affected by Hurricanes Katrina and Rita will be treated as meeting extreme hardship criteria, which will allow affected taxpayers to request and receive transcripts of prior year tax returns instead of

having to order them and wait for delivery. The scope of tax law topics in which assistors are trained was expanded to provide assistance for taxpayers with questions about casualty losses. Taxpayers affected by the Hurricanes will also be able to have current and prior year tax returns prepared even though their income levels exceed the income requirement.

The Field Assistance Office has a plan to train all employees and ensure all tools are updated. It developed a comprehensive training strategy to provide TAC managers and employees with orientation, technical and core competency training, and ongoing skill development. Additionally, the major tools used by the assistors have been updated with the new laws and procedures. However, five tax law topics added to the scope of assistors' responsibilities in the 2005 Filing Season were still shown as out-of-scope in the Internal Revenue Manual (the manual containing the IRS' internal guidelines).³

² The Field Assistance Fiscal Year 2006 Program Letter, dated October 20, 2005, provides a synopsis of the Field Assistance Office's prior year accomplishments; highlights important aspects of the procedures it follows in delivering its services; and provides a brief overview of planned program, systems, training, and communication initiatives for the upcoming fiscal year. This Letter is posted on the Field Assistance Office's Intranet for all Field Assistance Office employees.

³ If the taxpayer's question is not within scope, the assistor is advised to refer the taxpayer to the IRS toll-free telephone lines.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

Challenges remain for the Field Assistance Office for the 2006 Filing Season. As of December 1, 2005, the Field Assistance Office Headquarters had identified 47 TACs with critical staffing shortages. The Field Assistance Office does not maintain an overall list or database of TACs providing the number of assistors, the hours and days of operation, and services offered at each TAC. We compiled and analyzed information from separate lists and found the data to be unreliable, inconsistent, and inaccurate. We could not determine which TACs do not accept cash payments or do not prepare Federal or State tax returns, nor could we determine what criteria were used to decide if any exceptions to offering these services were appropriate.

Forty-seven TACs have critical staffing shortages.

Inconsistent and inaccurate information prevented us from determining the overall impact staffing shortages could have on the 2006 Filing Season.

Without a sufficient system in place to provide the management information it needs to oversee the TAC Program, the Field Assistance Office cannot provide adequate oversight to determine if it is meeting its goals and objectives. Further, it cannot advise taxpayers when TAC services are limited, to ensure taxpayers do not make unnecessary trips to TACs that do not provide the services needed. However, the Field Assistance Office is working on a new management information system.

The Field Assistance Office does not currently have sufficient management information to determine which TACs are not offering standard services or standard hours of operation.

Recommendations

The Commissioner, W&I Division, should ensure the Internal Revenue Manual is updated to reflect a current list of tax law topics within the scope of employee training. In addition, the Commissioner, W&I Division, should develop consistent criteria for granting exceptions to standard services and update the Internal Revenue Manual with the criteria and procedures for obtaining the exceptions. The Commissioner, W&I Division, should modify or develop a management information system to provide an overview of the TAC Program and a control to ensure it provides the appropriate services to meet the Field Assistance Office's objectives and goals. Once the information on the TACs' hours of operation and services is captured and controls are in place to ensure the data are accurate and current, the Commissioner, W&I Division, should provide this information to taxpayers that call the IRS toll-free telephone lines or access IRS.gov.



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

Response

IRS management agreed with all of our recommendations. The IRS updated the TAC Scope of Services provided in the Internal Revenue Manual to reflect the current list of tax law topics and plans an update to provide greater specificity on the criteria and procedures for obtaining exceptions. The IRS.gov web site is the official system used to capture open TACs, hours of operation, and services provided. The IRS controls accuracy by requiring the Area Director to provide prior approval for any change request. While the services provided at each TAC are standardized, there are three exceptions (receipt of cash payments, need-based return preparation, and State return preparation). The IRS modified the list of services for each TAC shown on IRS.gov to indicate when it is not providing one of these three services. Additionally, taxpayers accessing IRS.gov are provided TAC hours of operation and services provided. Taxpayers are also informed of any services the IRS does not offer in a TAC because of an approved exception. This same information is available to the assistors who serve taxpayers on the IRS toll-free telephone lines. Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. 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.



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

Table of Contents

Background	Page 1
Results of Review	Page 4
The Fiscal Year 2006 Program Letter Appropriately Identified and Communicated Policies, Goals, and Objectives to Field Assistance Office Employees	Page 4
The Field Assistance Office Appropriately Considered Hurricanes Katrina and Rita Issues When Planning for the 2006 Filing Season	Page 5
The Field Assistance Office Has a Plan to Train All Employees and Ensure All Tools Are Updated	Page 7
<u>Recommendation 1:</u>	Page 8
Challenges Remain for the Field Assistance Office for the 2006 Filing Season	Page 9
<u>Recommendations 2 and 3:</u>	Page 15
The Field Assistance Office Does Not Ensure Taxpayers Know When Taxpayer Assistance Centers Limit Services	Page 16
<u>Recommendation 4:</u>	Page 18
Appendices	
Appendix I – Detailed Objectives, Scope, and Methodology	Page 19
Appendix II – Major Contributors to This Report	Page 21
Appendix III – Report Distribution List	Page 22
Appendix IV – Management’s Response to the Draft Report	Page 23



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

Background

Most taxpayers' only contact with the Internal Revenue Service (IRS) is during the filing season, from January through mid-April when nearly all individual taxpayers file their tax returns. During these months, millions of taxpayers seek assistance filing their tax returns by calling the IRS on its toll-free telephone lines, walking into local offices called Taxpayer Assistance Centers (TAC), or accessing the IRS' public Internet site (IRS.gov). Although more taxpayers obtain assistance by calling the toll-free telephone lines or accessing IRS.gov, over 7 million taxpayers chose to seek face-to-face assistance at the TACs during Fiscal Year 2005, either because their tax issues were too complicated to be resolved over the telephone or they were more comfortable speaking to an assistor in person.

The Field Assistance Office in the Wage and Investment (W&I) Division Customer Assistance, Relationships, and Education (CARE) function has primary responsibility over the TACs. The Field Assistance Office currently has 400 TACs located in 5 nationwide geographical Areas. IRS employees that work in the TACs assist customers by interpreting tax laws and regulations, preparing certain individual tax returns, resolving inquiries on taxpayer accounts, accepting payments, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.

***During Fiscal Year 2005,
TAC assistors helped over
1 million taxpayers with tax law
questions, gave out more than
1 million forms and publications,
and helped prepare more than
380,000 tax returns.***

The complexity of the tax law and the need to assist millions of taxpayers while providing the wide range of face-to-face services taxpayers have come to expect from the TACs presents challenges for the IRS and its TAC employees. For example, TAC employees are not trained to answer questions on all tax topics. Instead, they are trained on specific tax topics and are authorized to answer only those questions within this expertise. These are called in-scope questions; they include specific tax law topics related to lines on the U.S. Individual Income Tax Return (Form 1040), such as income, filing status, exemptions, deductions, and credits. More complex tax issues are considered out-of-scope questions. Assistors refer taxpayers to the IRS toll-free telephone lines or submit the out-of-scope questions in writing to subject-matter experts via the Internet or through correspondence. The TACs generally do not offer taxpayer account transcripts to customers and limit the preparation of tax returns to those under a certain income limit (\$37,000 for Calendar Year 2006).

The TACs expect increased traffic during filing seasons as taxpayers seek assistance in preparing their tax returns. Planning for the filing seasons is essential to ensure taxpayers have the information and tools they need to comply with the tax laws. For example, before each filing



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

season, the Field Assistance Office must ensure the TACs are sufficiently staffed, all staff are trained, the TACs are stocked with current tax forms and publications, and tax return preparation software is installed on all computers. The Field Assistance Office must also determine which services to offer and if any alternative sites¹ are needed to meet taxpayer demand. In addition, the IRS' decision to focus more resources on compliance activities has limited resources available for customer service.

To reduce costs, the IRS' current strategy is to reduce face-to-face assistance and encourage taxpayers to use other services, such as the telephone and IRS.gov. As such, it is reducing the resources committed to the Field Assistance Office and reducing services in the TACs. In May 2005, the IRS announced plans to close 68 TACs by the beginning of Fiscal Year 2006. In announcing the planned closures, the IRS stated that taxpayers will have continued access to tax forms, information, and tax preparation through IRS.gov, telephone assistance, and volunteer tax return preparation. The IRS was required to postpone the plans when a law was passed stating:

None of the funds appropriated or otherwise made available in this or any other Act or source to the Internal Revenue Service may be used to reduce taxpayer services as proposed in Fiscal Year 2006 until the Treasury Inspector General for Tax Administration completes a study detailing the impact of such proposed reductions on taxpayer compliance and taxpayer services, and the Internal Revenue Service's plans for providing adequate alternative services, and submits such study and plans to the Committees on Appropriations of the House of Representatives and the Senate for approval.²

While closures have been postponed for Fiscal Year 2006, the IRS still considers closing the TACs as a viable option to reduce operational costs. In anticipation of a decrease in the number of TACs, many TAC employees found other jobs in the IRS, creating vacancies in the TACs.

The IRS has a Disaster Assistance and Emergency Relief Program to provide administrative tax relief to taxpayers and tax practitioners affected by a major disaster or emergency so they can meet their Federal tax obligations for filing tax returns and/or paying taxes without being penalized. The IRS has taken numerous actions to provide broad relief to affected taxpayers. This includes postponing deadlines for filing and payment, providing relief from interest and penalties, and waiving some low-income housing tax credit rules. It also waived the usual fees and expedited requests for copies of previously filed tax returns for affected taxpayers that need them to apply for benefits or to file amended tax returns to claim casualty losses.

¹ An alternate site is a non-IRS location where IRS employees provide limited services; for example, providing forms and answering tax law questions.

² Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006, Pub. L. No. 109-115, 119 Stat. 2396 (2006).



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

In addition, the Katrina Emergency Tax Relief Act of 2005 (KETRA),³ enacted on September 21, 2005, created many tax code changes to benefit Hurricane Katrina victims. The KETRA applies to people affected by Hurricane Katrina and to those taxpayers helping victims of the disaster. For example, the KETRA provides for suspension of certain limitations on personal casualty losses and an additional exemption of \$500 for each Hurricane Katrina-displaced individual housed in a taxpayer's home. In addition, for taxable years beginning in 2005 or 2006, taxpayers do not lose dependency exemptions or child credits or experience a change of filing status by reason of temporary relocations after Hurricane Katrina.

A total of 179 counties and parishes were declared a "Presidential Disaster Area" related to Hurricane Katrina—22 counties in Alabama, 11 counties in Florida, 64 parishes in Louisiana, and 82 counties in Mississippi. For Hurricane Rita, a total of 254 counties in Texas and 64 parishes in Louisiana were declared disaster areas.

This review was performed at the Field Assistance Office, CARE, W&I Division Headquarters in Atlanta, Georgia, during the period August through December 2005. We ended testing for this review as of December 1, 2005, to timely report our results. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

³ Pub. L. No. 109-73, 119 Stat. 2016 (to be codified in scattered sections of 26 U.S.C.).



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

Results of Review

The Fiscal Year 2006 Program Letter Appropriately Identified and Communicated Policies, Goals, and Objectives to Field Assistance Office Employees

In its Fiscal Year 2006 Program Letter,⁴ the Field Assistance Office states it expects to more than meet all Fiscal Year 2006 challenges, including the mandate from Congress to keep all TACs open in Fiscal Year 2006 and the need to provide new services to taxpayers affected by the recent Hurricanes. Recognizing and communicating these challenges is a positive first step to delivering a successful filing season.

The Program Letter appropriately tied Field Assistance Office initiatives and priorities to the W&I Division Strategy and Program Plan Fiscal Years 2006–2007 and established the policies, goals, and objectives for Fiscal Year 2006. Figure 1 provides the goals for some specific measures.

Figure 1: Field Assistance Office Measures

Balanced Measures	Fiscal Year 2005 Revised Projections	Fiscal Year 2006 Goals
Field Assistance Accuracy of Tax Law Contacts	Baseline	80%
Field Assistance Accuracy of Accounts Contacts	N/A	Baseline
Field Assistance Accuracy of Return Preparation	N/A	Baseline
Customer Satisfaction	89%	91%
Customer Dissatisfaction	6%	5%
Field Assistance Employee Satisfaction	50%	51%

Source: Field Assistance Office Fiscal Year 2006 Program Letter. N/A = not applicable.

⁴ The Field Assistance FY 2006 Program Letter, dated October 20, 2005, provides a synopsis of the Field Assistance Office's prior year accomplishments; highlights important aspects of the procedures it follows in delivering its services; and provides a brief overview of planned program, systems, training, and communication initiatives for the upcoming fiscal year. This Letter is posted on the Field Assistance Office's Intranet for all Field Assistance Office employees.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

The Program Letter highlights changes in procedures or policies from prior years. For example, it advises TAC employees of the changes in procedures used to assist taxpayers affected by Hurricanes Katrina and Rita. The Field Assistance Office Director also used the Program Letter to emphasize issues requiring special attention.

Highlighted issues included ensuring hours of operation are accurate on IRS.gov; the Letter states it is a priority to ensure taxpayers have complete and accurate information relative to the address, hours of operation, and lunch closing time for each TAC.

The Program Letter notes, "IRS.gov plays a key role in ensuring that our customers know where they can locate a TAC."

In addition, the Field Assistance Filing Season Readiness Tactical Plan was prepared to identify standard pre-filing season actions, as well as to incorporate areas for improvement as recommended by the Treasury Inspector General for Tax Administration (TIGTA) and the Government Accountability Office. The Tactical Plan includes 21 critical actions that, for the most part, were to be completed by January 12, 2006. The Field Assistance Office will monitor adherence to the Tactical Plan by performing field visitation reviews.

Further, the Program Letter states Filing Season Readiness Reviews are to be completed in every TAC, using the Field Assistance Readiness and Program Checklist, and the results of these reviews will be analyzed to ensure the completeness of the Checklists and to track any recurring issues. We were unable to review the Checklists because they were not due into Field Assistance Office Headquarters until December 1, 2005, the date our audit testing ended.

The Field Assistance Office Appropriately Considered Hurricanes Katrina and Rita Issues When Planning for the 2006 Filing Season

The CARE function developed and used a CARE Hurricane Impact Action Plan to ensure all issues relating to Hurricanes Katrina and Rita were identified and considered. This Action Plan includes 10 critical actions spread among the CARE function's Stakeholder Partnerships, Education, and Communication Office; Media and Publications Office; and Field Assistance Office.

Both the CARE Hurricane Impact Action Plan and the Field Assistance Filing Season Readiness Tactical Plan identified critical issues relating to Hurricanes Katrina and Rita. For example:

- Employee Issues – Ensured all employees affected by the Hurricanes were accounted for, alternate space for offices in affected areas was found, and all TACs in impacted areas were open and operational.
- Staff/Resources – Determined critical staffing needs and planned for recruiting and hiring. At the time of our testing, the Field Assistance Office was working with the W&I Division Research Office to analyze information on the locations of taxpayers from the Federal Emergency Management Agency's database to better estimate workload impact.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

- Data Collection/Workload Impact – Established five new codes to track and monitor actual disaster-related customer traffic. This issue also explored options for providing expanded service other than hiring assistors.
- Training Development and Delivery – Reviewed legislation and policy to determine which training materials and guidelines need to be updated with new laws and procedures.
- TAC Services – Issued directives to employees on new procedures and provided updates as necessary, including how to assist taxpayers that no longer have acceptable means of identification and have to self identify.

Discussions with Field Assistance Office executives and reviews of the CARE Hurricane Impact Action Plan and the Field Assistance Filing Season Readiness Tactical Plan indicated that critical actions are on course to be completed during the 2006 Filing Season. The CARE function and Field Assistance Office Directors meet weekly with TAC Program staff, prioritizing actions and discussing the progress for the various action items. Their priority is to balance workload and staffing.

The Field Assistance Office added services for the 2006 Filing Season to help lessen taxpayer burden

Taxpayers affected by Hurricanes Katrina and Rita will be treated as meeting extreme hardship criteria. This will allow affected taxpayers to request and immediately receive transcripts of prior year tax returns instead of having to order them and wait for delivery. The Field Assistance Office has also expanded the scope of tax law topics to provide assistance for taxpayers with questions about casualty losses, a more complex topic than is normally handled in the TACs.

In addition, taxpayers affected by the Hurricanes will be able to have current and prior year tax returns prepared even though their income levels exceed the income requirement. Although the Field Assistance Office waived the need-based requirement (the income limit) for those taxpayers affected by the Hurricanes, not all tax returns can be prepared at the TACs. The TACs will prepare only basic individual income tax returns, including:

- Joint returns when both the taxpayer and spouse are present. There is a Military Exception that one spouse can sign for the spouse who is in a combat zone/qualified hazardous duty area.
- U.S. Individual Income Tax Return (Forms 1040 and 1040A), Income Tax Return for Single and Joint Filers With No Dependents (1040EZ), and Amended U.S. Individual Income Tax Return (1040X) (both current and prior years), including the following schedules: Schedule A–Itemized Deductions and Schedule B–Interest & Ordinary Dividends (Schedules A&B) (interest only), Net Profit From Business (Schedule C-EZ), Earned Income Credit (Schedule EIC), Credit for the Elderly or the Disabled (Schedule R), and Self-Employment Tax (Schedule SE).



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

Current plans call for TAC employees to seek assistance from employees in the Small Business/Self-Employed Division when a taxpayer asks for assistance in preparing a tax return claiming a casualty loss.

The Field Assistance Office Has a Plan to Train All Employees and Ensure All Tools Are Updated

The Field Assistance Office developed a comprehensive training strategy to provide TAC managers and employees with orientation, technical and core competency training, and ongoing skill development. This training strategy is comprised of the following three key components:

- Technical Assessment Battery – includes assessing core competencies (knowledge, skills, and abilities) to determine employee training needs in tax law, notices, accounts, and compliance.
- Self-Directed Learning Modules – includes 30-minute training modules on topics employees have already received training on and is used to refresh employees’ knowledge and reinforce use of existing tools.
- Continuing Professional Education – includes both classroom and online training between October 2005 and January 2006. The 24 hours of classroom sessions include lessons on use of the *Publication Method Guide*,⁵ legislative changes, and collection and tax law topics. This includes modules related to the KETRA. The online sessions consist of tax law topics selected based on TIGTA and quality review results.

Each of the five Area training coordinators⁶ worked with TAC managers to identify employees’ training needs and develop a training plan to ensure employees have the required technical training prior to the start of the 2006 Filing Season. At the time of our audit testing, only the Draft Training Plans were available for review. However, they showed training sessions had been scheduled for all employees. Furthermore, current procedures require training coordinators to certify that all employees have received the required training.

A TIGTA auditor attended a Field Assistance Office training session and noted classroom material appropriately covered topics outlined in the Program Letter. Throughout each lesson, instructors stressed the importance of providing accurate responses to taxpayers and the mandatory use of the *Publication Method Guide*. The classroom instruction also included

⁵ The *Publication Method Guide* is a tool that provides Field Assistance Office employees with an interview technique, predetermined questions, and specific publication references for certain tax law topics. Use of the *Publication Method Guide* is mandatory and is designed to lead the employee to a correct answer for selected tax law topics.

⁶ The Field Assistance Office is divided into five geographical Areas. Each Area has a Director, a training coordinator, and analysts.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

lessons on tax law changes, the KETRA, *Publication Method Guide* updates, new procedures for providing tax documents for taxpayers impacted by recent disasters, and the in-scope tax law topic “casualty and theft losses.”

The Field Assistance Office has generally updated the major tools used by assistors

In addition to the Program Letter, the Field Assistance Office has three major tools its employees use to provide tax assistance: the Internal Revenue Manual (the manual containing the IRS’ internal guidelines), the *Publication Method Guide*, and the commercial tax return preparation software. The two Action Plans discussed earlier included action items to ensure all three are current for Fiscal Year 2006. The Internal Revenue Manual has been updated with the new laws and new procedures. A review of the plans to update the *Publication Method Guide* showed it will be updated with the latest tax law changes. We were unable to review the commercial tax return software because at the time of our testing it was not available from the vendor.

Although the Internal Revenue Manual was updated on October 1, 2005, five tax law topics added to the Field Assistance Office’s in-scope tax law topics in the 2005 Filing Season were still shown as out-of-scope topics. These five topics were overlooked when the updates were made for Fiscal Year 2005.

Assistors are trained and expected to be knowledgeable in 318 tax law topics with 395 subtopics. Assistors frequently refer to the Internal Revenue Manual to determine if a taxpayer’s question is within the scope of services. If the taxpayer’s question is not within scope, the assistor is advised to refer the taxpayer to the IRS toll-free telephone lines. When assistor tools are not accurate, the risk is increased that taxpayers will be incorrectly advised to call the IRS toll-free telephone lines despite their preference for face-to-face assistance.

Recommendation

Recommendation 1: The Commissioner, W&I Division, should ensure the Internal Revenue Manual is updated to reflect a current list of tax law topics within the scope of employee training.

Management’s Response: IRS management agreed with this recommendation, which we provided during the course of the audit, and took immediate corrective action. The Scope of Services provided in Internal Revenue Manual 21.3.4, Exhibit 1, was updated on the Servicewide Electronic Research Program to reflect the current list of tax law topics.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

Challenges Remain for the Field Assistance Office for the 2006 Filing Season

Not all TACs will be fully staffed during the 2006 Filing Season. In addition, not all TACs will provide standard services or standard hours of operation, from 8:30 a.m. to 4:30 p.m., Monday through Friday. The IRS' decision to focus more resources on compliance activities has limited resources available for the TAC Program, and the Field Assistance Office does not have the resources to offer unlimited services or to have all 400 TACs open the standard hours of operation. In addition, the Field Assistance Office lacks reliable management information to determine which TACs are not offering standard services or standard hours of operation. This inhibits the Field Assistance Office from providing adequate oversight and determining if it is reaching its program goals and objectives.

Not all TACs will be fully staffed during the 2006 Filing Season

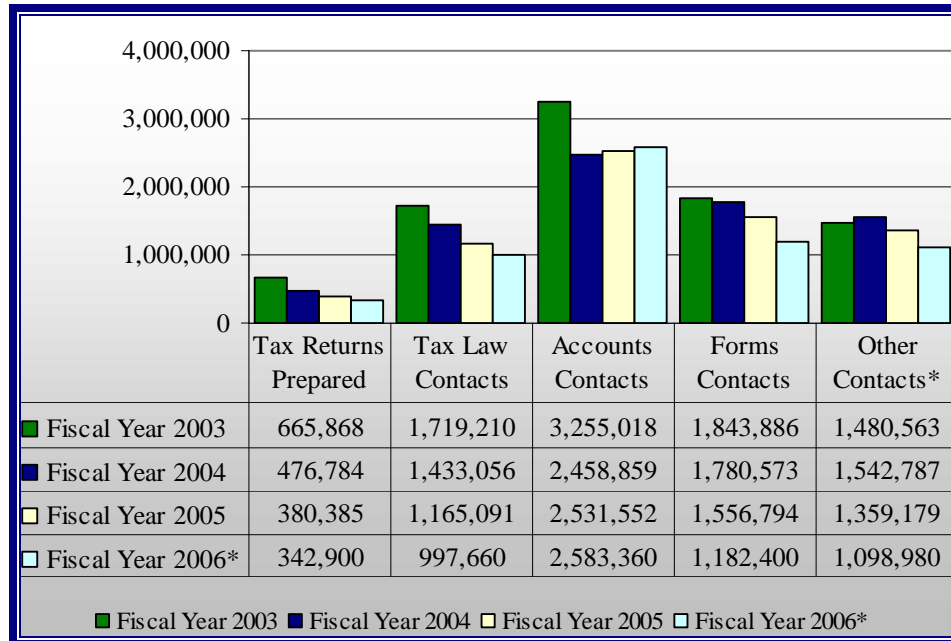
Staffing shortages present the Field Assistance Office with a significant challenge for the 2006 Filing Season. The uncertainty around the TAC closures created critical vacancies as TAC employees left the TAC Program for other jobs in the IRS. As of December 1, 2005, the Field Assistance Office Headquarters had identified 47 TACs with critical staffing shortages. Five vacancies are in TACs located in areas impacted by Hurricanes Katrina and Rita—three in Louisiana and two in Texas. The shortages come at a time when taxpayer visits in these areas may be increasing and the Field Assistance Office is adding services to help reduce the burden on taxpayers affected by the Hurricanes.

The IRS has reported fewer taxpayers are seeking assistance at the TACs. Its strategy is to reduce face-to-face assistance and encourage taxpayers to use lower cost methods to obtain tax assistance, such as the toll-free telephone lines and IRS.gov. This may be one reason fewer taxpayers are choosing to seek assistance at the TACs. Figure 2 shows the decline in taxpayer contacts for the last 3 fiscal years.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

Figure 2: Taxpayer Contacts at the TACs for Fiscal Years 2003–2006



Source: IRS management information reports and the Fiscal Year 2006 Program Letter.

* = Fiscal Year 2006 figures are projections. “Other Contacts” include, for example, assisting taxpayers that call the TACs or need help with the U.S. Departing Alien Income Tax Statement (Form 2063), date stamping tax returns brought in by taxpayers, helping taxpayers with general information such as addresses and directions to other IRS offices or other Federal Government agencies, and responding to unsolicited correspondence.

Consistent with the declines in taxpayer contacts and declining budgets, the IRS has been decreasing Full-Time Equivalents⁷ in the Field Assistance Office.

The budget and Full-Time Equivalents are the most important factors the Field Assistance Office considers when developing the Fiscal Year 2006 Workplan. During the annual Workplan preparation process, Field Assistance Office analysts identified 79 vacancies in 62 TACs. However, only 55 vacancies in 47 TACs are considered critical. The Director, CARE, defined a critical vacancy as one that must be filled to ensure a TAC remains open and complies with the recent legislation that stated none of the Fiscal Year 2006 funds appropriated may be used to reduce taxpayer services until certain actions are completed.⁸

⁷ A Full-Time Equivalent is a measure of labor hours equal to 8 hours multiplied by the number of workdays in a fiscal year. This usually equates to 1 person working 1 year but can equate to 2 people working one-half of a year each, 2 people working part time for a full year, 3 people working one-third of a year each, etc.

⁸ Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006, Pub. L. No. 109-115, 119 Stat. 2396 (2006).



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

Figure 3 provides the results of the analysis and a breakdown of critical staff shortages identified by position. Managers are not assigned to one TAC and could have employees in multiple TACs.

Figure 3: Critical Staffing Shortages

Position	Critical Vacancies	Number of TACs
Managers	4	2
Secretaries	15	15
Assistors	26	23
Screeners	10	7
Totals	55	47

Source: Field Assistance Office Fiscal Year 2006 Workplan.

Not all critical vacancies will be filled. Sixteen TACs currently have no assistors specifically assigned. The CARE function and Field Assistance Office Directors advised us that they have been able to keep these offices open by filling the critical vacancies using Full-Time Equivalents from other offices within the CARE function and they will continue to do so as needed. They further explained that all TACs will be staffed for the upcoming filing season and fiscal year as required by the law, although some TACs may have reduced services or hours of operation due to the staffing shortages. In addition to using employees from other offices as needed, management is also planning to rehire seasonal employees.⁹ Rehiring seasonal employees would allow the Field Assistance Office to fill critical vacancies more quickly because the seasonal employees would require less orientation and training.

In past years, the Field Assistance Office has moved away from using seasonal employees. Instead, it has moved toward having a permanent workforce throughout the year. During the filing season, employees are fully engaged with assisting taxpayers in complying with the law and preparing their tax returns. For the remaining part of the year, some TAC employees assist with enforcement. However, for the 2006 Filing Season, rehiring seasonal employees may help fill critical vacancies. If the Field Assistance Office is unable to fill these critical vacancies, some employees will travel between TACs to ensure all TACs remain open.

Because of the staffing shortages, the Field Assistance Office is planning to offer only one alternate site during the 2006 Filing Season. This site will only be open 1 day—the final day to file individual tax returns. There are no plans for alternate sites in the States significantly affected by Hurricanes Katrina and Rita: Alabama, Florida, Louisiana, Mississippi, and Texas. However, the Field Assistance Office will be monitoring taxpayer traffic to determine if the impact of recent disasters is affecting taxpayer service. This will allow the Field Assistance

⁹ Employees temporarily hired to work part of a fiscal year, e.g., during the filing season.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

Office to shift assistors among TACs when possible. For example, CARE function employees have relocated from New Orleans to other cities in Louisiana. These employees would be available to help staff the TACs in New Orleans, Baton Rouge, or Lafayette as needed.

The Field Assistance Office does plan to use 38 kiosks located in 21 States.¹⁰ Kiosks are designed for self-service with simple, user-friendly touch screens. The kiosks are located in both IRS and non-IRS buildings and will generally be located in the same sites as in prior years. However, six kiosks are to be relocated because non-IRS employees are no longer willing to volunteer custodial oversight. As of December 2, 2005, the Field Assistance Office had relocated three of the six kiosks. The Field Assistance Office has not considered moving the kiosks to a TAC in one of the disaster impacted areas, and currently no plans are being made to move any kiosks to the five disaster-affected States.

The Field Assistance Office lacks reliable management information needed to provide an accurate overview of the TAC Program

Inconsistent and inaccurate information prevented us from determining the overall impact staffing shortages could have on the 2006 Filing Season. The Field Assistance Office does not maintain an overall list or database of TACs providing the number of assistors, hours and days of operation, and services offered at each TAC. Instead, it relies on each Area Director and responsible analyst to maintain the information. A compilation and analysis of this information from separate lists showed the data are unreliable, inconsistent, and inaccurate.

To determine whether the Field Assistance Office is ready for the 2006 Filing Season, we asked for a list of all open TACs, the number of TACs with 2 or fewer assistors, the services provided by each of the 400 TACs, and each TAC's hours of operation. The Field Assistance Office was able to provide an accurate list of open TACs. It also provided a list of TACs with two or fewer assistors and a list of TACs that do not accept cash payments. The Field Assistance Office could not provide a list of TACs that did not prepare Federal tax returns or State tax returns. In addition, in response to our request for a list of each TAC's hours of operation, we were advised to go to IRS.gov and click on each State to identify each TAC's hours.

Approximately 196 (49 percent) of the 400 TACs are staffed with 2 or fewer assistors. In addition, 52 (13 percent) had 1 assistor assigned and 16 (4 percent) did not have any assistors assigned. The IRS uses employees from other TACs to travel to the TACs that do not have permanent assistors assigned. When a TAC has only one or two assistors, the hours of operation and the services it can provide taxpayers could be limited. For example, to reduce the potential for fraud or embezzlement, employees that accept cash payments should not have the ability to also adjust taxpayer accounts using the Integrated Data Retrieval System.¹¹ Therefore, if a TAC

¹⁰ Kiosks consist of a computer processing unit, touch-screen monitor, and printer.

¹¹ This is the IRS computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

has only one assistor, that assistor can either accept cash payments or have the ability to adjust a taxpayer's account.

Accepting payments and making adjustments to taxpayer accounts are standard services all TACs are supposed to offer. To deviate from the standard services, TAC managers can submit a request for an exception to the Field Assistance Office Director outlining the circumstances that necessitate a decision. The Program Letter did state that, for TACs with only one assistor, Area Directors may request an exception to the requirement that the TAC offer tax return preparation assistance. However, the Program Letter and the Internal Revenue Manual did not provide guidance for exceptions from accepting cash. We asked for the criteria to determine if the deviations were appropriate but were informed no criteria existed. We were advised that decisions are made on a case-by-case basis.

To validate the lists the Field Assistance Office provided, we sent a survey to the group managers of all 400 TACs and asked them to answer questions such as, "Is your TAC exempt from accepting cash or preparing Federal and State tax returns?" and "What days of the week and office hours are your TACs open?" We compared the results of the survey to the lists provided, but we could not determine with certainty which TACs did not accept cash payments or did not prepare Federal and State tax returns. Based on this comparison, it appears services may be limited in a number of TACs during the 2006 Filing Season.

- **At least 47 TACs (12 percent) do not accept cash payments.**

The Field Assistance Office provided a list of 49 TACs that had requested deviations from taking cash payments. A list compiled from our survey shows 47 TACs do not take cash payments. There were 14 discrepancies between the 2 lists. Some TACs listed on the Field Assistance Office list are not on the survey list, while others are on the survey list and not on the Field Assistance Office list.

Although the Field Assistance Office maintains a list of the TACs granted exceptions to taking cash payments, there is no guidance on how to request the exception or the criteria for granting one. Some TACs were accepting cash when the Field Assistance Office had granted them an exception, while others were not accepting cash but had not asked for an exception.

- **At least 33 (8 percent) TACs do not prepare Federal tax returns. Not all will assist in the preparation of State tax returns.**

The Field Assistance Office does not maintain a list of the TACs granted exceptions to preparing tax returns. To our survey, managers responded that 33 TACs do not prepare Federal tax returns. However, there are 52 TACs with only 1 assistor assigned and 16 TACs with no assistors assigned. At the time of our testing, it was not clear if these TACs should be exempted from preparing tax returns, but a request for an exception had not been submitted by the Area Director.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

The TACs are to prepare and file current year individual tax returns electronically. Area Directors may request an exception to this requirement for small offices (those with fewer than two assistants) by submitting the required information to the Field Assistance Office Director before the filing season begins.

In addition, our survey showed that not all TACs prepare State tax returns. TAC assistants may prepare a State tax return in conjunction with a Federal tax return using the same income and schedule limits applicable to the Federal tax return. The Field Assistance Office does not maintain a list of TACs that assist in preparing State tax returns. The results of our survey indicate the services provided are inconsistent. Some TACs located within the same State prepared State tax returns, while others did not.

- **At least 21 (5 percent) TACs are open part time and are not open the standard hours of operation.**

The Program Letter states that, during the filing season, full-time TACs are expected to be open from 8:30 a.m. until 4:30 p.m. Monday through Friday. Further, part-time TACs (TACs open fewer than 5 days a week) are to be open from 8:30 a.m. until 4:30 p.m. on the days they are scheduled to be open during the filing season.

The Field Assistance Office provided a list of 21 part-time TACs; 7 (33 percent) are not open the standard hours of operation (8:30 a.m. to 4:30 p.m.) during the filing season. Instead, their hours vary, from 8:30 a.m. to 3:30 p.m. and 9:30 a.m. to 3 p.m. In addition, the hours of operation for five TACs did not match the hours posted on IRS.gov. Responses to our survey showed there are 42 part-time TACs. Of the 42, 30 (71 percent) were not open the standard days (Monday through Friday) and 17 (40 percent) were not open the standard hours.

The lack of accurate and complete management information hinders the Field Assistance Office's ability to provide effective management oversight. Communication and information is essential to run and control any operation. *Standards for Internal Control in the Federal Government* state for an entity to run and control its operations, it must have relevant, reliable, and timely communications relating to internal as well as external events.¹² Information is needed to achieve all of its objectives. In addition, effective internal controls are necessary to ensure actions are taken to address areas of risk. Controls should be designed to help ensure the completeness, accuracy, authorization, and validity of all transactions. Internal control systems need to be monitored—through ongoing monitoring activities, separate evaluations, or a combination of the two.

¹² *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1, dated November 1999).



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

Both the TIGTA and the Government Accountability Office have expressed concerns that data from the Field Assistance Office's management information systems are not always accurate.¹³ The Field Assistance Office is working on its management information system. In Fiscal Year 2006, it is testing a new system, the Field Assistance Management Information System (FAMIS). It anticipates the FAMIS will improve the ability of management to monitor workload, adjust staffing, and accurately track resource use at the TAC, Group, Territory,¹⁴ Area, and National levels. Additionally, the Director, Field Assistance Office, stated it is a priority to deliver an accurate and reliable management information system.

Recommendations

The Commissioner, W&I Division, should:

Recommendation 2: Develop consistent criteria for granting exceptions to standard services and update the Internal Revenue Manual with the criteria and procedures for obtaining the exceptions.

Management's Response: IRS management agreed with this recommendation. They stated that services provided in the TACs are standardized, with three exceptions – need-based return preparation, State return preparation, and receipt of cash payments. The IRS believes the Internal Revenue Manual is clear on exceptions from preparing Federal and State tax returns, but is not sufficiently clear on exceptions from accepting cash payments. The IRS will update the Internal Revenue Manual to provide greater specificity on the criteria and procedures for obtaining exceptions.

Recommendation 3: Develop or modify a management information system to ensure it has the information needed to provide an overview of the TAC Program and provide a control to ensure the TAC Program is providing the appropriate services to meet the Field Assistance Office's objectives and goals. The system should include a list of open TACs, including, for each TAC, the number of assistors and screeners assigned, hours of operation, and services provided. Procedures should also be developed to ensure the information is current and accurate.

Management's Response: IRS management agreed with this recommendation, which we provided during the course of the audit, and took immediate corrective action. The IRS.gov web site is the official system used to capture open TACs, hours of operation, and services provided. The IRS controls accuracy by requiring the Area Director to provide prior approval for any change request. While the services provided at each TAC are standardized, there are three exceptions (receipt of cash payments,

¹³ *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 2005) and *Tax Administration: IRS Improved Performance in the 2004 Filing Season, But Better Data on the Quality of Some Services Are Needed* (GAO 05-67, dated November 2004).

¹⁴ A term used to define a group of TAC offices located within each of the five geographical Areas.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

need-based return preparation, and State return preparation). The IRS modified the list of services for each TAC shown on IRS.gov to indicate when it is not providing one of these three services. Area Directors will certify quarterly to Field Assistance Headquarters that the information is consistent and correct.

The Field Assistance Office Does Not Ensure Taxpayers Know When Taxpayer Assistance Centers Limit Services

The IRS makes general statements on standard services offered at the TACs. Standard services include adjusting a taxpayer's tax account, accepting payments, helping prepare income tax returns, and answering tax questions. For example, when a taxpayer calls the IRS toll-free telephone line about a TAC, he or she is advised of the address, local telephone number, and hours of operation. When a taxpayer goes to IRS.gov to locate a TAC, he or she:

First. Clicks "Contact IRS" at the top of the IRS Home Page.

Second. Clicks "Contact My Local Office." See Figure 4.

Figure 4: Contact My Local Office Webpage

Internal Revenue Service
United States Department of the Treasury

Home | Contact IRS | About IRS | Site Map | Español | Help

Keyword/Search Terms SEARCH
Advanced Search Search Tips

INDIVIDUALS | BUSINESSES | CHARITIES & NON-PROFITS | GOVERNMENT ENTITIES | TAX PROFESSIONALS | RETIREMENT PLANS COMMUNITY | TAX EXEMPT BOND COMMUNITY

Contact My Local Office

IRS Taxpayer Assistance Centers are your one-stop resource for face-to-face tax help and solutions to tax problems, every business day. Taxpayer Assistance Centers are closed for all [Federal Holidays](#).

Questions concerning charities and other non-profit organizations; Indian tribal governments; and retirement plans should be directed to our [Tax Exempt and Government Entities Customer Account Services](#).

Click on your state or the international link below.

[Skip to State Links](#)

WA OR ID MT ND MN WI MI NY VT ME NH MA RI CT PA NJ DE MD DC CA NV UT CO KS MO IL IN OH WV VA NC SC GA FL TX LA MS AL NM AZ AK HI

Source: IRS.gov.



The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program

Third. Clicks on the appropriate State. At the top of the webpage, the same synopsis is provided for all States. At the bottom of the page is a list of TACs in the selected State, along with the address, local telephone number, and hours of operation of each TAC. See Figure 5.

Figure 5: Face-to-Face Tax Help

Home | Contact IRS | About IRS | Site Map | Español | Help

Internal Revenue Service
United States Department of the Treasury

Keyword/Search Terms SEARCH
Advanced Search Search Tips

INDIVIDUALS | BUSINESSES | CHARITIES & NON-PROFITS | GOVERNMENT ENTITIES | TAX PROFESSIONALS | RETIREMENT PLANS COMMUNITY | TAX EXEMPT BOND COMMUNITY

Contact My Local Office in Alabama

Face-to-face Tax Help

IRS Taxpayer Assistance Centers are your source for personal, face-to-face tax help.

If your issue is complex, you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you're more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary - just walk in - but if you prefer, you can call a local number (see chart, below) and leave a message requesting an appointment to resolve a tax account issue.

Your local Taxpayer Assistance Center will help you with:

- Inquiries or adjustments to your tax account;
- Payment plans if you owe and cannot pay the full amount;
- Questions about IRS letters and notices; and
- Levies on your wages or bank account.

Other services on a walk-in, non-advance appointment basis include:

- Help preparing your basic individual income tax return if you qualify for the Earned Income Tax Credit or your income is \$36,000 or less (visit our office to make an appointment);
- Answers to tax questions related to your individual federal tax return; and
- Help preparing your heavy vehicle use tax return.

Multilingual assistance is available in every office.

City	Street Address	Days/Hours of Service	Telephone *
Birmingham	801 Tom Martin Dr. Birmingham, AL 35211	Monday-Friday - 8:30 a.m.-4:30 p.m.	(205) 912-5333
Dothan	202 W. Adams St. Dothan, AL 36303	Monday-Friday - 8:30 a.m.-4:30 p.m.	(334) 702-3470
Florence	205 S. Walnut St. Florence, AL 35630	Monday-Friday - 8:30 a.m.-4:30 p.m. (Closed for lunch 12:00 noon - 1:00 p.m.)	(256) 764-6731
Huntsville	806 Governor's Dr. SW Huntsville, AL 35801	Monday-Friday - 8:30 a.m.-4:30 p.m.	(256) 539-0642
Mobile	1110 Montlamar Dr. Mobile, AL 36609	Monday-Friday - 8:30 a.m.-4:30 p.m.	(251) 340-1794
Montgomery	1285 Carmichael Way, Montgomery, AL 36106	Monday-Friday - 8:30 a.m.-4:30 p.m.	(334) 264-2453

* Note: The phone numbers in the chart above are not toll-free for all locations. When you call, you will reach a recorded business message with information about office hours, locations and services provided in that office. You may leave a message to request an appointment for help resolving a tax issue or to reschedule an existing appointment. You will receive a return call within two business days. If face-to-face assistance is not a priority for you, you may also get help with IRS letters or resolve tax account issues by phone, toll free at 1-800-829-1040 (individuals) or 1-800-829-4933 (businesses).

The Taxpayer Advocate Service: Call (205) 912-5631 in Birmingham, or 1-877-777-4778 elsewhere, or see [Publication 1548](#), *The Taxpayer Advocate Service of the IRS*.

Source: IRS.gov.



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

Although the IRS does publicize when standard hours of operation are limited, it does not publicize when a TAC limits its services. The IRS' recent marketing strategies have generally focused on those services to which it wants to steer taxpayers; for example, its electronic services and electronic filing. Therefore, the IRS does not specifically promote TAC services. However, when advising taxpayers of the services offered at the TACs, the IRS should ensure taxpayers are aware of when a TAC does not offer standard services or hours of operation. Otherwise, taxpayers are burdened by unnecessary trips to the TACs and assistors' time is used to explain that they do not provide the services needed by the taxpayers.

Recommendation

Recommendation 4: Once a system is in place to capture the TACs' hours of operation and services and controls are in place to ensure the data are accurate and current, the Commissioner, W&I Division, should provide this information for taxpayers that call the IRS toll-free telephone lines or access IRS.gov.

Management's Response: IRS management agreed with this recommendation, which we provided during the course of the audit, and took immediate corrective action. Taxpayers accessing IRS.gov are provided TAC hours of operation and services provided. Taxpayers are also informed of any services the IRS does not offer in a TAC because of an approved exception. This same information is available to the assistors who serve taxpayers on the IRS toll-free telephone lines.



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

Appendix I

Detailed Objectives, Scope, and Methodology

The overall objectives of this review were to determine whether the Wage and Investment Division Field Assistance Office adequately planned for the 2006 Filing Season¹ and considered and accounted for the effects of Hurricanes Katrina and Rita during the filing season preparations. To accomplish these objectives, we:

- I. Reviewed guidelines and documents used to ensure 2006 Filing Season readiness and discussed filing season readiness with appropriate Internal Revenue Service (IRS) officials.
- II. Determined if the Field Assistance Office identified the appropriate objectives and goals for the 2006 Filing Season, specifically for those areas affected by Hurricanes Katrina and Rita and the recent suspension of efforts to close selected Taxpayer Assistance Centers (TAC).²
 - A. Discussed with appropriate Field Assistance Office executives the objectives and goals for the 2006 Filing Season and the process used to develop the Fiscal Year 2006 Workplan.
 - B. Determined if the Field Assistance Office has appropriately identified all areas most affected by Hurricanes Katrina and Rita to ensure appropriate coverage in those areas.
- III. Determined what services the TACs will offer for the 2006 Filing Season and if the services are sufficient considering Hurricanes Katrina and Rita issues, including the use of alternate sites.
- IV. Determined if the Field Assistance Office has sufficient staffing for the 2006 Filing Season.
 - A. Reviewed the Workplan for reasonableness and held discussions with management on the process used to determine which TACs to staff and how many assistants to staff per TAC.

¹ The period from January through mid-April when most individual income tax returns are filed.

² IRS employees that work in the TACs provide face-to-face assistance to customers by interpreting tax laws and regulations, preparing certain individual tax returns, resolving inquiries on taxpayer accounts, accepting payments, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

- B. Determined if the Field Assistance Office has appropriately identified the TACs losing staff to ensure appropriate coverage in those areas and evaluated contingency plans and procedures to ensure the TACs are (remain) sufficiently staffed during the 2006 Filing Season.
- V. Determined if the Field Assistance Office has ensured all staff are adequately trained and, if not, what contingency plans are in place.
 - A. Discussed with appropriate Field Assistance Office officials the procedures for ensuring all assistors, including employees who might be detailed to the TACs, have had training prior to the start of the 2006 Filing Season.
 - B. Reviewed the overall Fiscal Year 2006 training plan and discussed it with appropriate Field Assistance Office officials to determine if the Field Assistance Office has a process to ensure all employees are trained and certified to answer taxpayer questions and provide tax return preparation assistance.
 - C. Reviewed training materials to determine if new laws and procedures were included.
- VI. Determined if all tools used by TAC assistors were updated to include new tax laws and procedures, particularly those dealing with Hurricanes Katrina and Rita.



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

Appendix II

Major Contributors to This Report

Michael E. McKenney, Assistant Inspector General for Audit (Wage and Investment Income Programs)

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*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Wage and Investment Division SE:W
Director, Customer Assistance, Relationships, and Education SE:W:CAR
Director, Strategy and Finance, Wage and Investment Division SE:W:S
Chief, Performance Improvement, Wage and Investment Division SE:W:S:PI
Director, Field Assistance, Wage and Investment Division SE:W:CAR:FA
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Management Controls OS:CFO:AR:M
Audit Liaison: Senior Operations Advisor, Wage and Investment Division SE:W:S



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

Appendix IV

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

RECEIVED
MAR 21 2006

MAR 20 2006

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: *for* Richard J. Morgante *Paule S. Watson*
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – The Field Assistance Office Has Taken
Appropriate Actions to Plan for the 2006 Filing Season, but
Challenges Remain for the Taxpayer Assistance Center
Program (Audit # 200540037)

I reviewed the subject draft report and appreciate your recognition of the actions IRS has taken in our Taxpayer Assistance Centers (TAC) to prepare for the 2006 Filing Season. Effective planning was, and is, essential to overcoming challenges that face us, including resource constraints, organizational and employee uncertainties over potential TAC closings, and the Congressional mandate prohibiting reduction of taxpayer services until the completion of the Treasury Inspector General for Tax Administration (TIGTA) study of the impact of these reductions. In addition, Hurricanes Katrina and Rita, and associated late legislation, introduced a new layer of workload and staffing complexity.

Your report effectively captures the broad range of actions we implemented to ensure a successful filing season. As noted in your report, the Fiscal Year 2006 Field Assistance Program Letter appropriately identified and communicated policies, goals, and objectives to Field Assistance employees. In addition, the Fiscal Year 2006 Field Assistance Program Letter engaged frontline employees by delineating our challenges and communicating values, priorities, initiatives, systems, and processes critical to meeting these challenges. It also highlighted important procedures for delivering services, including tighter controls for changing TAC hours and remittance processing.

Your report mentions we developed a comprehensive strategy to provide TAC managers and employees with orientation, technical and core competency training, and ongoing skill development. I agree that our comprehensive training, coupled with timely updating of major tools, will minimize the risk of taxpayers receiving incorrect answers. We also made a concerted effort to ensure the Publication Method Guide (PMG), an essential tool mentioned in your report, reflected all legislative changes, including late



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

2

legislative actions. We believe the January and February results of the TIGTA shopping review reflect employee use of the PMG tool, and represent a return on the investment we made in Embedded Quality Business Integration, which standardizes the way we measure, communicate, and improve employee performance and enhance taxpayer service.

I am especially pleased you recognized the special efforts made to serve taxpayers impacted by Hurricanes Katrina and Rita. We promptly accounted for all affected TAC employees and ensured TACs in the impacted areas were open well before the filing season. We added services and revised procedures to ease the burden on taxpayers recovering from this series of disasters. For example, we revised one hardship criteria to automatically provide same-day delivery of transcripts for non-tax purposes to affected taxpayers. Likewise, anticipating that casualty losses resulting from the disasters would increase taxpayer traffic in the TACs, we revised the scope of tax law topics to include casualty losses for individuals. We removed the dollar limits for return preparation for hurricane-impacted taxpayers and modified documentation requirements for income, expenses, and eligibility for dependency exemptions and credits, because we recognized the hardship created by rigid adherence to traditional documentation requirements. Moreover, these procedural changes are not limited to last year's hurricanes, but also apply to future disasters. Finally, Field Assistance worked with the Wage and Investment (W&I) Division Research staff to estimate the anticipated additional workload resulting from the disasters and collaborated with Stakeholder Partnerships, Education and Communication to ensure the TACs and the Volunteer Income Tax Assistance sites were working in tandem to serve impacted taxpayers.

Your report expresses concern that not all TACs would be fully staffed for the filing season. While I agree staffing was a challenge, it is important to recognize the actions we took to ensure an appropriate level of staffing and service in the TACs. Specifically, we completed critical hiring, including frontline technical employees. These new hires were on board and trained by January 31, 2006. We also returned all seasonals for the filing season, detailed former TAC employees from other IRS organizations back to Field Assistance, and deployed circuit-riding staffing in additional locations to ensure all TACs are opened daily. Lastly, we believe the Taxpayer Assistance Blueprint that is currently being developed will guide future decisions about proper staffing levels for the TACs and the kinds of services the IRS should provide.

We appreciate the constructive recommendations for improving our operations that were made by TIGTA during the course of the audit. These recommendations enabled us to take immediate action to update the Internal Revenue Manual and IRS.gov to better reflect standard services and exceptions. Our responses to your recommendations are detailed in the attachment.



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

3

If you have any questions, please call me at (404) 338-7060, or members of your staff may contact Estelle Tunley, Director, Field Assistance, Customer Assistance, Relationships and Education, at (404) 338-9182.

Attachment



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

Attachment

RECOMMENDATION 1

The Commissioner, W&I Division, should ensure the Internal Revenue Manual is updated to reflect a current list of tax law topics within the scope of employee training.

CORRECTIVE ACTION

The Scope of Services, provided in the Internal Revenue Manual (IRM) 21.3.4, Exhibit 1, was updated on the Servicewide Electronic Research Program to reflect the current list of tax law topics.

IMPLEMENTATION DATE

Completed January 6, 2006

RESPONSIBLE OFFICIAL

N/A

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 2

The Commissioner, W&I Division, should develop consistent criteria for granting exceptions to standard services and update the Internal Revenue Manual with the criteria and procedures for obtaining the exceptions.

CORRECTIVE ACTION

The services provided in the TACs are standardized with three exceptions – need-based return preparation, state return preparation, and receipt of cash payments. We believe IRM 21.3.4.10, which covers the criteria and procedures for granting exceptions for preparing federal and state tax returns is clear. However, IRM 21.3.4.7, which covers exceptions from accepting cash payments is not sufficiently clear. We will update IRM 21.3.4.7 to provide greater specificity on the criteria and procedures for obtaining exceptions.

IMPLEMENTATION DATE

April 15, 2006

RESPONSIBLE OFFICIAL

Director, Field Assistance, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action through the internal control and approval process.



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

2

RECOMMENDATION 3

The Commissioner, W&I Division, should develop or modify a management information system to ensure it has the information needed to provide an overview of the TAC program and provide a control to ensure the TAC program is providing the appropriate services to meet the Field Assistance Office's objectives and goals. The system should include a list of open TACs, including, for each TAC, the number of assistors and screeners assigned, hours of operation, and services provided. Procedures should also be developed to ensure the information is current and accurate.

CORRECTIVE ACTION

The IRS.gov website is the official system used to capture open TACs, hours of operation, and services provided. We control accuracy by requiring the Area Director, or their designee, to approve any request for change prior to any changes being made. A Content Publishing Request (CPR) is used for this purpose. The area office is required to maintain a file of the processed CPR forms, and send an electronic copy to the Headquarters analyst responsible for IRS.gov. While the services we provide at each TAC are standardized, there are three exceptions (receipt of cash payments, need-based return preparation, and state return preparation). We modified the list of services for each TAC shown on IRS.gov to indicate when we are not providing one of these three services. Area Directors will certify quarterly to Field Assistance Headquarters that the information is consistent and correct.

IMPLEMENTATION DATE

Completed January 31, 2006

RESPONSIBLE OFFICIAL

N/A

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 4

Once a system is in place to capture the TACs' hours of operation and services and controls are in place to ensure the data are accurate and current, the Commissioner, W&I Division, should provide this information for taxpayers that call the IRS toll-free telephone lines or access IRS.gov.

CORRECTIVE ACTION

Taxpayers accessing IRS.gov are provided TAC hours of operation and services provided. Taxpayers are also informed of any services we do not offer in a TAC because of an approved exception. This same information is available to the assistors who serve taxpayers on the IRS toll-free telephone lines.



*The Field Assistance Office Has Taken Appropriate Actions
to Plan for the 2006 Filing Season, but Challenges Remain
for the Taxpayer Assistance Center Program*

3

IMPLEMENTATION DATE

Completed January 31, 2006

RESPONSIBLE OFFICIAL

N/A

CORRECTIVE ACTION MONITORING PLAN

N/A