

**Taxpayers That Visited Taxpayer Assistance
Centers in July and August 2002 Received
Incorrect Answers to Some
Tax Law Questions**

November 2002

Reference Number: 2003-40-024

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.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

November 22, 2002

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Taxpayers That Visited Taxpayer Assistance Centers in July and August 2002 Received Incorrect Answers to Some Tax Law Questions (Audit # 200240059)

This report presents the results of our review to determine if the Internal Revenue Service (IRS) provides accurate and timely responses to taxpayers' tax law questions. In addition, Treasury Inspector General for Tax Administration (TIGTA) auditors who made anonymous visits to the Taxpayer Assistance Centers (TAC) assessed whether IRS employees were professional and courteous and if the correct office hours were posted in the TACs.

This review was conducted as the result of an amendment to the Treasury spending bill¹ for Fiscal Year (FY) 2002 proposed by Senator Byron Dorgan (Democrat-North Dakota), Chairman of the Subcommittee on Treasury and General Government. The amendment requires the TIGTA to conduct visits to all TACs and report to the Congress on whether taxpayers are provided correct and prompt answers to their questions. The TIGTA is conducting anonymous visits to all TACs over a 2-year period. This is the fourth in a series of bi-monthly reports that TIGTA is issuing in response to the amendment to the Treasury spending bill.

During July and August 2002, TIGTA auditors made 54 anonymous visits to 27 TACs. The auditors asked 108 tax law questions and determined that IRS employees are not providing correct answers to some tax law questions. For example:²

- Forty-eight (44 percent) of 108 questions were correctly answered.
- Thirty-five (32 percent) of 108 questions were incorrectly answered.

¹ Treasury and General Government Appropriations Act, 2002, Pub. L. No. 107-67.

² Percentages do not add to 100 percent due to rounding.

- Fifteen (14 percent) of 108 questions resulted in the IRS employee referring the auditor to IRS publications and generally advising the auditor to do his or her own research to find the answer to the question.
- Ten (9 percent) of 108 questions were not answered. The employee did not refer the auditor to another employee (in the office or on the telephone).

In addition, auditors observed the following during visits to the TACs:

- Office hours for 1 (4 percent) of the 27 TACs were not shown on the IRS' Internet. Office hours for 7 (27 percent) of the 26 TACs that had office hours posted on the Internet were not the same as the hours posted at the TAC.
- The addresses posted at 26 (100 percent) of 26 TACs matched the addresses listed on the Internet. The address for one TAC was not listed on the Internet.
- IRS employees were professional and courteous to the TIGTA auditors in 49 (98 percent) of the 50 visits.³
- Wait time for service was 60 minutes or less for 50 (100 percent) of the 50 visits.⁴

This report is to advise IRS management of the results of our review. Formal recommendations will not be made to the IRS in the bi-monthly reports. However, the TIGTA plans to issue a second semi-annual trend report during the second quarter of FY 2003 that may include appropriate recommendations to help ensure taxpayers are provided accurate responses to their tax law questions. Auditors will continue making visits to the TACs throughout Calendar Years 2002 and 2003. The TIGTA will also continue to issue bi-monthly reports on the results to the IRS and the Congress.

Management's Response: The IRS continues to disagree with our method of reporting referrals to publications and service denied when computing the accuracy rate. However, the IRS does agree that the accuracy rate, even using adjusted figures for the referrals to publications, is inadequate. As a result, management is continuing to take aggressive steps to improve the quality and accuracy in the TACs. Specific actions include opening Field Assistance offices 30 minutes later each day to allow employees more time to prepare, assessing employee skills and training needs, providing additional job aids, and providing immediate feedback to managers and employees.

Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the IRS managers who are affected by the report results. Please contact me at (202) 622-6510 if you have questions or Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 927-0597.

³ Auditors could not determine if employees were professional and courteous during four visits because an auditor was denied service in one TAC, and another TAC was closed on the date visited.

⁴ Auditors could not assess wait time during four visits because an auditor was denied service in one TAC, and another TAC was closed on the date visited.

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Taxpayers That Visited Taxpayer Assistance Centers in July and August 2002 Received Incorrect Answers to Some Tax Law Questions

Background

The Senate Committee on Appropriations was deeply concerned about the findings in a Treasury Inspector General for Tax Administration (TIGTA) audit report on the Internal Revenue Service's (IRS) Taxpayer Assistance Centers (TAC).¹ This report showed that auditors did not receive accurate or sufficient answers to 73 percent of their tax law questions posed during anonymous visits to the TACs during January and February 2001. Based on the results of this review, Senator Byron Dorgan (Democrat-North Dakota), Chairman of the Subcommittee on Treasury and General Government, proposed an amendment to the Treasury spending bill² for Fiscal Year (FY) 2002. The amendment requires the TIGTA to conduct visits to all TACs and report to the Congress as to whether taxpayers are provided correct and prompt answers to their questions. Auditors are conducting anonymous visits to all TACs over a 2-year period.

The IRS' Field Assistance (FA) office in the Wage and Investment (W&I) Division has overall responsibility for the TACs. The TACs exist primarily to serve taxpayers who choose to seek help from the IRS in person. The IRS employees³ who work in the TACs provide assistance in interpreting tax laws and regulations, preparing some tax returns, resolving inquiries on taxpayer accounts, and performing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.

There are currently no statistics on the percentage of time spent by employees in the TACs on the various services detailed above. The FA office is using FY 2002 as a baseline to establish standards and other management information in this area.

There are 414 TACs located throughout the United States (U.S.), including Washington, DC. According to the IRS,

¹ *Letter Report: The Internal Revenue Service Continues to Give Incorrect Tax Law Information in Taxpayer Assistance Centers* (Reference Number 2001-40-077, dated May 2001).

² Treasury and General Government Appropriations Act of 2002, Pub. L. No. 107-67.

³ IRS employees who work in the TACs are called Tax Resolution Representatives.

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the TACs served approximately 6.3 million taxpayers between January and June 2002.⁴ Approximately 1.3 million of these taxpayers visited the TACs for assistance with the tax law.

In addition to the anonymous visits being performed by TIGTA auditors, the IRS hired an outside contractor to anonymously visit its TACs and ask two tax law questions per visit. The IRS provided the contractor with four questions to choose from the following topics:

- Earned Income Tax Credit
- Education Credits
- Social Security Benefits
- Dependents

The anonymous visits were to be performed monthly during the period October 2001 through September 2002. However, in May 2002, the IRS decided to terminate the contract because of concerns with the method of reporting results identified by TIGTA auditors. This action left the IRS without reliable data to measure the quality of assistance provided in its TACs. The IRS decided to use the TIGTA's Calendar Year 2002 results as a baseline for measuring the quality of assistance being provided in its TACs.

TIGTA auditors performing anonymous visits to the TACs also ask two questions during each visit. Auditors can choose from the questions the IRS provided to its contractor or those TIGTA developed.

The TIGTA questions relate to 22 tax law topics that are within the scope of topics that TAC employees should have been trained to answer. The TIGTA questions were designed to cover a wide range of tax law topics in order to provide an overall assessment on whether taxpayers are receiving correct answers to questions that an individual taxpayer⁵ might ask when he or she visits a TAC. In May 2002, auditors changed the scope of the questions or added additional scenarios that were more applicable to the

⁴ We did not validate the accuracy of the statistics provided by the IRS on the number of taxpayers that visited the TACs.

⁵ Individual taxpayers are non-business taxpayers who file U.S. Individual Income Tax Returns (Forms 1040, 1040A, or 1040EZ).

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types of questions taxpayers ask subsequent to the filing season.⁶

This report is the fourth in a series of bi-monthly reports that TIGTA is issuing on the results of the visits to the TACs. The review was conducted in the IRS' Customer Assistance, Relationships, and Education office in the W&I Division in July and August 2002. TIGTA auditors anonymously visited 27 TACs in 11 states. See Appendix IV for specific states visited.

This review was conducted in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*. Detailed information on the objective, scope, and methodology of this review is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Taxpayers Received Incorrect Answers to Some Tax Law Questions

As of June 30, 2002, TIGTA auditors have received incorrect answers to 126 (27 percent) of the 470 questions that were asked. The IRS has taken actions to improve the quality of service in the TACs based on the results reported in the previous bi-monthly reviews.

However, the July and August 2002 results indicate that taxpayers that visited TACs after the filing season continue to receive incorrect answers to some tax law questions. The results for the 108 tax law questions asked during July and August 2002 were as follows:

- Forty-eight (44 percent) of the 108 questions were correctly answered. In 12 of the 48 questions, the IRS employee provided a correct answer without asking all of the required questions outlined in the tax law instructions and publications.

For example, the IRS employee stated that a donation to a charitable organization could be claimed as a deduction from taxable income. However, the IRS employee did not ask auditors if they were eligible to itemize deductions or if they had a receipt from the organization. In order to deduct gifts to charity,

⁶ In general, the IRS defines the filing season as the first half of each calendar year, when individuals file their tax returns.

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taxpayers must be able to itemize and a receipt, not a check, must be received that documents the amount of the gift.

- Thirty-five (32 percent) of the 108 questions were incorrectly answered. For example, an IRS employee provided an incorrect answer to a question on whether the auditor, as a married filing separate taxpayer, could claim the Earned Income Tax Credit (EITC). In order to claim the EITC, a taxpayer's filing status must be single, married filing jointly, or head of household. The IRS employee did not ask the auditor's filing status.
- Fifteen (14 percent) of the 108 questions resulted in the IRS employee referring the auditor to publications and generally advising the auditor to do his or her own research to find the answer to the question.
- Ten (9 percent) of the 108 questions asked were not answered by IRS employees. The employee did not refer the auditor to another employee (in the office or on the telephone). For example:
 - An auditor arrived at a TAC approximately 40 minutes before it was scheduled to close. The IRS employee explained that they begin clearing out the waiting area one hour before closing and assistance was being provided only to the taxpayers that were already at the TAC.

The IRS employee told the auditor he could wait, but there was no guarantee assistance would be provided. The auditor waited for 25 minutes until the IRS employee instructed him to come back the next day.

- Auditors arrived at a TAC 15 minutes before it was scheduled to open. They waited 15 minutes after the scheduled opening time and decided to leave because no one opened the door to the TAC. There were people inside the TAC who saw the auditors and another elderly lady waiting, but no one opened the door.

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Received Incorrect Answers to Some Tax Law Questions**

The table below provides a complete breakdown of the accuracy of questions answered.

Tax Law Questions (108 questions asked)					
	Correct	Correct but Incomplete	Incorrect	Ref. to Pub.	Service Denied
Responses	36	12	35	15	10
Percentages	33%	11%	32%	14%	9%

Source: Anonymous visits performed by TIGTA auditors.

A TIGTA Auditor May Have Been Recognized

We believe an IRS employee identified a TIGTA auditor as a shopper during one of the visits. The two TIGTA auditors visiting the TAC arrived a few minutes apart and were assisted by the same IRS employee. We believe the auditor was identified because the IRS employee recognized the question asked as one being used by the IRS' contractor.

Upon being recognized, the IRS employee escorted the auditor to a private office. For each tax law question, the employee obtained the appropriate publication and proceeded to ask every probing question outlined in the instructions. As a result, the employee correctly answered both questions.

In contrast, the second auditor was not identified and received one correct answer and one incorrect answer to the two questions. The employee used a publication and tax instructions and assistance was provided at the employee's counter. For the question correctly answered, the employee asked all the required probing questions. However, for the question incorrectly answered, the employee did not ask 10 of the 14 probing questions.

**Auditors Generally Had
Positive Experiences When
They Visited Taxpayer
Assistance Centers**

Auditors also assessed the quality of assistance provided by IRS employees including whether they were professional and courteous, the wait time for service, and whether employees' names were given or visible. Auditors generally had positive experiences. The table below shows a breakdown of the quality of assistance results.

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Quality of Assistance (27 TACs visited, 2 auditors per site)		
	Occurrences	Percent⁷
Employee Professional/Courteous	49	98
Wait Time for Service Less Than 1 Hour	50	100
Employee Wore Required Name Tag Displaying Name and ID Number	33	66
Employee Name Provided When Requested	49	98

Source: Anonymous visits performed by TIGTA auditors.

Taxpayers May Continue to Have a Difficult Time Finding the Office Hours of Taxpayer Assistance Centers

Taxpayers can access the IRS' Internet and follow the links to obtain the address and office hours of the TACs located in their state. During auditor visits, they determined if the TAC address and office hours obtained from the Internet matched the information at the TAC. For example:

- Office hours for 1 (4 percent) of 27 TACs were not listed on the Internet.
- Office hours for 7 (27 percent) of the 26 TACs that had office hours listed on the Internet did not match the office hours that were posted at the TAC.
- The addresses posted at 26 (100 percent) of 26 TACs matched the addresses listed on the Internet.⁸

⁷ Percentages are based on 50 visits since an auditor was denied service in one TAC, and another TAC was closed on the date visited.

⁸ The address for one TAC was not listed on the Internet.

**Taxpayers That Visited Taxpayer Assistance Centers in July and August 2002
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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of the review was to determine if the Internal Revenue Service (IRS) provides accurate and timely responses to taxpayers' tax law questions. In addition, Treasury Inspector General for Tax Administration auditors who made anonymous visits to the Taxpayer Assistance Centers (TAC) assessed whether IRS employees were professional and courteous and if the correct office hours were posted in the TACs.

To achieve this objective, auditors performed the following tests:

- I. Determined if the IRS provided quality service and accurate responses to tax law inquiries at the 27 TACs visited. Auditors asked 108 tax law questions that an individual taxpayer¹ might ask. Auditors developed questions based on the training provided to Tax Resolution Representatives (TRR) during the fall of 2001 and the scope of services for tax law assistance prescribed in the Fiscal Year 2002 Field Assistance Operating Procedures.
- II. Determined the quality of service provided by the TRRs.

¹ Individual taxpayers are non-business taxpayers who file United States Individual Income Tax Returns (Forms 1040, 1040A, or 1040EZ).

**Taxpayers That Visited Taxpayer Assistance Centers in July and August 2002
Received Incorrect Answers to Some Tax Law Questions**

Appendix II

Major Contributors to This Report

Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs)
Kerry Kilpatrick, Director
Deborah Glover, Audit Manager
Russell Martin, Audit Manager
Pamela DeSimone, Senior Auditor
Deborah Drain, Senior Auditor
Robert Howes, Senior Auditor
Kathy Hughes, Senior Auditor
Frank Jones, Senior Auditor
Robert Baker, Auditor
Lena Dietles, Auditor
Roberta Fuller, Auditor
Andrea Hayes, Auditor
Kathy Henderson, Auditor
Mary Keyes, Auditor
Grace Terranova, Auditor

**Taxpayers That Visited Taxpayer Assistance Centers in July and August 2002
Received Incorrect Answers to Some Tax Law Questions**

Appendix III

Report Distribution List

Acting Commissioner N:C

Director, Customer Assistance, Relationships and Education W:CAR

Director, Field Assistance W:CAR:FA

Director, Strategy and Finance W:S

Chief Counsel CC

National Taxpayer Advocate TA

Director, Legislative Affairs CL:LA

Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O

Office of Management Controls N:CFO:F:M

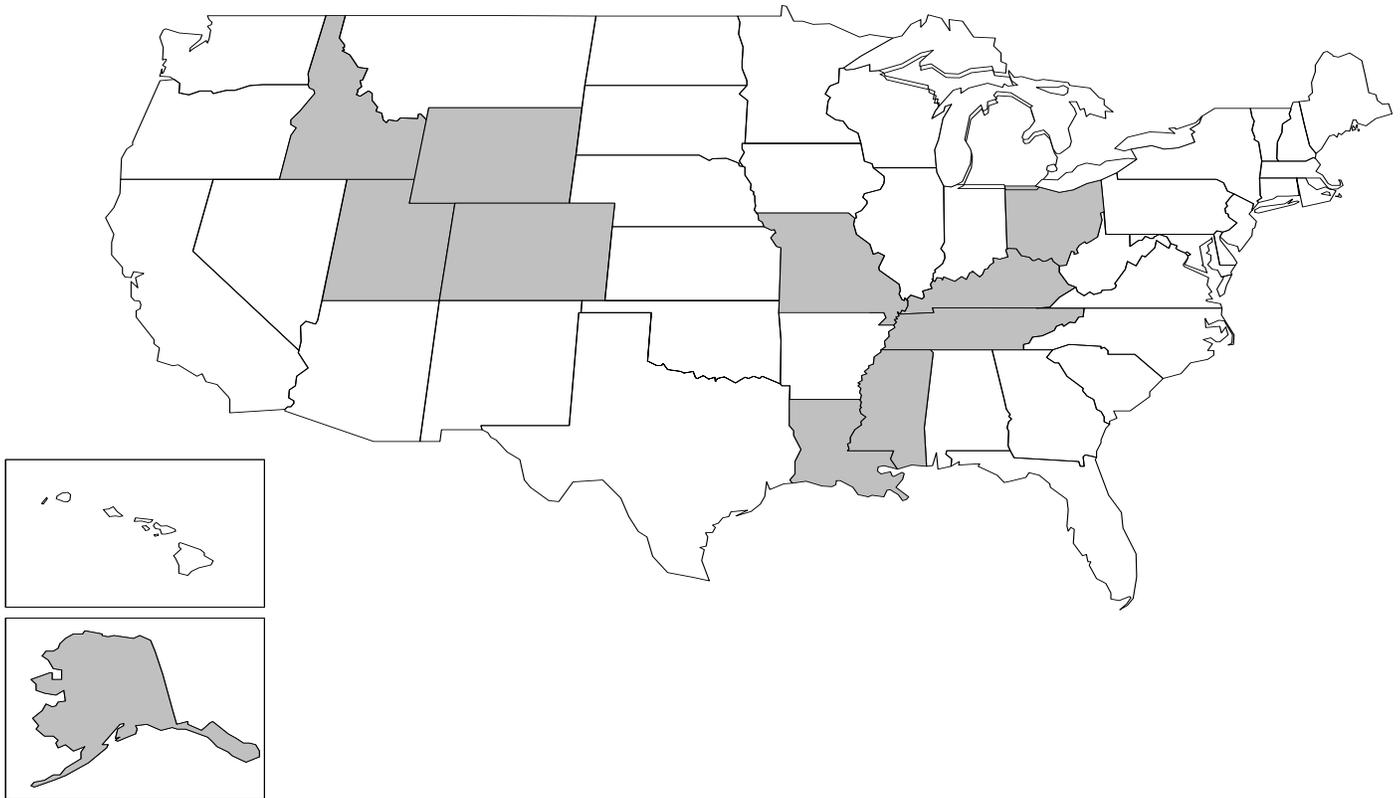
Audit Liaison:

Program/Process Assistant Coordinator, Wage and Investment Division W:HR

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Appendix IV

States Visited During July and August 2002



The 11 states visited include: Alaska, Colorado, Idaho, Kentucky, Louisiana, Mississippi, Missouri, Ohio, Tennessee, Utah, and Wyoming.

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Appendix V

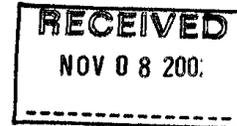
Management's Response to the Draft Report



COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

November 8, 2002



MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX
ADMINISTRATION

FROM:

John M. Dalrymple
John M. Dalrymple
Commissioner, Wage and Investment Division

SUBJECT:

Draft Audit Report – Taxpayers That Visited Taxpayer Assistance
Centers in July and August 2002 Received Incorrect Answers to
Some Tax Law Questions (Audit # 200240059)

I am responding to the feedback in your bimonthly report for July and August about the visits to 27 Taxpayer Assistance Centers (TAC). I also want to update you on our ongoing efforts to improve the accuracy rate of responses to tax law questions in our TACs.

As previously noted in my responses to your bi-monthly reports of reviews at our TACs, I do not agree that we should include the referral to publications and service denied as incorrect responses when computing the accuracy rate. Therefore, when computed to reflect only answers to tax law questions that were technically correct or incorrect the accuracy rates are 56 percent for July and 60 percent for August. The two-month average becomes 58 percent versus the 44 percent you reported.

We recognize that an accuracy rate of 58 percent for tax law service is inadequate. As a result, we are continuing to take specific and aggressive steps to improve the quality and accuracy in our TACs. These initiatives are outlined below.

- **More Time for Employees to Prepare**

Effective September 30, 2002, Field Assistance offices across the country began opening 30 minutes later each day to allow employees time for meetings, research, and directed learning activities. We have been collaborating with Learning and Education to develop effective directed learning activities available on a shared drive that the Field Assistance group managers can access.

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- **Assessing Employees Skills and Training Needs**

Although not in time for the filing season, we are in the final development stage of training assessment batteries for Tax Resolution Representatives (TRR) and managers. During October 2002, we administered the assessment to employees and managers in 4 Areas. During Fiscal Year (FY) 2003, we will administer the assessment to all employees and managers. The assessment will identify the specific training needs of each employee, removing the guesswork in determining these needs. We will use the results of the assessment to develop prioritized and individualized training plans.

- **Provide Additional Job Aids**

To improve accuracy, we will "walk" a taxpayer through the appropriate publication using a specific sequence of questions to correctly answer his/her question. We began training employees on this method last year in basic training classes and continuing professional education (CPE).

We will also provide a job aid titled "Quality Customer Care using the Complete, Correct Contact (CCC) Process" during this year's CPE. This process incorporates effective communication skills and uses the publication method. We will give each employee a laminated copy and instructions on its use. In addition, we are developing a proposal to make the publication method mandatory.

A joint IRS-NTEU team (including Media and Publications and Field Assistance) is developing decision tools or flow charts similar to the example on page 1 of Publication 596, Earned Income Tax Credit for multiple tax law topics. Although the process of revising publications is lengthy, the flow charts we are developing will be available as job aids for Field Assistance employees during the FY 2003 filing season.

- **Providing Immediate Feedback to Managers and Employees**

During FY 2003, the Field Assistance Quality Review Staff will anonymously visit TACs and will ask test tax law questions. If the TRR refers the reviewer to a publication, we will provide immediate feedback. If the TRR provides incorrect information, the reviewer will advise the manager.

This summer we had TAC managers conduct "shopping" visits at TACs other than their own. The results showed managers the scope of the accuracy problem. We will continue manager shopping visits. We plan to make the results of these visits part of the evaluation process, subject to discussions with NTEU.

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If you have any questions or need additional information about this response, please contact Jerry Heschel, Director, Field Assistance, W&I CARE, at (404) 338-7141.