



*The Taxpayer Assistance Center Closure
Plan Was Based on Inaccurate Data*

March 2006

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FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

March 22, 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 Taxpayer Assistance Center Closure Plan
Was Based on Inaccurate Data (Audit # 200540025)

This report presents the results of our review of the Taxpayer Assistance Center (TAC) Closure Model. The overall objective of this review was to determine whether the TAC Closure Model (the Model) effectively achieved the Internal Revenue Service's (IRS) goal of identifying which TACs to close.¹

Synopsis

In May 2005, the IRS announced plans to close 68 of its 400 TACs nationwide. Closing the 68 TACs was expected to yield staffing and facilities cost savings of \$45 million to \$55 million. To determine which TACs to close, the IRS and an independent contractor used an industry-standard software package and developed the Model.

After the IRS' announcement to close 68 TACs, a law was passed delaying the closure of any TACs.² The IRS is prohibited from using funds provided in the 2006 budget appropriation to reduce any taxpayer service function or program until the Treasury Inspector General for Tax Administration (TIGTA) completes a study detailing the effect of the IRS' plans to reduce services relating to taxpayer compliance and taxpayer assistance.

¹ 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.

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 (2005).



The Taxpayer Assistance Center Closure Plan Was Based on Inaccurate Data

The Model, which is criteria based and data driven, ranked each of the IRS' 400 TACs based on 5 criteria: 1) geography, 2) employee costs, 3) facilities costs, 4) workload, and 5) demographics. The Model ranked the TACs from highest to lowest score. The higher the score, the higher the probability a TAC was selected for closure. To further refine the identification of TACs to be closed, the IRS applied 3 business rules, ensuring 1) a significant office presence would remain in the top 35 metropolitan areas, 2) no State would lose more than one-half of its TACs, and 3) no TACs in Alaska and Hawaii would be closed.

One benefit of developing this Model is that, for the first time, the IRS has a single database housing key management information for each of the 400 TACs. The retrieval and consolidation of key management information into a single database addresses a significant operational weakness reported by the TIGTA.³ The Model is a flexible decision-making tool that the IRS should be able to maintain for future analyses.

To test the reliability of the data and the results of the Model, we systematically selected⁴ a sample of 60 of the 400 TACs⁵ and validated all data subcomponents for each of the 60 TACs. Testing identified that, although the structure of the Model was sound, not all data used were accurate or the most current available and some of the data were based on estimates and projections instead of actual data currently available. Data discrepancies affected the scores the Model calculated for each TAC and ultimately the ranking and overall selection of TACs for closure. When we reran the Model for the 60 selected TACs, the overall scores for each of the 60 TACs changed. We did not validate data for the remaining 340 TACs and therefore cannot determine if validating all data for all 400 TACS would affect the overall ranking of the TACs and/or the overall selection of which TACs are to be closed. However, results from validating the data for 60 TACs show sufficient discrepancies and raise concerns about using the results to select which TACs to close and in determining the associated cost savings that might be achieved.

For example, after the Model was originally run, all 400 TACs were scored and ranked, and the business rules were applied, the IRS identified 68 TACs that, if closed, would achieve the IRS' targeted savings of \$45 million to \$55 million. Each TAC selected for closure had a cumulative score *higher than 154.83*. For the 60 TACs sampled, we validated the data and, using the Model, rescored them. Using 154.83 as the cutoff score, we determined the scores for 10 (17 percent) of the 60 TACs included in our sample changed to either above or below the cutoff score, thus raising the possibility that these TACs had been incorrectly identified to be closed or to remain open.

³ *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 2005).

⁴ Systematic sampling involves using a random starting point, where every "nth" record is chosen for selection. "N" equals the number in the population divided by the number in the sample.

⁵ The sample included the selection of 30 TACs from those to be closed and 30 TACs from those to remain open.



The Taxpayer Assistance Center Closure Plan Was Based on Inaccurate Data

In addition, data discrepancies affected the IRS' ability to accurately determine cost savings. The IRS might have overselected or underselected the number of TACs that needed to be closed to reach the targeted savings of \$45 million to \$55 million. The inclusion of accurate costing information for all 400 TACs could affect the number of TACs the IRS would have to select to meet its targeted cost savings. Furthermore, the quality of the Model's workload data and the absence of customer information diminish the effectiveness of the Model to identify which TACs to close. In Fiscal Year 2005, we reported that management information does not provide an adequate picture of all services provided at the TACs.⁶ As a result, neither the IRS nor we can determine the effect TAC closures might have on taxpayer compliance.

Recommendations

The Commissioner, Wage and Investment Division, should ensure data used in the Model or any decision-making tool are accurate and reliable and have been validated before using them to make decisions regarding the TAC Program. In addition, the Model or any decision-making tool should include data to identify customer characteristics and capture customer input to effectively measure the impact any results might have on taxpayer service and compliance.

Response

IRS management agreed that data reliability is an issue that must be addressed. Management also agreed in principle with both of our recommendations and is taking corrective actions. However, they expressed the concern that measuring the effect of taxpayer services on compliance is a difficult task that the IRS has been unable to accomplish reliably since the inception of taxpayer service programs in the 1940s.

The IRS will ensure data used in the Model or any decision-making tool as it relates to the TAC Program are accurate and verified. Additionally, data and research are currently being collected for the Taxpayer Assistance Blueprint. The Taxpayer Assistance Blueprint will be a 5-year plan that outlines what services the IRS should provide, as well as how to improve services for taxpayers by leveraging reliable data on taxpayer and partner needs and preferences. Phase I will provide a baseline of current IRS services, taxpayer and partner needs and preferences, service industry benchmarking, and strategic service directions. Phase II will validate the service recommendations through extensive primary research with taxpayers and will identify key operational and resource delivery requirements. These data will be used, updated, and maintained for use in the Model (or other related decision-making tools) to assist

⁶ *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 2005).



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

the IRS in making informed decisions regarding all of its taxpayer services. Management's complete response to the draft report is included as Appendix VIII.

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) (Designee), at (202) 622-5916.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

Table of Contents

Background	Page 1
Results of Review	Page 6
The Taxpayer Assistance Center Closure Model Consolidates Key Management Information Into a Single Database	Page 6
Data Discrepancies Resulted in the Inability to Correctly Select Taxpayer Assistance Centers for Closure and the Inability to Accurately Determine Cost Savings.....	Page 7
The Quality of Taxpayer Assistance Center Workload Data and the Absence of Customer Information Diminish the Effectiveness of the Model to Identify Taxpayer Assistance Centers for Closure.....	Page 14
<u>Recommendations 1 and 2:</u>	Page 19
Appendices	
Appendix I – Detailed Objective, Scope, and Methodology	Page 20
Appendix II – Major Contributors to This Report	Page 24
Appendix III – Report Distribution List	Page 25
Appendix IV – Nationwide List of Taxpayer Assistance Centers	Page 26
Appendix V – Taxpayer Assistance Center Closure Model Subcomponents, Rankings, and Associated Weights	Page 30
Appendix VI – Taxpayer Assistance Centers Included in the Treasury Inspector General for Tax Administration Validation	Page 32
Appendix VII – External Stakeholders Contacted by the Treasury Inspector General for Tax Administration.....	Page 33
Appendix VIII – Management’s Response to the Draft Report	Page 34



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

Background

The Internal Revenue Service (IRS) provides taxpayers the option of obtaining personal, face-to-face tax assistance at 400 Taxpayer Assistance Centers (TAC) nationwide. 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. The IRS suggests taxpayers visit the TACs when they have complex tax issues, need to resolve tax problems relating to their tax accounts, have questions about how the tax law applies to their individual income tax returns, or feel more comfortable talking with someone in person. See Appendix IV for a list of the 400 TACs.

The IRS announced plans to close 68 TACs nationwide

In May 2005, the IRS announced plans to close 68 TACs nationwide, which was expected to yield staffing and facilities cost savings of \$45 million to \$55 million. In an IRS News Release, Internal Revenue (IR)-2005-63, dated May 27, 2005, the IRS stated it:

. . . plans to close a portion of its Taxpayer Assistance Centers as part of the agency's continuing efforts to create efficiencies, modernize operations, and reduce costs while maintaining its commitment to taxpayer service. Adjusting the number of TAC sites will allow the IRS to focus on activities that provide the most efficient services. At the same time, taxpayers will still have access to a variety of IRS services, either by [tele]phone, through IRS.gov, and from neighboring TAC offices and IRS volunteer tax assistance programs. As the IRS is modernizing how taxpayers receive service, the agency remains committed to improving service and meeting the needs of taxpayers

The IRS Commissioner in a released statement explained:

The President's 2006 budget request for the IRS is crafted to continue the necessary rebuilding of our enforcement capabilities, which had dropped to unacceptable levels. The 2006 budget request also calls for a modest amount of belt-tightening in taxpayer services. This cut to services of 1 percent is consistent with the requests for domestic discretionary programs other than those associated with homeland security. While we continue to rebuild our enforcement program in these difficult budgetary times, we must make some hard choices to be able to provide the best possible service at the lowest possible cost.

In conjunction with the TAC closure announcement, the IRS stated that, out of the 2,300 employees that work in the TACs nationwide, fewer than 450 employees were located in



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

the 68 TACs it planned to close. Further, as the agency's budget allowed, qualifying employees may be offered early-out retirements and buyouts.¹ Most employees may be entitled to priority placement for other jobs within the IRS and other Department of the Treasury bureaus.

The TAC Closure Model was built to determine which TACs to close

To determine which TACs to close with a minimal impact to the taxpaying public, the IRS and an independent contractor used an industry-standard software package and developed the TAC Closure Model (the Model). The IRS stated the use of the Model would result in a substantial savings of taxpayers' money while continuing to provide the same level of assistance the public has come to expect from the IRS.

The Model, which is criteria based and data driven, ranked each of the IRS' 400 TACs based on over 13,000 data points input to the Model. The IRS developed five main criteria components to be used in ranking and deciding which TACs to close: 1) geography, 2) employee costs, 3) facilities costs, 4) workload, and 5) demographics. Included in the 5 main components were 51 subcomponents.

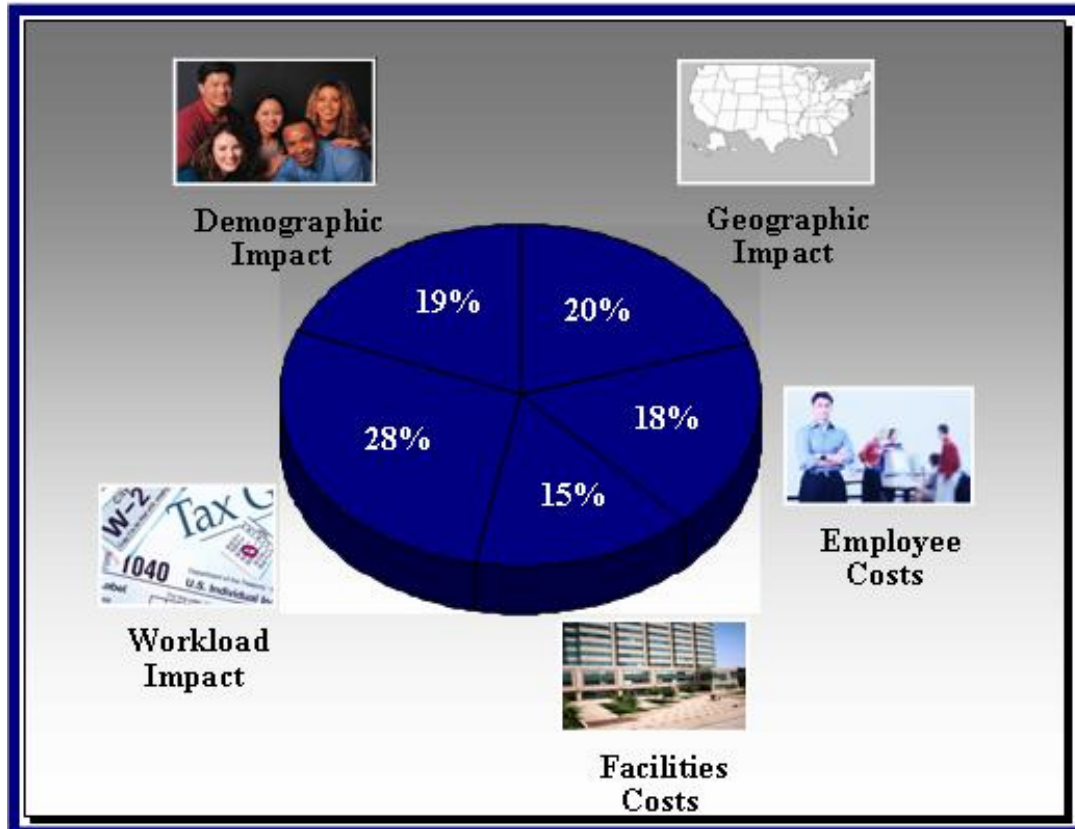
The IRS provided the contractor with the data used to populate the Model. The IRS obtained these data from internal sources, as well as from the United States Census Bureau. The IRS was also responsible for weighting each of the 5 main components and the associated 51 subcomponents. The weighting was described as being customer centric and based on input from internal and external stakeholders. Over two-thirds of the weighting focused on customer considerations, including demographics, geography, and workload. The remaining one-third focused on facilities and labor costs. Figure 1 presents the five main components and associated weighting. Appendix V details the 51 subcomponents, along with the rankings and associated weights.

¹ Early-out retirements occur when an individual must retire involuntarily because of a reduction in force, reorganization, transfer of function, or similar circumstance, or they choose to retire early. Buyouts occur when Federal Government agencies are allowed to pay separation incentives to any employee who leaves Federal Government service or takes regular or early retirement.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

Figure 1: TAC Closure Model – Five Main Components and Associated Weighting



Source: IRS TAC Closure Model.

To assist in determining the specific weighting to be used in the Model, the IRS consulted with internal stakeholders, including the National Taxpayer Advocate, and external stakeholders, including the IRS Advisory Council.² Initially, the IRS assigned equal weighting to each of the five main components. Based on the data input to populate the subcomponents and the weighting, the Model ranked the TACs from highest to lowest score. The higher the score, the higher the probability a TAC was selected for closure. However, the results did not meet the IRS' objective of providing a balanced program in delivering assistance to taxpayers because the TACs initially selected were the largest and most costly TACs. The IRS then revised its methodology to give slightly more weight to geography, demographics, and workload (see Figure 1). In addition, the IRS developed and applied the following three business rules:

- 1) A significant office presence would remain in the top 35 metropolitan areas based on the latest Census population information.

² The IRS Advisory Council provides an organized public forum where representatives of the public and IRS officials discuss relevant tax administration issues.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

- 2) No State would lose more than one-half of the TACs in that State or have a TAC closed that accounted for more than 40 percent of the customers serviced in that State.
- 3) Alaska and Hawaii would not have any TACs closed, as they are remote locations away from the continental United States.

The Model was then rerun with the new business rules; it identified 68 TACs to be closed to achieve the targeted savings.

Congress reacts to the IRS TAC closure announcement

In response to the IRS' announcement of its plans to close 68 TACs, Congress proposed language to be included in the Department of the Treasury Appropriations Act, 2006,³ that would delay the closing of any TACs. The Committee on Appropriations stated in the Senate Report:

. . . Due to the Committee's concerns, the Committee has included an administrative provision that prohibits the use of funds provided in this Act for purposes of reducing any taxpayer service function or program until the Treasury Inspector General for Tax Administration [TIGTA] has completed a study detailing the impact of the IRS' plans to reduce services on taxpayer compliance and taxpayer assistance. The Committee also requests [the] TIGTA to review the accuracy of the estimated cost-savings [sic] of the reduced services.⁴

The Report further states:

. . . The Committee is concerned about the proposed taxpayer service reductions due to the IRS' inability to explain the potential impact of these changes on taxpayers. Reducing taxpayer services, especially for the Nation's most vulnerable and needy populations, is puzzling, especially given the trends in the Nation's demographics, which indicate a growing elderly population and immigrant population. Yet, instead of increasing and improving taxpayer services for these populations, the IRS' budget proposes to cut services that these populations rely upon.

On July 13, 2005, the IRS announced that early-out retirements and buyouts were being placed on hold, pending Congressional action. In IRS News Release IR-2005-77, posted July 29, 2005, the IRS announced Congress had provided additional funding with the IRS 2006 budget request and the Commissioner had decided to immediately suspend the proposed closures until any related actions required by the Fiscal Year 2006 IRS appropriation were completed.

³ H.R. 3058, Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006.

⁴ Senate Report 109-109 - *Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006.*



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

On November 30, 2005, 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.⁵

The TIGTA evaluated the accuracy of data input to the TAC Closure Model

This review was performed at the IRS Wage and Investment (W&I) Division Headquarters in Atlanta, Georgia, and at the IRS Agency-Wide Shared Services (AWSS) function and Modernization and Information Technology Services (MITS) organization Headquarters in Washington, D.C., during the period May through December 2005. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁵ 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 (2005).



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

Results of Review

The Taxpayer Assistance Center Closure Model Consolidates Key Management Information Into a Single Database

For the first time, the IRS has a single database housing key management information for each of the 400 TACs, including information such as geographic location, staffing costs, facilities costs, workload, and demographics. Since the IRS reorganized in October 2000 and the Field Assistance Office, which is responsible for the TAC Program, was formed, the IRS has not had key management information readily available in a format that could be used to make sound business decisions.

The retrieval and consolidation of key management information into a single database addresses a significant operational weakness previously reported by the TIGTA in 2005.⁶ We reported that, since the creation of the Field Assistance Office in October 2000, key management information used to make decisions and support changes in the TAC Program is either absent or based on incomplete data. The lack of accurate and complete management information hinders the IRS' ability to make appropriate decisions when determining the locations and services it provides to taxpayers seeking face-to-face assistance. Our report further noted that the management information system does not track costs by TAC and does not include operating costs, such as rent, utilities, or equipment.

The Model was developed to allow for refinements and enhancements

The Model was built using off-the-shelf spreadsheet software. The Model uses formulas based on specific criteria that allow for adjustments, including changing the weighting given to the different components and subcomponents. Refinements and enhancements can also be easily made, including the addition and deletion of data and components or subcomponents.

For example, when the Model was initially run to identify potential TACs for closure, the IRS weighted each of the 5 main components equally (20 percent). However, after running the Model, the IRS realized the components were not weighted to ensure balanced delivery of taxpayer assistance. This resulted in the IRS applying different weighting to the five main components (see Figure 1 for the five main components and associated weighting).

In addition, although the Model was initially developed to be an objective, data-driven process, it allows subjectivity to be entered into the process. For example, to further refine the

⁶ *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 2005).



The Taxpayer Assistance Center Closure Plan Was Based on Inaccurate Data

identification of those TACs to be closed, the IRS injected 3 business rules: ensuring a significant office presence would remain in the top 35 metropolitan areas, ensuring no State would lose more than one-half of its TACs, and ensuring no TACs in Alaska and Hawaii would be closed. This flexibility should allow the IRS to maintain the Model for future analyses and could serve as a much-needed decision-making tool for the Field Assistance Office.

Data Discrepancies Resulted in the Inability to Correctly Select Taxpayer Assistance Centers for Closure and the Inability to Accurately Determine Cost Savings

Although the structure of the Model was sound, not all data used to populate the subcomponents were accurate or the most current data available, and the data used in some subcomponents were based on estimates and projections instead of actual data currently available. This affected the scores the Model calculated for each TAC and, ultimately, the ranking and overall selection of TACs for closure.

To test the reliability of the data and the results of the Model, we systematically selected⁷ 60 of the 400 TACs⁸ and validated all data subcomponents for each of these TACs. We then reran the Model using the data based on our verification for the 60 TACs. The overall scores for each of the 60 TACs changed. We did not validate data for the remaining 340 TACs and therefore cannot determine if validating all data for all 400 TACS would affect the overall ranking of the TACs and/or the overall selection of which TACs are to be closed. However, results from validating the data for the 60 TACs show sufficient discrepancies to raise concerns about using the results to select which TACs to close and to determine the associated cost savings that might be achieved.

For example, after the Model was originally run, all 400 TACs were scored and ranked, and the business rules were applied, the IRS identified 68 TACs that, if closed, would achieve the IRS' targeted savings of \$45 million to \$55 million. Each TAC selected for closure had a cumulative score *higher than 154.83*. For the 60 TACs sampled, we validated the data and, using the Model, rescored them. Using 154.83 as the cutoff score, we determined the scores for 10 (17 percent) of the 60 TACs included in our sample changed to either above or below the cutoff score, thus raising the possibility that these TACs had been incorrectly identified to be closed or to remain open. Figure 2 shows that, for the 60 TACs sampled, scores for 5 TACs scheduled to be closed (Reference Numbers 24, 26, 32, 43, and 58) changed from above 154.83 to below 154.83 and scores for 5 TACs scheduled to remain open (Reference Numbers 3, 10, 36, 54, and 56) changed from below 154.83 to above 154.83. For two TACs (Reference Numbers 4 and 51), although the

⁷ Systematic sampling involves using a random starting, where "nth" record is chosen for selection. "N" equals the number in the population divided by the number in the sample.

⁸ The systematic sample included selecting 30 TACs from those to be closed and 30 TACs from those to remain open. Appendix VI contains a list of the 60 TACs in our sample.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

IRS scores were over the cutoff, the TACs were to remain open because they met the criteria of one of the business rules.

Figure 2: Comparison of Cumulative Scores

Reference Number	Cumulative Score				Reference Number	Cumulative Score			
	Per Model	Per TIGTA	Change			Per Model	Per TIGTA	Change	
			Numeric	Percentage				Numeric	Percentage
1	164.52	167.65	-3.13	-1.90%	31	194.67	170.41	24.26	12.46%
2	161.51	162.69	-1.18	-0.73%	32	155.86	151.08	4.78	3.07%
3	153.28	159.24	-5.96	-3.89%	33	171.64	178.24	-6.60	-3.85%
4	167.08	145.84	21.24	12.71%	34	152.47	147.64	4.83	3.17%
5	146.10	154.82	-8.72	-5.97%	35	162.27	161.63	0.64	0.39%
6	156.21	173.22	-17.01	-10.89%	36	151.90	178.92	-27.02	-17.79%
7	156.67	164.34	-7.67	-4.90%	37	100.35	120.00	-19.65	-19.58%
8	171.75	158.37	13.38	7.79%	38	147.16	140.76	6.40	4.35%
9	166.16	169.46	-3.30	-1.99%	39	135.01	141.37	-6.36	-4.71%
10	140.81	155.52	-14.71	-10.45%	40	141.50	147.52	-6.02	-4.25%
11	131.02	139.82	-8.80	-6.72%	41	113.34	124.51	-11.17	-9.86%
12	137.61	144.95	-7.34	-5.33%	42	148.93	149.52	-0.59	-0.40%
13	173.29	165.85	7.44	4.29%	43	157.40	151.89	5.51	3.50%
14	119.99	134.26	-14.27	-11.89%	44	159.38	161.98	-2.60	-1.63%
15	163.71	167.99	-4.28	-2.61%	45	133.10	140.62	-7.52	-5.65%
16	154.83	158.01	-3.18	-2.05%	46	151.51	150.22	1.29	0.85%
17	152.66	154.52	-1.86	-1.22%	47	153.74	133.68	20.06	13.05%
18	126.36	131.79	-5.43	-4.30%	48	150.80	149.67	1.13	0.75%
19	174.14	170.21	3.93	2.26%	49	159.24	157.18	2.06	1.29%
20	162.80	165.95	-3.15	-1.93%	50	145.41	133.76	11.65	8.01%
21	155.57	157.81	-2.24	-1.44%	51	157.30	191.38	-34.08	-21.67%
22	129.55	122.86	6.69	5.16%	52	178.77	170.27	8.50	4.75%
23	139.49	139.07	0.42	0.30%	53	167.41	157.05	10.36	6.19%
24	163.37	145.25	18.12	11.09%	54	149.95	155.45	-5.50	-3.67%
25	169.16	177.76	-8.60	-5.08%	55	165.77	160.13	5.64	3.40%
26	160.31	152.28	8.03	5.01%	56	147.78	161.02	-13.24	-8.96%
27	148.72	151.79	-3.07	-2.06%	57	159.08	160.79	-1.71	-1.07%
28	142.83	147.97	-5.14	-3.60%	58	168.44	153.40	15.04	8.93%
29	159.97	174.27	-14.30	-8.94%	59	155.74	157.76	-2.02	-1.30%
30	158.51	164.20	-5.69	-3.59%	60	123.01	129.33	-6.32	-5.14%

Source: TAC Closure Model and results from the TIGTA validation.

Figure 3 illustrates how the scores of the five components and their subcomponents are calculated and how they changed based on our validation. This example uses the information relative to the Springfield, Missouri, TAC (Reference Number 24):



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

**Figure 3: Example of Scoring Methodology –
Springfield, Missouri, TAC⁹**

Component	Subcomponents for Which Incorrect Data Were Used to Populate the Model	Score per the Model	Revised Score per the TIGTA Validation
<i>Geographic Impact</i>	3 of 5 (60 percent) Subcomponents	22.27	22.13
<i>Employee Costs Impact</i>	8 of 19 (42 percent) Subcomponents	32.25	29.19
<i>Facilities Costs Impact</i>	6 of 6 (100 percent) Subcomponents	27.90	15.71
<i>Workload Impact</i>	All data used in each subcomponent matched the IRS source data; however, because data discrepancies existed with regard to other sites and the sites are ranked against each other, the score of this component changed.	50.52	50.72
<i>Demographic Impact</i>	13 of 14 (93 percent) Subcomponents	30.44	27.50
Total Scores:		163.37¹⁰	145.25
Note that the final score per the Model is above the cutoff score of 154.83, while the revised score per the TIGTA validation is below the cutoff score.			

Source: TAC Closure Model and results from the TIGTA validation.

In addition, data discrepancies affected the IRS’ ability to accurately determine cost savings. The IRS might have overselected or underselected the number of TACs that needed to be closed to reach the targeted savings of \$45 million to \$55 million. For example, costing information relative to the Springfield, Missouri, TAC, which includes components *Facilities Costs Impact* and *Employee Costs Impact*, were overstated by \$179,507. Cost savings per the Model totaled \$649,130, while validated data showed cost savings of \$469,623. Therefore, the inclusion of accurate costing information for all 400 TACs could affect the number of TACs the IRS would have to select to meet its targeted cost savings. Figure 4 provides the results of the cost savings from the Model and from our validation.

⁹ For the presentation of this example, the scores for each subcomponent per the Model were rounded to two decimal places. Therefore, the sum of the five subcomponent scores does not equal the overall score as reflected in the example. The overall score in the example reflects the actual overall score per the Model.

¹⁰ Total does not add exactly due to rounding of individual items.



The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data

Figure 4: Comparison of Cost Savings

Reference Number	Cost				Reference Number	Cost			
	Per Model	Per TIGTA	Change			Per Model	Per TIGTA	Change	
			Numeric	Percentage				Numeric	Percentage
1	\$153,921	\$109,958	\$43,963	28.56%	31	\$1,061,121	\$1,204,012	-\$142,891	-13.47%
2	\$138,655	\$97,192	\$41,463	29.90%	32	\$3,940,744	\$3,509,725	\$431,019	10.94%
3	\$224,209	\$225,436	-\$1,227	-0.55%	33	\$1,001,576	\$1,072,763	-\$71,187	-7.11%
4	\$1,301,047	\$1,176,507	\$124,540	9.57%	34	\$130,712	\$19,657	\$111,055	84.96%
5	\$298,080	\$255,508	\$42,572	14.28%	35	\$130,838	\$95,932	\$34,906	26.68%
6	\$331,080	\$316,222	\$14,858	4.49%	36	\$670,111	\$635,766	\$34,345	5.13%
7	\$754,348	\$587,994	\$166,354	22.05%	37	\$301,251	\$245,144	\$56,107	18.62%
8	\$591,789	\$366,821	\$224,968	38.01%	38	\$1,116,009	\$799,803	\$316,206	28.33%
9	\$1,600,430	\$1,374,715	\$225,715	14.10%	39	\$213,318	\$220,083	-\$6,765	-3.17%
10	\$211,211	\$183,040	\$28,171	13.34%	40	\$215,599	\$180,225	\$35,374	16.41%
11	\$294,856	\$183,629	\$111,227	37.72%	41	\$212,422	\$175,666	\$36,756	17.30%
12	\$216,252	\$159,971	\$56,281	26.03%	42	\$133,481	\$29,377	\$104,104	77.99%
13	\$1,151,586	\$1,016,375	\$135,211	11.74%	43	\$53,271	\$136,860	-\$83,589	-156.91%
14	\$304,047	\$256,439	\$47,608	15.66%	44	\$361,103	\$312,784	\$48,319	13.38%
15	\$210,918	\$127,689	\$83,229	39.46%	45	\$216,351	\$153,281	\$63,070	29.15%
16	\$211,598	\$166,000	\$45,598	21.55%	46	\$873,611	\$729,438	\$144,173	16.50%
17	\$582,233	\$591,224	-\$8,991	-1.54%	47	\$1,050,704	\$601,509	\$449,195	42.75%
18	\$133,665	\$136,584	-\$2,919	-2.18%	48	\$1,527,425	\$1,350,273	\$177,152	11.60%
19	\$690,626	\$576,670	\$113,956	16.50%	49	\$312,939	\$161,619	\$151,320	48.35%
20	\$885,960	\$642,611	\$243,349	27.47%	50	\$293,384	\$238,558	\$54,826	18.69%
21	\$384,904	\$310,698	\$74,206	19.28%	51	\$1,009,919	\$893,343	\$116,576	11.54%
22	\$212,013	\$145,900	\$66,113	31.18%	52	\$1,192,215	\$969,951	\$222,264	18.64%
23	\$205,112	\$164,431	\$40,681	19.83%	53	\$1,014,310	\$872,913	\$141,397	13.94%
24	\$649,130	\$469,623	\$179,507	27.65%	54	\$1,166,967	\$1,193,239	-\$26,272	-2.25%
25	\$210,586	\$178,943	\$31,643	15.03%	55	\$130,450	\$68,839	\$61,611	47.23%
26	\$643,262	\$525,978	\$117,284	18.23%	56	\$306,821	\$315,794	-\$8,973	-2.92%
27	\$237,492	\$149,862	\$87,630	36.90%	57	\$214,380	\$186,857	\$27,523	12.84%
28	\$302,631	\$300,293	\$2,338	0.77%	58	\$234,477	\$118,953	\$115,524	49.27%
29	\$291,658	\$260,104	\$31,554	10.82%	59	\$207,980	\$149,705	\$58,275	28.02%
30	\$1,132,015	\$972,216	\$159,799	14.12%	60	\$219,762	\$141,907	\$77,855	35.43%

Source: TAC Closure Model and results from the TIGTA validation.

Standards for Internal Control in the Federal Government¹¹ require information to be recorded and communicated to management and others within the entity who need it and in a form and within a time period that enables them to carry out their internal control responsibilities. 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.

The 60-day time period to create the Model hindered its development

In anticipation of a reduction in the 2006 budget for taxpayer assistance, the IRS made the decision to close a number of TACs. For the IRS to complete the placement or reduction in force of employees by October 1, 2005, the TACs to be closed had to be identified and planning for the closures had to start as soon after April 15, 2005, as possible. An Executive Lead

¹¹ GAO/AIMD-00-21.3.1, dated November 1999.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

Development Team was formed in mid-February 2005 and charged with developing a data-driven model with specific criteria for determining which TACs to close. The Team was given the support of a subcontractor and 60 days to build the Model. The 60-day time period directly related to the decisions made relative to the data used to populate the Model.

The data needed for the Model were gathered from external sources and various functional areas within the IRS. These functional areas were under similar time constraints. For example, the IRS employee asked to provide potential rental cost savings was given 2 hours to provide this information. However, the information was not readily available, and the IRS employee had only estimates for both the square footage and costs per square foot from which to calculate potential rental cost savings. In another instance, the IRS employee responsible for providing workload information was given 1 day to gather the data. Because of these time constraints, the data included in the Model were not validated before or after being input to the Model.

Factors contributing to the data discrepancies include the following:

- **Use of estimates and projections.** The IRS used estimates for 13 of the 51 subcomponents, including *MITS Costs*, *Furniture Costs*, *Length of Rent/Leasing Contract*, and the subcomponents relating to the number and types of employees at a TAC. For the *MITS Costs*, the IRS assigned an estimated cost based on the size of the TAC, not the recurring cost for information technology assigned to each employee. TIGTA auditors worked with the responsible organizations within the IRS to obtain the budgeted per-employee recurring *MITS Costs* of \$2,733 per person and then multiplied this per-employee cost by the number of employees at the TAC to compute the *MITS Costs* savings per TAC. For *Furniture Costs*, the IRS attempted to estimate a recurring facility cost per employee. However, the IRS was unable to provide the data or the computation to support the estimates. Based on the inability to provide this information, the IRS agreed that this subcomponent should not have been included in the Model and should not be used in determining site closure selection and cost savings.

For those categories relating to the number and types of employees, the IRS used the number and types of employees based on actual employees working at the beginning of Fiscal Year 2005 and projections for the 2005 Filing Season.¹² To accurately determine the number and types of employees, we identified the specific employees assigned to a TAC per the Employee Service Record Report (ESRR) provided by the Field Assistance Office and then confirmed the number and types of employees via physical verification while conducting TAC site visits. The ESRR was available for use at the time the Model was populated.

¹² The filing season is the period from January through mid-April when most individual income tax returns are filed.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

- **Use of data that were not the most current available.** The IRS used data that were not the most current available for 3 of the 51 subcomponents, including *Number of Returns Filed by Zip Code* and *Number of EITC [Earned Income Tax Credit] Returns Filed by Zip Code*. The IRS used Tax Year 2002 data to compute the values associated with these subcomponents. We used Tax Year 2003 data, which were the most current information available at the time the IRS populated the Model.

The IRS used Fiscal Year 2004 information when determining the values for *Modernization Efforts Applied*.¹³ This resulted in the IRS not including all TACs that had been modernized during the period September 2004 to April 2005. For example, of the 60 TACs we sampled, 6 (10 percent) had been modernized; however, the Model showed the 6 TACs had not been modernized. The IRS estimates the costs to modernize a TAC range from \$124,000 to over \$360,000, depending on the size of the TAC. For the subcomponent, *Modernization Efforts Applied*, the IRS assigns a low probability of selection for closure to those TACs that have been modernized.

- **Use of averages.** The IRS used averages for 6 of the 51 subcomponents, when in 4 instances actual figures could have been obtained. These four subcomponents included *Average Salary*, *Space Usage in Square Feet*, *Total Rent/Leasing Cost*, and *Square Footage Costs*. When the IRS computed average salaries, locality pay was not included. Locality pay ranges from 11.75 percent to 26.39 percent of an employee's salary, depending on where the employee works. To determine employees' salaries, we researched the actual salaries of the specific employees assigned to a TAC based on the ESRR provided by the Field Assistance Office.

To compute the *Space Usage in Square Feet* and *Square Footage Costs*, the IRS used the number of employees assigned to a TAC to assign a size to a TAC – small, medium, or large. Based on the TAC size, an average square footage and cost per square foot was applied. To determine the actual square footage costs, TIGTA auditors reviewed monthly rental bills providing the cost per square foot and, with AWSS function employees, physically measured each of the 60 TACs included in our sample.

In addition, the Model did not include information as to whether the space occupied by a TAC could be released and, if so, what costs may be involved in the release. In many instances, Federal Government agencies incur a cost to revise previously occupied space to a condition that can be released back. For example, subsequent to the TAC closure announcement, the AWSS function determined whether the space occupied by the 68 TACs scheduled to be closed could be released and whether there would be costs involved in the release. The AWSS function determined the space occupied by 15 (22 percent) of the 68 TACs could not be released. Reasons the space for the 15 TACs could not be released

¹³ Refers to whether a TAC has been remodeled to provide adequate space to accommodate customer traffic, modernized workstations, technology enhancements, and privacy and security.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

included noncancelable leases and the fact that the location of the TAC served as the main entrance to offices for other IRS functions. Of the remaining 53 of 68 TACs, 48 would require revisions to the space prior to its being released. The IRS estimates revision costs will total approximately \$4 million, with the per-TAC revision cost ranging from \$1,190 to \$425,332.

For the 60 TACs TIGTA auditors visited, AWSS function representatives stated the space for 19 (32 percent) could not be released. Reasons for nonrelease were similar to those cited above.

- **Inconsistency in the calculation approach.** Only 2 of the 14 subcomponents within the main component Demographic Impact involved inconsistent use of a geographic area in the calculation.¹⁴ The first subcomponent involving an inconsistent approach is the *Percent Unemployed by Zip Code*. This subcomponent was actually the percentage of unemployment per the State in which the TAC is located. IRS employees responsible for creating the Model noted that computing the percentage of unemployment by geographic area would have required much more time than taking the per-State figure. The second subcomponent involving an inconsistent approach is the *Income Level by Zip Code*. This subcomponent was actually the income level for the zip code where the TAC was located. IRS employees responsible for creating the Model could not explain why a geographic area was not used.
- **Error in associating zip codes with the nearest TAC.** An error resulted when the IRS combined the results to associate the zip codes with a specific TAC because two different programs were used to compute latitude and longitude. The two programs used different geographical points within each zip code.

Associating zip codes with the nearest TAC allowed the IRS to analyze data based on a geographic area. The IRS assumed that associating zip codes with the closest TAC would present the population of individuals most likely to seek assistance at that TAC. Two separate programs were used to assign latitude and longitude coordinates to zip codes. The IRS W&I Division Research function determined the latitude and longitude coordinates for the zip code in which each of the 400 TACs is located. The IRS Office of Program Evaluation Risk Analysis (OPERA) determined the latitude and longitude for the remaining zip codes nationwide.

For consistency purposes, the OPERA recomputed the latitude and longitude for all zip codes and reassociated the zip codes with the nearest TAC. As a result, 857 zip codes were reassociated with TACs different from the ones used when the Model was first run. When

¹⁴ Values for these subcomponents used the zip codes associated with the closest TAC. The IRS performed a data analysis that associated zip codes nationwide with the closest TAC to create a potential geographic area that a particular TAC may serve.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

we reran the subcomponent calculations using the revised associated zip codes, the reassociation created changes to the values in those subcomponents.

The Quality of Taxpayer Assistance Center Workload Data and the Absence of Customer Information Diminish the Effectiveness of the Model to Identify Taxpayer Assistance Centers for Closure

Prior TIGTA audits have raised concerns regarding the reliability of Field Assistance Office management information as a basis for making business decisions.¹⁵ In 2005, we reported that, since the creation of the Field Assistance Office in October 2000, key management information used to make decisions and support changes is either absent or based on incomplete data. Improved management information is needed to help the Field Assistance Office move toward its future goals.

In addition, although a number of studies have been conducted by the W&I Division to identify its present and future customer base, the Field Assistance Office has not recently conducted similar studies to identify the specific characteristics of customers who seek face-to-face assistance as well as the services they desire. As a result, the Model does not include demographics of IRS customers. The majority of the Model's demographics are based on United States Census Bureau data. The Model includes the total number of tax returns filed on paper and electronically. However, the IRS did not include in the Model either the filing characteristics of taxpayers that live in the geographic areas of the TACs or the demographics of taxpayers that actually sought account assistance at the TACs.

Data captured on the Field Assistance Office's management information system are not always reliable

The IRS acknowledges that the Field Assistance Office management information system cannot be relied upon for timely, accurate workload performance information due to the manual process of recording taxpayer visits. In addition, the Field Assistance Office current management information system does not collect the total number of services provided to taxpayers; it captures only the most significant service provided to each taxpayer. In cases where multiple services are provided to the same taxpayer, guidelines direct TAC employees to record the service they believe was the most significant provided to the taxpayer. This is usually based on the amount of time spent assisting the taxpayer with a specific service.

¹⁵ *Trends in Customer Service in the Taxpayer Assistance Centers Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions* (Reference Number 2003-40-158, dated August 2003) and *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 2005).



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

IRS studies have identified that TAC employees use incorrect closing codes when documenting the type of assistance provided to taxpayers. Testing conducted during visits to the 60 TACs sampled in this review confirmed that both inaccuracies and inconsistencies exist when TAC employees record closing codes documenting the actions taken when assisting customers. For example:

- Employees incorrectly recorded tax returns received and stamped in the categories of Customer w/Form Contacts and Account Work/Notices, and in one TAC each employee recorded the receipt and stamping in a different category.
- Employees recorded the receipt of Heavy Highway Vehicle Use Tax Returns (Forms 2290) in the categories of Tax Law Question, Account Work/Notices, Return Preparation, or Other Field Assistance Contacts. At some TACs, the receipt of a Form 2290 was not recorded at all. Field Assistance Office procedures require this action to be recorded under Other Field Assistance Contacts.
- Employees in one TAC recorded each IRS form handed out as a contact, while in other TACs only one contact was recorded regardless of the number of forms provided to a taxpayer. Field Assistance Office procedures require one contact to be recorded regardless of the number of forms provided.

The Government Performance and Results Act of 1993¹⁶ directs Federal Government agencies to focus on their missions and goals and provides guidance on how to achieve those goals and how to improve their structural organizations and business processes. Performance measures need to be based on program-related characteristics and performance data and must be sufficiently complete, accurate, and consistent. Performance data must be used to improve organizational processes, identify performance gaps, and set improvement goals.

The Field Assistance Office's management information system does not provide an adequate picture of all services provided at the TACs. Specifically, not all services are captured, services are inconsistently captured, and for some services offered there is no means by which to identify the specific customer to whom the service was provided (e.g., customers that obtained tax law and tax forms assistance). In response to our prior report,¹⁷ IRS management agreed that improving their management information system is critical to achieving improved operational performance. The Field Assistance Office is developing a web-based Field Assistance Office Management Information System (FAMIS), which will provide management with critical program planning and control information at the local and national levels while also reducing

¹⁶ Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

¹⁷ *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 2005).



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

taxpayer burden by managing wait times more efficiently. The FAMIS will be tested in Fiscal Year 2006 and deployed in all TACs during Fiscal Year 2007.

Demographics based on IRS customer information were not included in the Model

IRS research performed since 1999 has focused primarily on learning about customer expectations and ways to improve the taxpayer experience when visiting the TACs. Taxpayers who need or desire face-to-face assistance have not been involved in determining what services are offered at the TACs. Management indicated identification of the services offered at the TACs has been based primarily on input from Field Assistance Office field management. Other factors affecting the services provided include internal priorities, resource demands, and shifts in the IRS' customer service perspective.

However, the IRS does have available taxpayer account and compliance data that could be used to better identify the characteristics of potential customers and those customers that have actually sought account assistance at a TAC. For example, the Model includes demographics of individuals in a geographic area¹⁸ based on information from the 2000 Census and IRS tax return data. Figure 5 illustrates the different results when demographics are included based on different data. For 10 TACs in our sample, it compares 5 key demographics using 3 different data sources labeled "Model," "Actual," and "Potential."

- "Model" includes data from the Model, including corrected information validated by the TIGTA.
- "Actual" includes data relating to taxpayers that actually obtained assistance with their tax accounts at a particular TAC.
- "Potential" includes data relating to taxpayers that filed their tax returns and lived in the geographic area of a TAC.

¹⁸ The IRS performed a data analysis that associated zip codes nationwide with the closest TAC to create a potential geographic area that a particular TAC might serve.



The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data

Figure 5: Comparison of IRS Customer Key Demographics

Reference Number	Population Impact by Zip Code			Income Level by Zip Code			Percentage of Taxpayers With Unemployment Income			Percentage of Age Greater Than or Equal to 65			Population With Household Income Less Than \$35,000, and Age Less Than 65		
	Customers			Customers			Customers			Customers			Customers		
	Model	Actual	Potential	Model	Actual	Potential	Model	Actual	Potential	Model	Actual	Potential	Model	Actual	Potential
1	113,542	359	44,534	\$20,136	\$34,079	\$34,044	4.20%	4.74%	5.55%	18.75%	0.06%	22.12%	16,805	161	23,312
2	85,907	481	30,944	\$19,932	\$33,442	\$37,072	4.20%	5.20%	5.98%	19.45%	0.07%	24.51%	9,410	238	14,546
3	364,218	4,416	148,793	\$21,898	\$41,489	\$104,129	5.80%	10.39%	10.94%	14.62%	0.28%	18.37%	54,457	2,182	73,854
4	1,969,189	9,906	906,548	\$28,390	\$42,973	\$58,125	5.80%	9.68%	8.08%	11.86%	0.69%	15.66%	199,477	4,953	381,354
5	569,582	3,716	215,415	\$26,532	\$40,868	\$47,781	5.80%	5.79%	15.04%	9.42%	0.23%	13.26%	41,109	1,858	100,264
6	208,704	4,574	85,890	\$33,888	\$51,716	\$69,033	5.80%	13.25%	4.20%	13.06%	0.11%	19.09%	18,540	2,080	36,091
7	728,115	3,719	319,247	\$31,051	\$66,831	\$51,811	5.80%	8.95%	8.55%	13.77%	0.11%	18.25%	61,764	1,458	128,490
8	876,193	2,667	377,148	\$25,682	\$38,338	\$52,041	5.10%	6.37%	5.89%	11.06%	0.16%	14.67%	99,621	1,423	181,444
9	923,631	8,158	437,772	\$32,819	\$42,230	\$56,702	4.30%	13.73%	9.72%	13.89%	0.54%	16.15%	77,865	5,009	173,367
10	316,703	4,458	150,471	\$61,760	\$72,652	\$140,984	4.30%	7.99%	6.59%	13.07%	0.18%	16.68%	15,514	1,833	50,061

Source: TAC Closure Model; the IRS' association of zip codes with the nearest TAC; and results from the TIGTA extract and analysis of data from the United States Census Bureau, the IRS Returns Transaction File,¹⁹ the IRS Treasury Integrated Management Information System,²⁰ and the National Account Profile.²¹

The IRS could also analyze data from electronic systems used by TAC employees to assist taxpayers with compliance issues. We obtained and analyzed extracts from two of these systems – the Automated Collection System²² and the Integrated Case Processing System.²³ Results include when assistors serve taxpayers that came into the TACs voluntarily for taxpayer assistance as well as taxpayers that came into the TACs to address compliance issues.²⁴ Results are shown nationwide, but the data can be analyzed on a per-TAC basis.

- For Fiscal Year 2004, 616 TAC employees²⁵ accessed the Automated Collection System 20,515 times to assist 13,768 taxpayers. Actions taken included changing a follow-up date to provide a taxpayer more time to resolve a compliance issue, adding a levy,²⁶ deleting a levy source, and updating a taxpayer's financial information.

¹⁹ A computer system that receives individual tax return data.

²⁰ A computer system that supports IRS payroll and personnel processing and reporting requirements.

²¹ A database updated weekly from data sent to the IRS by the Social Security Administration. It is used by the IRS to validate taxpayer information reported on individual income tax returns.

²² A computerized inventory system that maintains balance-due accounts and return delinquency investigations.

²³ A computerized system that combines the functions of numerous separate systems into one "integrated" system and gives immediate access to most taxpayer information, allowing an employee to respond to a taxpayer inquiry and resolve most issues.

²⁴ Assistors now contact taxpayers that live in the same geographic areas of their respective TACs and ask them to visit the TACs to address compliance issues.

²⁵ Accesses to the Automated Collection System should increase in the coming years as more employees are given access to the System.

²⁶ A levy is a legal seizure of property to satisfy a tax debt.



The Taxpayer Assistance Center Closure Plan Was Based on Inaccurate Data

- For Fiscal Year 2004, 1,780 TAC employees accessed the Integrated Case Processing System 971,390 times to assist 236,675 taxpayers. Actions taken included adding history notes to taxpayer accounts describing the nature of the contact, actions taken, and instructions given; reviewing information relative to a taxpayer's payment history; and updating a taxpayer's account as a result of securing a delinquent tax return(s).

The effect of TAC closures on taxpayers

The IRS cannot determine the effect TAC closures might have on taxpayer compliance. The IRS does not currently have the means to capture all interactions between a TAC employee and a taxpayer to determine why the taxpayer visited the TAC, what service he or she received, and, most importantly, the effect the service or action has on the taxpayer's future compliance. In addition, as previously reported,²⁷ although the IRS does have management information to determine to some degree which taxpayers visit TACs, the information is not always reliable. Because reliable information was not available, we were unable to determine the effect TAC closures might have on compliance.

The Model represents the IRS' first step in developing a much-needed Service Delivery Assessment Tool that can be used as the basis for making informed business decisions relative to the TAC Program. However, the effectiveness of the tool is directly impacted by the accuracy and reliability of the data used to populate the tool. In addition, as cited in our 2005 report, a Service Delivery Plan is needed to outline the short- and long-term direction of the TAC Program based on business cases and customer input. The IRS agrees, and the Field Assistance Office is currently exploring options to obtain customer input in the development of its Service Delivery Model. When available, this should provide the IRS with some perspective on the effect TAC services have on its customers.

The Senate Committee on Appropriations asked us to contact external organizations whose constituents use the services of the TACs to assess the potential impact the TAC closures might have on them. The organizations contacted included those suggested by the Senate Committee on Appropriations, National Taxpayer Advocate, and IRS Stakeholder Partnerships, Education and Communication function. See Appendix VII for a list of groups contacted.

- Eight of 11 stakeholder groups believe closing the TACs may make it harder for their constituents to stay compliant with tax laws and file tax returns.
- Ten of 11 stakeholder groups believe their constituents would prefer not to contact the IRS toll-free telephone number.
- All 11 stakeholder groups believe their constituents are not currently likely to use alternative methods, such as the Internet or email, to obtain the services they need.

²⁷ *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 2005).



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

The IRS has recently undertaken a large-scale study that focuses on improving taxpayer service. IRS officials advised us the study will follow a structured approach utilizing available research to understand taxpayers' needs and preferences. The study will identify a strategic direction to best balance those needs with existing business constraints. Nevertheless, prior to making decisions on closing any TACs, the IRS should ensure it knows what taxpayers visit the TACs for assistance and why, so it can determine the impact on these taxpayers and ensure alternative service delivery channels are effective in meeting the needs of these taxpayers.

Recommendations

The Commissioner, W&I Division, should:

Recommendation 1: Ensure data used in the Model or any decision-making tool are accurate and reliable and have been validated before using them to make decisions regarding the TAC Program.

Management's Response: IRS management agreed with this recommendation and will ensure data used in the Model or any decision-making tool as it relates to the TAC Program are accurate and verified.

Recommendation 2: Include in the Model or any decision-making tool data to identify customer characteristics and capture customer input to effectively measure the impact any results might have on taxpayer service and compliance.

Management's Response: IRS management agreed with this recommendation. Data and research are currently being collected for the Taxpayer Assistance Blueprint that will baseline customer characteristics and needs. The Taxpayer Assistance Blueprint will be a 5-year plan that outlines what services the IRS should provide, as well as how to improve services for taxpayers by leveraging reliable data on taxpayer and partner needs and preferences. Phase I will provide a baseline of current IRS services, taxpayer and partner needs and preferences, service industry benchmarking, and strategic service directions. Phase II will validate the service recommendations through extensive primary research with taxpayers and will identify key operational and resource delivery requirements. These data will be used, updated, and maintained for use in the Model or other decision-making tools to assist the IRS in making informed decisions regarding all of its taxpayer services.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective was to determine whether the Taxpayer Assistance Center (TAC) Closure Model (the Model) effectively achieved the Internal Revenue Service's (IRS) goal of identifying which TACs to close.¹

To address our overall objective, we used various electronic files from the IRS. We did not validate these files.

- United States Census 2000 file, which provides characteristics based on the 2000 Census. The information was originally obtained by the IRS from the United States Census Bureau. This information was used to confirm statistics included in the Model.
- Integrated Case Processing System² extract identifying TAC employee accesses and actions taken on this System during Fiscal Year 2004.
- Zip code association file,³ which provided the results of the IRS associating zip codes nationwide with the closest TAC site. We used this information to confirm statistics included in the Model.

In addition, we used the following electronic files housed at the Treasury Inspector General for Tax Administration's (TIGTA) Data Center Warehouse. The files and validations performed include:

- Returns Transaction File⁴ – determined if all records were received by the TIGTA and verified a sample of the fields for accuracy.

¹ 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 IRS currently has 400 TACs. To determine which TACs to close with a minimal impact to the taxpaying public, the IRS and an independent contractor used an industry-standard software package and developed the TAC Closure Model.

² A computerized system that combines the functions of numerous separate systems into one "integrated" system and gives immediate access to most taxpayer information, allowing an employee to respond to a taxpayer inquiry and resolve most issues.

³ We identified a problem resulting from the use of two different software packages when associating zip codes (see page 13).

⁴ A computer system that receives individual tax return data.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

- Automated Collection System⁵ – determined if all records were received by the TIGTA and verified the data values were correctly extracted from the original file and the values looked reasonable. This was accomplished by printing out a subset of the records and reviewing the data.
- National Account Profile⁶ – reviewed fields to identify any obvious problems with the data and selected a number of records to compare against the Integrated Data Retrieval System⁷ to ensure the data matched.
- Treasury Integrated Management Information System⁸ – determined if all files were received by the TIGTA and reviewed the data fields to ensure they were in the expected formats.

To accomplish our objective we:

- I. Assessed the development of the Model, including the completeness and accuracy of the data.
 - A. Interviewed IRS officials to determine the goal/purpose of the Model; how it was developed; and what it was to achieve, including the cost savings the IRS wanted to achieve.
 - B. Interviewed the independent contractor to discuss the development of the Model, including background, logic, and data sources.
 - C. Determined the basis for the subcomponents used in the Model, including how the subcomponents were selected and weighted.
 - D. Determined what factors were considered when using the business rules and the basis for the rules.
 - E. Determined what validation was completed on the data used in the Model.
 - F. Met with the appropriate Congressional committees to obtain Congressional concerns.
- II. Determined if the Model structure and methodology were sound to provide consistent, reliable results.

⁵ A computerized inventory system that maintains balance-due accounts and return delinquency investigations.

⁶ A database updated weekly from data sent to the IRS by the Social Security Administration. It is used by the IRS to validate taxpayer information reported on individual income tax returns.

⁷ An IRS computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.

⁸ A computer system that supports IRS payroll and personnel processing and reporting requirements.



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- A. Consulted with a statistician to determine if the formulas and structure were sound and logical.
 - B. Reran the Model with the business rules to determine if the results matched those of the IRS.
 - C. Determined if the data used in the Model were accurate and, if not, if the inaccuracies affected the results.
- III. Determined if all subcomponents of the Model were appropriate and, if not, eliminated them from the Model.
- A. Determined which data subcomponents could be validated by 100 percent testing and which would be tested and validated through sampling.
 - B. Consulted with a statistician to determine the appropriate sampling methodology to select those TACs to be included in our validation. Based on the recommendation of the statistician, we used systematic sampling, which included:
 - 1. Selecting 30 TACs from the 68 TACs selected by the IRS for potential closure by dividing 68 by the sample size of 30 and obtaining 2.27. We randomly selected a number between 1 and 2.27 for a starting point; the number 2 was selected. We began at the second TAC listed and selected it, added 2.27 to the number 2 for a total of 4.27 and selected the fourth TAC on the list, and repeated the process until 30 of the 68 TACs had been selected.
 - 2. Selecting 30 TACs from the 332 TACs to remain open by dividing 332 by the sample size of 30 and obtaining 11.07. We ran a random number generator until a random number between 1 and 11.07 resulted and obtained the random number 9.05. We began at the ninth TAC on the list and selected it, added 11.07 to 9.05 for a total of 20.12 and selected the 20th TAC on the list, and repeated the process by rounding to a whole number until 30 of the 332 TACs had been selected.
 - C. Visited the 60 selected TACs⁹ and met with Field Assistance Office, Agency-Wide Shared Services function, and Modernization and Information Technology Services organization personnel to obtain costs for releasing and removing or rebuilding computer and technology equipment.
 - D. Completed data analysis to validate the remaining data subcomponents for the 60 selected TACs to determine if the data in the Model appeared reasonable or accurate.
 - E. Computed employee costs for the 60 TACs by verifying the employees currently employed at the TACs at the time of our visits; by obtaining from the IRS the

⁹ Appendix VI contains a list of the 60 TACs in our sample.



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- Employee Service Record Reports, which detail actual salaries for the employees employed at the TACs; and by working with IRS contacts to determine what was included in the average benefits figure included in the Model.
- F. Reran the Model to determine if the scores and rankings changed.
 - G. If our results differed from IRS results, reported results to the IRS. We discussed with the IRS the expected cost savings and determined what TACs would be closed to achieve those cost savings.
- IV. Identified additional data subcomponents, if any, that should have been included in the Model.
- A. Met with IRS personnel to discuss factors considered for the Model.
 - B. Identified the workload data that were not included in the Model by analyzing data from various IRS sources. For workload data, we obtained and analyzed information from IRS' Automated Collection System and Integrated Case Processing System. We followed up on any anomalies.
 - C. Met with the National Taxpayer Advocate to discuss any concerns regarding TAC closures.
 - D. Interviewed appropriate IRS personnel to discuss any additional data to be considered for inclusion in the Model.
- V. Assessed the potential effect the TAC closings may have on taxpayers. This information was requested by the Senate Committee on Appropriations staff.
- A. Determined the volumes of TAC customers and the services provided to them to validate the IRS management information and to determine the effect the closures might have on taxpayers.
 - B. Determined the characteristics of taxpayers in the areas near the TACs by analyzing the data on the IRS' Returns Transaction File.
 - C. Obtained and reviewed IRS-developed research reports regarding taxpayers and the services offered by the TACs.
 - D. Met with external stakeholders to determine their concerns and what services they value or need from the TACs (see Appendix VII for a list of stakeholders contacted).
- VI. Determined costs associated with closing the selected TACs.



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Appendix II

Major Contributors to This Report

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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Deputy Commissioner for Services and Enforcement SE
Chief, Agency-Wide Shared Services OS:A
Deputy Commissioner, Wage and Investment Division SE:W
Director, Customer Account Services Consolidation 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 SE:W:CAR:FA
Director, Media and Publications SE:W:CAR:MP
Director, Stakeholder Partnerships, Education, and Communication SE:W:CAR:SPEC
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



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Appendix IV

Nationwide List of Taxpayer Assistance Centers

The following data are from the Internal Revenue Service’s Taxpayer Assistance Center Closure Model. Employees in the Taxpayer Assistance Centers 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 68 Taxpayer Assistance Centers the Internal Revenue Service selected for closure are shaded in grey.

Street Address	City	State	Street Address	City	State
801 Tom Martin Drive	Birmingham	Alabama	1332 Anacapa Street	Santa Barbara	California
202 West Adams Street	Dothan	Alabama	2383 South Professional Parkway	Santa Maria	California
205 South Walnut Street	Florence	Alabama	777 Sonoma Avenue	Santa Rosa	California
806 Governors Drive	Huntsville	Alabama	4643 Quail Lakes Drive	Stockton	California
1110 Montlamar Drive	Mobile	Alabama	6230 Van Nuys Boulevard	Van Nuys	California
1285 Carmichael Way	Montgomery	Alabama	627 North Akers	Visalia	California
949 East 36 Avenue	Anchorage	Alaska	185 Lennon Lane	Walnut Creek	California
101 12th Avenue	Fairbanks	Alaska	2864 South Circle Drive	Colorado Springs	Colorado
3090 Highway 95	Bullhead City	Arizona	600 17th Street	Denver	Colorado
1633 South Plaza Way	Flagstaff	Arizona	301 South Howes Street	Fort Collins	Colorado
2610 Sweetwater Avenue	Lake Havasu City	Arizona	400 Rood Avenue	Grand Junction	Colorado
2400 West Dunlap	Phoenix	Arizona	915 Lafayette Boulevard	Bridgeport	Connecticut
210 East Earll Drive	Phoenix	Arizona	131 West Street	Danbury	Connecticut
1228 Willow Creek Road	Prescott	Arizona	135 High Street	Hartford	Connecticut
40 West Baseline Road	Tempe	Arizona	150 Court Street	New Haven	Connecticut
300 West Congress	Tucson	Arizona	2 Shaw's Cove	New London	Connecticut
2450 South 4th Avenue	Yuma	Arizona	24 Belden Avenue	Norwalk	Connecticut
35 East Mountain	Fayetteville	Arkansas	Grand Street--14 Cottage Place	Waterbury	Connecticut
4905 Old Greenwood Road	Fort Smith	Arkansas	300 South New Street	Dover	Delaware
615 South Main Street	Jonesboro	Arkansas	319 North Dupont Highway	Georgetown	Delaware
700 West Capitol	Little Rock	Arkansas	844 King Street	Wilmington	Delaware
5300 California Avenue	Bakersfield	California	500 North Capitol Street	Washington	District of Columbia
751 Daily Drive	Camarillo	California	921 North Nova Road	Daytona Beach	Florida
1395 Ridgewood Drive	Chico	California	2891 Center Pointe Drive	Fort Myers	Florida
2345 South 2nd Street	El Centro	California	104 North Main Street	Gainesville	Florida
9350 East Flair Drive	El Monte	California	400 West Bay Street	Jacksonville	Florida
5104 North Blythe	Fresno	California	124 South Tennessee Avenue	Lakeland	Florida
24000 Avila Road	Laguna Niguel	California	850 Trafalgar Court	Maitland (Orld)	Florida
501 West Ocean Boulevard	Long Beach	California	129 West Hibiscus Boulevard	Melbourne	Florida
300 North Los Angeles Street	Los Angeles	California	51 South West First Avenue	Miami	Florida
1300 K Street, Suite B	Modesto	California	3300 South West 34th Avenue	Ocala	Florida
1301 Clay Street	Oakland	California	651-F West 14th Street	Panama City	Florida
980 Tahquitz Canyon Way	Palm Springs	California	125 West Romana Street	Pensacola	Florida
850 Industrial Street	Redding	California	7850 South West 6th Court	Plantation	Florida
4330 Watt Avenue	Sacramento	California	7410 South United States Highway 1	Port Saint Lucie	Florida
55 Plaza Circle	Salinas	California	9450 Koger Boulevard	Saint Petersburg	Florida
290 North D Street	San Bernardino	California	2201 Cantu Court	Sarasota	Florida
880 Front Street	San Diego	California	227 North Bronough Street	Tallahassee	Florida
450 Golden Gate Avenue	San Francisco	California	3848 West Columbus Drive	Tampa	Florida
55 South Market Street	San Jose	California	1700 Palm Beach Lakes Boulevard	West Palm Beach	Florida
1 Civic Center Drive	San Marcos	California	235 Roosevelt Avenue	Albany	Georgia
801 Civic Center Drive, West	Santa Ana	California	355 Hancock Avenue	Athens	Georgia



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Street Address	City	State	Street Address	City	State
2888 Woodcock Boulevard	Atlanta	Georgia	600 Doctor Martin L King Place	Louisville	Kentucky
401 West Peachtree Street	Atlanta	Georgia	401 Frederica Street	Owensboro	Kentucky
2743 Perimeter Parkway	Augusta	Georgia	2765 Wayne Sullivan Drive	Paducah	Kentucky
3604 Macon Road	Columbus	Georgia	311 North Arnold Avenue	Prestonsburg	Kentucky
414 North Park Drive	Dalton	Georgia	3508 Government Street	Alexandria	Louisiana
329 Oak Street	Gainesville	Georgia	2600 Citiplace	Baton Rouge	Louisiana
600 North Avenue	Macon	Georgia	423 Lafayette Street	Houma	Louisiana
600 East First	Rome	Georgia	825 Kaliste Saloom Road	Lafayette	Louisiana
120 Barnard Street	Savannah	Georgia	921 Moss Street	Lake Charles	Louisiana
2400 Herodian Way	Smyrna	Georgia	1401 Hudson Lane	Monroe	Louisiana
101 Aupuni Street	Hilo	Hawaii	1555 Poydras Street	New Orleans	Louisiana
300 Ala Moana Boulevard	Honolulu	Hawaii	3007 Knight Street	Shreveport	Louisiana
2050 Main Street	Wailuku	Hawaii	68 Sewall Street/40 West	Augusta	Maine
550 West Fort Street	Boise	Idaho	324 Harlow Street	Bangor	Maine
1221 West Ironwood Drive	Coeur D Alene	Idaho	217 Main Street	Lewiston	Maine
1820 East 17th Street	Idaho Falls	Idaho	36 North Street	Presque Isle	Maine
611 Wilson Avenue	Pocatello	Idaho	220 Maine Mall Road	South Portland	Maine
301 South Prospect Road	Bloomington	Illinois	190 Admiral Cochrane Drive	Annapolis	Maryland
310-312 West Church Street	Champaign	Illinois	31 Hopkins Plaza	Baltimore	Maryland
7601 South Kostner	Chicago	Illinois	201 Thomas Johnson Drive	Frederick	Maryland
5860 West 111th Street	Chicago Ridge	Illinois	1260 Maryland Avenue	Hagerstown	Maryland
306 West Eldorado Street	Decatur	Illinois	8401 Corporate Drive	Landover	Maryland
2001 Butterfield Road	Downers Grove	Illinois	Winchester & Volke Roads	Lavale	Maryland
13 Executive Drive	Fairview Heights	Illinois	212 West Main Street	Salisbury	Maryland
2060-66 Windish Drive	Galesburg	Illinois	11510 Georgia Avenue	Wheaton	Maryland
8125-35 River Drive	Morton Grove	Illinois	15 New Sudbury Street	Boston	Massachusetts
105 South Sixth Street	Mount Vernon	Illinois	166 Main Street	Brockton	Massachusetts
300 Hamilton Boulevard	Peoria	Illinois	881 Main Street	Fitchburg	Massachusetts
3701 East Lake Centre	Quincy	Illinois	247 Stevens Street	Hyannis	Massachusetts
211 South Court Street	Rockford	Illinois	78 Center Street	Pittsfield	Massachusetts
3101 Constitution Drive	Springfield	Illinois	1250 Hancock Street	Quincy	Massachusetts
2017 South Liberty Drive	Bloomington	Indiana	1550 Main Street	Springfield	Massachusetts
2525 California Street	Columbus	Indiana	One Montvale Avenue	Stoneham	Massachusetts
4933 Plaza East Boulevard	Evansville	Indiana	120 Front Street	Worcester	Massachusetts
1415 Directors Row	Fort Wayne	Indiana	477 Michigan Avenue	Detroit	Michigan
575 North Pennsylvania	Indianapolis	Indiana	815 South Saginaw	Flint	Michigan
620 Morland Drive-Lahr Building	Lafayette	Indiana	678 Front Street Northwest	Grand Rapids	Michigan
233 East 84th Drive	Merrillville	Indiana	1055 West Baraga	Marquette	Michigan
225 North High Street	Muncie	Indiana	4901 Towne Centre Road	Saginaw	Michigan
100 East Wayne Street	South Bend	Indiana	3241 Racquet Club Drive	Traverse City	Michigan
801 Wabash	Terre Haute	Indiana	1550 American Boulevard	Bloomington	Minnesota
425 Second Street Se	Cedar Rapids	Iowa	515 West First Street	Duluth	Minnesota
101 West 2nd Street	Davenport	Iowa	1921 Excel Drive	Mankato	Minnesota
210 Walnut Street	Des Moines	Iowa	250 Marquette Avenue	Minneapolis	Minnesota
205 South 8th Street	Fort Dodge	Iowa	21 South West Second Street	Rochester	Minnesota
3539 Southern Hills Drive	Sioux City	Iowa	3800 8th Street North	Saint Cloud	Minnesota
201 Tower Park Drive	Waterloo	Iowa	30 East 7th Street	Saint Paul	Minnesota
5799 Broadmoor	Mission	Kansas	2885 Mccullough Boulevard	Belden	Mississippi
120 Southeast 6th Street	Topeka	Kansas	Third and Sharkey Avenue	Clarksdale	Mississippi
271 West 3rd Street North	Wichita	Kansas	2209 North Fifth Street	Columbus	Mississippi
200 West Professional Park Court	Bowling Green	Kentucky	15521 Oak Lane	Gulfport	Mississippi
121 West Tenth Street	Hopkinsville	Kentucky	701 Main Street	Hattiesburg	Mississippi
1500 Leestown Road	Lexington	Kentucky	100 West Capitol	Jackson	Mississippi



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Street Address	City	State	Street Address	City	State
137 South Broadview	Cape Girardeau	Missouri	East 3rd and Pendergast	Jamestown	New York
1122 Town and Country Commons	Chesterfield	Missouri	153 Sawkill Road	Kingston	New York
111 Corporate Office Drive	Earth City	Missouri	300 Commerce Drive	New Windsor	New York
3730 South Elizabeth Avenue	Independence	Missouri	290 Broadway - Foley Square	New York	New York
3702 West Truman	Jefferson City	Missouri	110 West 44th Street	New York	New York
402 South Main Street, Suite 501	Joplin	Missouri	55 West 125th Street	New York	New York
5800 East Bannister Road	Kansas City	Missouri	191 Main Street	Poughkeepsie	New York
201 South 8th Street	Saint Joseph	Missouri	324 Quaker Road	Queensbury	New York
1222 Spruce	Saint Louis	Missouri	518a East Main Street	Riverhead	New York
3333 South National	Springfield	Missouri	250 Corporate Place-255 East Avenue	Rochester	New York
2900 Fourth Avenue North	Billings	Montana	10 Richmond Terrace	Staten Island	New York
220 West Lamme Steet	Bozeman	Montana	100 South Clinton Street	Syracuse	New York
Aa 5th Street North *11	Great Falls	Montana	10 Broad Street	Utica	New York
10 West 15th Street	Helena	Montana	242 West Nyack Road	West Nyack	New York
275 Corporate Avenue	Kalispell	Montana	210 East Post Road	White Plains	New York
2681 Palmer Street	Missoula	Montana	151 Patton Avenue	Asheville	North Carolina
100 Centennial Mall North	Lincoln	Nebraska	6635 Executive Circle	Charlotte	North Carolina
208 North 5th Street	Norfolk	Nebraska	3308 Chapel Hill Boulevard	Durham	North Carolina
300 East 3rd Street	North Platte	Nebraska	225 Green Street	Fayetteville	North Carolina
1313 Farnam Street	Omaha	Nebraska	320 Federal Place	Greensboro	North Carolina
2001 Broadway	Scottsbluff	Nebraska	2835 South Charles Boulevard	Greenville	North Carolina
110 City Parkway	Las Vegas	Nevada	115 5th Avenue Northwest	Hickory	North Carolina
200 South Virginia Street	Reno	Nevada	4405 Bland Road	Raleigh	North Carolina
196 Main Street	Keene	New Hampshire	3904 Oleander Drive	Wilmington	North Carolina
1000 Elm Street	Manchester	New Hampshire	251 North Main Street	Winston Salem	North Carolina
410 Amherst Street	Nashua	New Hampshire	2911 North 14th Street, Suite 301	Bismarck	North Dakota
80 Daniel Street	Portsmouth	New Hampshire	657 2nd Avenue North	Fargo	North Dakota
57 Haddonfield Road	Cherry Hill	New Jersey	102 North 4th Street	Grand Forks	North Dakota
100 Dey Place	Edison	New Jersey	305 17th Avenue Southwest	Minot	North Dakota
165 Passaic Avenue	Fairfield	New Jersey	2 South Main Street	Akron	Ohio
4 Paragon Way	Freehold	New Jersey	201 Cleveland Avenue Southwest	Canton	Ohio
30 Montgomery Street	Jersey City	New Jersey	550 Main Street	Cincinnati	Ohio
5218 Atlantic Avenue	Mays Landing	New Jersey	1240 East Ninth Street	Cleveland	Ohio
200 Sheffield Street	Mountainside	New Jersey	200 North High Street	Columbus	Ohio
970 Broad Street	Newark	New Jersey	200 West 2nd Street	Dayton	Ohio
1 Kalisa Way	Paramus	New Jersey	401 West North Street	Lima	Ohio
1719 C Route 10	Parsippany	New Jersey	180 North Diamond Street	Mansfield	Ohio
200 Federal Plaza	Paterson	New Jersey	433 North Summit	Toledo	Ohio
44 South Clinton Street, 3rd floor	Trenton	New Jersey	9075 Centre Pointe Drive	Westchester	Ohio
5338 Montgomery Boulevard	Albuquerque	New Mexico	10 East Commerce Street	Youngstown	Ohio
800 East 30th Street	Farmington	New Mexico	250 Northwest Franklin Avenue, Suite 301	Bend	Oklahoma
505 South Main	Las Cruces	New Mexico	601 South Harding	Enid	Oklahoma
500 North Richardson	Roswell	New Mexico	300 Country Club Road	Eugene	Oklahoma
2945 Rodeo Park Drive	Santa Fe	New Mexico	2202 Southwest A Avenue	Lawton	Oklahoma
Clinton Avenue and North Pearl	Albany	New York	960 Ellendale Drive	Medford	Oklahoma
49 Court Street	Binghamton	New York	55 North Robinson	Oklahoma City	Oklahoma
1200 Waters Place	Bronx	New York	1645 South 101 Street East Avenue	Tulsa	Oklahoma
625 Fulton Street	Brooklyn	New York	1220 Southwest Third Avenue	Portland	Oregon
130 South Elmwood Avenue	Buffalo	New York	1660 Oak Street Southeast	Salem	Oregon
1 Lefrak City Plaza	Corona	New York	1601 Eleventh Avenue	Altoona	Pennsylvania
North Main Street--149 West Gray	Elmira	New York	3 West Broad Street	Bethlehem	Pennsylvania
107 Charles Lindbergh Boulevard	Garden City	New York	220 South Main Street	Butler	Pennsylvania
1180 Veterans Memorial Highway	Hauppauge	New York	1314 Griswald Plaza	Erie	Pennsylvania



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Street Address	City	State	Street Address	City	State
228 Walnut Street	Harrisburg	Pennsylvania	8626 Tesoro Drive	San Antonio	Texas
801 Old York Road	Jenkintown	Pennsylvania	500 North Stateline Street	Texarkana	Texas
319 Washington Street	Johnstown	Pennsylvania	909 Ese Loop 323-3rd	Tyler	Texas
601 South Henderson Road	King Of Prussia	Pennsylvania	6801 Sanger Avenue	Waco	Texas
1720 Hempstead Road Building 144	Lancaster	Pennsylvania	4309 Jacksboro Highway	Wichita Falls	Texas
1400 North Providence Road	Media	Pennsylvania	324 25th Street	Ogden	Utah
4314 Old William Penn Highway	Monroeville	Pennsylvania	173 East 1st 100 North	Provo	Utah
600 Arch Street	Philadelphia	Pennsylvania	50 South 200 East	Salt Lake City	Utah
1000 Liberty Avenue	Pittsburgh	Pennsylvania	210 North 1950 West	Salt Lake City	Utah
201 Penn Street	Reading	Pennsylvania	1222 Putney Street	Brattleboro	Vermont
409 Lackawanna Avenue	Scranton	Pennsylvania	199 Main Street	Burlington	Vermont
2038 Sandy Drive	State College	Pennsylvania	State Street	Montpelier	Vermont
547 Keystone Drive	Warrendale	Pennsylvania	Eastridge Building, Route 4	Rutland	Vermont
162 West Chestnut Street	Washington	Pennsylvania	5205 Leesburg Pike	Baileys Crossroads	Virginia
7 North Wilkes-Barre Boulevard	Wilkes Barre	Pennsylvania	2426 Lee Highway-Preston Square	Bristol	Virginia
330 Pine Street	Williamsport	Pennsylvania	401 East Market Street	Charlottesville	Virginia
2801 Eastern Boulevard	York	Pennsylvania	3303 Highway 29n	Danville	Virginia
380 Westminster Mall	Providence	Rhode Island	615-C Jefferson Davis Highway	Fredericksburg	Virginia
60 Quaker Lane	Warwick	Rhode Island	903 Gateway Boulevard	Hampton	Virginia
1 Poston Road	Charleston	South Carolina	1101 Court Street	Lynchburg	Virginia
1835 Assembly Street	Columbia	South Carolina	200 Granby Street	Norfolk	Virginia
401 West Evans Street	Florence	South Carolina	400 North Eighth Street	Richmond	Virginia
440 Roper Mountain Road	Greenville	South Carolina	210 1st Street, Southwest	Roanoke	Virginia
601 19th Avenue North	Myrtle Beach	South Carolina	1600 North Coalter Street	Staunton	Virginia
115 4th Avenue Southeast	Aberdeen	South Dakota	520 112th Avenue Northeast	Bellevue	Washington
515 9th Street	Rapid City	South Dakota	114 West Magnolia	Bellingham	Washington
1720 South Southeastern Avenue	Sioux Falls	South Dakota	3020 Rucker Avenue	Everett	Washington
5740 Uptain Road	Chattanooga	Tennessee	8911 West Grandridge Boulevard	Kennewick	Washington
109 South Highland	Jackson	Tennessee	402 Legion Way Southeast	Olympia	Washington
2513 Wesley Street	Johnson City	Tennessee	915 Second Avenue	Seattle	Washington
710 Locust Street	Knoxville	Tennessee	9833 Poplars Avenue Northwest, #105	Silverdale	Washington
22 North Front Street	Memphis	Tennessee	920 West Riverside Avenue	Spokane	Washington
801 Broadway	Nashville	Tennessee	1201 Pacific Avenue	Tacoma	Washington
341 Pine Street	Abilene	Texas	500 West 12th Street	Vancouver	Washington
7201 I-40 West	Amarillo	Texas	107 South 7th Avenue, Suite 200	Yakima	Washington
825 Eat Rundberg Lane	Austin	Texas	11 Chenoweth Drive	Bridgeport	West Virginia
350 Pine Street	Beaumont	Texas	1206 Quarrier Steet	Charleston	West Virginia
555 North Carancahua	Corpus Christi	Texas	845 Fifth Avenue	Huntington	West Virginia
1100 Commerce Street	Dallas	Texas	55 Meridian Parkway	Martinsburg	West Virginia
1801 North Hampton	De Soto	Texas	425 Juliana Street	Parkersburg	West Virginia
700 East San Antonio	El Paso	Texas	Riffe Steet and James Street	Sophia	West Virginia
4050 Alpha Road	Farmers Branch	Texas	1021 National Road	Wheeling	West Virginia
819 Taylor Street	Fort Worth	Texas	1901b East Capitol Drive	Appleton	Wisconsin
2701 South 77 Sunshine Strip	Harlingen	Texas	2403 Folsom Street	Eau Claire	Wisconsin
8701 South Gessner	Houston	Texas	1920 Libal Street	Green Bay	Wisconsin
1919 Smith	Houston	Texas	425 State Street	La Crosse	Wisconsin
8876 Gulf Freeway	Houston	Texas	545 Zor Shrine Place	Madison	Wisconsin
12941 I 45	Houston	Texas	310 West Wisconsin Avenue	Milwaukee	Wisconsin
1800 West Loop 281	Longview	Texas	10208 Park Plaza	Mosinee	Wisconsin
1205 Texas	Lubbock	Texas	100 East B Street	Casper	Wyoming
1004 North Big Spring	Midland	Texas	5353 North Yellowstone Road	Cheyenne	Wyoming
33 East Twohig	San Angelo	Texas	1949 Sugarland Drive	Sheridan	Wyoming

Source: Internal Revenue Service Taxpayer Assistance Center Closure Model.



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Appendix V

*Taxpayer Assistance Center
Closure Model Subcomponents, Rankings,
and Associated Weights*

Submodel 1 (Geographic Impact to Taxpayer Assistance Center Closures)¹		
Subcomponent	Ranking of Subcomponent	Weight
Traffic Volumes for Filing Season	Lower volumes will have a higher probability of selection	16.67%
Traffic Volumes for Non-Filing Season	Lower volumes will have a higher probability of selection	16.67%
Distance to Nearest Taxpayer Assistance Center	Closer to other taxpayer assistance centers will have a higher probability of selection	16.67%
Distance to Nearest Volunteer Income Tax Assistance Center ²	Closer to a Volunteer Income Tax Assistance center will have a higher probability of selection	16.67%
Distance to Nearest Kiosk or Post Office	Closer to a Kiosk ³ or Post Office will have a higher probability of selection	16.67%
Submodel 2 (Employee Cost Impact to Taxpayer Assistance Center Closures)		
Subcomponent	Ranking of Subcomponent	Weight
Number of Managers	Higher number, higher probability of selection	6.25%
Number of Secretaries	Higher number, higher probability of selection	6.25%
Number of Initial Assistance Representatives ⁴	Higher number, higher probability of selection	6.25%
Number of Taxpayer Resolution Representatives ⁵	Higher number, higher probability of selection	6.25%
Number of Customer Service Representatives ⁶	Higher number, higher probability of selection	6.25%
Number of Others	Higher number, higher probability of selection	6.25%
Number of Employees in Taxpayer Assistance Center	Higher number, higher probability of selection	6.25%
Number of Permanent Full-Time Employees	Higher number, higher probability of selection	6.25%
Number of Seasonal Full-Time Employees	Higher number, higher probability of selection	6.25%
Number of Seasonal Part-Time Employees	Higher number, higher probability of selection	6.25%
Direct Total Labor Hours	Lower hours, higher probability of selection	6.25%
Direct Total Overhead Hours	Higher hours, higher probability of selection	6.25%
Average Salary	Higher dollars, higher probability of selection	6.25%
Average Benefits	Higher dollars, higher probability of selection	6.25%
Average Overhead/Non-Labor Costs	Higher dollars, higher probability of selection	6.25%
Retirement Availability (currently)	Greater availability, higher probability of selection	6.25%
Retirement Availability (in less than 1 year)	Greater availability, higher probability of selection	
Retirement Availability (within 1 to 5 years)	Greater availability, higher probability of selection	
Retirement Availability (after 5 years)	Greater availability, higher probability of selection	



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Submodel 3 (Facilities Cost Impact to Taxpayer Assistance Center Closures)		
Subcomponent	Ranking of Subcomponent	Weight
Space Usage in Square Feet	Greater space, higher probability of selection	12.50%
Furniture Costs	Higher dollars, higher probability of selection	12.50%
Square Footage Costs	Higher dollars, higher probability of selection	12.50%
Total Rent/Leasing Cost	Higher dollars, higher probability of selection	12.50%
Length of Rent/Leasing Contract	Shorter term, higher probability of selection	12.50%
Modern Information Technology Services	Higher dollars, higher probability of selection	12.50%
Submodel 4 (Workload Impact to Taxpayer Assistance Center Closures)		
Subcomponent	Ranking of Subcomponent	Weight
Tax Law Questions	Higher volumes, higher probability of selection	14.29%
Customers with Forms Contacts	Higher volumes, higher probability of selection	14.29%
Return Preparation Workload	Lower volumes, higher probability of selection	14.29%
Account Work Notices	Lower volumes, higher probability of selection	14.29%
Other Field Assistance Contacts	Lower volumes, higher probability of selection	14.29%
Modernization Efforts Applied (Yes/No)	No-higher probability of selection	14.29%
Abandoned Taxpayer Assistance Center (Yes/No)	Yes-higher probability of selection	14.29%
Submodel 5 (Demographic Impact to Taxpayer Assistance Center Closures)		
Subcomponent	Ranking of Subcomponent	Weight
Population Impact by Zip Code	Lower volumes, higher probability of selection	7.14%
Income Level by Zip Code	Higher dollars, higher probability of selection	7.14%
Population Considered in Poverty (>18 years)	Lower population, higher probability of selection	7.14%
Percentage with Age=65+ by Zip Code	Lower percentage, higher probability of selection	7.14%
Population with Household Income <\$35,000 (<65 years)	Higher population, lower probability of selection	7.14%
Population with Household Income <\$35,000 (65+ years)	Higher population, lower probability of selection	7.14%
Number of Returns Filed by Zip Code	Lower number, higher probability of selection	7.14%
Number of Earned Income Tax Credit Returns Filed by Zip	Lower number, higher probability of selection	7.14%
Percentage of Spanish-Speaking Population by Zip Code	Lower percentage, higher probability of selection	7.14%
Equal Employment Opportunity Demographic Categories	Lower representation, higher probability of selection	7.14%
Percent of electronically filed by Zip Code	Higher percentage, higher probability of selection	7.14%
Percent Unemployed by Zip Code	Lower percentage, higher probability of selection	7.14%
Probability of Having Higher Education by Zip Code	Higher level, higher probability of selection	7.14%
Probability of Owning a Computer by Zip Code	Higher percentage, higher probability of selection	7.14%

Source: Taxpayer Assistance Center Closure Model.

1. Internal Revenue Service (IRS) employees who work in the Taxpayer Assistance Centers (TAC) 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 IRS currently has 400 TACs. To determine which TACs to close with a minimal impact to the taxpaying public, the IRS and an independent contractor used an industry-standard software package and developed the TAC Closure Model.
2. Program run by the IRS through which trained community volunteers provide free tax help to individuals who qualify.
3. A self-service, multimedia structure used to dispense tax forms and basic tax information.
4. IRS employees who work at the TACs greeting and questioning taxpayers to determine the type of assistance needed.
5. IRS employees who work at the TACs and are trained to provide end-to-end services to individual taxpayers.
6. IRS employees who work at the TACs and are trained to communicate with taxpayers and to be knowledgeable of tax law and related IRS operational procedures.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

Appendix VI

*Taxpayer Assistance Centers Included
in the Treasury Inspector General for
Tax Administration Validation*

Employees in the Taxpayer Assistance Centers 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.

Reference Number	Street Address	City	State	Reference Number	Street Address	City	State
1	3090 Highway 95	Bullhead City	Arizona	31	1200 Waters Place	Bronx	New York
2	2610 Sweetwater Avenue	Lake Havasu City	Arizona	32	625 Fulton Street	Brooklyn	New York
3	850 Industrial Street	Redding	California	33	1180 Veterans Memorial Highway	Hauppauge	New York
4	4330 Watt Avenue	Sacramento	California	34	300 Commerce Drive	New Windsor	New York
5	55 Plaza Circle	Salinas	California	35	242 West Nyack Road	West Nyack	New York
6	1332 Anacapa Street	Santa Barbara	California	36	210 East Post Road	White Plains	New York
7	777 Sonoma Avenue	Santa Rosa	California	37	2 South Main Street	Akron	Ohio
8	2864 South Circle Drive	Colorado Springs	Colorado	38	200 North High Street	Columbus	Ohio
9	135 High Street	Hartford	Connecticut	39	1720 Hempstead Road Building 144	Lancaster	Pennsylvania
10	24 Belden Avenue	Norwalk	Connecticut	40	1400 North Providence Road	Media	Pennsylvania
11	227 North Bronough Street	Tallahassee	Florida	41	201 Penn Street	Reading	Pennsylvania
12	355 Hancock Avenue	Athens	Georgia	42	2038 Sandy Drive	State College	Pennsylvania
13	2888 Woodcock Boulevard	Atlanta	Georgia	43	162 West Chestnut Street	Washington	Pennsylvania
14	101 West 2nd Street	Davenport	Iowa	44	2801 Eastern Boulevard	York	Pennsylvania
15	1820 East 17th Street	Idaho Falls	Idaho	45	115 4th Avenue Southeast	Aberdeen	South Dakota
16	611 Wilson Avenue	Pocatello	Idaho	46	5740 Uptain Road	Chattanooga	Tennessee
17	3101 Constitution Drive	Springfield	Illinois	47	2701 South 77 Sunshine Strip	Harlingen	Texas
18	2765 Wayne Sullivan Drive	Paducah	Kentucky	48	8701 South Gessner	Houston	Texas
19	212 West Main Street	Salisbury	Maryland	49	173 East 1st 100 North	Provo	Utah
20	11510 Georgia Avenue	Wheaton	Maryland	50	210 North 1950 West	Salt Lake City	Utah
21	220 Maine Mall Road	So. Portland	Maine	51	50 South 200 East	Salt Lake City	Utah
22	3241 Racquet Club Drive	Traverse City	Michigan	52	5205 Leesburg Pike	Baileys Crossroads	Virginia
23	1550 American Boulevard	Bloomington	Minnesota	53	903 Gateway Boulevard	Hampton	Virginia
24	3333 South National	Springfield	Missouri	54	400 North Eighth Street	Richmond	Virginia
25	220 West Lamme Street	Bozeman	Montana	55	Eastridge Building, Route. 4	Rutland	Vermont
26	3904 Oleander Drive	Wilmington	North Carolina	56	520 112th Avenue Northeast	Bellevue	Washington
27	305 17th Avenue Southwest	Minot	North Dakota	57	9833 Poplars Ave, Northwest #105	Silverdale	Washington
28	410 Amherst Street	Nashua	New Hampshire	58	2403 Folsom Street	Eau Claire	Wisconsin
29	1 Kalisa Way	Paramus	New Jersey	59	1920 Libal Street	Green Bay	Wisconsin
30	Clinton Avenue and North Pearl	Albany	New York	60	Riffe Street and James Street	Sophia	West Virginia

Source: Taxpayer Assistance Centers visited by Treasury Inspector General for Tax Administration auditors.



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

Appendix VII

*External Stakeholders Contacted by the
Treasury Inspector General for Tax Administration*

Account Ability Minnesota Mission

American Institute of Certified Public Accountants

Center for Economic Progress

Children's Defense Fund

Federal Deposit Insurance Corporation

Iowa State University Extension

Legal Services of North Dakota

Low Income Tax Clinic/University of Missouri Graduate Tax Law Foundation

National Community Tax Coalition

University of Connecticut Law School Legal Clinic

Women's Economic Development, Atlanta, Georgia



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Appendix VIII

Management's Response to the Draft Report



COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

RECEIVED
MAR 13 2006

March 13, 2006

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Richard J. Morgante *Richard J. Morgante*
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report - The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data
(Audit #200540025)

I have reviewed the subject draft report and appreciate your prompt completion of the study required by Section 205 of the 2006 Appropriations Act (Pub. L. No. 109-115). I also appreciate your acknowledgement that the structure of the Taxpayer Assistance Center (TAC) Closure Model IRS developed was sound and that it consolidates key management information into a single database for criteria-based, data-driven decision-making. I agree that the retrieval and consolidation of these data address a significant operational weakness previously reported by the Treasury Inspector General for Tax Administration (TIGTA).

As noted in your report, data reliability is an issue that must be addressed. In response to previous TIGTA reports, we have taken a number of steps to improve both the data capture methodology and the reliability of management information reported by our Field Assistance offices. These efforts include deployment of Q-MATIC systems to automate the process of capturing the number of taxpayers served in the TACs, along with planned testing of a new web-based system that will provide critical program planning and control data at the local and national levels. In addition, we have recently embarked on the development of the Taxpayer Assistance Blueprint, which will significantly enhance collection of customer information and directly addresses your recommendation to include customer characteristics and input in future iterations of the Model.

Your report states that, because you found data discrepancies in some of the data elements for the 60 locations selected for TIGTA validation, it is possible TACs were incorrectly identified for closure or retention, IRS' ability to accurately



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

2

determine cost savings was affected and IRS may have over-selected or under-selected the number of TACs for closure. However, as you note in your report, without conducting a similar validation for the remaining 340 sites, it is not possible to conclude with any certainty that similar discrepancies existed for all of the sites or that the discrepancies would or did affect the overall ranking or selection of TACs for closure.

It is important to point out that the Model was populated with over 13,000 data points grouped into five weighted components, with over two-thirds of the weighting focused on customer considerations. While IRS did use averages and estimates to populate some of the data points, these were the best data available and were never assumed by IRS to be absolutely accurate for every site. Nor would any such data be accurate for more than a short period of time in view of the changes that constantly occur in 400 separate locations.

Likewise it is important to point out that, while the Model was developed as a tool to assist in making some tough, budget-driven decisions in a very short period of time, the selection of sites for closure was not based solely on the initial output from the Model. Rather, subjective weights were assigned to the five (5) data components and the site selection process was further refined through use of a number of subjective business rules. I am pleased your report acknowledges that this flexibility to apply business rules will allow IRS to maintain the Model for future analyses and use as a much-needed decision-making tool for Field Assistance.

I agree that changes to IRS services should reflect a clear understanding of taxpayer and partner needs and preferences, and the potential impact on other tax administration activities. However, unlike private industry which balances service with profitability, IRS must provide basic services to a constituency of over 170 million individual taxpayers. The challenge for IRS is to allocate its limited resources appropriately in order to provide services such as forms and publications, telephone assistance, and tax return and refund processing, for all these taxpayers. At the same time IRS must provide channels targeted to the needs of underserved taxpayers, such as those offered by our walk-in and volunteer services. The allocation of resources among these choices must provide the greatest good for the largest number of taxpayers, while minimizing the negative impact on specific taxpayers' needs.

Your report reflects comments from a small number of organizations closely aligned to customers who frequently use face-to-face services. These organizations, or partners, play an invaluable role in supporting constituents challenged by income, language, disability, and age to meet their tax obligations. The need for such assistance is real and the IRS has several functions, including the Wage and Investment Division's Stakeholder Partnerships, Education and Communication organization and the Small Business Self Employed Division's Communication, Liaison and Disclosure organization, dedicated to supporting



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

3

such partners. However, these stakeholder groups and their comments are not reflective of the broader taxpayer population. To develop such a comprehensive picture of taxpayer needs and preferences, the IRS is developing a Taxpayer Assistance Blueprint (TAB).

The TAB initiative, conducted jointly with the National Taxpayer Advocate and the IRS Oversight Board, involves a comprehensive review of the current IRS portfolio of services. Addressing Congressional directives, the TAB document will be a five-year plan that outlines what services the IRS should provide, as well as how to improve services for taxpayers by leveraging reliable data on taxpayer and partner needs and preferences. The TAB document will be developed and delivered in two phases. The TAB Phase I report, which will be delivered to Congress on April 14, 2006, will provide a baseline of current IRS services, taxpayer and partner needs and preferences, service industry benchmarking, and strategic service directions. The TAB Phase II report, which will be completed in October 2006, will validate the service recommendations through extensive primary research with taxpayers and will identify key operational and resource delivery requirements.

I agree in principle with your two key recommendations. With respect to Recommendation 2, we will continue, through efforts such as the TAB, to collect information on customer characteristics and capture customer input regarding the services we provide. However, measuring the effect of taxpayer services on compliance is a difficult task that IRS has not been able to accomplish with any reliable methodology since the inception of taxpayer service programs in the 1940s.

Attached are our specific comments on your two recommendations. If you have any questions, please call me at (404) 338-7060, or members of your staff may contact Mark Pursley, Director, Customer Assistance, Relationships and Education (CARE), at (404) 338-7100.

Attachment



*The Taxpayer Assistance Center
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Attachment

RECOMMENDATION 1

The Commissioner, W&I Division, should ensure data used in the Model or any decision-making tool are accurate and reliable and have been validated before using them to make decisions regarding the TAC program.

CORRECTIVE ACTION

We will ensure that data used in the Model or any decision-making tool as it relates to the TAC program are accurate and verified. However, as noted above, data involving 400 locations is subject to change over time and it is reasonable and acceptable to use averages or data points in time when populating such decision-making tools.

IMPLEMENTATION DATE

October 15, 2006 (Or the next future iteration of the Model or any other decision-making tool)

RESPONSIBLE OFFICIAL

Director, CARE Field Assistance

CORRECTIVE ACTION MONITORING PLAN

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

RECOMMENDATION 2

The Commissioner, W&I Division, should include in the Model or any decision-making tool data to identify customer characteristics and capture customer input to effectively measure the impact any results might have on taxpayer service and compliance.

CORRECTIVE ACTION

Data and research is currently being collected for the Taxpayer Assistance Blueprint that will baseline customer characteristics and needs. These data will be used, updated and maintained for use in the Model or other decision-making tools to assist us in making informed, customer-centric decisions regarding all of our taxpayer services.

IMPLEMENTATION DATE

October 15, 2006 (Final TAB report)

RESPONSIBLE OFFICIAL

Director, CARE



*The Taxpayer Assistance Center
Closure Plan Was Based on Inaccurate Data*

2

CORRECTIVE ACTION MONITORING PLAN

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