



*Inaccurate and Incomplete Data Have
Adversely Affected Implementation of the
Taxpayer Assistance Center
Geographic Footprint*

May 16, 2008

Reference Number: 2008-40-118

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

May 16, 2008

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: *Michael R. Phillips*
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint (Audit #200740042)

This report presents the results of our review to assess the accuracy and completeness of the data compiled for use in the Internal Revenue Services' (IRS) Taxpayer Assistance Center (hereafter referred to as a TAC or Center) assessment process. This audit was conducted as part of the Treasury Inspector General for Tax Administration Office of Audit Fiscal Year 2008 Annual Audit Plan.

Impact on the Taxpayer

Since Fiscal Year 2003, we have reported on the IRS' inability to compile and maintain accurate and complete management information to oversee and measure the effectiveness of its TAC Program. Key management information used to make decisions and support Program changes continues to be either absent or based on inaccurate/incomplete data. This hinders the IRS' ability to make appropriate decisions when determining TAC locations and the services they provide taxpayers seeking face-to-face assistance and has delayed the IRS in making any decisions on the TAC Geographic Footprint, which is an important initiative within the Taxpayer Assistance Blueprint (Blueprint).

Synopsis

The IRS suggests taxpayers visit the Centers 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. In May 2005, the IRS announced plans to close 68 Centers nationwide. In response to this



Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint

announcement, Congress proposed language to be included in the Department of the Treasury Appropriations Act, 2006,¹ that would delay the closing of any Centers. In addition to requiring the Treasury Inspector General for Tax Administration to review the accuracy of the estimated cost savings of the reduced taxpayer services, Senate Committee Report 109-109² directed the IRS to do a comprehensive review of its current portfolio of taxpayer services and to develop a 5-year plan that outlines the services it should provide to improve services for taxpayers.

Congress directed the IRS to perform a comprehensive review of its current portfolio of taxpayer services and develop a 5-year plan.

To fulfill the Congressional mandate, the IRS formed a team to create the Blueprint in a two-phase process. The Blueprint Phase 1 report issued in April 2006 identified strategic improvement themes by researching IRS services relative to taxpayers' needs and preferences. The Blueprint Phase 2 report issued in April 2007 devoted an entire section to the TACs. It provides a step-by-step process for future decisions regarding Center locations, called the TAC Geographic Footprint.

Inaccurate and incomplete management information continues to delay implementation of the TAC Geographic Footprint. The IRS cannot measure the effectiveness of the TAC Program without accurate and complete data. Since Fiscal Year 2003, the IRS has assigned responsibility for developing accurate TAC Program data to different executives and executive-led teams, with limited success. The Blueprint established 26 taxpayer and Federal Government criteria for use in making future decisions regarding Center locations. The IRS eliminated 6 of the 26 criteria and added 21, for a total of 41 criteria.

We tested data in 33 of the 41 criteria. We did not test data in eight criteria because the IRS had already determined that these criteria contained inaccuracies. Our tests determined that 11 additional criteria contained inaccurate or incomplete data—for a total of 19 (46 percent) of 41 criteria with inaccurate or incomplete data.

Nineteen (46 percent) of the 41 criteria contained inaccurate or incomplete data. The IRS identified 8 criteria, and we identified an additional 11 criteria that contained inaccurate or incomplete data.

¹ H.R. 3058, Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006.

² Senate Report 109-109 - Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006.



Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint

For the most part, the eight criteria the IRS identified as containing inaccurate data involve the Field Assistance Office's³ management information systems and how the IRS tracks Center activity and employee workload. The 11 data criteria we identified as inaccurate related to TAC real estate and employee costs. For example, the IRS inaccurately calculated rent costs, square footage, and the number of TAC employees currently on the payroll. We reported these same errors in Fiscal Year 2005, noting that this is typical information that any function should have readily available to operate effectively.⁴

Although the Field Assistance Office has implemented two new systems to capture and process employee time and customer data, these systems still do not capture budget and/or operating costs by Center, including rent, personnel, and overhead. Attempts to capture these data have been unsuccessful. Without these data, the IRS cannot 1) accurately determine costs associated with the Centers, 2) determine the cost effectiveness or return on investment⁵ for the TAC Program, or 3) make any decisions on which Centers to close.

In addition, the optimum locations for the Centers and which taxpayers they most effectively serve have not been determined. The Blueprint represents the first large-scale effort to attempt to collect data specific to TAC customers. However, as the IRS recognizes, the survey results do not clearly distinguish between TAC users and non-TAC users to enable it to effectively draw conclusions about the characteristics of individuals who use TAC services. The IRS plans to continue to conduct surveys in Fiscal Year 2008. It must continue to develop data about

The IRS has not yet determined which taxpayers it can most effectively serve with its TAC Program.

which customers are best served by the TAC Program to develop and deliver an effective customer service strategy.

Finally, the IRS is unable to measure how closing Centers might affect taxpayers and compliance. In March 2006, we reported that the IRS could not determine the effect Center closures might have on taxpayer compliance. The IRS did not have the means to capture all interactions between a TAC employee and a taxpayer to determine why the taxpayer visited a Center, what service he or she received, and—most importantly—the effect the service or action has on the taxpayer's future compliance. The IRS is not planning to conduct specific projects that assess the impact on compliance when closing Centers. However, research projects are planned for Fiscal Years 2008 and 2009 to determine the impact taxpayer service has on

³ The Field Assistance Office is responsible for the TAC Program.

⁴ *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 2005).

⁵ The net profit or loss in an accounting period divided by the capital investment used during the period, usually expressed as an annual percentage return.



Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint

compliance, including the services provided at a Center. Therefore, we are making no recommendations regarding this issue.

We have made prior recommendations concerning the Field Assistance Office's management information systems and the problems with inaccurate and unreliable data. The IRS agreed to these recommendations and has been working on corrective actions (particularly with the research efforts related to the Blueprint) and developing a new Field Assistance Office management information system. Because many of the concerns we identified in prior audits remain, we are making the same recommendations in this report.

Recommendations

We recommended that the Commissioner, Wage and Investment Division, should 1) improve the management information system to capture the number of taxpayers served, the numbers and types of services provided, and the related resources (costs); 2) develop and implement an internal control system to ensure management information data are accurate and reliable; and 3) develop a process that includes routine assessments of TAC operations to ensure that the TACs are optimally located and the services provided at the TACs are the most effective and cost efficient.

Response

IRS management agreed with two of our three recommendations and partially agreed with one recommendation. They will continue to capture data they are currently collecting because the data are sufficient to identify taxpayers' needs and the services provided. They do not agree to capture detailed information regarding each individual service because it is cost and resource prohibitive. The IRS will validate and certify the accuracy of information provided for all real estate data elements. Updated information for real estate data elements will be provided to the Wage and Investment Division in May 2008. The TAC space assignment information will be provided subsequent to the ongoing TAC space validation process targeted for completion in July 2008. Because the real estate information provided in support of the TAC Geographic Footprint is not static, it will be kept updated on a quarterly basis beginning in the fourth quarter of Fiscal Year 2008. Finally, the Field Assistance Office will use the process developed by the Geographic Coverage Initiative to create a balanced footprint designed to maximize taxpayer needs and services provided. Management's complete response to the draft report is included as Appendix VI.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Office of Audit Comment

The IRS disagreed that it is unable to identify which taxpayers are most effectively served in the TACs. However, to date, much of the IRS' understanding of taxpayer needs, preferences, and behaviors is based on results of taxpayer responses to four surveys⁶ reported in the Blueprint Phase 2 report. As the IRS recognizes, the survey results do not clearly distinguish between TAC users and non-TAC users to enable it to effectively draw conclusions about the characteristics of individuals who use the services of a Center. The IRS plans to continue to conduct surveys in Fiscal Year 2008.

In its overall discussion of the report, the IRS also stated that it believed this audit to be premature, because IRS personnel had expressed concerns regarding the accuracy of the data elements used to populate the Evaluative Model. We do not agree. Over the last 4 years, we have reported on the IRS' inability to compile and maintain accurate and complete management information to oversee and measure the effectiveness of its TAC Program. In response, the IRS has developed and implemented three different models in which to capture data to make decisions and support TAC Program changes. The third and current model, the Geographic Coverage Initiative, incorporates the Geographic Coverage Rate Model, and in fact incorporates many of the recommendations made in this and prior Treasury Inspector General for Tax Administration reports, including how to ensure the data are kept accurate and current.

Finally, although the IRS did not agree to capture detailed information regarding each individual service taxpayers receive at the TACs because it is cost and resource prohibitive, it stated that information from the Contact Recording System,⁷ along with the Field Assistance Management Information System and Business Objects,⁸ will be sufficient to capture taxpayer needs and services provided. We believe these systems together might provide sufficient information, and we will conduct followup testing during our planned Fiscal Year 2008 audit of the Field Assistance Management Information System.

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

⁶ The Taxpayer Customer Service and Channel Preference Survey, the Taxpayer Assistance Blueprint Conjoint II Study, the Opinion Survey of Taxpayer Resources and Services, and the 2006 Wage and Investment Division Market Segment Survey, which were all conducted during Calendar Year 2006.

⁷ The Contact Recording System captures the audio portion of the employee/customer interaction. It is synchronized with computer screen activity for replay and quality review.

⁸ Business Objects software provides the IRS the capability to identify total contacts, wait time, and employee time utilization.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Table of Contents

Background	Page 1
Results of Review	Page 3
Inaccurate and Incomplete Management Information Continues to Delay Implementation of the Taxpayer Assistance Center Geographic Footprint	Page 3
<u>Recommendation 1:</u>	Page 8
<u>Recommendation 2:</u>	Page 9
The Optimum Locations for the Taxpayer Assistance Centers and Which Taxpayers They Most Effectively Serve Have Not Been Determined.....	Page 9
<u>Recommendation 3:</u>	Page 13
The Internal Revenue Service Is Unable to Measure How Closing Taxpayer Assistance Centers Might Affect Taxpayers and Compliance	Page 14
Appendices	
Appendix I – Detailed Objective, Scope, and Methodology	Page 15
Appendix II – Major Contributors to This Report	Page 17
Appendix III – Report Distribution List	Page 18
Appendix IV – Treasury Inspector General for Tax Administration Audit Reports	Page 19
Appendix V – Taxpayer and Federal Government Taxpayer Assistance Center Evaluation Criteria	Page 20
Appendix VI – Management’s Response to the Draft Report	Page 24



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Abbreviations

IRS	Internal Revenue Service
TAC	Taxpayer Assistance Center
TIGTA	Treasury Inspector General for Tax Administration



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Background

The Internal Revenue Service (IRS) provides taxpayers with the option of obtaining personal, face-to-face tax assistance at 401 Taxpayer Assistance Centers (hereafter referred to as a TAC or Center) nationwide. The IRS suggests taxpayers visit the Centers 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.

In May 2005, the IRS announced plans to close 68 TACs nationwide. In response to this announcement, Congress proposed language to be included in the Department of the Treasury Appropriations Act, 2006,¹ that would delay the closing of any Centers. 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.²

Subsequently, a law was passed³ delaying the closure of any TACs.

The Taxpayer Assistance Blueprint and the TAC Geographic Footprint

In addition to requiring us to review the accuracy of the estimated cost savings of the reduced taxpayer services, Senate Committee Report 109-109 directed the IRS to do a comprehensive review of its current portfolio of taxpayer services and to develop a 5-year plan that outlines the services it should provide to improve services for taxpayers.

To fulfill the Congressional mandate, the IRS formed a team to create the Taxpayer Assistance Blueprint (Blueprint). To satisfy the report submission date of April 14, 2006, the IRS designed the Blueprint to be completed in a two-phase process. The Blueprint Phase 1 report issued in

¹ H.R. 3058, Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006.

² Senate Report 109-109 - Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006.

³ 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).



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

April 2006 identified strategic improvement themes by researching IRS services relative to taxpayers' needs and preferences.

The Blueprint Phase 2 report was issued April 2007. It devoted an entire section to the TACs, stating that unique challenges are presented by each TAC's operating environment. Therefore, the IRS conducted an analysis separate from the rest of the Blueprint Service Improvement Portfolio. The Blueprint Phase 2 report provided a step-by-step process for future decisions regarding Center locations, called the TAC Geographic Footprint. The Blueprint Phase 2 report stated the TAC evaluative process was to involve three phases, as outlined in Figure 1.

Figure 1: The Three Phases of the TAC Evaluative Process

Phase 1 – Categorize each TAC to identify those facing staffing and real estate activities in the near term, as well as those currently providing low or redundant population coverage. Identify those TACs in these categories and evaluate them based on the 26 taxpayer and Federal Government value criteria. Create a list of any recommended closures of the TACs deemed appropriate after full consideration of the applied criteria.

Phase 2 – Bring recommended closures to the IRS Services Committee⁴ some time after the end of the filing season⁵ in Calendar Year 2007. Manage implementation of approved recommendations to minimize negative impact on taxpayers, employees, partners, and filing season operations. This process is expected to last into Calendar Year 2008.

Phase 3 – Continue evaluation of all remaining TACs in terms of all taxpayer and Federal Government value criteria and consideration of business rules. Submit additional recommended closures to the IRS Services Committee. Throughout the process, consider whether the evaluative criteria and process require modification based on lessons learned during Phases 1 and 2.

Source: The 2007 Blueprint Phase 2 report.

This review was performed at the Field Assistance Office, Taxpayer Services Program Management Office, and the Strategy and Finance Research offices in the Wage and Investment Division in Atlanta, Georgia. The review was also performed at the Office of Program Evaluation and Risk Analysis and the Agency-Wide Shared Services Real Estate and Facilities Management function located in Arlington, Virginia, during the period July 2007 through February 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁴ The IRS Commissioner chartered the Services Committee as the governance body for IRS service investment decisions. The committee is responsible for overseeing, prioritizing, and approving an integrated portfolio of IRS services.

⁵ The period from January through mid-April when most individual income tax returns are filed.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Results of Review

***Inaccurate and Incomplete Management Information Continues to
Delay Implementation of the Taxpayer Assistance Center Geographic
Footprint***

Since Fiscal Year 2003, we have reported on the IRS' inability to compile and maintain accurate and complete management information to oversee and measure the effectiveness of its TAC Program. Key management information used to make decisions and support Program changes is either absent or based on inaccurate and/or incomplete data, including how the IRS tracks TAC activity, employee workload, TAC real estate, and employee cost. This hinders the IRS' ability to make appropriate decisions when determining Center locations and the services they provide taxpayers seeking face-to-face assistance and has delayed the IRS in making any decisions on the TAC Geographic Footprint, which is an important initiative within the Blueprint. Compiling and maintaining accurate management information is essential because 119 (30 percent) of the 401 TAC leases expire in Fiscal Years 2008 and 2009, providing the IRS an opportunity to determine if the current locations are the most optimal and/or identify better locations for the 119 Centers.

Additionally, the IRS cannot measure the effectiveness of the TAC Program without accurate and complete data. As a result, it has no assurance that the Fiscal Year 2007 budgetary expenditures—in excess of \$157 million—were used effectively or that budgets in the future will be effectively spent. Fiscal Year 2007 budgetary expenses included more than \$132 million for employees working in the Centers and more than \$10 million for management oversight of the TAC Program. Management oversight included 4 directors, 180 managers (32 in Headquarters and Area Offices and 148 in the TACs), and 76 national analysts, field analysts, and technical advisors. An Area Office is a geographic organizational level used by IRS business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues.

***Data inaccuracies and inconsistencies have been reported since
Fiscal Year 2003***

Since Fiscal Year 2003, the IRS has assigned responsibility for developing accurate TAC Program data to different executives and executive-led teams, with limited success. Figure 2 provides a timeline of findings from prior TIGTA reports relating to concerns about the TAC Program's management information and related events and actions.⁶

⁶ See Appendix IV for a list of the audit reports referred to in Figure 2.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Figure 2: Timeline of Prior TIGTA Reports and Related Events and Actions

	<p>We report that the IRS' estimation of the number of taxpayers who visit the Centers could be substantially understated due to inconsistencies in tracking visits, use of multiple tracking systems, and a manual process of inputting visits to a management information system.</p>
August 2003	<p>The IRS responds that it plans to install at each of its Centers an automated tracking system that will allow it to more accurately track taxpayer visits by providing a networked system that captures data on customer volumes and the types of service requested by taxpayers.</p>
May 2005	<p>The IRS announces plans to close 68 TACs.</p>
June 2005	<p>Congress reacts to the report of the IRS' decision to close 68 TACs and proposes to delay the closings until we have completed a study of how the IRS' plans to reduce services will affect taxpayer compliance and taxpayer assistance.</p>
July 2005	<p>We complete an audit of the TAC Program service delivery and report that key management information used to make decisions and support changes for TACs is either absent or based on incomplete data. The IRS agrees that improving its management information system is critical and plans to develop a web-based management information system that will provide critical program planning and control information at the local and national levels.</p> <p>The IRS halts plans to close any Centers.</p>
February 2006	<p>We complete an audit on taxpayer services and report that the IRS has conducted only limited research on the impact of customer service on taxpayer compliance.</p> <p>The IRS agrees that further study is warranted regarding the impact on taxpayer compliance of any reduction in services and states it is awaiting the results of both the Blueprint and our audit of the TAC Closure Model (this Model was used to identify which Centers to close).</p>
March 2006	<p>We complete an audit of the TAC Closure Model, report inaccuracies and inconsistencies in the data used to populate the Model, and raise concerns about using the results to select which Centers to close and determining the associated cost savings that may be achieved.</p> <p>The IRS agrees data reliability is an issue that must be addressed, stating it will ensure that data used in any decision-making tool as they relate to the TAC Program are accurate and verified.</p>
April 2006	<p>The IRS issues the Blueprint Phase 1 report.</p>
April 2007	<p>The IRS issues the Blueprint Phase 2 report.</p>
May 2007	<p>The IRS forms a Validation Team to validate the accuracy of the data gathered on the TAC Program by the Blueprint team. A decision is made to scrap the TAC Closure Model and to continue to build a new model (the TAC Evaluative Model) to make decisions regarding the TAC Program.</p>

Source: TIGTA audit reports, Blueprint Phase 1 and 2 reports, Congressional action, and interviews with IRS employees.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Data used to populate the current Evaluative Model are either inaccurate or incomplete

The current Evaluative Model was built as part of the Blueprint initiative to develop a service delivery plan and establish a Geographic Footprint for the TAC Program. The Blueprint established 26 taxpayer and Federal Government criteria for use in making future decisions regarding Center locations. The Validation Team eliminated 6 of the 26 criteria and added 21, for a total of 41 criteria.⁷

In June 2007, we met with representatives from the Validation Team who stated they were conducting a comprehensive validation of the data included in the Evaluative Model. The goal was to ensure that all data were fully validated so the Evaluative Model and the Geographic Footprint could be used to make decisions as to which Centers to close.

In September 2007, IRS management advised us that the Validation Team had raised concerns about the accuracy of the data used to populate the Evaluative Model. Specifically, the Validation Team indicated that eight criteria contained inaccurate data. As a result, the Validation Team stopped all work on the Evaluative Model, and the IRS transferred responsibility for compiling and validating data to the Field Assistance Office, which is responsible for oversight of the TAC Program. Additionally, the Validation Team was unable to develop a process to keep the data accurate and current.

Our review consisted of testing data in 33 of the 41 criteria included in the Evaluative Model. We did not test data in eight criteria because the IRS had already determined that these criteria contained inaccuracies. Our tests determined that 11 additional criteria contained inaccurate or incomplete data, for a total of 19 (46 percent) of 41 criteria with inaccurate or incomplete data.

The Government Accountability Office *Standards for Internal Control in the Federal Government*⁸ 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.

Criteria contained inaccuracies involving TAC Program taxpayer activity and employee workload

For the most part, the eight criteria the IRS identified as containing inaccurate data involve the Field Assistance Office's management information systems and how the IRS tracks TAC activity and employee workload. For example:

⁷ See Appendix V for a list of the 41 criteria.

⁸ GAO/AIMD-00-21.3.1, dated November 1999.



Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint

- Number of taxpayers who visit the Centers.⁹
- Number of services available through other IRS channels.¹⁰

We previously reported¹¹ that Field Assistance Office systems do not accurately track activity and do not capture all TAC services. This Office also was using four separate systems to obtain management information on taxpayer contacts and employee workload—most of which were paper-based, labor-intensive, manual systems. The IRS acknowledged that prior Field Assistance Office management information systems could not be relied on for timely, accurate workload performance information due to the manual process of recording taxpayer visits.

In Fiscal Year 2002, the Field Assistance Office began installing the Q-MATIC in the Centers.



It is an automated queuing system used to control the flow of taxpayers waiting for assistance. In most Centers, the Q-MATIC automatically records the number of taxpayers assisted. Additionally, in Fiscal Year 2007, the Field Assistance Office implemented the Field Assistance Management Information System to replace the older manual reporting system. The Field Assistance Management Information System is a web-based system that captures and processes employee time-reporting information and customer data. It automatically imports data from the Q-MATIC (e.g., tax issues and time spent in service), then associates the data with the login of the technical employee who provided the service.

In Fiscal Year 2007, Field Assistance Office employees were told to track all assistance they provided to customers in the Centers by using more than one code per taxpayer if they helped a taxpayer with multiple services during one contact. However, problems arose, and the Field Assistance Office is again able to capture only the most significant service provided to each taxpayer. When multiple services are provided to the same taxpayer, guidelines direct TAC employees to record the service they believe was the most significant. This is usually based on the amount of time the employee spent assisting the taxpayer with a specific service. The IRS version of the Q-MATIC was not designed to track delivery of multiple services.

The current tracking system is able to capture only the most significant service provided to each taxpayer.

The IRS advised us that, before it attempts to record and track delivery of multiple services, it is trying to focus on ensuring that the number of taxpayer contacts recorded is correct because this

⁹ Criteria: Total volume per Business Performance Management System, Total volume per Q-Matic, and Total filing season volume per Business Performance Management System.

¹⁰ Criteria: Total contacts potentially deliverable via IRS.gov, Percentage of total volume potentially deliverable via IRS.gov, and Potential IRS.gov contacts per technical Full-Time Equivalent.

¹¹ The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured (Reference Number 2005-40-110, dated July 2005).



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

too has been an ongoing problem. The Field Assistance Office is exploring the possibility of using the Contact Recording System¹² to determine the number of different services the Centers provide. Until the IRS can accurately track all TAC services, it cannot accurately identify all TAC activity and determine employee workload—both of which are critical to the Evaluative Model.

Criteria contained inaccuracies involving the costs of resources

Criteria containing inaccurate data:

1. Problem return coverage rate.
2. Original count of Tax Year 2004 problem tax returns.
3. Change in Tax Year 2004 problem tax return coverage rate if eliminating a TAC.
4. Reduction in problem tax return coverage rate for Processing Year 2006* as a percentage of the target population if eliminating a TAC.
5. TAC square feet.
6. TAC rent.
7. Rentable/usable factor.
8. Allocated technical Full-Time Equivalents (the number of hours worked divided by the maximum number of compensable hours in a work year).
9. On rolls.
10. Other employees.
11. Modernization efforts applied.

* The year in which tax returns and other tax data are processed.

For the most part, the 11 criteria we identified as having inaccurate data related to TAC real estate and employee costs. For example, the IRS inaccurately calculated rent costs, square footage, and the number of TAC employees currently on the payroll. We reported these same errors in Fiscal Year 2005, noting that this is typical information that any function should have readily available to operate effectively.¹³

Although the Field Assistance Office has implemented the Q-MATIC and the Field Assistance Management Information System to capture and process employee time-reporting information and customer data, these systems still do not capture budget and/or operating costs by Center, including rent, personnel, and overhead. IRS attempts to capture these data to populate the Evaluative Model were unsuccessful. Without these data, the IRS cannot

1) accurately determine costs associated with the Centers, 2) determine the cost effectiveness or

return on investment¹⁴ for the TAC Program, or 3) make any decisions on which Centers to close.

Field Assistance Office officials stated they have a comprehensive communication strategy that has set clear expectations regarding the Office's management information systems and how data are to be captured by the Centers. They advised us they have also issued formal guidance through official memoranda on the importance of capturing accurate information through the new Field Assistance Management Information System. Further, all Field Assistance Office

¹² The Contact Recording System captures the audio portion of the employee/customer interaction. It is synchronized with computer screen activity for replay and quality review.

¹³ See Appendix V for detailed definitions of each of the criteria.

¹⁴ The net profit or loss in an accounting period divided by the capital investment used during the period, usually expressed as an annual percentage return.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

managerial and executive performance plans include specific actions and expectations relative to data validation. Officials explained that specific actions include ongoing analysis and formal documented operations reviews to ensure accuracy of data related to customer interactions.

Prior recommendations

Our prior recommendations concerning the Field Assistance Office's management information systems and the problems with inaccurate and unreliable data included 1) developing and implementing an information system that is based on reliable and accurate data and 2) capturing the number of taxpayers served, the numbers and types of services provided, and the related resources (costs). We also recommended the IRS develop a process that includes routine assessments of TAC operations to ensure that the Centers are optimally located and the services provided at the Centers are the most effective and cost efficient. Finally, the IRS should ensure that data used in any decision-making tool are accurate, reliable, and validated before using the data to make decisions regarding the TAC Program.

The IRS agreed to all of the recommendations previously discussed and has been working on corrective actions (particularly with the research efforts related to the Blueprint) and developing a new Field Assistance Office management information system. Because many of the concerns we identified in prior audits remain, we are making the same recommendations.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Improve the management information system to capture the number of taxpayers served, the numbers and types of services provided, and the related resources (costs).

Management's Response: IRS management partially agreed with this recommendation. They will continue to capture data they are currently collecting because the data are sufficient to identify taxpayers' needs and the services provided. They do not agree to capture detailed information regarding each individual service because it is cost and resource prohibitive. This recommendation would require a new, more robust tracking system to replace their current traffic management system. Aggressive actions have been taken to improve the Field Assistance Office's management information systems to capture relevant data. They have engaged in a multi-tiered effort to review and validate data since the startup of the Field Assistance Management Information System in October 2007, which includes operational reviews and analysis of data. The Field Assistance Office captures taxpayers served and implemented management processes to ensure accuracy in the data through communication efforts, operational review processes, refinement of the data elements, and validation of data. The Real Estate and Facilities Management Office will validate the related resource costs of TAC operations.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Office of Audit Comment: Although the IRS did not agree to capture detailed information regarding each individual service taxpayers receive at the TACs because it is cost and resource prohibitive, it stated that information from the Contact Recording System, along with the Field Assistance Management Information System and Business Objects,¹⁵ will be sufficient to capture taxpayer needs and services provided. We believe these systems together might provide sufficient information, and we will conduct followup testing during our planned Fiscal Year 2008 audit of the Field Assistance Management Information System.

Recommendation 2: Develop and implement an internal control system to ensure that management information data are accurate, reliable, and validated before using the data to make decisions regarding the TAC Program. This system should include a process to keep the data accurate and current.

Management's Response: IRS management agreed with this recommendation. The Real Estate and Facilities Management Office will validate and certify the accuracy of information provided for all of its data elements. Updated information for the data elements will be provided to the Wage and Investment Division in May 2008. The TAC space assignment information will be provided subsequent to the ongoing TAC space validation process targeted for completion in July 2008. Because the Real Estate and Facilities Management Office information provided in support of the TAC Geographic Footprint is not static, the Office will provide continuous validated information for all data points on a quarterly basis beginning in the fourth quarter of Fiscal Year 2008. To ensure accurate and current data, the Field Assistance Office reviews and validates TAC data weekly by utilizing the Field Assistance Management Information System.

The Optimum Locations for the Taxpayer Assistance Centers and Which Taxpayers They Most Effectively Serve Have Not Been Determined

Although the IRS has begun extensive research to identify taxpayers who have visited the Centers and who desire or need the face-to-face services provided by them, Field Assistance Office management has not yet determined which taxpayers the IRS can most effectively serve by its TAC Program. Without this, they cannot determine where to locate the Centers.

¹⁵ Business Objects software provides the IRS the capability to identify total contacts, wait time, and employee time utilization.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

The IRS has yet to identify which taxpayers are most effectively served by the TAC Program

To date, much of the IRS’ understanding of taxpayer needs, preferences, and behaviors is based on results of taxpayer responses to four surveys¹⁶ reported in the Blueprint Phase 2 report. However, our review of the results of 1) the four surveys in the Blueprint report and 2) an additional survey—the Taxpayer Advocacy Panel survey¹⁷—showed that characteristics of taxpayers who use the services of a TAC varied among the five surveys. Figure 3 presents some of the varied taxpayer characteristics identified during our 1) review of the statements in the Blueprint Phase 2 report 2) review of the Taxpayer Customer Service and Channel Preference Survey 3) review of the Taxpayer Advocacy Panel Survey and 4) tests to determine the demographics of the approximately 1.6 million taxpayers who visited Centers for account assistance in Calendar Years 2004 and 2007.

Figure 3: Comparison of Taxpayer Characteristics

Source	Income	Language	Age
Blueprint Phase 2 Report	Low-income taxpayers tend to use TACs at a greater rate than the population at large.	Limited-English-proficient taxpayers tend to use TACs at a greater rate than the population at large.	Elderly taxpayers tend to use TACs at a greater rate than the population at large.
Taxpayer Customer Service and Channel Preference Survey	TAC user respondents had a mean income of \$44,200.	90% of TAC user respondents listed English as their primary language.	81% of TAC user respondents were under age 65.
Taxpayer Advocacy Panel Survey	56% of TAC user respondents had income of less than \$35,000.	72% of TAC user respondents listed English as their primary language.	85% of TAC user respondents were under age 65.

¹⁶ The Taxpayer Customer Service and Channel Preference Survey, the Taxpayer Assistance Blueprint Conjoint II Study, the Opinion Survey of Taxpayer Resources and Services, and the 2006 Wage and Investment Division Market Segment Survey, which were all conducted during Calendar Year 2006.

¹⁷ The Taxpayer Advocacy Panel Survey was conducted in February, March, and May 2007. Thirty offices were visited, and more than 1,100 taxpayers responded to the survey.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Source	Income	Language	Age
TIGTA Analysis of Taxpayers Who Visited	Calendar Year 2004 The average income of taxpayers was \$50,983.		The average age of taxpayers was 47, and 87% were under age 65.
TACs for Account Assistance	Calendar Year 2007 The average income of taxpayers was \$56,211.		The average age of taxpayers was 45, and 90% were under age 65.

Source: The 2007 Blueprint Phase 2 report, Taxpayer Customer Service and Channel Preference Survey results, Taxpayer Advocacy Panel Survey results, and our analysis.

In March 2006, we reported the results of tests to determine the accuracy of the data in the TAC Closure Model, stating the IRS has available for its use taxpayer account data that could be used to better identify the characteristics of customers who have sought or may seek account assistance at a Center.¹⁸ However, the IRS did not include these data when developing the Blueprint Phase 2 report.

Instead, the IRS analyzed problem tax returns¹⁹ and included these data in the Evaluative Model criteria. Taxpayers with problem tax returns are certainly potential customers of the Centers. Nevertheless, the IRS has account data for those taxpayers who in fact visited Centers and should include these data when trying to determine the demographics of TAC customers. More than 3 million (46 percent) of the taxpayer contacts for account assistance in Fiscal Year 2007 were made at TACs.²⁰ Figure 4 presents a breakdown of TAC contacts for the last 4 fiscal years.

¹⁸ *The Taxpayer Assistance Center Closure Plan Was Based on Inaccurate Data* (Reference Number 2006-40-061, dated March 2006).

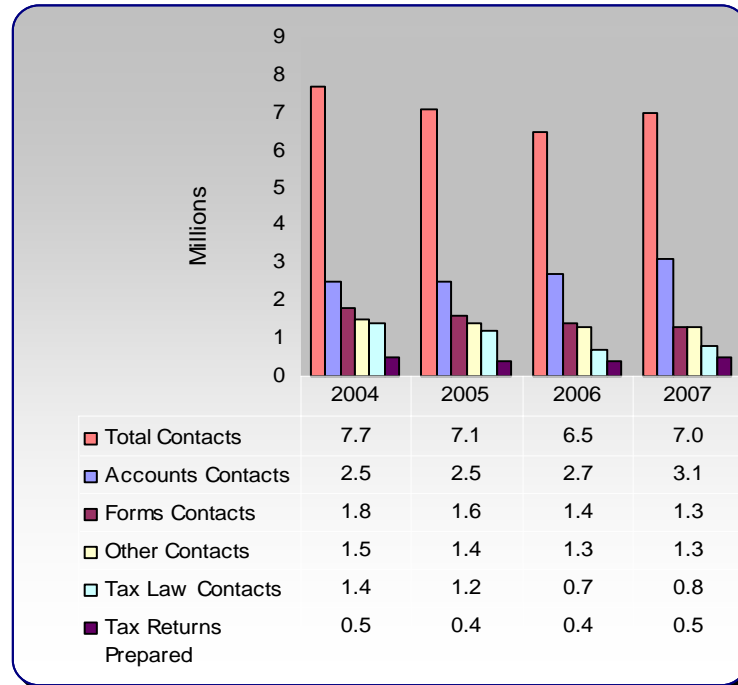
¹⁹ Defined by the IRS as tax returns filed late or not fully paid.

²⁰ For Fiscal Year 2007, the IRS changed the way it counted contacts. It counted the number of services provided rather than the number of taxpayers served.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

**Figure 4: Contacts²¹ at the TACs
for Fiscal Years 2004 – 2007 (in millions)²²**



Source: Field Assistance Office management information system reports.

The Blueprint represents the IRS’ first large-scale attempt to collect data specific to TAC customers. However, as the IRS recognizes, the survey results do not clearly distinguish between TAC users and non-TAC users to enable it to effectively draw conclusions about the characteristics of individuals who use the services of a Center. The IRS plans to continue to conduct surveys in Fiscal Year 2008. It must continue to develop data about which customers are best served by the TAC Program to develop and deliver an effective customer service strategy.

²¹ Other Contacts include assisting taxpayers that call the TACs, date-stamping tax returns brought in by taxpayers, helping taxpayers with general information such as addresses and directions to other IRS offices or other Federal Government agencies, and responding to unsolicited correspondence.

²² The Field Assistance Office’s management information system is incomplete and inaccurate; however, it is the best data available.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

The IRS has yet to develop a process to identify the optimal TAC locations

In July 2005, we reported that there are no current data to support why the Centers are in their present locations.²³ They are in the same locations as when the Field Assistance Office took ownership of the TAC Program in October 2000. Since the Field Assistance Office took ownership, the IRS has developed two separate models but has been unable to finalize or use any model to evaluate Center locations.

The Office of Program Evaluation and Risk Analysis has developed a dynamic program called the Geographic Coverage Rate Model (included as part of the Evaluative Model) that can be used to better identify the optimal Center locations.²⁴ The Geographic Coverage Rate Model measures the proportion of a specified population that is within a given travel time of the nearest Center. The Geographic Coverage Rate Model can be used to determine the locations that yield the maximum coverage rate for a given population. For example, if the IRS determines which individuals it can most effectively serve, the characteristics of these individuals can be input to the Geographic Coverage Rate Model. This Model will identify, by zip code, the locations at which the Centers would provide maximum coverage to these specific taxpayers.

The Geographic Coverage Rate Model is particularly important because 119 (30 percent) of the 401 TAC leases expire in Fiscal Years 2008 and 2009. This Model could be used to determine, for a Center whose lease is expiring, if the current location is best and/or identify a better one. However, Field Assistance Office management has not yet determined which taxpayers the IRS can most effectively serve by its TAC Program. Without this, they cannot determine where to best locate the Centers.

Field Assistance Office officials advised us that based on the availability of Office data, a Geographic Coverage Initiative was recently launched. The initiative is designed to use specifically focused information to develop a repeatable process that can be used by the Office to help ensure TAC coverage for service delivery.

Recommendation

The Commissioner, Wage and Investment Division, should:

Recommendation 3: Develop a process that includes routine assessments of TAC operations to ensure that the TACs are optimally located and the services provided at the TACs are the most effective and cost efficient. Use of the Geographic Coverage Rate Model should be included in this process.

²³ *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 2005).

²⁴ Representatives from the Office of Program Evaluation and Risk Analysis performed an extensive quality review of the programming used in the Geographic Coverage Rate Model.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Management's Response: IRS management agreed with this recommendation. The Field Assistance Office will use the process developed by the Geographic Coverage Initiative to create a balanced footprint designed to maximize taxpayer needs and services provided. The Field Assistance Office will implement this process during the quarterly assessment of taxpayer and Federal Government value criteria.

The Internal Revenue Service Is Unable to Measure How Closing Taxpayer Assistance Centers Might Affect Taxpayers and Compliance

In March 2006, we reported²⁵ that the IRS could not determine the effect that Center closures might have on taxpayer compliance. The IRS did not have the means to capture all interactions between a TAC employee and a taxpayer to determine why the taxpayer visited a Center, what service he or she received, and—most importantly—the effect the service or action has on the taxpayer's future compliance. In addition, although the IRS had management information to determine to some degree which taxpayers visit the Centers, the information was not always reliable.

Congress continues to remain concerned about the effect of Center closures on taxpayers. In a Senate Report on the 2008 Budget,²⁶ the Senate Committee on Appropriations cited concerns about any IRS efforts to significantly reduce taxpayer services, including face-to-face services. The Committee directed that, if the IRS proposes further reductions in taxpayer services that involve a decrease in face-to-face service, the IRS must demonstrate that the proposed reductions do not adversely affect compliance by taxpayers.

Although the IRS has conducted and is conducting a significant number of surveys and research, it still does not capture all interactions between TAC employees and taxpayers and still does not have reliable management information with which to determine all the reasons why taxpayers visit the Centers. Until its new TAC management information system is completely installed and all services are counted, the IRS will be unable to determine this. Additionally, the IRS still does not have management information systems to determine the downstream effect of the services on taxpayer compliance.

The IRS is not planning to conduct specific projects that assess the impact on compliance when closing Centers. However, research projects are planned for Fiscal Years 2008 and 2009 to determine the impact of taxpayer service on compliance, including the services provided at a Center. We are making no recommendations at this time and will continue to monitor IRS efforts in this area.

²⁵ *The Taxpayer Assistance Center Closure Plan Was Based on Inaccurate Data* (Reference Number 2006-40-061, dated March 2006).

²⁶ H.R. 2829 - Financial Services and General Government Appropriations Act for Fiscal Year 2008, Division D.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to assess the accuracy and completeness of the data compiled for use in the IRS' Taxpayer Assistance Center (hereafter referred to as a TAC or Center) assessment process. To accomplish this objective, we:

- I. Determined if the IRS has data detailing the characteristics of individuals who use the services of a Center.
 - A. Discussed with responsible IRS officials the efforts taken to identify characteristics of individuals who use the services of a Center.
 - B. Reviewed the Taxpayer Assistance Blueprint (Blueprint) Phase 2 report to identify efforts taken to identify characteristics of individuals who use the services of a Center.
 - C. Assessed the accuracy and completeness of this information by analyzing results of the four surveys conducted and included in the Blueprint Phase 2 report.
 - D. Attempted to determine the effect on the TAC Assessment process by determining what types of taxpayers visited a Center during Fiscal Year 2007 with questions concerning their accounts.
- II. Assessed the accuracy of data used to populate the Geographic Coverage Rate Model.¹
 - A. Discussed with responsible individuals in the Office of Program Evaluation and Risk Analysis the data and methodology used to develop the Geographic Coverage Rate Model, including the process followed to verify the accuracy of the resulting data.
 - B. Assessed the accuracy of computer programs written to perform calculations to populate the Geographic Coverage Rate Model.
 - C. Assessed the accuracy of the data used to populate the Geographic Coverage Rate Model.
 - D. For any inaccuracies, attempted to determine the effect on the TAC Assessment process.

¹ The Geographic Coverage Rate Model measures the proportion of a specified target population that is within a given travel time of the nearest TAC. It can be used to determine the locations that yield the maximum coverage rate for a given population.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

- III. Assessed the accuracy of the data used to populate the Evaluative Model.²
 - A. Discussed with responsible individuals in the Taxpayer Services Program Management office the data obtained, as well as the process for verifying the data used, to populate the Evaluative Model.
 - B. For each of the 41 criteria included in the Evaluative Model, assessed the accuracy of the data used to populate the Model for the 60 TACs that were reviewed during our prior audit.
 - C. For any inaccuracies, attempted to determine the effect on the TAC Assessment process.
- IV. Determined if the IRS has in place or planned a process to assess the impact on voluntary compliance of closing any Centers.
 - A. Discussed with responsible individuals the process by which the IRS will measure the impact on voluntary compliance if the IRS decides to close Centers.
 - B. Assessed the accuracy and completeness of this information.

² The current Evaluative Model was built as part of the Blueprint initiative to develop a service delivery plan and establish a Geographic Footprint for the TAC Program.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Appendix II

Major Contributors to This Report

Michael E. McKenney, Assistant Inspector General for Audit (Wage and Investment Income Programs)
Augusta R. Cook, Director
Russell P. Martin, Audit Manager
Pamela DeSimone, Senior Auditor
Lynn Faulkner, Senior Auditor
Kathleen Coote, Auditor
Mary Keyes, Auditor
Joseph Butler, Information Technology Specialist



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

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
Deputy, Commissioner, Wage and Investment Division SE:W
Chief, Agency-Wide Shared Services OS:A
Director, Office of Research, Analysis, and Statistics RAS
Director, Office of Program Evaluation and Risk Analysis RAS:O
Director, Customer Assistance, Relationships, and Education, Wage and Investment Division
SE:W:CAR
Director, Strategy and Finance, Wage and Investment Division SE:W:S
Director, Taxpayer Services Performance Management Office, Wage and Investment Division
SE:W:TSPMO
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Chief, Performance Improvement, Wage and Investment Division SE:W:S:P



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Appendix IV

*Treasury Inspector General
for Tax Administration Audit Reports*

- *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).
- *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 2005).
- *Taxpayer Service Is Improving, but Challenges Continue in Meeting Expectations* (Reference Number 2006-40-052, dated February 2006).
- *The Taxpayer Assistance Center Closure Plan Was Based on Inaccurate Data* (Reference Number 2006-40-061, dated March 2006).



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Appendix V

*Taxpayer and Federal Government
Taxpayer Assistance Center Evaluation Criteria*

Taxpayer Criteria		Explanation
1	Total population coverage rate.	Percentage of population, by zip code, located within 30 minutes of travel time from a TAC.
2	Low-income tax return coverage rate (adjusted gross income less than \$36,000).	Percentage of low-income (based on \$36,000) tax return filing population, by zip code, located within 30 minutes of travel time from a TAC.
3	Low-income tax return coverage rate (Earned Income Tax Credit cutoff for Processing Year ¹ 2006 = \$35,263).	Percentage of low-income (based on \$35,263) tax return filing population, by zip code, located within 30 minutes of travel time from a TAC.
4	Problem return ² coverage rate.	Percentage of potentially noncompliant tax return population, by zip code, located within 30 minutes of travel time from a TAC.
5	Total Processing Year 2006 individual tax return coverage rate.	Percentage of total Processing Year 2006 individual tax return population, by zip code, located within 30 minutes of travel time from a TAC.
6	Low-education tax return coverage rate.	Percentage of low-education (less than high school) population, by zip code, located within 30 minutes of travel time from a TAC.
7	Wage and Investment Division total tax return coverage rate (Tax Year 2002).	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for total population.
8	Change in overall total Processing Year 2006 coverage rate if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for total Processing Year 2006 tax returns.
9	Change in overall low-income tax return coverage rate if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for low-income tax returns.
10	Change in overall Wage and Investment Division low-income total tax return coverage rate if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for low-income tax returns.
11	Change in overall low-education tax return coverage rate if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for low-education population.

¹ The year in which tax returns and other tax data are processed.

² Defined by the IRS as tax returns filed late or not fully paid.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Taxpayer Criteria		Explanation
12	Original count of Tax Year 2004 problem tax returns.	Count by zip code of the number of Tax Year 2004 problem tax returns.
13	Change in Tax Year 2004 problem tax return coverage rate if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for potentially noncompliant tax returns.
14	Reduction in total population coverage rate as a percentage of the target population if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for total population.
15	Reduction in problem tax return coverage rate for Processing Year 2006 as a percentage of the target population if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for potentially noncompliant tax returns.
16	Reduction in low-income tax return coverage rate as a percentage of the target population if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for low-income population.
17	Proximity of next closest TAC (travel time in minutes).	Distance to next closest TAC (travel time in minutes).
18	Next closest TAC name/building code.	Closest TAC name and building code.
19	Capacity of alternate TAC to absorb displaced volume count/percentage.	The nearest TAC site(s) having the requisite capacity to absorb the total volume estimated to be migrated from a given TAC.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Government Criteria		Explanation
1	Lease/own.	TAC space is leased or owned by the Federal Government.
2	Lease expiration.	Lease expiration date.
3**	TAC square feet.	Total square footage.
4**	TAC rent.	Annual rent expenditure.
5**	Rentable/usable factor.	Rentable space is the area for which a tenant is charged rent. Usable space is computed by measuring the area enclosed by the finished surface of the room side of corridors and other permanent walls. Rentable/usable factor is computed by dividing the rentable space by the usable space.
6	Cost per square foot.	Rent cost per square foot.
7	TAC size.	Defined as small, medium, or large based on the number of technical employees at the TAC.
8	Standalone TAC (yes or no).	The TAC is the only IRS function in the building.
9**	Allocated technical Full-Time Equivalents (the number of hours worked divided by the maximum number of compensable hours in a work year).	Number of Full-Time Equivalent employees allocated to a given TAC in the Field Assistance Office's allocated staffing plan.
10**	On rolls.	Number of employees currently employed in a TAC (as of Fiscal Year 2007).
11	Initial assistance representatives.	Number of initial assistance representatives currently employed in a TAC.
12**	Other employees.	Number of other employees (e.g., secretaries, supervisors, clerks) currently employed in a TAC.
13	Technical.	Number of technical employees currently employed in a TAC.
14	Retirement eligibility.	Number of employees eligible for retirement by the estimated TAC closure date.
15*	Total volume per Business Performance Management System.	Total number of contacts delivered in a given TAC during last full fiscal year.
16*	Total volume per Q-Matic. ³	Total number of contacts delivered in a given TAC during last full fiscal year.

³ An automated queuing system used to control the flow of taxpayers waiting for assistance. In most TACs, the Q-MATIC automatically records the number of taxpayers assisted.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Government Criteria		Explanation
17*	Total contacts potentially deliverable via IRS.gov.	Total contacts delivered by a given TAC during last full fiscal year that could be delivered via IRS.gov.
18*	Percentage of total volume potentially deliverable via IRS.gov.	Percentage of TAC contacts delivered by a given TAC during last full fiscal year that could be delivered via IRS.gov.
19*	Total technical and initial assistance representative program hours expressed in Full-Time Equivalents.	Technical and initial assistance representative program hours divided by the number of staff hours that represent a Full-Time Equivalent.
20*	Potential IRS.gov contacts per technical Full-Time Equivalent.	Total contacts delivered by a given TAC during last full fiscal year that could be delivered via IRS.gov expressed as Full-Time Equivalents.
21*	Total filing season ⁴ volume per Business Performance Management System.	Total number of contacts delivered in a given TAC during a filing season.
22**	Modernization efforts applied.	Have investments already been made in installing the TAC Model Design ⁵ in the given TAC (if TAC is moving, ignore this criterion).

Source: *IRS Evaluative Model as of October 2007.*

* One of the eight criteria the IRS determined contained inaccurate data.

** One of the 11 criteria we determined contained inaccurate or incomplete data.

⁴ The period from January through mid-April when most individual income tax returns are filed.

⁵ TAC Model Design established detailed requirements for small, medium, and large TACs. The TAC Model Design Guide will be used as a planning and implementation tool by field facility offices to solicit appropriate leased space for new or relocated TACs nationwide.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

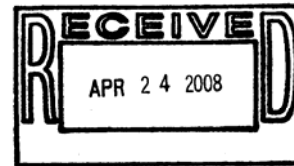
Appendix VI

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

APR 18 2008



MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

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

SUBJECT: Draft Audit Report – Inaccurate and Incomplete
Data Have Adversely Affected Implementation of the
Taxpayer Assistance Center Geographic Footprint
(Audit # 200740042)

I reviewed your subject draft report and appreciate the opportunity to provide a response to your findings. I also appreciate your acknowledgement of the efforts we are taking regarding the development of the Geographic Coverage Model and its value in assessing the optimal placement of Taxpayer Assistance Centers (TACs). Since several of the findings assess the accuracy of real estate costing, we also engaged Agency-Wide Shared Services Real Estate and Facilities Management (REFM) in responding to this report.

While we agree in part, with several of your findings, we are disappointed your report does not acknowledge the tremendous progress Field Assistance has made to improve key management information systems to achieve accurate, complete, and reliable data. During the initial meeting with TIGTA, we shared our concern that the audit was premature, and we had determined that the data was not completely valid. Your analyses validated our initial concerns about the accuracy of data.

As noted in your report, the ability to measure the effectiveness of the TAC program is not possible without accurate and complete data. We agree completely with this statement, but disagree with your assessment that the IRS is unable to identify which taxpayers are most effectively served in the TAC program. In October 2007, we fully deployed a comprehensive Field Assistance Management Information System (FAMIS), which automates our process for capturing time, service, and contacts associated with the more than 6 million customers that visit our 401 TACs annually. The FAMIS provides a significant improvement over prior manual input by employees. In addition, Field Assistance developed and deployed Business Objects enabling management to conduct comprehensive analysis of customer contact data trends from the corporate level to individual TAC levels. The Business Objects software provides us the capability of identifying total contacts, wait time and employee time utilization. These two



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

2

accomplishments are significant breakthroughs in our ongoing effort to strengthen management oversight and data integrity within Field Assistance.

As your report reflects, during September 2007, IRS management advised TIGTA of our concerns regarding the accuracy of certain data elements used to populate the evaluative model, and of our resulting decision to discontinue the Validation Team's efforts. In October 2007, we further advised TIGTA of our plans to develop the Geographic Coverage Initiative (GCI). A critical component of this analysis will be utilization of the Office of Program Evaluation and Risk Analysis' (OPERA) Geographic Coverage Rate Model to develop a repeatable process to ensure optimal TAC coverage and placement. This approach was endorsed by the acting IRS Commissioner and the National Taxpayer Advocate (NTA) in January 2008. The GCI team was officially launched in February 2008, after one quarter of validated data was received from the newly implemented FAMIS system. The team is comprised of representatives from Field Assistance, NTA, OPERA, W&I Research & Analysis, and REFM. I am pleased to report the team is making steady progress to ensure optimal TAC coverage and placement.

Your report expresses concerns regarding the accuracy of some real estate data. REFM has agreed to develop a clear TAC space definition that can be uniformly applied across all TACs. In addition, REFM will take action to validate TAC space in each of the 401 TAC locations in accordance with the new definition. Finally, REFM also concurs that the best time to effect any changes in the IRS real estate portfolio is through the normal lease expiration cycle that generally requires 25 to 30 months lead time to execute.

I acknowledge there were minor discrepancies in the real estate information shared with the Validation Team. While the IRS does not believe these discrepancies to be material findings, I do believe clarification is warranted. The discrepancy in the rental rate for one TAC location was due to rounding of individual rate information appearing on the General Services Administration's (GSA) rent bill. However, REFM is confident the rate was correct and can be supported by the examination of the line item rates without rounding. The REFM division also acknowledges that ten sites with different rentable/usable factors were identified. I agree in principle with your recommendations. We will continue to capture taxpayers served and implement management information systems and oversight to ensure accuracy of our data. However, your recommendation related to capturing detailed information regarding each individual service is cost and resource prohibitive. This recommendation would require a new more robust tracking system to replace our current traffic management system. In addition, we believe data we currently capture through FAMIS and Contact Recording is sufficient in identifying taxpayers' needs and the services provided. Attached are our specific comments to your recommendations.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

If you have any questions, please call me at (404) 338-7060, or members of your staff may contact Beth Tucker, Director, Field Assistance, at (404) 338-7123.

Attachment



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

Attachment

RECOMMENDATION 1

The Commissioner, Wage & Investment Division, should improve the management information system to capture the number of taxpayers served, the numbers and types of services provided, and the related resources (costs).

CORRECTIVE ACTIONS

The IRS agrees, in part, with this recommendation. We agree to continue to capture data we are currently capturing because it is sufficient in identifying taxpayers' needs and the services provided. We do not agree to capture detailed information regarding each individual service because it is cost and resource prohibitive. This recommendation would require a new more robust tracking system to replace our current traffic management system. In addition, our specific actions below address this recommendation:

- a) Aggressive actions have been taken to improve Filed Assistance's management information systems to capture relevant data. We engaged in a multi-tiered effort to review and validate data since the start up of the Field Assistance Management Information System (FAMIS) in October of 2007, which includes operational reviews and analysis of data. Field Assistance captures taxpayers served and implemented management processes to ensure accuracy in the data through communications efforts, operational review processes, refinement of the data elements, and validation of data.
- b) AWSS's Real Estate & Facilities Management (REFM) will validate the related resource costs of TAC operations.

IMPLEMENTATION DATES

- a) Completed October 1, 2007
- b) June 15, 2008

RESPONSIBLE OFFICIALS

- a) Director, Field Assistance, Wage & Investment Division
- b) Director, Real Estate & Facilities Management, Agency Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN

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

RECOMMENDATION 2

The Commissioner, Wage & Investment Division, should develop and implement an internal control system to ensure that management information data are accurate,



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

reliable, and validated before using the data to make decisions regarding the TAC Program. This system should include a process to keep the data accurate and current.

CORRECTIVE ACTIONS

The IRS agrees with this recommendation and will take the following actions:

- a) Real Estate & Facilities Management (REFM) will validate and certify the accuracy of information provided for all REFM data elements. Updated information for the REFM data elements will be provided to Wage & Investment in May 2008. The TAC space assignment information will be provided subsequent to the ongoing TAC space validation process targeted for completion in July 2008. Because the REFM information provided in support of the TAC Geographic Footprint is not static, REFM will provide continuous validated information for all REFM data points on a quarterly basis beginning in the fourth quarter of FY 2008.
- b) To ensure accurate and current data, Field Assistance reviews and validates TAC data weekly by utilizing the Field Assistance Management Information System.

IMPLEMENTATION DATES

- a) June 15, 2008
- b) Completed October 1, 2007

RESPONSIBLE OFFICIALS

- a) Director, Real Estate & Facilities Management, Agency Wide Shared Services
- b) Director, Field Assistance, Wage & Investment Division

CORRECTIVE ACTION MONITORING PLAN

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

RECOMMENDATION 3

The Commissioner, Wage & Investment Division, should develop a process that includes routine assessments of TAC operations to ensure that the TACs are optimally located and the services provided at the TACs are the most effective and cost efficient. Use of the Geographic Coverage Rate Model should be included in this process.

CORRECTIVE ACTION

The IRS agrees with this recommendation. Field Assistance will utilize the process developed by the Geographic Coverage Initiative to create a balanced footprint designed to maximize taxpayer needs and services provided. Field Assistance will implement this process during the quarterly assessment of taxpayer and government value criteria.



*Inaccurate and Incomplete Data Have Adversely Affected
Implementation of the Taxpayer Assistance Center
Geographic Footprint*

IMPLEMENTATION DATE

June 15, 2008

RESPONSIBLE OFFICIAL

Director, Field Assistance, Wage & Investment Division

CORRECTIVE ACTION MONITORING PLAN

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