

**Taxpayer Experience at the Taxpayer  
Assistance Centers Could Be Improved**

**September 2004**

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DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

September 1, 2004

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

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

SUBJECT: Final Audit Report - Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved (Audit # 200440032)

This report presents the results of our review of the Internal Revenue Service's (IRS) responses to taxpayers' tax law questions. The overall objective of this review was to determine whether the IRS provided accurate and timely responses to taxpayers' tax law questions during the 2004 Filing Season.<sup>1</sup> In addition, we assessed whether IRS employees were professional and courteous to auditors that made anonymous visits to the Taxpayer Assistance Centers (TAC). We also evaluated whether TAC addresses and office hours made available to taxpayers were accurate, IRS employees adhered to operating guidelines on referral procedures, and all taxpayers were provided an opportunity to participate in the customer satisfaction survey at the TACs.

Providing quality customer service is the IRS' first step to taxpayer compliance. One of the IRS' major strategies for Fiscal Year (FY) 2004 is to reduce taxpayer burden by improving the quality and efficiency of service delivery. Taxpayers have several options from which to choose when they need assistance from the IRS; these options include walk-in service at the TACs. According to the IRS, the TACs served approximately 3.8 million taxpayers during the period January through April 2004. Approximately 794,170 of these taxpayers visited the TACs for assistance with the tax law.

Taxpayers did not always receive accurate answers to their tax law questions when visiting the TACs. IRS employees correctly answered 67 percent of the 250 in-scope<sup>2</sup> tax law questions auditors asked during the 2004 Filing Season. Although this is an

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<sup>1</sup> The period January through mid-April when most individual income tax returns are filed.

<sup>2</sup> IRS employees are trained and authorized to answer tax law questions related to specific tax topics as long as they are within their expertise and training; these are called in-scope questions.

increase from the 51 percent accuracy rate we reported for the 2002 Filing Season, it is a decrease from the 70 percent accuracy rate reported for the 2003 Filing Season.

IRS employees were professional and courteous in 122 (98 percent) of 125 TACs visited; however, the TACs may not provide all of the services taxpayers expect and may not be open during the hours expected.

The IRS web site, IRS.gov, states, "IRS Taxpayer Assistance Centers are your one-stop resource for face-to-face tax help and solutions to tax problems, every business day." Because of the complexity of the tax law and the number of taxpayers the IRS serves, not all IRS employees can be trained and be experts on all tax topics and provide all tax services. Yet the IRS has not adequately educated taxpayers on what services are offered at the TACs, creating a burden for those taxpayers that visit a TAC asking questions on tax law topics that are out of the scope of IRS employees' training and authorization. In fact, IRS employees provided answers to 31 (32 percent) of 98 out-of-scope questions<sup>3</sup> they were not trained or authorized to answer. This increases the risk that taxpayers will receive inaccurate answers to their questions.

Although most addresses for the TACs visited were correct, only 43 (68 percent) of the 63 TACs visited had hours of operation that matched those posted on IRS.gov or provided through the toll-free telephone numbers. In addition, auditors were not offered a Customer Survey Comment Card for 47 (38 percent) of 125 visits. The IRS uses Comment Cards to obtain taxpayers' feedback regarding the quality of customer service they receive at the TACs.

Beginning in October 2002, the IRS instituted a Quality Assurance Program for the TACs that should help identify ways to improve the accuracy and quality of its work processes. In addition, in FY 2004, it is revising the system to incorporate the Embedded Quality Measurement System used in other Wage and Investment Division offices and functions and will be soon piloting the use of Contact Recording, an automated quality monitoring system that captures voice elements of customer contacts and employees' corresponding computer desktop activities, including customer account activity. We plan to conduct a review of the system in FY 2005.

We recommended the Commissioner, Wage and Investment Division, ensure that, as the Quality Assurance Program is being revised, ways are identified to improve work processes and the quality of the taxpayer experience when visiting the TACs. The Commissioner should ensure IRS.gov and publications used to educate and inform taxpayers on how to obtain tax assistance from the IRS provide a clear explanation of the services offered at the TACs. The Commissioner should also consider providing a list of tax law topics answered by TAC employees or training screeners to explain to taxpayers what tax law questions TAC employees can answer.

Management's Response: IRS management agreed with two of our three recommendations and our reported outcome. The IRS has implemented the Embedded

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<sup>3</sup> In addition to the 125 visits for tax law questions, auditors completed visits to 29 additional TACs and asked 98 questions that were beyond the IRS employees' level of training.

Quality Measurement System to measure individual and organizational performance of the TACs. This measurement system will be used to provide feedback to employees and identify trends, training needs, and other changes needed to improve work processes. In addition, the IRS plans to determine the feasibility of implementing our recommendation to provide a clear explanation of services offered at the TACs on IRS.gov and in publications. If feasible, the IRS will add information on services provided at the TACs to IRS.gov and *Your Federal Income Tax for Individuals* (Publication 17).

The IRS does not agree with our recommendation to provide taxpayers with a list of tax law topics answered by TAC employees or training screeners to explain to taxpayers what tax law questions TAC employees can answer due to the potential perceptions that may be generated by doing so. For example, management believes providing a list of tax law topics to customers may give the appearance that customers must determine on their own the types of services the IRS provides rather than being assisted by TAC employees. In addition, management believes customers are unlikely to read a list containing tax law topics.

Management continues to disagree with our method of reporting referrals to publications and service denied when computing the accuracy rate. As such, they do not believe our reported accuracy rate is a true measure of the quality of responses provided by the IRS. Management's complete response to the draft report is included as Appendix VIII.

Office of Audit Comment: We understand the IRS' past experience has shown that taxpayers do not read signs displayed in the TACs. However, we still believe that the IRS should pursue having greeters ask taxpayers questions to determine their specific tax law issue. At a minimum, the greeters could determine if the tax law issue related to individual or business taxes, estate or trust taxes, etc. This action would prevent some taxpayers from having to wait before being informed that their questions cannot be answered by TAC employees. While we still believe our recommendation is worthwhile, we do not intend to elevate our disagreement concerning it to the Department of the Treasury for resolution.

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 R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 927-0597.

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## Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved

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### Background

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Providing quality customer service is the Internal Revenue Service's (IRS) first step to taxpayer compliance. One of the Congress' principal objectives in enacting the IRS Restructuring and Reform Act of 1998 (RRA 98)<sup>1</sup> was to mandate that the IRS do a better job of meeting the needs of its customers. In the RRA 98, the Congress directed the IRS to achieve a better balance between its postfiling enforcement efforts and prefiling taxpayer assistance through education and service. To comply with this Congressional mandate, the IRS revised its mission statement to refocus its emphasis on helping taxpayers understand and meet their tax responsibilities.

The quality of service provided to taxpayers remains among the major management challenges the IRS faces in Fiscal Year (FY) 2004. One of the IRS' major strategies for FY 2004 is to reduce taxpayer burden by improving the quality and efficiency of service delivery. Taxpayers have several options from which to choose when they need assistance from the IRS. These options include walk-in service at the Taxpayer Assistance Centers (TAC), toll-free telephone assistance, and the IRS Internet site, IRS.gov.

The complexity of the tax law has made it even more important that the IRS ensure these services are available to all taxpayers. The IRS is committed to providing top-quality service to taxpayers, as shown by the IRS Field Assistance (FA)<sup>2</sup> Office's mission to minimize the burden to customers in satisfying their tax obligations by providing the right services at the right location at the right time. The FA Office has overall responsibility for the 403 TACs in 7 geographical areas located throughout the United States.

To accomplish its mission, the FA Office provides professional assistance, education, and compliance services to customers that desire face-to-face interaction. IRS employees that work in the TACs assist customers by interpreting tax laws and regulations, preparing some tax returns, resolving inquiries on taxpayer accounts, and providing various other services designed to minimize the

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<sup>1</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

<sup>2</sup> The FA Office is a business unit within the Wage and Investment Division Customer Assistance, Relationships, and Education function.

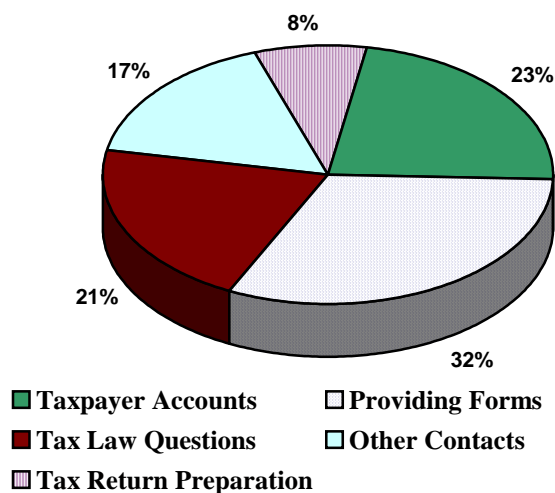
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burden on taxpayers in satisfying their tax obligations. Operating guidelines require IRS employees to identify themselves, provide their identification number either verbally or visually to all taxpayers, and assist taxpayers in a professional and courteous manner.

According to the IRS, the TACs served approximately 3.8 million taxpayers during the period January through April 2004. Approximately 794,170 of these taxpayers visited the TACs for assistance with the tax law.<sup>3</sup> Figure 1 shows the percentage of time spent by employees in the TACs on the various services detailed above.

**Figure 1: Percentage<sup>4</sup> of Time Spent by IRS Employees in the TACs Assisting Taxpayers**



*Source: The IRS FA Office.*

Because of the complexity of the tax law and the need to serve millions of taxpayers with tax law questions, TAC employees are not trained to answer all types of tax law questions. Instead, they are trained and authorized to answer tax law questions related to specific tax topics as long as they are within their expertise and training. These are called in-scope questions; they include specific tax law topics related to lines on the U.S. Individual Income Tax Return (Form 1040), such as income, filing status, exemptions, deductions, and related credits.

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<sup>3</sup> The IRS provided the number of taxpayers that visited the TACs for assistance with tax law and the percentage of work shown in Figure 1. We did not verify the accuracy of the numbers.

<sup>4</sup> Percentages do not add to 100 due to rounding.

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When assisting taxpayers, IRS employees must first determine if the tax law questions are in-scope. If the questions are in-scope, the employees are required to use the Publication Method Guide to provide the answers. The Guide is a tool to guide IRS employees through the complex maze of tax laws and computations.

When receiving out-of-scope questions, IRS employees are required to offer to call the appropriate IRS toll-free telephone number on behalf of the taxpayers or to submit the questions in writing to a subject-matter expert(s) via the IRS Internet (R-mail). Questions submitted via R-mail are assigned to employees, and taxpayers are to receive responses within 15 business days.

We conducted this audit in the IRS Customer Assistance, Relationships, and Education function in the Wage and Investment (W&I) Division during the period January through May 2004. During the period January through April 2004, Treasury Inspector General for Tax Administration (TIGTA) auditors made 125 anonymous visits asking 2 questions each at 63 TACs located in 22 states. See Appendix V for specific states visited. In addition, auditors completed visits to 29 TACs and asked 98 questions outside the scope of topics employees were trained to answer. Auditors presented scenarios around specific tax topics designed to require IRS employees to ask questions, for example, to determine taxpayers' eligibility for deductions and credits.

This review was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



## Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved

### Taxpayers Do Not Always Receive Correct Answers to Tax Law Questions

Of the 250 in-scope tax law questions auditors asked during the 2004 Filing Season<sup>5</sup> review, IRS employees correctly answered 67 percent<sup>6</sup> and incorrectly referred only 2 percent to publications.<sup>7</sup> Figure 2 shows the breakdown of the accuracy rates for this period. See Appendix VII for results by tax law topic. The IRS' FY 2004 accuracy rate goal for the TACs is 80 percent.

Figure 2: Responses to Tax Law Questions (250)

	Correctly Answered	Correctly Answered but Incomplete	Correctly Referred <sup>8</sup>	Incorrectly Answered	Ref. to Pub.	Service Not Provided <sup>9</sup>
<b>Responses</b>	148	20	18	53	4	7
<b>Percentages</b>	59%	8%	7%	21%	2%	3%

Source: Anonymous visits performed by TIGTA auditors.

Although this is an increase from the 51 percent accuracy rate we reported for the 2002 Filing Season, it is a decrease from the 70 percent accuracy rate reported for the 2003 Filing Season. Figure 3 shows the comparison of the results for Filing Seasons 2002, 2003, and 2004.

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

<sup>6</sup> The accuracy rate includes "Correct" and "Correct but Incomplete" responses.

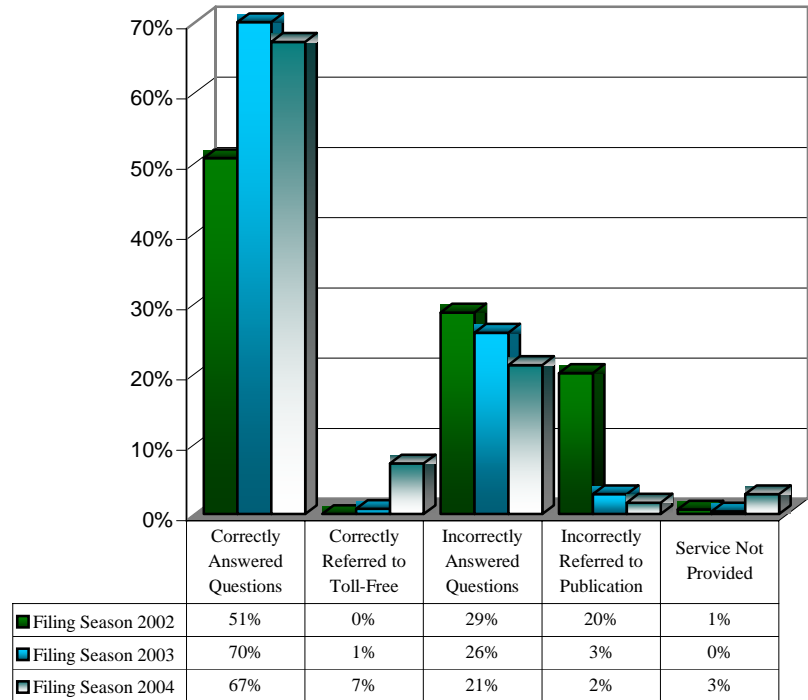
<sup>7</sup> The IRS employee did not answer the question but referred the auditor to a publication. According to FA Office management, referring taxpayers to a publication is considered an improper procedure.

<sup>8</sup> No answer was provided, but in each instance the IRS employee offered to refer the auditor to the IRS toll-free tax law telephone number to obtain an answer to the question. According to FA operating guidelines, IRS employees should refer in-scope questions if they have not been trained to answer the question.

<sup>9</sup> The IRS employee did not answer the question because he or she was not qualified, did not have enough time since the TAC was closing soon, or was not available to answer the question.

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**Figure 3: Comparison of Accuracy Rates for Filing Seasons 2002, 2003, and 2004<sup>10</sup>**



Source: TIGTA reviews conducted during the period January through April 2002, 2003, and 2004.

There has been a significant decrease in the Referred to Publication responses, yet TIGTA auditors have had a slight increase in the number of instances in which IRS employees did not provide service. For 5 (71 percent) of the 7 questions for which auditors were not provided service, IRS employees did not follow existing referral procedures. The IRS has made a business decision to close the TACs, in most cases, promptly at the advertised time, which avoids overtime costs. If there are taxpayers that have not been served, employees are instructed to refer taxpayers to the toll-free telephone numbers. However, auditors visited a TAC near closing time and were advised that they would have to return another day during normal business hours. For the other two questions, the TAC was only accepting payments on the date of the auditor's visit.

<sup>10</sup> The accuracy rates in the graph represent percentages and include "Correct" and "Correct but Incomplete" responses. Percentages may not add to 100 due to rounding.

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In addition, the IRS experienced minimal improvement in the number of incorrect responses. As reported in prior reviews, incorrect answers occur mainly because the employees do not use the tools provided them and do not ask questions sufficient to answer the taxpayers' questions correctly.

### **Taxpayers have a higher chance of receiving accurate answers when IRS employees follow required procedures**

Accuracy rates decrease when IRS employees do not use the Publication Method Guide, available tax instructions, and publications to assist them in answering taxpayers' questions. IRS employees used available tax instructions or publications when answering 196 (78 percent) of the 250 questions asked, with an accuracy rate of 73 percent. In contrast, the accuracy rate was only 46 percent when tax instructions or publications were not used.<sup>11</sup>

Figure 4 shows the accuracy rates for tax law questions when IRS employees did and did not use tax instructions or publications when providing assistance to our auditors.

**Figure 4:**<sup>12</sup> Responses to Questions for Which Employee Use of Instructions, Forms, and Publications Were Documented (250)

Use of Form/Pub	Questions Answered	Correctly Answered	Correctly Referred	Incorrectly Answered	Ref. to Pub	Service Not Provided
Used	196	73%	3%	24%	0%	0%
Not Used	54	46%	24%	9%	7%	13%

Source: Anonymous visits performed by TIGTA auditors.

IRS employees are required to use the Publication Method Guide or obtain the appropriate publication, discuss specific information related to the topic, ask appropriate questions to obtain facts when assisting a taxpayer, and then respond to the taxpayer's issue or question.

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<sup>11</sup> The 73 percent and 46 percent accuracy rates include "Correct" and "Correct but Incomplete" responses.

<sup>12</sup> Percentages may not add to 100 due to rounding.

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### **Taxpayers have a higher chance of receiving accurate answers when IRS employees ask probing questions to obtain relevant facts from the taxpayers**

IRS employees continue to assist taxpayers without asking all the probing questions outlined in the Publication Method Guide or using the tax instructions or publications. The risk that taxpayers will receive inaccurate answers is increased when IRS employees do not ask all questions to obtain relevant facts.

- Forty-seven (87 percent) of 54 questions for which IRS employees asked all probing questions outlined in the tax instructions and publications were correctly answered.
- Three (11 percent) of 28 questions for which IRS employees did not ask any probing questions were correctly answered.

Each scenario was designed and presented to ensure IRS employees probe or ask specific questions to ensure they have all the necessary information to answer the questions.

While all the probes may not have been necessary to provide a correct answer, certain probes provide key information needed to ensure all relevant facts were obtained from the taxpayer. For example:

- For 12 (41 percent) of 29 dependent questions, IRS employees did not ask the auditors if they had valid Social Security Numbers. For a taxpayer to claim someone as a dependent, the person must have a valid Social Security Number.
- For 13 (65 percent) of 20 scholarship questions, IRS employees did not ask the auditors the amounts of the scholarships received. Scholarship money received is taxable only if the amount of the scholarship exceeds the cost of tuition, fees, and books.

When not using available resources to ask all required questions, IRS employees are making assumptions and providing answers without considering facts relevant to ensuring the answers given are correct.

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### **Taxpayers that visit the TACs in certain geographical locations may receive inconsistent levels of customer service**

The TAC location affects overall accuracy rates. Results from the TACs visited in 7 areas in 22 states during the period January through April 2004 showed the following:

- Seventy-eight (72 percent) of 108 questions asked in Areas 3, 5, and 7 were correctly answered.<sup>13</sup>
- Forty-four (61 percent) of 72 questions asked in Areas 1 and 2 were correctly answered.<sup>14</sup>
- Four (57 percent) of 7 questions for which service was not provided occurred in Area 4,<sup>15</sup> compared to 2 in Area 1 and 1 in Area 2.

See Appendices V and VI for accuracy rates by state and geographical area.

The burden on taxpayers is increased when they rely upon the IRS to help them comply with the tax law and they are not provided correct responses to tax law questions. Additionally, helping taxpayers understand and meet their tax obligations is essential to voluntary compliance. Given the complexity of the tax law, it is essential that the IRS ensure FA employees understand the significance of their role in the tax system and the importance of correctly applying the tax law.

If the accuracy results for the 250 questions asked between January and April 2004 are indicative of the actual responses taxpayers receive when they visit a TAC, an estimated 53 taxpayers could have received incorrect responses to tax law questions. Also, approximately 794,170 taxpayers that visited the TACs during the period January through April 2004 to ask tax law questions were at risk of receiving incorrect responses to their tax law questions.

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<sup>13</sup> Area 3 states visited were Alabama, Florida, and Georgia. Area 5 states visited were Missouri, North Dakota, and Texas. Area 7 state visited was California.

<sup>14</sup> Area 1 states visited were Maine, Massachusetts, New Hampshire, New York, and Vermont. Area 2 states visited were New Jersey, North Carolina, and Virginia.

<sup>15</sup> Area 4 states visited were Illinois, Indiana, and Kentucky.

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The IRS should ensure employees are properly trained on the tax law as well as on the importance of using all available tools and resources to answer tax law questions. Beginning in October 2002, the FA Office instituted a Quality Assurance Program for the TACs that should help identify ways to improve the accuracy and quality of its work processes. In addition, in FY 2004, it is revising the system to incorporate the Embedded Quality (EQ) Measurement System used in other W&I Division offices and functions and will be soon piloting the use of Contact Recording. Contact Recording is an automated quality monitoring system that captures voice elements of customer contacts and employees' corresponding computer desktop activities, including customer account activity. We plan to conduct a review of the system in FY 2005.

### Recommendation

The Commissioner, W&I Division, should:

1. Ensure that as the Quality Assurance Program is being revised management identifies ways to improve work processes and the quality of the taxpayer experience when visiting the TACs.

Management's Response: The IRS has implemented EQ to measure individual and organizational performance of the TACs. EQ is a standardized managerial review process that uses a common set of evaluation standards to provide feedback to employees and identify trends, training needs, and other changes needed to improve work processes.

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### Taxpayers Do Not Always Experience One-Stop Quality Customer Service When Visiting Taxpayer Assistance Centers

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IRS employees were professional and courteous in 122 (98 percent) of 125 TACs visited. In addition, addresses were posted on IRS.gov for all 63 TACs visited. Addresses matched those<sup>16</sup> posted at the TACs for 52 (85 percent) of 61<sup>17</sup> TACs. However, the TACs may not provide all the services taxpayers expect and may not be open during the hours posted.

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<sup>16</sup> The difference in addresses related to incorrect street names or the omission of building names and room numbers.

<sup>17</sup> Percentage based on 61 instead of 63 TACs because the address was not posted at 2 TACs.

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IRS.gov states, “IRS Taxpayer Assistance Centers are your one-stop resource for face-to-face tax help and solutions to tax problems, every business day.” Yet the IRS does not provide unlimited tax help at its TACs. Because of the complexity of the tax law and the number of taxpayers the IRS serves, not all IRS employees can be trained and be experts on all tax topics and provide all tax services. However, the IRS has not adequately educated taxpayers on what services are offered at the TACs, creating a burden for those taxpayers that visit a TAC asking questions on tax law topics that are out of the scope of the IRS employees’ training and authorization. In addition, the IRS does not ensure office hours are current on its systems accessed via IRS.gov or the toll-free telephone numbers.

### **Taxpayers may not be able to obtain answers to tax law questions when visiting the TACs, or employees may provide answers to questions for which they are not trained**

Taxpayers may not be aware that IRS employees are not trained to answer questions on all tax topics. The IRS offers assistance through, for example, toll-free telephone numbers, walk-in services, and IRS.gov. It educates taxpayers on these services, for example, through various publications and IRS.gov. However, IRS.gov, *Your Federal Income Tax for Individuals* (Publication 17), and *IRS Guide to Free Tax Services* (Publication 910) do not state that the TACs cannot provide answers to all tax law questions.

When taxpayers walk into a TAC, they use the Q-MATIC<sup>18</sup> system to select the type of assistance desired (e.g., return preparation, tax law question, account inquiry, payment). In some larger TACs, IRS employees called screeners determine the reason for a taxpayer’s visit and make the Q-MATIC system choice for the taxpayer. Once a choice is made, the taxpayer is issued a number and waits for assistance until the number is called.

However, taxpayers that visit a TAC may experience an unnecessary wait time for assistance only to find the employees are not trained to answer their questions. During the filing season, in particular, taxpayers can have long wait

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<sup>18</sup> The Q-MATIC system is an automated queuing system to control the flow of taxpayers waiting for assistance.

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times from the time they walk in until they reach an assistor. In 22 (18 percent) of 125 visits made during the 2004 Filing Season, auditors had wait times greater than 30 minutes.

Regardless of whether taxpayers use the Q-MATIC system or screeners determine the reasons for the visits, taxpayers are not usually advised that the employees assisting them in the TACs are limited to specific tax topics when answering questions. It is usually only after taxpayers ask assistors their specific tax questions that they are informed their questions are out of the scope of the employees' training. At that time, IRS employees offer to call the toll-free telephone number and let the taxpayer speak with an employee trained in the tax law topic.

In some instances, employees may answer taxpayers' questions even though they have not been trained or authorized to answer questions on the specific tax topic. During the 2004 Filing Season review, IRS employees provided answers to 31 (32 percent) of 98 out-of-scope questions they were not trained or authorized to answer. This increases the risk that taxpayers will receive inaccurate answers to their questions. Figure 5 provides a breakdown of employees' answers to tax law questions beyond their level of training.

**Figure 5: Responses to Out-of-Scope Tax Law Questions (98)<sup>19</sup>**

	Correctly Referred	Questions Answered <sup>20</sup>		
		Correct	Incorrect	Ref. to Pub.
<b>Responses</b>	67	12	7	12
<b>Percentages</b>	68%	39%	23%	39%

*Source: Anonymous visits performed by TIGTA auditors.*

The IRS does not want employees in the TACs to answer tax law questions beyond their skill level or for which they have not been trained. This reduces employee assumptions and the risk that taxpayers will receive incorrect answers to their questions. Employees are not expected to be experts in

<sup>19</sup> Percentages do not add to 100 due to rounding.

<sup>20</sup> The IRS employee in the TAC should have referred the out-of-scope question to a toll-free telephone number or R-mail, but instead the IRS employee provided an answer. The percentages under "Questions Answered" are based on 31, which is the number of questions answered.



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all aspects of tax law. According to FA Office management, experienced employees are more likely to answer out-of-scope questions because they believe they know the correct answers and feel obligated to answer.

### **Taxpayers visiting the TACs may not find the offices open**

Most addresses for the TACs visited matched the addresses posted on IRS.gov and through the toll-free telephone numbers. However, only 43 (68 percent) of the 63 TACs visited had hours of operation that matched those posted on IRS.gov and provided through the toll-free telephone numbers. The National Taxpayer Advocate has also reported to the Congress that taxpayers continue to complain that TACs were closed on the date visited.<sup>21</sup>

Taxpayers can access IRS.gov and follow links to obtain the addresses and office hours of the TACs located in their states. Taxpayers that do not have access to the Internet may call the IRS toll-free telephone numbers or automated telephone messaging systems at the TACs to obtain this information. The FA Office operating procedures require TAC managers to ensure TAC hours provided to taxpayers via IRS.gov and toll-free telephone numbers are accurate and timely updated.

### **Auditors were not always offered Customer Survey Comment Cards**

For 61 (97 percent) of 63 TACs visited during the period January through April 2004, auditors observed that Customer Survey Comment Cards were available for taxpayers. However, for 47 (38 percent) of the 125 visits, auditors were not offered a Comment Card. The IRS developed Comment Cards to obtain feedback on the quality of service received at the TACs. Each TAC should have Comment Cards available for all taxpayers that visit the TACs for assistance, and IRS employees are required to offer a Comment Card to every taxpayer who is provided with face-to-face service.

Taxpayers have the option to complete the Comment Card and place it in secure drop boxes located in the TACs.

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<sup>21</sup> *National Taxpayer Advocate 2003 Annual Report to Congress* (dated December 31, 2003).

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Comment Cards are forwarded to an independent contractor the IRS hired to collect and summarize taxpayer feedback. While completing the Comment Card is voluntary, IRS employees that do not follow procedures to offer taxpayers Comment Cards limit opportunities for a broader depiction of how satisfied taxpayers are with the quality of service at the TACs.

### Recommendations

The Commissioner, W&I Division, should:

2. Ensure IRS.gov and publications used to educate and inform taxpayers on how to obtain tax assistance from the IRS provide a clear explanation of the services offered at the TACs.

Management's Response: The IRS plans to determine the feasibility of implementing this recommendation. If feasible, the IRS will add information on services provided in the TACs to IRS.gov and Publication 17. The IRS will also include information on the web site and in Publication 17 stating the IRS will refer customers to the appropriate function for assistance with services that are outside the scope of services provided in the TACs.

3. When taxpayers visit the TACs, consider providing them a list of tax law topics answered by TAC employees or training screeners to explain to taxpayers what tax law questions TAC employees can answer.

Management's Response: The IRS does not agree with this recommendation due to the potential perceptions that may be generated by providing customers a list of tax law topics answered by TAC employees. For example, management believes providing a list of tax law topics to customers may give the appearance that customers must determine on their own the types of services the IRS provides rather than being assisted by TAC employees. In addition, management believes customers are unlikely to read a list containing tax law topics.

Office of Audit Comment: We understand the IRS' past experience has shown that taxpayers do not read signs displayed in the TACs. However, we still believe the IRS should pursue having greeters ask taxpayers questions to

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determine their specific tax law issue. At a minimum, the greeters could determine if the tax law issue related to individual or business taxes, estate or trust taxes, etc. This action would prevent some taxpayers from having to wait before being informed that their questions cannot be answered by TAC employees.

**Detailed Objectives, Scope, and Methodology**

The overall objective of this review was to determine whether the Internal Revenue Service (IRS) provided accurate and timely responses to taxpayers' tax law questions during the period January through April 2004. In addition, we assessed whether IRS employees were professional and courteous to the auditors that made anonymous visits to the Taxpayer Assistance Centers (TAC). We also evaluated whether TAC addresses and office hours made available to taxpayers were accurate, IRS employees adhered to operating guidelines on referral procedures, and all taxpayers were provided an opportunity to participate in the customer satisfaction survey at the TACs.

To accomplish our objectives, we:

- I. Determined whether the IRS provided quality service and accurate responses to tax law inquiries at the 63 TACs visited during the period January through April 2004. Auditors visited nine TACs in each of the seven areas. We judgmentally selected three large, medium, and small TACs from each of the seven areas based on the number of taxpayer visits and geographic proximity to each other to reduce travel time. We asked 250 tax law questions that an individual taxpayer<sup>1</sup> might ask. The questions were based upon the scope of services for tax law assistance prescribed in the Fiscal Year 2004 Field Assistance (FA) Office guidelines.
- II. Determined whether IRS employees followed FA Office Operating Procedures to refer questions that were outside the scope of services they should have been trained to answer. In addition to scheduled visits, auditors completed visits to 29 additional TACs and asked 98 questions that were beyond the IRS employees' level of training. These TACs were also selected based on their geographical proximity to the TACs visited to ask in-scope questions.
- III. Determined the quality of services provided by the IRS employees.
- IV. Determined whether TAC addresses and office hours provided to taxpayers via the Internet, the toll-free telephone numbers, and the TACs' automated telephone messaging systems matched information posted in the TACs.
- V. Determined whether Customer Survey Comment Cards were available at the TACs and offered to taxpayers.

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<sup>1</sup> Individual taxpayers are nonbusiness taxpayers that file United States Individual Income Tax Returns (Forms 1040, 1040A, or 1040EZ).

**Major Contributors to This Report**

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**Outcome Measures**

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to the Congress.

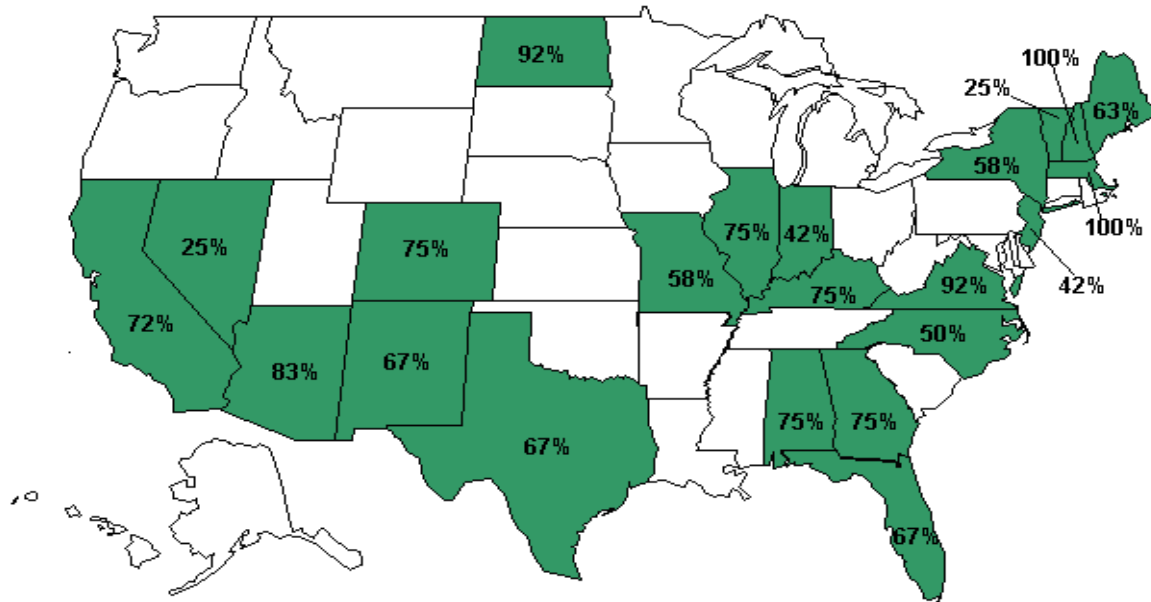
Type and Value of Outcome Measure:

- Taxpayer Burden – Potential; 53 incorrect answers to tax law questions (see page 4).

Methodology Used to Measure the Reported Benefit:

If the accuracy results for the 250 tax law questions we asked during the period January through April 2004 are indicative of the actual responses taxpayers receive when they visit a Taxpayer Assistance Center, we estimate 53 taxpayers could have received incorrect responses to tax law questions.

Accuracy Rates for States Visited During the 2004 Filing Season<sup>1</sup>



Source: Anonymous visits performed by Treasury Inspector General for Tax Administration auditors

The 22 states visited in which auditors asked questions within the scope of service include Alabama, Arizona, California, Colorado, Florida, Georgia, Illinois, Indiana, Kentucky, Maine, Massachusetts, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Texas, Vermont, and Virginia.

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



**Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved**

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**Appendix VI**

**Accuracy Rates by Geographical Area  
January Through April 2004<sup>1</sup>**

Area	Correctly Answered	%	Correctly Answered but Incomplete	%	Correctly Referred	%	Incorrectly Answered	%	Incorrectly Referred to Publication	%	Service Not Provided	%	Questions Asked
1 <sup>2</sup>	21	58	1	3	0	-	11	31	1	3	2	6	36
2 <sup>3</sup>	18	50	4	11	7	19	6	17	0	-	1	3	36
3 <sup>4</sup>	25	69	1	3	3	8	7	19	0	-	0	-	36
4 <sup>5</sup>	22	61	1	3	4	11	4	11	1	3	4	11	36
5 <sup>6</sup>	21	58	5	14	1	3	9	25	0	-	0	-	36
6 <sup>7</sup>	20	59	3	9	0	-	9	26	2	6	0	-	34
7 <sup>8</sup>	21	58	5	14	3	8	7	19	0	-	0	-	36
<b>Totals</b>	<b>148</b>	<b>59</b>	<b>20</b>	<b>8</b>	<b>18</b>	<b>7</b>	<b>53</b>	<b>21</b>	<b>4</b>	<b>2</b>	<b>7</b>	<b>3</b>	<b>250</b>

*Source: Anonymous visits performed by Treasury Inspector General for Tax Administration auditors.*

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<sup>1</sup> Percentages do not add to 100 due to rounding.

<sup>2</sup> Area 1 states visited were Maine, Massachusetts, New Hampshire, New York, and Vermont.

<sup>3</sup> Area 2 states visited were New Jersey, North Carolina, and Virginia.

<sup>4</sup> Area 3 states visited were Alabama, Florida, and Georgia.

<sup>5</sup> Area 4 states visited were Illinois, Indiana, and Kentucky.

<sup>6</sup> Area 5 states visited were Missouri, North Dakota, and Texas.

<sup>7</sup> Area 6 states visited were Arizona, Colorado, Nevada, and New Mexico.

<sup>8</sup> Area 7 state visited was California.

## Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved

### Appendix VII

### Accuracy Rates by Tax Law Topic<sup>1</sup> January Through April 2004

Tax Law Topics	Questions Asked	Correctly Answered	Correctly Answered but Incomplete	Correctly Referred	Incorrectly Answered	Incorrectly Referred to Publication	Service <sup>2</sup> Not Provided
Adjustment to Income	1	1 (100%)	---	---	---	---	---
Adoption Credit	2	---	---	1 (50%)	1 (50%)	---	---
Alimony	20	11 (55%)	4 (20%)	---	5 (25%)	---	---
Capital Gains and Losses	15	7 (47%)	---	5 (33%)	2 (13%)	---	1 (7%)
Child Care Credit	3	2 (67%)	---	---	---	---	1 (33%)
Child Support	7	2 (29%)	5 (71%)	---	---	---	---
Child Tax Credit	21	16 (76%)	---	---	3 (14%)	1 (5%)	1 (5%)
Dependents	29	25 (86%)	---	---	4 (14%)	---	---
Earned Income Tax Credit	15	12 (80%)	1 (7%)	---	1 (7%)	---	1 (7%)
Education Credit	4	2 (50%)	---	---	2 (50%)	---	---
Elderly Care Credit	2	2 (100%)	---	---	---	---	---
Filing Status	19	11 (58%)	4 (21%)	2 (11%)	2 (11%)	---	---
Gambling	1	1 (100%)	---	---	---	---	---
Innocent Spouse	3	---	3 (100%)	---	---	---	---
Interest Income	7	2 (29%)	---	---	4 (57%)	---	1 (14%)
Itemized Deductions <sup>3</sup>	22	12 (55%)	---	3 (14%)	7 (32%)	---	---
Medical Expenses	9	8 (89%)	---	---	1 (11%)	---	---
Retirement	27	15 (56%)	---	3 (11%)	6 (22%)	2 (7%)	1 (4%)
Sale of Home	8	3 (38%)	1 (13%)	2 (25%)	1 (13%)	1 (13%)	---
Scholarship	20	7 (35%)	---	1 (5%)	12 (60%)	---	---
Social Security Income	14	9 (64%)	2 (14%)	1 (7%)	1 (7%)	---	1 (7%)
Student Loan Interest	1	---	---	---	1 (100%)	---	---

*Source: Anonymous visits performed by Treasury Inspector General for Tax Administration auditors.*

<sup>1</sup> Percentages do not add to 100 due to rounding.

<sup>2</sup> The Internal Revenue Service employee did not answer the question because he or she was not qualified, did not have enough time since the Taxpayer Assistance Center was closing soon, or was not available to answer the question.

<sup>3</sup> Itemized Deductions include Charitable Contributions, Refinancing Points, and Uniforms.

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

RECEIVED  
AUG 19 2004

AUG 19 2004

MEMORANDUM FOR ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Henry O. Lamar, Jr. *Henry O. Lamar, Jr.*  
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved (Audit # 200440032)

I reviewed your draft report that presents the results of your review to determine whether we provided accurate and timely responses to taxpayers' tax law questions during the 2004 Filing Season. I appreciate your recognition of the high level of courteous and professional service exhibited by our employees.

I also appreciate your recognizing that our tax law accuracy rate increased from the 2002 filing season. However, I do not feel the 67 percent accuracy rate cited in your report for the 2004 Filing Season is a true measure of our accuracy. I continue to disagree with including referrals to publications, referrals to other employees, and service denied when computing the accuracy rate. When recomputed to reflect only answers to tax law questions that were technically correct or incorrect, our accuracy rate is 75 percent for the 2004 Filing Season - an improvement over the recomputed 73 percent accuracy rate for the same period in Fiscal Year (FY) 2003. I believe the improvement is attributable to our aggressive efforts to improve quality and accuracy in our Taxpayer Assistance Centers (TAC).

While we are pleased that 97 percent of the TACs visited had customer survey cards available for customers, we realize improvements are needed to ensure that every customer assisted is offered a survey card. During managerial observations, employees will be evaluated on whether they offered survey cards to customers.

We agree that providing quality customer service is the first step to taxpayer compliance. Our long-term approach to improving quality is the implementation of initiatives that improve the quality, efficiency, and delivery of service to taxpayers. Our Embedded Quality Business Integration (EQBI) initiative includes the integration and coordination of four key projects: Embedded Quality, Contact Recording, E-Learning, and the Queuing Management System. EQBI focuses on standardized

## Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved

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measures, employee monitoring, and enhanced feedback tools. These initiatives are in varying stages of development with timelines that extend to FY 2008.

I am pleased to report that we implemented the initial step in this process – Embedded Quality (EQ). EQ, deployed in April 2004, provides a standardized managerial review process to measure individual and organizational performance. EQ also establishes the Embedded Quality Review System, a centralized quality data collection system.

I reviewed the measurable benefit and agree based on observations contained in the report.

Our corrective actions are detailed in the attachment. If you need additional information, please let me know or contact Ellen M. Cimaglia, Director, Field Assistance, Customer Assistance, Relationships and Education, Wage and Investment Division at (404) 338-7141.

Attachment

## Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved

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Attachment

### RECOMMENDATION 1

Ensure that as the Quality Assurance Program is being revised, management identifies ways to improve work processes and the quality of the taxpayer experience when visiting the Taxpayer Assistance Center (TAC).

### CORRECTIVE ACTION

We implemented Embedded Quality (EQ) on April 21, 2004, to measure individual and organizational performance of our TACs. The EQ is a standardized managerial review process that uses a common set of evaluation standards and is available at all Field Assistance management levels. EQ also allows all technical employees to be included in the measure of our service to customers. EQ is captured in an enterprise database - Embedded Quality Review System (EQRS). Managers enter taxpayer contact reviews into the EQRS database, provide feedback to employees, and use the information from the reviews to identify training needs. We are using the results from EQRS to identify trends, training needs, and other changes needed to improve our work processes.

### IMPLEMENTATION DATE

Completed April 21, 2004

### RESPONSIBLE OFFICIAL

Director, Field Assistance, Wage and Investment Division

### CORRECTIVE ACTION MONITORING PLAN

We will use the reports generated by the EQRS database to identify areas that may need additional emphasis to ensure employees adhere to established procedures and to determine training needs of our employees. We will use this information to improve work processes and the quality of service provided to taxpayers who visit the TACs.

### RECOMMENDATION 2

Ensure IRS.gov and publications used to educate and inform taxpayers on how to obtain tax assistance from the IRS provide a clear explanation of the services offered at the TACs.

## Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved

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### **CORRECTIVE ACTION**

We will determine the feasibility of implementing your recommendation to provide a clear explanation of services offered at the TACs on IRS.gov and publications. If feasible, we will add a list of services provided in the TACs to IRS.gov and add information to Your Federal Income Tax for Individuals (Publication 17) on services offered at the TACs. If feasible, we will also include information on the web-site and in the Publication 17 stating we will refer customers to the appropriate IRS function for assistance with services that are outside the scope of services provided in the TACs.

### **IMPLEMENTATION DATE**

December 15, 2004

### **RESPONSIBLE OFFICIAL**

Director, Field Assistance, Wage and Investment Division

### **CORRECTIVE ACTION MONITORING PLAN**

If we determine that it is feasible to add information to IRS.gov and publications on services provided at the TACs, we will conduct periodic reviews of the information to ensure it is accurate and updated when needed.

### **RECOMMENDATION 3**

When taxpayers visit the TACs, consider providing them a list of tax law topics answered by TAC employees or training screeners to explain to taxpayers what tax law questions TAC employees can answer.

### **CORRECTIVE ACTION**

We considered this option and made a management decision not to pursue this recommendation due to the potential perceptions that may be generated by providing customers a list of tax law topics answered by TAC employees. For example, we believe providing a list of tax law topics to customers may give the appearance that customers must determine on their own the types of services we provide rather than being assisted by TAC employees. Just as past experience has shown that customers visiting our TACs do not always read signs and other information posted, customers are unlikely to read a list containing tax law topics.

## Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved

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In addition, this recommendation does not give full consideration to the duties and responsibilities of our TAC employees. In order to implement your recommendation that screeners explain to taxpayers what tax law questions TAC employees can answer, we would have to require all greeters to ask probing questions to determine if the taxpayers' questions are within the scope of services provided in our TACs. The job description of greeters in our larger TACs prohibits them from questioning taxpayers to determine their specific tax law issue. However, in our smaller TACs, we already have procedures in place requiring those greeters to ask probing questions to ensure taxpayer needs are within the scope of services provided in our TACs.

### **IMPLEMENTATION DATE**

Not Applicable

### **RESPONSIBLE OFFICIAL**

Not Applicable

### **CORRECTIVE ACTION MONITORING PLAN**

Not Applicable