

**The Effectiveness of the
Taxpayer Assistance Center Program
Cannot Be Measured**

July 2005

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



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

July 22, 2005

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - The Effectiveness of the Taxpayer
Assistance Center Program Cannot Be Measured
(Audit # 200440044)

This report presents the results of our review of the process the Internal Revenue Service (IRS) uses to determine the types, times, and locations of services it provides taxpayers that seek face-to-face assistance.

In a report issued in April 2001, the Joint Committee on Taxation conducted a study on the complexity of the tax law and found that, at that time, the Internal Revenue Code (I.R.C.) consisted of nearly 1.4 million words. There were approximately 693 sections of the I.R.C. applicable to individuals. In Calendar Year 1999, a taxpayer filing a U.S. Individual Income Tax Return (Form 1040) could be faced with a 79-line tax return, 144 pages of instructions, 11 schedules totaling 443 lines (including instructions), 19 separate worksheets embedded in the instructions, and the possibility of having to file numerous other forms. In Calendar Year 2005, the IRS estimated it would take individual taxpayers from 3 hours and 46 minutes to prepare the simplest 2004 tax return to over 27 hours¹ to complete a more complex tax return with schedules. Mistakes and misinformation can easily contribute to noncompliance. The IRS recognizes that providing quality customer service is the first step in helping taxpayers achieve compliance.

The IRS provides taxpayers the option of obtaining personal, face-to-face tax assistance at about 400 Taxpayer Assistance Centers (TAC). IRS employees that work in the TACs assist customers by interpreting tax laws and regulations, preparing certain individual tax returns, resolving inquiries on taxpayer accounts, accepting payments,

¹ Included in the estimate are the Form 1040, Itemized Deductions (Schedule A), Interest and Ordinary Dividends (Schedule B), Capital Gains and Losses (Schedule D), and Earned Income Credit (Schedule EIC).

and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.

The IRS suggests that taxpayers visit the TACs when they have complex tax issues, need to resolve tax problems relating to their tax accounts, have questions about how the tax law applies to their individual income tax returns, or feel more comfortable talking with someone in person. The services offered at the TACs are valuable considering the current complexity of the tax law as well as the diversity of the taxpayer population. In addition, not all tax-related issues can be easily explained or resolved over the telephone or through the IRS web site, IRS.gov.

Since the creation of the Field Assistance Office² in October 2000, the IRS' focus on its face-to-face service has changed, but the key management information used to make decisions and support changes is either absent or based on incomplete data. Improved management information will be needed to help the Field Assistance Office move toward its future goals.

The lack of accurate and complete management information hinders the IRS' ability to make appropriate decisions when determining the locations and services it provides taxpayers seeking face-to-face assistance. Also, there is no assurance that the Fiscal Year 2005 TAC Program budget of \$159.2 million will be used most efficiently. This includes \$153.6 million for employees working in the TACs and \$5.6 million budgeted for management oversight of the TAC Program. This oversight includes a Director, 4 managers, and 74 national and field analysts and technical advisors. In addition, the IRS does not have:

- Current data to support why the TACs are in their current locations or what services should be provided.
- A management information system that provides accurate or complete information that identifies the number and locations of the TACs, the numbers of the various types of services provided at the TACs, and the costs of the TACs.

It is imperative that the IRS develop management information to ensure the locations and types of services offered at the TACs are those most needed by its customers. As the IRS redirects taxpayers to electronic and self-help services, it needs to know what services taxpayers most need or want, so it can appropriately plan for and redirect its resources.

We recommended the Commissioner, Wage and Investment Division, (1) enhance 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 a Service Delivery Plan for the short-term and long-term direction of the TAC Program based on business cases and customer input; and (3) develop a process that includes routine assessments of TAC operations to ensure the TACs are optimally located and the services provided at the TACs are the most effective and cost efficient.

² The Field Assistance Office is responsible for overseeing the TAC Program.

Management's Response: While IRS management was pleased with our recognition that the TACs provide a valuable service to taxpayers, they did not agree with our conclusion that the effectiveness of the TACs cannot be measured. They are confident the current management information systems provide sufficient information to successfully measure Program delivery. Management also disagreed with the inference that the IRS is shifting its focus away from customer service and toward compliance.

Lastly, management disagreed with the report's implied contention that the Field Assistance Office should have the capability to effect the significant physical relocation of TACs; they believe the current IRS strategy to develop and implement multiple delivery channels is far more responsive to taxpayer preferences and operational realities.

However, the IRS agreed with our recommendations. The Field Assistance Office is developing a web-based Field Assistance Office Management Information System that will provide management with critical program planning and control information at the local and national levels while also reducing taxpayer burden by managing wait times more efficiently.

In addition, a new Service Delivery Model is being developed that will incorporate population demographic data, income levels, United States Census data, and related TAC operational costs to better inform future operational decisions. The Field Assistance Office is also currently exploring options to obtain customer input in the development of this Model. Data from this Model will enable the IRS to better plan, forecast, allocate, and measure the resources used to provide service to taxpayers.

The Field Assistance Office will conduct a comprehensive assessment that uses the new Service Delivery Model to determine the optimal location for service delivery channels, including TAC locations. This Model will serve as the baseline to evaluate delivery effectiveness and efficiencies. The IRS will collaborate with other Federal Government organizations, such as the Social Security Administration, to evaluate and incorporate their best practices into its plan. In addition, the IRS will solicit input from Congressional and other external stakeholders on any decisions regarding TAC locations. Management's complete response to the draft report is included as Appendix V.

Office of Audit Comment: Management strongly disagreed with our conclusion that the effectiveness of the TACs cannot be measured. Management also disagreed they are shifting their focus from customer service to compliance and the Field Assistance Office should have the capability to effect the significant physical relocation of the TACs. However, management agreed to take corrective actions and has already taken steps to address each of our three recommendations. We continue to believe that key management information used to make decisions and support changes to the TACs is either absent or based on incomplete data as specifically discussed in the report beginning on page 7. Improved management information will help the Field Assistance Office move toward its future goals. We commend the IRS for initiating corrective actions during the course of the review and that it will explore options to obtain

customer input and collaborate with the Social Security Administration in the development of its Service Delivery Model.

Subsequent to the completion of our audit work, the IRS Commissioner announced on May 27, 2005, the closing of 68 TACs by Fiscal Year 2006. The IRS believes adjusting the TACs to more closely align to the decreased walk-in volume will yield savings and allow it the flexibility to improve efficiencies and concentrate more on front-line enforcement. The IRS worked with a contractor to create a unique TAC Closure Model to identify which TACs it will close. The TAC Closure Model is a data-driven model that measures the effect of TAC closures on taxpayers across the country. We are currently reviewing the TAC Closure Model development, including the completeness and accuracy of the data used and assessing the ranking criteria, attributes, and business rules used in the model. Our review results will be released later this calendar year.

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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The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured

Background

One of the Congress' principal objectives in enacting the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (RRA 98)¹ 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 the prefiling² efforts of taxpayer assistance (through education and service) and the postfiling³ efforts of enforcement. To comply with this Congressional mandate, the IRS reorganized its functional areas and revised its mission statement to refocus its emphasis on helping taxpayers understand and meet their tax responsibilities.

As part of the IRS' restructuring efforts, in Fiscal Year (FY) 2001, the Field Assistance Office was created in the IRS Wage and Investment (W&I) Division to provide taxpayers the right services at the right time in the right locations. The Field Assistance Office is responsible for overseeing the IRS Taxpayer Assistance Center (TAC) Program nationwide.

When created, the Field Assistance Office Design Plan called for approximately 3,600 employees and 676 assistance sites nationwide.⁴ However, the budget and staffing levels have never reached the levels outlined in the Design Plan (see Figure 1).

¹ 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.).

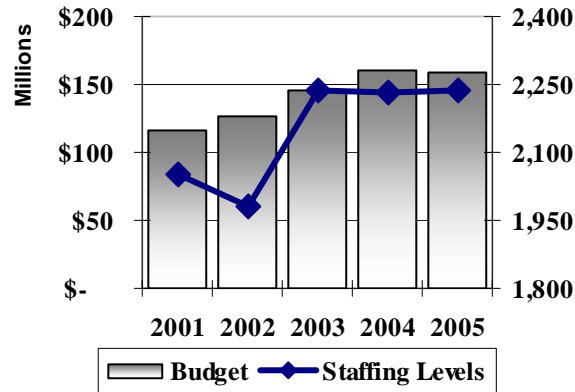
² Prefiling activities include educating and assisting taxpayers before they file their tax returns, including providing information, support, and assistance to help them understand and fulfill their tax obligations.

³ Postfiling activities include working with taxpayers that have not filed their required tax returns, have a delinquent tax payment, or have an audit issue.

⁴ These sites would include kiosks, mobile sites, and the TACs.

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**Figure 1: Field Assistance Office
Program Budget and Staffing Levels
by Fiscal Year**



Source: IRS Field Assistance Office.

In a report issued in April 2001, the Joint Committee on Taxation conducted a study on the complexity of the tax law and found that, at that time, the Internal Revenue Code (I.R.C.) consisted of nearly 1.4 million words, with approximately 693 sections of the I.R.C. being applicable to individuals. In Calendar Year (CY) 1999, a taxpayer filing a U.S. Individual Income Tax Return (Form 1040) could be faced with a 79-line return, 144 pages of instructions, 11 schedules totaling 443 lines (including instructions), 19 separate worksheets embedded in the instructions, and the possibility of having to file numerous other forms.

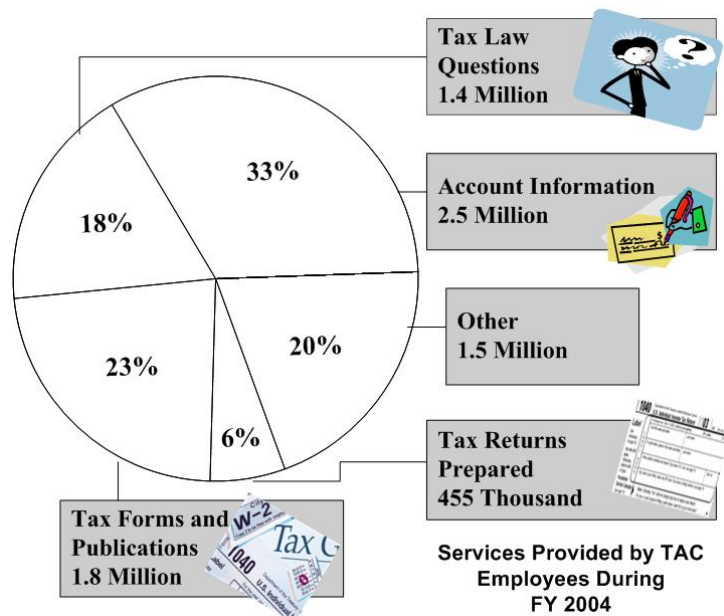
In CY 2005, the IRS estimated it would take individual taxpayers from 3 hours and 46 minutes to prepare the simplest 2004 tax return to over 27 hours⁵ to complete a more complex tax return with schedules. Mistakes and misinformation can easily contribute to noncompliance. The IRS recognizes that providing quality customer service is the first step in helping taxpayers achieve compliance.

⁵ Included in the estimate are the Form 1040, Itemized Deductions (Schedule A), Interest and Ordinary Dividends (Schedule B), Capital Gains and Losses (Schedule D), and Earned Income Credit (Schedule EIC).

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The IRS provides taxpayers the option of obtaining personal, face-to-face tax assistance at about 400 TACs.⁶ IRS employees that work in the TACs assist customers by interpreting tax laws and regulations, preparing certain individual tax returns, resolving inquiries on taxpayer accounts, accepting payments, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.

Figure 2: Percentages and Numbers of Various Services Provided by IRS Employees at the TACs⁷



Source: IRS Field Assistance Office.

To confirm its commitment to customer service, the IRS 2000–2005 Strategic Plan established the strategic goal to “Provide Top-Quality Service to Each Taxpayer in Every Interaction.” The IRS stated that, whenever it dealt with a taxpayer, the taxpayer should receive first-quality service.

In its 2005–2009 Strategic Plan, the IRS revised its customer service commitment to providing “excellent service to taxpayers and enforcing America’s tax laws in a

⁶ On May 27, 2005, the IRS Commissioner announced the closing of 68 TACs by FY 2006. The IRS believes adjusting the TACs to more closely align to the decreased walk-in volume will yield savings and allow it the flexibility to improve efficiencies and concentrate more on front-line enforcement.

⁷ Numbers have been rounded for report purposes.

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balanced manner.” Its first strategic goal was changed to “Improve Taxpayer Service.” As a result, the focus of the face-to-face service offered by the TACs is moving away from information and filing assistance toward compliance and enforcement activities. In addition, the IRS is trying to offer taxpayers more options, particularly services offered electronically.

The Office of Management and Budget (OMB) recently rated the IRS on taxpayer service using the Program Assessment Rating Tool (PART). The PART is a systematic method of assessing program performance across the Federal Government and is a diagnostic tool with the main objective to improve performance in agency programs and link performance to budget decisions.

The Field Assistance Office, the toll-free telephone program, and the IRS web site (IRS.gov) were included in the PART rating. The OMB gave taxpayer service an adequate rating, stating that the IRS continues to have trouble with the accuracy of answers, needs long-term goals, and needs to improve its ability to determine the costs of its taxpayer service activities.

This review was performed at the IRS W&I Division Headquarters in Atlanta, Georgia, and in 30 TACs located nationwide (see Appendix IV) during the period August 2004 through April 2005. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Taxpayer Assistance Centers Provide a Valuable Service to Taxpayers Wanting Face-to-Face Interaction

The IRS suggests that taxpayers visit the TACs when they have complex tax issues, need to resolve tax problems relating to their tax accounts, have questions about how the tax law applies to their individual income tax returns, or feel more comfortable talking with someone in person. The IRS describes the TACs as a place where taxpayers can spread out their records and talk to IRS representatives across the counter. The services offered at the TACs are valuable considering the current complexity of the tax law as well as the diversity of the taxpayer population. In addition, not all tax-related issues can be easily explained or resolved over

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the telephone or through IRS.gov, and some taxpayers just prefer the face-to-face service the TACs offer.⁸

Providing the wide range of services taxpayers have come to expect from the TACs presents challenges for the IRS and its TAC employees. Limited resources, the complexity of the tax law, and the need to assist millions of taxpayers require the IRS to limit TAC services. For example, TAC employees are not trained to answer all tax questions on all tax topics. Instead, they are required to refer taxpayers to an IRS toll-free telephone number or to submit the questions in writing to subject-matter experts via the Internet or through correspondence. The TACs do not offer taxpayer account transcripts to customers and limit the preparation of tax returns to those under a certain income limit (\$36,000 for CY 2005).

TAC employees must be versatile in their knowledge of tax law and tax administration. They are expected to be knowledgeable in 318 tax law topics with 395 subtopics, to respond to taxpayer issues for the current and prior years, and to be proficient in the IRS' main computer system to ensure they can resolve tax account issues. TAC employees must be ready to:

- Accept cash and checks in payment for taxes due and set up installment agreements and payment plans for taxpayers that owe taxes and cannot pay the full amounts.
- Answer taxpayer questions ranging from exemptions, dependents, and deductions to the estimated tax penalty, an issue so complex that the IRS, in the Instructions for Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, strongly encourages taxpayers to let the IRS figure the penalty for them.
- Prepare current and prior year tax returns for individual taxpayers, from the simplest tax returns to ones with the Earned Income Tax Credit, the Child Tax Credit, and itemized deductions.
- Assist with levies on wages or bank accounts.

⁸ W&I Division Research function presentation, *How Far Are People Willing to Drive for a Service*, issued August 2002.

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- Review, interpret, and assist in resolving issues detailed in various IRS letters and notices.

In addition, TAC employees have recently become actively involved in the IRS' enforcement efforts by focusing on face-to-face compliance activities and working delinquent taxpayer cases. The addition of this work requires TAC employees to be trained in intricate collection laws and regulations, requiring different skills and a change in perspective from assistance to enforcement.

The TACs also offer appointments and multilingual assistance. Taxpayers can call the TACs' local telephone numbers and request appointments to meet with knowledgeable IRS representatives to resolve their tax account issues. For taxpayers that do not speak English, the TACs provide the use of a telephone that accesses interpreter services for more than 150 languages.

Although the majority of services provided at the TACs are offered through IRS.gov, published materials, and the toll-free telephone lines, data show taxpayers want face-to-face service. For example:

- An IRS attitudinal survey conducted of TAC customers in 1999⁹ reported that taxpayers wanted face-to-face assistance even though there are alternative means for the same services. The research study concluded that there are taxpayers who seek face-to-face assistance and will never be diverted to alternate methods of contact.
- The *IRS Oversight Board's 2004 Taxpayer Attitude Survey* shows the most valuable source of tax information and advice within the IRS is IRS representatives. Ninety percent of the customers surveyed stated visiting an office location where an IRS representative could answer a question was very important or somewhat important.
- The *National Taxpayer Advocate 2004 Annual Report to Congress* indicated the TACs provide a valuable service and raised concerns about any services provided at the TACs being limited or eliminated.

⁹ *Walk-In Taxpayer Demographic & Attitudinal Profile Project 2.02*, issued March 2000.

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Management Information Is Not Sufficient to Determine the Effectiveness of the Program

Since the creation of the Field Assistance Office in October 2000, the IRS' focus on its face-to-face service has changed, but the key management information used to make decisions and support changes is either absent or based on incomplete data. Improved management information will be needed to help the Field Assistance Office move toward its future goals.

As the Field Assistance Office Program shifts from educating and assisting taxpayers in prefiling activities to providing more postfiling activities, it is encouraging taxpayers to use self-help and electronic services, such as those provided by IRS.gov and the toll-free telephone lines. The Field Assistance Office Concept of Operations (CONOPS) provides the vision for "Helping Taxpayers Help Themselves" and supports E-government.¹⁰ The CONOPS outlines plans to offer self-help mechanisms and technology-driven services, including kiosks and virtual TACs.¹¹

However, the lack of accurate and complete management information hinders the IRS' ability to make appropriate decisions when determining the locations and services it provides taxpayers seeking face-to-face assistance. In addition, there is no assurance that the FY 2005 TAC Program budget of \$159.2 million¹² will be used most efficiently. This includes \$153.6 million for employees working in the TACs and \$5.6 million budgeted for management oversight of the TAC Program. This oversight includes a Director, 4 managers, and 74 national and field analysts and technical advisors.

The FY 2006 IRS budget calls for substantial budget cuts to customer service, and current plans call for closing a number of the TACs. Without improvements, the IRS will be unable to ensure its limited TAC resources are used

¹⁰ E-government is one of the five Federal Government-wide initiatives of the President's Management Agenda.

¹¹ A virtual TAC provides all services electronically; is self-help; and has a computer, telephone, and/or kiosk so taxpayers can help themselves.

¹² This cost includes salaries, benefits, overtime, awards, premium pay, and accrued leave for departing employees. It also includes all of the support costs such as travel, training, supplies, services, relocation, enforcement, and equipment.

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effectively to deliver the most-needed services to the largest number of taxpayers.

There are no current data to support why the TACs are in their current locations or if the locations are the most optimal

The TACs are currently in the same locations they were in when the Field Assistance Office took ownership of the TAC Program in October 2000. IRS management stated the budget drives the decision to keep the TACs in their current locations. Further, because of Congressional resistance to closing or relocating TACs, they have not conducted any studies to determine if TACs should be closed or relocated.

Before the Field Assistance Office officially began operations in October 2000, TAC locations were based on the IRS' prior structure, which included geographic boundaries of regions and districts. In 2001, the IRS and an independent contractor developed the Field Assistance Office Design Plan, which was followed by the Service Delivery Model and the CONOPS. These documents varied in target population goals, types of sites (from mobile sites to kiosks), and numbers of sites.

The Field Assistance Office could not provide data or research results supporting the actions and recommendations included in the Design Plan and the Service Delivery Model. In November 2004, Field Assistance Office management informed us they were no longer using the Service Delivery Model. They explained that the information contained in the Service Delivery Model was never validated and funding had not been provided to meet goals established. Management indicated they are working with the W&I Division Research function to develop a new Model.

With the assistance of the W&I Division Research function, the Field Assistance Office developed the Planning and Allocation Model and the Field Assistance Resource Database Model databases. The information from both databases will eventually be incorporated into a new Field Assistance Office Service Delivery Model, with implementation anticipated at the end of FY 2005.

The IRS did provide information regarding the process followed for developing its CONOPS. To develop the

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CONOPS, the IRS used data from four different studies, including the IRS attitudinal survey conducted in 1999 and a study to determine how customers define good service and consumer preferences for a variety of types of customer service. The Field Assistance Office staff also met with other IRS employees to discuss the reports as well as the results of various internal studies.

Although information from the studies was cited in developing the CONOPS, it does not appear the IRS conducted specific data research or obtained input from those taxpayers that seek face-to-face assistance. Without this information, the IRS cannot be assured that the CONOPS is driving the IRS to make the right decisions on what face-to-face services taxpayers need or want.

There are no current data to support what services should be provided at the TACs

Although a number of studies have been conducted by the W&I Division to identify its present and future customer base, the Field Assistance Office has not recently conducted similar studies to identify the specific characteristics of customers who seek face-to-face assistance as well as the services they desire. Research performed since 1999 has focused primarily on learning about customer expectations and ways to improve the taxpayer experience when visiting the TACs.

Taxpayers that need or desire face-to-face assistance have not been involved in determining what services are offered at the TACs. Management indicated the identification of the services offered at the TACs has been based primarily on input from Field Assistance Office field management. Other factors affecting the services provided include internal priorities, resource demands, and shifts in the IRS' customer service perspective. For example:

- Beginning in October 2003, the Field Assistance Office stopped providing account transcripts to taxpayers, unless there is an extreme hardship. This decision was made to shift TAC resources from printing transcripts to assisting taxpayers that have tax problems requiring face-to-face assistance. Taxpayers can order transcripts by calling the IRS toll-free telephone number.

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- Beginning in FY 2003, the Field Assistance Office began an initiative to reduce tax return preparation assistance in the TACs by 20 percent each year. This decision was based on the IRS' desire to redirect TAC resources to other face-to-face services that can be provided only in a TAC.

No documentation was provided that identifies why either of these services is being eliminated or reduced. Customer input or demand was not factored into the decisions.

Currently, the Field Assistance Office obtains customer feedback via its customer satisfaction survey. The survey is completed by taxpayers that actually visit a TAC and is used to measure customer satisfaction immediately after the taxpayer receives the service. The types of questions asked are limited because of the size of the survey card. The National Taxpayer Advocate (NTA) expressed a concern that the current survey may result in an overstatement of positive customer feelings about TAC locations and service hours because the survey is applicable only to customers getting service. The NTA believes there should be a survey conducted outside of the TACs; it should be more detailed; and it should capture the taxpayers' needs, rather than just their experiences within the TACs.

The current management information system does not provide accurate or complete information

During this audit, the Field Assistance Office listings of open TACs were inconsistent and inaccurate. The Field Assistance Office provided five different listings representing the number of open and closed TACs and their locations (see Figure 3).

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Figure 3: Listings of the TACs Provided During This Review

September 3, 2004 408 open, 12 closed 1 shown as closed was actually open
September 14, 2004 408 open, 12 closed 8 shown as open were actually closed 3 known as open were not included
October 29, 2004 407 open, 17 closed 1 shown as closed was actually open 5 shown as open were actually closed
November 12, 2004 410 open, 14 closed 9 shown as open were actually closed
December 21, 2004 402 open, 0 closed 2 shown as open were actually closed

Source: IRS Field Assistance Office.

In March 2005, when we presented the above discrepancies to IRS officials, Field Assistance Office management acknowledged that the information provided to us had been inconsistent. In an April 1, 2005, meeting, they explained that some of the inconsistencies resulted from a misunderstanding on our part of how the Field Assistance Office defined open and closed TACs.

As of April 1, 2005, IRS officials informed us that there were 407 TACs—400 TACs open and providing services to the public and 7 considered “abandoned.” Abandoned TACs are not staffed, provide no customer service, are not officially closed, but are included in the listing of open TACs. The IRS is continuing to pay rent for the seven abandoned TACs, but no employees are working in those offices. In addition to the 407 open (and abandoned) TACs, there are 13 TACs considered officially closed.

The Field Assistance Office’s management information system does not track costs by TAC. Staffing costs are

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captured for the Field Assistance Program as a whole and by TAC. However, management information does not include other Program operating costs, such as rent, utilities, or equipment. Management advised us they are currently working with responsible IRS functions to obtain the operating costs for each TAC.

In addition, workplans used before FY 2004 to determine staffing needs were inaccurate and incomplete. Although we did not conduct testing on the workplan data, we were advised by IRS analysts that the data supporting the FYs 2002 and 2003 workplans were sketchy and poor, but the data for FY 2004 were significantly improved and under development.

During our review, Field Assistance Office management stated they have begun to work with the W&I Division Research function to develop a Field Assistance Office workplan that will use information to statistically forecast the appropriate staffing in the TACs to correspond with the demands of Field Assistance Office customers. This forecasting model will allow the Field Assistance Office to determine the best location(s) for any additional future TAC(s), since all the workplan information will be tied to a Service Delivery Model. This will ensure the Field Assistance Office's ability to meet taxpayer demands. The forecasting model will allow the IRS to determine where specific assistance may be needed, based on language, age, and income levels.

The Field Assistance Office's current management information system does not provide an adequate picture of all services provided at the TACs. As detailed in one of our



prior audit reports,¹³ data captured on the Field Assistance Office's management information system cannot be relied upon for timely, accurate workload performance information due to the manual process of recording taxpayer

¹³ *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).

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visits. The Field Assistance Office extracts daily information from reports generated from three systems, the automated queuing system called the Queuing Management System (Q-MATIC) and two manual systems. According to the IRS, these data are the basis to support staffing, Program, and budget decisions for the TACs.

Once taxpayers are in the TAC, they and/or Field Assistance Office employees use the Q-MATIC to select the type of assistance required. Prior audit results show that IRS employees do not always input the information. Consequently, the IRS' estimation of the number of taxpayers visiting the TACs could be significantly understated.

In addition, only one service per customer is recorded. The current management information system does not collect the total number of services provided to taxpayers; it captures only the most significant service provided to each taxpayer. In cases where multiple services are provided to the same taxpayer, guidelines direct the TAC employees to record the service they believe was the most significant provided to the taxpayer. This is usually based on the amount of time spent assisting the taxpayer with a specific service.

The Field Assistance Office's current management information system does not capture all services provided at the TACs, and TAC employees inconsistently record services. For example:

- An analysis of an extract of system data for FY 2004 showed no tax returns were prepared in the state of California.
- One TAC counts one taxpayer and one service if a taxpayer asks the employee where a form is or what form to use. Another TAC does not record this service.
- One TAC counts multiple payments from one taxpayer as one service and one taxpayer. Another TAC counts each separate payment as a separate service and a separate taxpayer.

In addition, little or no validation is done to ensure the management information system data are accurate. A review of the data used to prepare the FY 2004 workplan showed a discrepancy of approximately 1 million taxpayers

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when compared with actual FY 2004 totals. This happened because the current Field Assistance Office workplan process is a manual process that limits the ability to update completed fiscal year data, even when new information becomes available. The Field Assistance Office is working on a new model that will provide the capability to enhance projections based on actual fiscal year data, ensuring consistency in forecasting.

An inconsistency also results when comparing TAC services to the IRS' toll-free telephone services. This happens because of inconsistency in the way the two Programs count taxpayers and services. When the IRS measures quality on the toll-free telephone lines, it counts services provided, not the number of taxpayers that call the toll-free telephone lines. If a taxpayer calls with one tax law question, one account question, and a third question relating to getting a tax form, the IRS counts that as three services provided. If the same taxpayer walks into a TAC for the same services, only one of the three services provided is counted.

The inconsistency in the counting of services provided creates a misconception of the true services the TACs provide taxpayers. The Field Assistance Office stated that it does not track multiple services provided to those taxpayers requesting more than one service for two reasons. First, TAC employees would have to manually input the multiple services provided. Second, counting taxpayers was consistent with how other IRS business units and functions track services.

The Social Security Administration (SSA) may serve as a best practice for the IRS when developing a service delivery process. The SSA has become a President's Management Agenda leader and is focused on producing results for the American public by improving service and stewardship. The SSA faces many of the same challenges as the IRS, such as struggling to increase the availability of various types of electronic services. However, as the SSA increases the number of services offered electronically, it has continued to maintain the same level of service to customers seeking face-to-face assistance.

Discussion with the SSA identified ongoing efforts to deliver service to the public. The SSA routinely conducts

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service delivery assessments (at least every 5 years). These assessments require each field office to perform a service delivery analysis, consisting of demographic data, workload data, availability and use of public transportation, quality of roads, geographic barriers, economic conditions, etc. The assessment may be triggered by certain events, such as workload increase, population trends and demographic shifts, staffing changes or imbalances, and lease or space considerations. The assessments are performed to ensure the SSA field sites are in the most effective geographical areas.

The SSA also conducts surveys of the public on a regular basis, performing all design and analysis functions in-house and using vendors for telephone interviewing or printing and mail handling. The SSA surveys cover areas such as satisfaction with employee performance, clarity of oral explanations, preferences for doing business, and what services are most important to the customer. The SSA also conducts focus groups and is always looking for ways to improve or expand its services.

The inability to measure the effectiveness of the TAC Program limits the IRS' ability to make sound business decisions

Limited resources, the complexity of the tax law, and the need to assist millions of taxpayers require the IRS to limit TAC services. Therefore, it is imperative that the IRS develop management information to ensure the locations and types of services offered at the TACs are those most needed by its customers. As the IRS redirects taxpayers to electronic and self-help services, it needs to know what services taxpayers most need or want, so it can appropriately plan for and redirect its resources. Until accurate and complete management information is available, management does not have all the data needed to make sound business decisions.

If improvements are not made, the IRS' TAC Program will be unable to meet the requirements set forth by Executive Order 12862, "Setting Customer Service Standards." This Executive Order defines a customer as an individual who is directly served by a department or agency and also sets requirements for each Federal Government agency to identify and survey its customers, post service standards and

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measure results against them, and benchmark customer service against the best in the business.

The Government Performance and Results Act of 1993¹⁴ directs Federal Government agencies to focus on their missions and goals, how to achieve them, and how to improve their structural organizations and business processes. Performance measures need to be based on program-related characteristics and performance data and must be sufficiently complete, accurate, and consistent. Performance data must be used to improve organizational processes, identify performance gaps, and set improvement goals.

Recommendations

The Commissioner, W&I Division, should:

1. Enhance the management information system to capture the number of taxpayers served, the numbers and types of services provided, and the related resources (costs). The system should include controls to ensure the data are reliable (i.e., complete, accurate, and consistent).

Management's Response: IRS management agreed that improving their management information system is critical to improved operational performance. The Field Assistance Office is developing a web-based Field Assistance Office Management Information System (FAMIS), which will provide management with critical program planning and control information at the local and national levels while also reducing taxpayer burden by managing wait times more efficiently. The FAMIS will be tested in FY 2006 and deployed in all TACs during FY 2007.

Enhancements to capture multiple services provided to customers would require a technology solution that, management believes, is cost prohibitive at this time. However, management believes the FAMIS will provide adequate detailed information about the types of services provided in the TACs.

¹⁴ Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

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In addition, as the new Service Delivery Model is developed, it will incorporate population demographic data, income levels, United States (U.S.) Census data, and related TAC operational costs to better inform future operational decisions. Data from this Model will enable the IRS to better plan, forecast, allocate, and measure the resources used to provide service to taxpayers.

2. Develop a Service Delivery Plan for the short-term and long-term direction of the TAC Program based on business cases and customer input.

Management's Response: The IRS agreed with this recommendation. The Field Assistance Office is currently exploring options to obtain customer input in the development of its Service Delivery Model. This will include working with the SSA and various W&I Division functions to determine the scope and method of obtaining taxpayer feedback on TAC services and to enhance the Model to incorporate items such as population demographics, income levels, U.S. Census data, and delivery costs.

3. Develop a process that includes routine assessments of TAC operations to ensure the TACs are optimally located and the services provided at the TACs are the most effective and cost efficient.

Management's Response: The IRS disagreed with the report's implied contention that it should have the capability to effect the significant physical relocation of the TACs; it believes the current IRS strategy to develop and implement multiple delivery channels is far more responsive to taxpayer preferences and operational realities. However, the IRS agreed with this recommendation.

The Field Assistance Office will conduct a comprehensive assessment that uses the new Service Delivery Model to determine the optimal location for service delivery channels, including TAC locations. This Model will serve as the baseline to evaluate delivery effectiveness and efficiencies. The IRS will collaborate with other Federal Government organizations, such as the SSA, to evaluate and incorporate their best practices into its plan. In addition, the IRS will solicit input from Congressional and other external stakeholders on any decisions regarding TAC locations.

Detailed Objective, Scope, and Methodology

The overall objective of this review was to assess the effectiveness of the process the Internal Revenue Service (IRS) uses to determine the types, times, and locations of services it provides taxpayers that seek face-to-face assistance. To accomplish our objective, we:

- I. Assessed the effectiveness of the Field Assistance Office process for determining the types of services provided at the Taxpayer Assistance Centers (TAC).¹
 - A. Interviewed representatives from the Field Assistance Office to discuss the process followed for determining the types of services provided at the TACs.
 - B. Determined internal factors that contribute to the decision about the types of services provided at the TACs, including transition of resources from assistance to compliance work.
 - C. Determined external factors that contribute to the decision about the types of services provided at the TACs, including taxpayer feedback.
 - D. Obtained and reviewed IRS guidelines to determine what standard services are offered at the TACs.
 - E. Independently confirmed the services provided at the TACs.
 - F. Visited a judgmental sample of 30 TACs to discuss the services offered, ensuring we selected a TAC in each of the Field Assistance Office's 5 geographical Areas. We selected the TACs based on (1) the locations relative to the audit team's Treasury Inspector General for Tax Administration office, (2) the economic characteristics of the particular areas where the TACs were located, (3) the populations of taxpayers in the vicinities of the TACs, and (4) resources. We did not select a statistical sample because we did not plan to project results.
 - G. Obtained and reviewed data from the IRS management information system to identify the volumes of taxpayers and the types of services being sought by taxpayers that visit the TACs.
 - H. If the process followed for determining the types of services provided at the TACs was not effective, determined the effect on taxpayers.

¹ The Field Assistance Office is responsible for overseeing the TAC Program.

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- II. Assessed the Field Assistance Office process for determining where to locate face-to-face assistance.
 - A. Interviewed representatives from the Field Assistance Office to discuss the process followed for determining where to locate face-to-face assistance, as well as the effect future plans for virtual TACs² and kiosks will have on identifying locations.
 - B. Determined internal and external factors that affect where face-to-face assistance will be provided.
- III. Contacted the Social Security Administration to discuss what process it uses to determine the types, times, and locations of services it provides its customers that seek face-to-face assistance. We selected the Social Security Administration because it was another Federal Government agency that services the American public through local offices.
- IV. Determined what effect the locations of the TACs have on the Field Assistance Office budget formulation process.

² A virtual TAC provides all services electronically; is self-help; and has a computer, telephone, and/or kiosk so taxpayers can help themselves.

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Methodology for Selecting Audit Sites

We judgmentally selected 30 Taxpayer Assistance Centers (TAC) from the 5 Wage and Investment Division geographical areas. Our selection was based on the TAC’s location relative to our home office, the economic characteristics of a particular area in which the TAC was located, and the population of taxpayers in the vicinity of the TAC.

TACs Visited During the Review				
Area 1 (Survey Phase)	Area 2	Area 3	Area 4	Area 5
Hartford, Connecticut	Chicago, Illinois	Atlanta, Georgia ¹	Austin, Texas	Oakland, California
Waterbury, Connecticut	Downers Grove, Illinois	Baton Rouge, Louisiana	Corpus Christi, Texas	San Francisco, California
Portland, Maine	Merrillville, Indiana	Lafayette, Louisiana	San Antonio, Texas	San Jose, California
Boston, Massachusetts	Columbus, Ohio	New Orleans, Louisiana		Santa Rosa, California
Brockton, Massachusetts	Lima, Ohio	Columbus, Mississippi		
Worcester, Massachusetts		Hattiesburg, Mississippi		
Manchester, New Hampshire				
Portsmouth, New Hampshire				
Brooklyn, New York ²				
New York, New York (Harlem)				
New York, New York (Manhattan)				
Providence, Rhode Island				

Source: Treasury Inspector General for Tax Administration TAC selection.

¹ The Atlanta, Georgia, TAC maintains a compliance inventory.

² The Brooklyn, New York, TAC maintains a compliance inventory.

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

RECEIVED
JUL 08 2005

July 7, 2005

MEMORANDUM FOR PAMELA J. GARDINER
DEPUTY INSPECTOR GENERAL FOR AUDIT

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

SUBJECT: Draft Audit Report – The Effectiveness of the Taxpayer
Assistance Center Program Cannot Be Measured
(Audit #200440044)

I appreciate your recognition that Taxpayer Assistance Centers (TAC) provide a valuable service to taxpayers wanting face-to-face assistance, particularly considering the current complexity of the tax law and the diversity of the taxpayer population. I am also pleased you acknowledged that TAC employees must be versatile in their knowledge of tax law and tax administration. As your report indicates, TAC employees assist customers by interpreting tax laws and regulations, preparing certain individual tax returns, resolving inquiries on taxpayer accounts, accepting payments, and providing other services designed to minimize the burden on taxpayers in satisfying their tax obligations.

We strongly disagree with your conclusion that the effectiveness of TACs cannot be measured. We use various management information sources to assess the effectiveness of the TAC program. We capture and analyze data directly from front-line operations that identify what services were requested by and delivered to our customers on a daily basis. We routinely review the data to identify and understand any anomalies that may surface. Furthermore, we measure the quality of our customer interactions and measure the level of customer satisfaction from information submitted directly by the service users.

We acknowledge that some of the information provided was not consistent on various reports. However, most of the difficulties stemmed from definitional issues. We are confident that our current management information systems provide sufficient information to successfully measure the effectiveness of our program delivery. We agree that accurate operational data is the foundation for effective management decisions and, as such, we are constantly evaluating our means for collecting and applying service data.

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The report states that 90 percent of the customers surveyed in the IRS Oversight Board's 2004 Taxpayer Attitude Survey stated visiting an IRS office location was important. However, a private survey¹ also states that only 9 percent of customers preferred face-to-face contact with the Federal government. This dichotomy is reflective of the difficulty in establishing definitive forecasts for service volume driven work. Since Fiscal Year (FY) 2003, the number of taxpayer contacts in our TACs has declined by 10 percent each year which suggests reduced demand for face-to-face services.

The Field Assistance operational strategy, its Concept of Operations, reflects and balances the high cost of face-to-face service delivery with evolving taxpayer service preferences. We have taken deliberate actions to migrate customers to alternate and effective service delivery channels in order to align resources to concentrate on complex tax issues that are better served by face-to-face contact.

The IRS uses various methods to ensure services offered in our TACs are those most needed by our customers. We use results from the customer satisfaction survey and solicit feedback from stakeholders, practitioners, Congressional liaisons and other interested parties to ensure we continue to provide timely, accurate, and professional services in the TACs.

We disagree with the inference in the report that we are shifting our focus away from customer service and toward compliance. To strategically manage resources, we are moving toward a full-time permanent workforce. As the nature and volume of taxpayer demand for services changes, we are able to effectively integrate a balance of customer service and compliance work. We are achieving this transition without negatively impacting service delivery or range of services.

While most services provided at the TACs are also offered through the toll-free telephone lines at less cost to the government, we continue to direct taxpayers with the most complicated tax issues to the TACs for resolution. Our efforts to redirect taxpayers with uncomplicated issues to available self-help mechanisms provide the appropriate balance to ensure all customers are served. This initiative was cited in recent Government Accountability Office (GAO) testimony before Congressional Committees as important *because it transfers time-consuming services, particularly return preparation to volunteers and allows IRS to concentrate on services that only it can provide, such as account assistance or compliance work.*²

To achieve our goal of delivering the highest level of quality service possible, we recognize further improvements in the TAC program are needed. We have achieved

¹ *How Americans Get In Touch with Government (Pew Internet & American Life Project)*, May 24, 2004.

² GAO Testimony Before Congressional Committees - *IRS MODERNIZATION - Continue Progress Requires Addressing Resource Management Challenges*, May 19, 2005.

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significant operational gains since stand up in October 2000. For example, we have integrated compliance and assistance work, implemented a nationwide improvement process to assess quality, expanded a queuing management system in the TACs to manage traffic flow, and initiated a management information system to more efficiently provide reports used to better manage operations.

It is important to note that in FY 2003, Field Assistance (FA) recognized the need to identify improvement options for critical components of the Service Delivery Model and began the improvement process. In FY 2004, through a collaborative effort with Research, Field Assistance began the development of two models, the Field Assistance Resource Delivery Model and the Workload Planning and Allocation Model. These models are being designed to assess program direction and to determine the most optimal location for TACs and resources. To ensure the data in the models is reliable, we are developing a comprehensive training program that provides guidance to all employees having responsibility for inputting data used by these systems.

A major challenge to ensuring accuracy and timeliness of data capture is that much of the current process is manual. IRS is working to convert labor intensive means of collecting TAC information to an automated system. The statement in your report about the lack of tax return preparation information for California was a result of an error in extracting information from our management information system that has since been corrected.

The audit report uses the cessation of tax return transcript service as an example of the IRS not having current data to support services provided in the TACs. In FY 2004, we stopped providing tax return transcripts because the majority of the requests were not for tax administration purposes. The primary requests for transcripts were for student loan applications and home mortgages. We used the resources saved from transcript delivery to do other essential services such as account and notice work. We effectively phased in this change, educating our customers along the way, eliciting a favorable assessment from the TIGTA staff.

Since the inception of FA in FY 2001, through deliberate and planned actions, we reduced reliance on Small Business/Self-Employed resources by 99 percent from 323 to 2 Full Time Equivalents as of April 2005, thereby, enabling these personnel to concentrate on their core enforcement responsibilities. Also, largely because of effective alternatives such as community-based volunteer return preparation, the number of persons visiting TACs to have their returns prepared continued to decline during the 2004 and 2005 filing seasons.

The finding regarding TAC locations greatly over simplifies the difficulty and cost of physically moving locations to respond to taxpayer service trends. The variables

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attendant with such a decision are far beyond the scope of this response but budget constraints alone would severely limit significant relocation activity. The Field Assistance emphasis on developing and applying multiple service delivery channels addresses the need for flexible, affordable, and high quality options to respond to evolving customer needs.

Finally, we believe we have information necessary to measure the effectiveness of the TAC program. Current efforts to develop a single database will result in a Service Delivery Model that provides accurate and complete management information to make pertinent decisions when determining appropriate taxpayer services and evaluating performance. The model will contain many of the same assessment criteria as those used by the Social Security Administration.

Our corrective actions are detailed in the attachment. If you have any questions, please call me at (404) 338-7060 or members of you staff may contact Ellen M. Cimaglia, Director, Field Assistance, Customer Assistance, Relationships and Education, at (404) 338-7141.

Attachment

The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured

Attachment

RECOMMENDATION 1

The Commissioner, W&I Division, should enhance the management information system to capture the number of taxpayers served, the number and types of services provided, and the related resources (costs). The system should include controls to ensure the data is reliable (i.e., complete, accurate, and consistent).

CORRECTIVE ACTION

We agree that improving our management information system is critical to improved operational performance. We do not agree, however, that the system must emulate the one used by Customer Account Services (CAS). Our current management information system already captures the number of customers served and the primary services provided. We believe this information is the primary factor in establishing effective service work plans or resource decisions.

Field Assistance is enhancing its current management systems in several phases. The first phase is the nationwide deployment of a queuing management (Q-Matic) system that will automate the process of capturing the number of taxpayers served. The second phase includes development of a web-based Field Assistance Management Information System (FAMIS), which will provide management with critical program planning and control information at the local and national levels. It will also reduce taxpayer burden by managing wait times more efficiently. FAMIS will be tested in Fiscal Year 2006, and deployed in all TACs during Fiscal Year 2007.

Enhancements to capture multiple services provided to customers would require a technology solution that, at this time, is cost prohibitive. However, we believe that FAMIS will provide adequate detailed information about the types of services provided in the TACs. In addition, as we fully develop our new Service Delivery Model, we will incorporate population demographic data, income levels, U.S. Census data and related TAC operational costs (i.e., facilities and staffing costs) to better inform future operational decisions. Data from this system will enable us to better plan, forecast, allocate, and measure the resources used to provide service to taxpayers.

IMPLEMENTATION DATE

October 15, 2007

RESPONSIBLE OFFICIAL

Director, Field Assistance, Wage and Investment Division

The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured

CORRECTIVE ACTION MONITORING PLAN

Field Assistance will monitor the reliability of the management information system data by conducting routine checks and balances at the Headquarters and Area levels.

RECOMMENDATION 2

The Commissioner, W&I Division, should develop a Service Delivery Plan for the short-term and long-term direction of the TAC Program based on business cases and customer input.

CORRECTIVE ACTION

Field Assistance is currently exploring options to obtain customer input in the development of its Service Delivery Model. This will include working with Stakeholder Partnerships, Education, and Communication, the Social Security Administration, and W&I Research to determine the scope and method of obtaining taxpayer feedback on TAC services. Field Assistance is also working with Research personnel to enhance the model to incorporate population demographics, income levels, U.S. Census data, delivery costs, and other drivers of demand to develop strategic goals and identify customer needs.

IMPLEMENTATION DATE

October 15, 2006

RESPONSIBLE OFFICIAL

Director, Field Assistance, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

Beginning in FY 2008, Field Assistance will review the new Service Delivery Model annually to ensure it corresponds to the changing environment and customer needs.

RECOMMENDATION 3

The Commissioner, W&I Division, should develop a process that includes routine assessments of TAC operations to ensure the TACs are optimally located and the services provided at the TACs are the most effective and cost efficient.

CORRECTIVE ACTION

The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured

We disagree with the report's implied contention that Field Assistance should have the capability to effect the significant physical relocation of TACs. The current IRS strategy to develop and implement multiple delivery channels is far more responsive to taxpayer preferences and operational realities.

Field Assistance will conduct a comprehensive assessment that uses the new Service Delivery Model to determine the optimal location for service delivery channels, including TAC locations. This service model will serve as the baseline to evaluate delivery effectiveness and efficiencies. We will collaborate with other federal organizations, such as the Social Security Administration, to evaluate and incorporate their best practices in our plan. In addition, we will solicit input from Congressional and other external stakeholders on any decisions regarding TAC locations.

IMPLEMENTATION DATE

October 15, 2006

RESPONSIBLE OFFICIAL

Director, Field Assistance, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

Field Assistance will review data from its management information systems annually to ensure TACs are optimally located and the services provided are the most effective and cost efficient. We will also solicit feedback from Congressional stakeholders on any decisions regarding TAC locations.