



*Processes to Determine Optimal  
Face-to-Face Taxpayer Services,  
Locations, and Virtual Services  
Have Not Been Established*

**June 27, 2014**

**Reference Number: 2014-40-038**

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.

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## HIGHLIGHTS

### **PROCESSES TO DETERMINE OPTIMAL FACE-TO-FACE TAXPAYER SERVICES, LOCATIONS, AND VIRTUAL SERVICES HAVE NOT BEEN ESTABLISHED**

## Highlights

**Final Report issued on June 27, 2014**

Highlights of Reference Number: 2014-40-038 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

### **IMPACT ON TAXPAYERS**

The IRS provides taxpayers with face-to-face tax assistance at 386 Taxpayer Assistance Centers. The taxpayers most likely to visit Taxpayer Assistance Centers include low-income, elderly, and limited-English-proficient taxpayers who seek assistance in complying with the tax laws. Evaluating the burden and impact that service cuts at Taxpayer Assistance Centers could have before taking action is important because many taxpayers rely on these Centers to help them understand and meet their tax obligations.

### **WHY TIGTA DID THE AUDIT**

The IRS faces many challenges in providing services to taxpayers in its Taxpayer Assistance Centers. One of its most significant challenges is meeting demand for those services with a reduced budget and staffing. This audit was initiated to assess the IRS's ability to provide effective and efficient service to taxpayers through its Taxpayer Assistance Center Program.

### **WHAT TIGTA FOUND**

As part of its Fiscal Year 2014 Service Approach, the IRS eliminated or reduced tax return preparation, tax law assistance, refund inquiries, and transcript request services. However, prior to developing this plan, the IRS did not evaluate the burden each service change will have on taxpayers who visit Taxpayer Assistance Centers.

In addition, the IRS has not established processes to identify optimal locations to provide face-to-face services or to identify underserved

areas that would benefit from virtual service (through computer video). Moreover, the data provided to management for use in assessing potential site closures are based on incomplete information.

The IRS has not adequately addressed two recommendations from previous TIGTA reports. It has not developed sufficient measures and goals for Facilitated Self-Assistance in the Taxpayer Assistance Centers. In addition, controls to ensure that data are entered accurately into management information systems and reviewed were not implemented until after our review.

### **WHAT TIGTA RECOMMENDED**

TIGTA recommended that the IRS ensure compliance with its procedures which require service-related decisions be based on informed research; develop steps to be taken to collect data to monitor, measure, and adjust service changes; complete efforts to obtain data on the services that are most important to taxpayers; establish a methodology to identify the optimal locations for providing face-to-face assistance to the most taxpayers; develop and implement documentation requirements to support data analyses; establish a process to identify the best locations for virtual face-to-face services; and quantify the cost savings and benefits related to Virtual Service Delivery.

The IRS agreed with or indicated completion of four recommendations and disagreed with three recommendations. For certain corrective actions that the IRS proposed or stated were already implemented, TIGTA believes the actions are insufficient. The lack of sufficient corrective action could, in turn, increase the burden on taxpayers who seek face-to-face assistance at the Taxpayer Assistance Centers such as low-income, elderly, and limited-English-proficient taxpayers. The IRS did not gather the necessary data and perform the required analysis to reduce the impact of service eliminations and reductions on these taxpayers.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

June 27, 2014

**MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION**

**FROM:** Michael E. McKenney  
Acting Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Processes to Determine Optimal Face-to-Face  
Taxpayer Services, Locations, and Virtual Services Have Not Been  
Established (Audit # 201340005)

This report presents the results of our review to determine the effectiveness and efficiency of the Taxpayer Assistance Center Program. This review included tests to follow up on the Internal Revenue Service's (IRS) corrective actions to address recommendations in prior audits of the Field Assistance Office's management of Taxpayer Assistance Centers. This audit is included in the Treasury Inspector General for Tax Administration's Fiscal Year 2014 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

Management's complete response to the draft report is included as Appendix IV. The response details the IRS's disagreement with three recommendations and assertions that corrective actions are already implemented or not needed for three other recommendations. We believe the IRS's corrective actions are insufficient. The lack of sufficient corrective action could, in turn, increase the burden on taxpayers who seek face-to-face assistance at the Taxpayer Assistance Centers such as low-income, elderly, and limited-English-proficient taxpayers. The IRS did not gather the necessary data and perform the required analysis to reduce the impact of service eliminations and reductions on these taxpayers. Finally, we believe some of the statements the IRS made in its response are inaccurate. We provide our perspective on these statements in Appendix V.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. If you have any questions, please contact me or Russell P. Martin, Acting Assistant Inspector General for Audit (Returns Processing and Account Services).



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*Abbreviations*

|       |   |
|-------|---|
| FTE   | Full-Time Equivalent                              |
| IRS   | Internal Revenue Service                          |
| TIGTA | Treasury Inspector General for Tax Administration |



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## *Background*

The Internal Revenue Service (IRS) provides taxpayers the option of obtaining personal face-to-face tax assistance at its 386 Taxpayer Assistance Centers (the IRS's walk-in offices) nationwide.<sup>1</sup> The Taxpayer Assistance Centers are within the Wage and Investment Division's Field Assistance Office and provide assistance to taxpayers, including interpreting tax laws and regulations, providing forms and publications, resolving inquiries on tax accounts, and accepting payments for tax debts.

As an alternative to visiting Taxpayer Assistance Centers for service, the IRS offers self-assisted tools that taxpayers can access on its public website (IRS.gov). The IRS has taken actions to enhance self-assisted services and educate taxpayers to use these options by offering online tools that include:

- *Where's My Refund?* – This tool allows taxpayers to check on the status of their refunds using the most up-to-date information available to the IRS.
- *Get Transcript* – This tool gives taxpayers the option to view or print a transcript of their tax account or they can have one mailed to them.
- *Interactive Tax Assistant* – This application is a tax law resource that takes taxpayers through a series of questions and provides them with responses to basic tax law questions.
- *Free File* – This tool allows eligible taxpayers to electronically prepare and file their returns for free using brand-name software or Free File Fillable Forms.

The IRS also offers virtual services via video conferencing and Facilitated Self-Assistance at selected Taxpayer Assistance Centers.<sup>2</sup> Facilitated Self-Assistance is provided in 37 of the 386 Taxpayer Assistance Centers.

The Field Assistance Office faces many issues and unique challenges in its ability to provide services in Taxpayer Assistance Centers. The challenges include:

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<sup>1</sup> The count of 386 Taxpayer Assistance Centers does not include three Taxpayer Assistance Centers that are temporarily closed.

<sup>2</sup> Virtual service allows taxpayers to use video and audio communication technology to have "virtual" face-to-face interactions with assistors in remote locations. Facilitated Self-Assistance is a means for taxpayers seeking face-to-face services to learn and perform any task available on IRS.gov via public computer terminals located at selected Taxpayer Assistance Centers.



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- *Furloughs and Government Shutdown* – Due to sequestration, the IRS scheduled five furlough days in Fiscal Year<sup>3</sup> 2013. In addition, most IRS employees, including Taxpayer Assistance Center assistors, were not working during the 16-day Government shutdown in October 2013. These were days for which the Taxpayer Assistance Centers did not provide service to taxpayers.
- *Changing Taxpayer Needs/Tax Law Changes* – Taxpayer Assistance Centers are experiencing an increase in the number of taxpayers who need assistance with tax account-related issues. The need for taxpayers to obtain transcripts has increased significantly due to, among other things, changes in banking policies<sup>4</sup> and Department of Education requirements for taxpayers obtaining financial aid. In addition, starting in Calendar Year 2015, taxpayers will need information and assistance regarding the tax implications of the Affordable Care Act.<sup>5</sup> There has also been an increase in individuals with identity theft issues visiting Taxpayer Assistance Centers. Moreover, there has been increased demand related to the authentication requirements of individuals applying for Individual Taxpayer Identification Numbers.<sup>6</sup>
- *Budget* – Budget cuts continue to strain Taxpayer Assistance Center resources. The Field Assistance Office’s Fiscal Year 2013 budget was reduced by 7 percent from the previous year. The funding level for Fiscal Year 2014 is 5.8 percent less than the Fiscal Year 2013 funding.

The IRS estimates that the Taxpayer Assistance Centers will serve 900,000 fewer taxpayers in Fiscal Year 2014 than in Fiscal Year 2013. Figure 1 shows the number of Taxpayer Assistance Centers open for Fiscal Years 2010 through 2014 along with the budget, full-time equivalents (FTEs),<sup>7</sup> and taxpayer contacts each year.

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<sup>3</sup> A 12-consecutive-month period ending on the last day of any month. The Federal Government’s fiscal year begins on October 1 and ends on September 30.

<sup>4</sup> Lenders that loan money to individuals for mortgages are required to verify the individual’s income to approve the loans. This is accomplished by obtaining a transcript of the individual’s tax information from the IRS. Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 2143, enacted July 21, 2010.

<sup>5</sup> Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the U.S. Code), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.

<sup>6</sup> A tax processing number issued by the IRS to an individual who is required to have a taxpayer identification number but does not have a Social Security Number.

<sup>7</sup> A measure of labor hours in which one FTE is equal to eight hours multiplied by the number of compensable days in a particular fiscal year.



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**Figure 1 – Comparative Analysis of Staffing and Services  
Provided in Fiscal Years 2010 Through 2014**

| Fiscal Year                                | Taxpayer<br>Assistance<br>Centers | Budget<br>(in millions) | Number of<br>FTEs | Taxpayer<br>Contacts<br>(in millions) |
|--|-----------------------------------|-------------------------|-------------------|---------------------------------------|
| 2010                                       | 401                               | \$184.5                 | 2,169             | 6.4                                   |
| 2011                                       | 401                               | \$169.7                 | 2,120             | 6.4                                   |
| 2012                                       | 397                               | \$174.3                 | 2,012             | 6.8                                   |
| 2013                                       | 390                               | \$162.0                 | 1,896             | 6.5                                   |
| 2014                                       | 386                               | \$152.6*                | 1,832*            | 5.6*                                  |
| <b>Percentage<br/>Change<br/>2010–2014</b> | -3.7%                             | -17.3%*                 | -15.5%*           | -12.5%*                               |

*Source: IRS Management Information Reports. \* Fiscal Year 2014 budget, FTEs, and taxpayer contacts are projected.*

**Taxpayer Assistance Center geographic footprint initiatives**

In Calendar Year 2005, the IRS announced plans to close 68 of its Taxpayer Assistance Centers as part of its continuing efforts to create efficiencies, modernize operations, and reduce costs while maintaining its commitment to taxpayer service. However, members of Congress expressed concerns about proposed taxpayer service reductions due to the IRS’s inability to explain the potential impact of these changes on taxpayers and also questioned the IRS’s estimated cost savings from reducing some of its services.

In response, the IRS developed a five-year plan, called the Taxpayer Assistance Blueprint. Issued in April 2007, the plan cited a 2005 congressional mandate for the IRS to address taxpayers’ service needs and ensure that service-related decisions are informed by research and guided by stakeholder engagement.<sup>8</sup> The plan also committed the IRS to a Service Improvement Portfolio, which included a Taxpayer Assistance Center Geographic Coverage Initiative to identify opportunities to better align taxpayer needs with resource allocations using demographic information to determine the best places for Taxpayer Assistance Centers.

In February 2008, the IRS formed the Geographic Coverage Initiative Team with representatives from four IRS offices – the Field Assistance Office, the Office of the National Taxpayer Advocate, the Real Estate Facilities and Management function, and the Office of Program

<sup>8</sup> United States Congress, Conference Report 109-307, *Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing, Assistance, and Management (Including Rescission of Funds)*.



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Evaluation and Risk Analysis. The team's initial purpose was to gather and analyze data from various sources, including research conducted during the Taxpayer Assistance Blueprint and the Geographic Coverage Initiative and develop a repeatable process for analyzing coverage areas of IRS taxpayer service facilities. The team was to evaluate coverage to determine: 1) the Taxpayer Assistance Centers that should be considered for merging or establishing alternative service options; 2) areas where additional presence is needed; 3) areas where there is overlapping coverage; and 4) areas that are underserved.<sup>9</sup>

This review was performed at the Wage and Investment Division Headquarters in Atlanta, Georgia; the Real Estate and Facilities Management function in Washington, D.C.; and the Office of Program Evaluation and Risk Analysis in Washington, D.C., during the period June 2013 through April 2014. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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<sup>9</sup> Overlapping coverage is where services to taxpayers in the same zip codes are covered by two or more Taxpayer Assistance Centers.



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*Results of Review*

***Taxpayer Assistance Center Services Were Eliminated or Reduced  
Without Sufficient Data or Analysis***

The IRS eliminated or reduced services at Taxpayer Assistance Centers as part of its Fiscal Year 2014 Service Approach.<sup>10</sup> The IRS stated that the intent of its service approach was to balance taxpayer demand for services with the IRS's anticipated budget cuts, redirect taxpayers to online services, enable assistors to dedicate more time to answer tax account-related inquiries, and provide other services at Taxpayer Assistance Centers, such as identity theft services and acceptance of payments. The reduction in service was implemented without completing the required taxpayer burden risk evaluation for the taxpayers most likely to visit a Taxpayer Assistance Center, such as low-income, elderly, and limited-English-proficient taxpayers. The purpose of such an evaluation is to assess the burden that service changes can have on taxpayers.

Finally, although the IRS stated that the services eliminated or reduced were, in part, the result of the IRS's anticipated budget cuts, the IRS's plans do not show to what extent the service cuts will lower the costs and the FTEs at the Taxpayer Assistance Centers. In fact, the FTEs allocated to Taxpayer Assistance Centers in Fiscal Year 2014 have not been substantially reduced. For example, the IRS allocated only 64 (3.4 percent) fewer FTEs at the Taxpayer Assistance Centers in Fiscal Year 2014 than in Fiscal Year 2013.

Figure 2 shows the Fiscal Year 2014 service cuts at Taxpayer Assistance Centers.

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<sup>10</sup> The Fiscal Year 2014 Service Approach included service cutbacks for other service channels (toll-free telephones and online services). Our review focused on service cutbacks at Taxpayer Assistance Centers.



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**Figure 2 – Fiscal Year 2014 Service Approach Changes**

| <b>Service Eliminated or Reduced</b> | <b>Explanation of Service Eliminated or Reduced</b>   |
|--------------------------------------|---|
| <b>Tax Return Preparation</b>        | Taxpayer Assistance Centers will no longer provide tax return preparation services. Taxpayers who had tax returns prepared during Processing Year <sup>11</sup> 2013 were mailed a postcard informing them of the elimination of this service. Taxpayers who visit a Taxpayer Assistance Center to have their returns prepared will be referred to the nearest volunteer sites for tax return preparation.  |
| <b>Tax Law Assistance</b>            | Taxpayer Assistance Centers will only answer “basic” tax law questions during the filing season, <sup>12</sup> with no tax law questions answered during non-filing season months. <sup>13</sup> Taxpayers will be directed to self-service options such as IRS.gov and Facilitated Self-Assistance terminals, which include access to the Interactive Tax Assistant tool self-service options, at the 37 Taxpayer Assistance Centers with terminals available. |
| <b>Requests for Transcripts</b>      | Taxpayer Assistance Centers are transitioning to no longer provide transcripts upon request without extenuating circumstances. Taxpayers with transcript requests will be referred to the “Get Transcript” application on IRS.gov. As of February 2014, the IRS had not set a deadline for the transition.  |
| <b>Tax Refund Inquiries</b>          | Taxpayer Assistance Centers will no longer answer taxpayers’ tax refund inquiries unless the taxpayer has waited more than 21 days for the refund. Taxpayers with refund inquiries will be referred to the “Where’s My Refund?” application on IRS.gov.   |

*Source: The IRS’s Fiscal Year 2014 Service Approach Presentation.*

In making its decision to reduce the above services, the IRS did not evaluate the additional burden to the almost two million taxpayers affected by the service cuts each year.<sup>14</sup> For example, taxpayers’ additional travel costs, wait times, and access to volunteer tax return preparation sites were not analyzed, nor was there an impact assessment to determine the effect the service cuts would have on the volunteer tax return preparation sites. The increase in traffic to volunteer tax return preparation sites was not fully analyzed to determine which sites would see increases, if the sites were prepared to handle the additional traffic, and how the increased traffic would affect taxpayer service.

<sup>11</sup> The calendar year in which the return or document is processed by the IRS.

<sup>12</sup> The period from January through mid-April when most individual income tax returns are filed.

<sup>13</sup> The non-filing season months are those that do not fall within the filing season.

<sup>14</sup> In Fiscal Year 2013, almost two million taxpayers had their tax returns prepared by Taxpayer Assistance Center assistants, used tax law assistance, or obtained a transcript in a Taxpayer Assistance Center. Taxpayer Assistance Centers do not track how many taxpayers inquired about their refunds.



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In addition, the IRS did not assess the impact to the online Interactive Tax Assistant tool to determine if it can meet the needs of taxpayers who can no longer get answers to their tax law questions at Taxpayer Assistance Centers. Management determined that most taxpayers do not need tax law assistance at the Taxpayer Assistance Centers because taxpayers are already using paid tax return preparers or tax return preparation software. Management also did not perform any analysis of the anticipated traffic and usage of the “Get Transcript” online application to ensure that it could meet the increased demand. Lastly, changes to services were developed without sufficient analysis of the effect the changes would have on the IRS’s core mission of ensuring that taxpayers understand and comply with the tax laws. Tax laws are complex, and problems often result from taxpayers misunderstanding the tax laws and their tax obligations.

Without performing the required evaluation of taxpayer burden and assessing the impact on other IRS functions and service partners, the IRS cannot evaluate the impact that service cuts have on the low-income, elderly, and limited-English-proficient taxpayers who seek face-to-face service in their attempts to meet their tax obligations. The IRS also cannot make informed decisions related to future services provided at Taxpayer Assistance Centers.

After the IRS briefed stakeholders on its Fiscal Year 2014 Service Approach, the National Taxpayer Advocate expressed concerns related to the changes in tax law assistance.<sup>15</sup> The National Taxpayer Advocate’s Fiscal Year 2013 Report to Congress stated that the change “continues an unfortunate trend of service reductions for taxpayers who either do not have Internet access or otherwise require or prefer in-person assistance.”<sup>16</sup> It also stated that the reduction in services is particularly concerning because the U.S. tax system is built on voluntary compliance, and the IRS’s overriding goal is to maximize voluntary compliance.<sup>17</sup>

The IRS Oversight Board<sup>18</sup> also expressed concerns that the change in tax law assistance was potentially conflicting with the IRS’s ability to perform its core mission. The IRS Oversight Board expressed concerns about the perception of potentially forcing taxpayers to use tax practitioners for answers and the potential additional cost to taxpayers as well as the impact to customers who do not have computer access.

**Management Actions:** In February 2014, subsequent to the completion of our fieldwork, the IRS issued an alert to its employees stating that its online “Get Transcript” application was not ready for a full deployment. The IRS was concerned because of the expected volume of online

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<sup>15</sup> The Office of the National Taxpayer Advocate is an independent organization within the IRS. It helps taxpayers resolve problems with the IRS and recommends changes that will prevent the problems.

<sup>16</sup> National Taxpayer Advocate 2013 Annual Report to Congress, p. 30.

<sup>17</sup> National Taxpayer Advocate 2013 Annual Report to Congress, p. 21.

<sup>18</sup> The IRS Oversight Board is an independent body charged with overseeing the IRS in its administration, management, conduct, direction, and supervision of the execution and application of the Internal Revenue laws and with providing experience, independence, and stability to the IRS so that it may move forward in a focused direction.



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requests for transcripts as well as concerns being raised regarding the launch of another Federal Government website. As a result, IRS management modified its plan to stop providing transcripts at Taxpayer Assistance Centers during the 2014 Filing Season. Management will use a “soft launch” approach in which assistors will encourage taxpayers to use the “Get Transcript” application but will not turn away taxpayers who request this service.

**The Fiscal Year 2014 Service Approach Implementation Plan lacks adequate plans to monitor, measure, and adjust service changes**

The Fiscal Year 2014 Service Approach Implementation Plan does not outline a process to collect data to monitor, measure, and adjust each service change as needed. Part of management’s assumption when reducing or eliminating services was that assistors will be able to assist more taxpayers with tax account-related issues. There is no process in place to determine if taxpayers benefit from the increased focus on tax account-related issues and make adjustments to services if the anticipated benefit is not realized.

The implementation plan does include steps to communicate service changes to stakeholders such as congressional committees and the IRS Oversight Board. The plan also includes steps to communicate changes to taxpayers, including mailing postcards to inform taxpayers who had their tax returns prepared during Processing Year 2013 of the discontinuation of tax return preparation services and the availability of alternative services.

In addition, the Field Assistance Office does not collect sufficient data to make informed, data-driven decisions regarding Taxpayer Assistance Center services. For example, the IRS collects general data about the various ways it provides services such as toll-free telephone assistance, IRS.gov, and Taxpayer Assistance Centers, but it does not collect specific information relating to taxpayer needs or expectations for the specific services provided at the Taxpayer Assistance Centers. The IRS does have some ongoing initiatives to collect information about the services, but these initiatives have not been given adequate priority or were developed without including an evaluation of Taxpayer Assistance Center services. Examples include:

- **Service Priority Project Initiative** – Since March 2012, Wage and Investment Division officials have met with the National Taxpayer Advocate to develop a methodology that will help determine which services are the most important to taxpayers as well as the value the services have to the IRS. However, this initiative has not been a priority and is still in development. Management stated that work on this project was temporarily suspended when the manager overseeing it left. As of January 2014, management stated that it has now prioritized this work and is identifying the data needed and the methods to collect it.
- **Taxpayer Choice Model** – The IRS developed this model from a taxpayer survey. The survey provided taxpayers with specifically designed tax-related scenarios and alternatives that taxpayers could use to resolve their issues. The alternatives chosen by taxpayers are used to measure the value of services provided through various service



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channels and how changes to these services (such as an increase in wait time or service elimination) would affect taxpayers. However, management decided not to include Taxpayer Assistance Center issues in these scenarios. Including Taxpayer Assistance Center issues in the Taxpayer Choice Model would have helped the Service Priority Project Initiative in determining the value taxpayers place on each service.

## **Recommendations**

The Commissioner, Wage and Investment Division, should:

**Recommendation 1:** Ensure compliance with IRS procedures that require taxpayer service-related decisions be based on informed research and guided by stakeholder engagement.

**Management's Response:** The IRS stated that it complied with its procedures requiring taxpayer service-related decisions be based on informed research and guided by stakeholder engagement when developing the Fiscal Year 2014 Service Approach. The IRS also stated that the development and implementation of the Fiscal Year 2014 Service Approach was based on thorough research, along with consultation and feedback from external partners and stakeholders. In addition, the IRS indicated it used a variety of methods to monitor and measure performance, conducted extensive research, and addressed taxpayer burden by integrating related messaging in filing season communications, as well as developing communication products that provide taxpayers helpful information on available services.

**Office of Audit Comment:** The IRS has not provided any documentation to support its assertion that the required taxpayer burden risk evaluation was performed when developing its Fiscal Year 2014 Service Approach. In addition, the IRS did not engage with stakeholders to obtain input when developing the Fiscal Year 2014 Service Approach. The IRS's communications with its stakeholders, starting in September 2013, was to give notice of the IRS's decisions in the Fiscal Year 2014 Service Approach.

**Recommendation 2:** Develop and document steps to be taken to collect data to monitor, measure, and adjust service changes when needed as part of a long-term plan to implement face-to-face service changes included in the Fiscal Year 2014 Service Approach and beyond.

**Management's Response:** The IRS agreed with this recommendation and stated that it has already taken these steps. The IRS stated it will continue to develop and document steps taken to collect data and to monitor, measure, and adjust service changes through the use of specific internal reports that provide trend analysis on all elements of the Fiscal Year 2014 Service Approach for decisionmaking.

**Office of Audit Comment:** Although the IRS agreed with this recommendation, its efforts to monitor, measure, and adjust service changes were not documented in its Fiscal Year 2014 Service Approach Implementation Plan. The IRS collects general data about



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the various ways it provides services, such as toll-free telephone assistance, IRS.gov, and Taxpayer Assistance Centers, but it does not collect specific information relating to taxpayer needs or expectations for the specific services provided at the Taxpayer Assistance Centers.

**Recommendation 3:** Continue working with the National Taxpayer Advocate to complete the Service Priority Project Initiative as well as coordinate the inclusion of Taxpayer Assistance Center services in future surveys that can be used with the Taxpayer Choice Model to obtain data on the services that are most important to taxpayers.

**Management's Response:** The IRS disagreed with this recommendation and stated it already has established actions in place to collect available data, including Taxpayer Choice Model and other available data sources, as well as its stakeholder engagement meeting to understand and address services that are important to taxpayers.

**Office of Audit Comment:** Although the IRS responded it has established actions to collect available data, its response does not address our recommendation to work with the National Taxpayer Advocate to complete the Service Priority Project Initiative nor does it address our recommendation to include an assessment of Taxpayer Assistance Center services in future surveys.

### ***The Internal Revenue Service Has Not Established a Process to Identify Optimal Locations for Providing Face-to-Face Services***

The IRS has not established a process to ensure that it provides services in optimal locations to meet the needs of taxpayers who seek face-to-face assistance. We reported a similar finding in Fiscal Year 2011, and the IRS acknowledged at that time that it had not kept pace with shifts in population and demographics.<sup>19</sup> The IRS focuses on identifying Taxpayer Assistance Centers that can be closed but does not actively try to identify opportunities to place sites in locations that may better meet the needs of taxpayers. Moreover, the data provided to management for use in assessing potential site closures are based on incomplete information.

The Taxpayer Assistance Blueprint requires the IRS to continually reevaluate the locations of Taxpayer Assistance Centers to meet taxpayer service demands and to facilitate its investment decisions. The Wage and Investment Division is responsible for determining where Taxpayer Assistance Centers should be located. However, the analysis only consists of making closure determinations when it is notified of Taxpayer Assistance Centers' pending lease expirations. As a result, the geographic coverage for face-to-face services has not changed significantly. As of January 2014, taxpayers have access to face-to-face services at or near the original 401 Taxpayer

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<sup>19</sup> TIGTA, Ref. No. 2011-40-022, *The Taxpayer Assistance Centers Are Not Located to Effectively Serve the Maximum Number of Taxpayers* (Feb. 2011).



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Assistance Center locations in place at the time the Taxpayer Assistance Blueprint was implemented in Calendar Year 2007.

Because of limited funding, the IRS believes its emphasis should be on Taxpayer Assistance Center closures and not on establishing a process to ensure that it provides services in the optimal locations to meet taxpayer needs. In addition, over the past six years, six different Field Assistance Office officials have been assigned the responsibility for implementing the Taxpayer Assistance Blueprint's geographic requirements. We believe the lack of sufficient program emphasis and management continuity is affecting the IRS's ability to ensure that locations for its Taxpayer Assistance Centers are optimal.

**Taxpayer Assistance Center Geographic Coverage Model**

The IRS uses a Geographic Coverage Model to identify and assess Taxpayer Assistance Centers with pending lease expirations for possible closure. This model evolved from the Geographic Coverage Initiative and includes a three-step process:

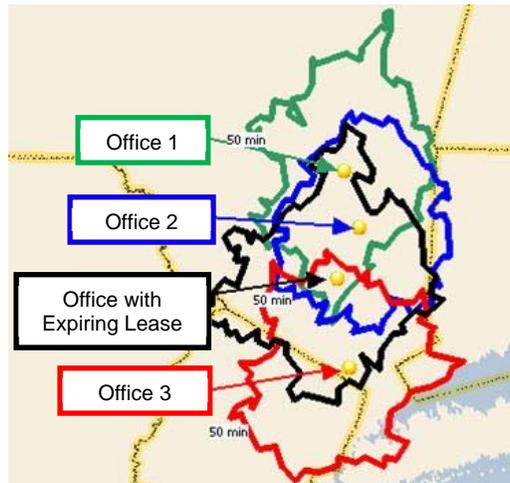
- **Step 1** – The Real Estate Facilities Management function monitors IRS office leases. Approximately every month, they meet with Field Assistance Office management to provide notification of any Taxpayer Assistance Centers with leases due to expire within 18 to 24 months.
- **Step 2** – The Office of Program Evaluation and Risk Analysis annually calculates the service coverage rate for each Taxpayer Assistance Center.
- **Step 3** – The Field Assistance Office assesses information obtained in Step 2 along with the Taxpayer Assistance Center's staffing, number of taxpayer contacts, and workload to determine if Taxpayer Assistance Centers with pending lease expirations should be closed, merged, or moved to a nearby location.

Figure 3 shows an example of the data model results used when deciding to close a Taxpayer Assistance Center.



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**Figure 3 – Example of IRS Taxpayer  
Assistance Center Footprint Analysis**



*Source: IRS geographic footprint analysis.*

Management determines how many taxpayers are within a 30-, 40-, and 50-minute drive of the Taxpayer Assistance Center being considered for closure and any nearby locations. This analysis determines the percentage of the population served by the Taxpayer Assistance Center that is also served by other Taxpayer Assistance Centers. Other criteria used when making a closure determination include:

- Total population the Taxpayer Assistance Center serves, including segmenting the population by various demographics, such as low-income taxpayers, limited-English-proficient taxpayers, and taxpayers with disabilities.
- Costs associated with the site including rent and security.
- Number of assistors at the Taxpayer Assistance Center and any nearby Taxpayer Assistance Centers.
- Number of nearby volunteer tax return preparation sites.
- Types of services most often requested at the Taxpayer Assistance Center.

After full consideration of the criteria detailed above, recommended closures of Taxpayer Assistance Centers are prepared and presented to IRS executives for review. Twelve Taxpayer Assistance Centers have been permanently closed since Fiscal Year 2012.

**Data used to make Taxpayer Assistance Center location decisions are incomplete**

The IRS does not ensure that relevant information is collected or analyzed when making its Taxpayer Assistance Center closure decisions. Examples include:



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- **Addresses of Taxpayer Assistance Center Visitors** – The ZIP codes of taxpayers who visit a Taxpayer Assistance Center or use Virtual Service Delivery are not analyzed. This information would provide the IRS with location information and patterns of individuals who actually contact a Taxpayer Assistance Center. This information could be used in conjunction with the locations of all tax return filers to make better location decisions.
- **No Shows<sup>20</sup> and Referrals** – The total number of taxpayers who sought service from a Taxpayer Assistance Center is not considered. For Fiscal Years 2012 and 2013, the IRS analyses used totals of 6.8 million and 6.5 million taxpayers, respectively, who were provided service. However, 7.3 million and 7.0 million taxpayers, respectively, actually visited the Taxpayer Assistance Centers. The analyses did not consider the almost 500,000 taxpayers each year who visited a Taxpayer Assistance Center but left without receiving service.
- **Shifting Population** – Shifts in the U.S. population were not considered. Information from the 2010 Census shows changes in the population served by Taxpayer Assistance Centers. Between Calendar Years 2000 and 2010, States had a median population increase of 7.6 percent, with five States having a population growth of 20 percent or more. Yet the IRS has not identified the impact these population shifts had on Taxpayer Assistance Centers that serve these areas or the underserved population in these areas.
- **Demographic Information** – When the United States Census stopped providing crucial data in Fiscal Year 2011, the IRS did not identify new sources. Examples include data to identify populations of individuals with disabilities, individuals with less than a high school diploma, and individuals with limited English proficiency.

In addition, there are no documentation and retention requirements for information that management uses to support methodology changes, decisions, and closure approvals. Without these requirements, there is a risk of processes not being consistently followed when changes in management or responsibilities occur. After we brought this issue to management's attention, the Field Assistance Office started implementing steps for an annual review of the methodology beginning in January 2014.

The IRS also has difficulty in identifying and tracking the financial information needed for analysis because not all costs related to the Taxpayer Assistance Center Program are tracked in the IRS's Taxpayer Assistance appropriation. Staffing, travel, and physical security costs are reported as part of the IRS's Taxpayer Assistance appropriation, but rent, security costs, and relocation costs are reported as part of the IRS's Operations Support appropriation.

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<sup>20</sup> No Shows refers to taxpayers who visit Taxpayer Assistance Centers and request service but leave before they are assisted.



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## **Recommendations**

The Commissioner, Wage and Investment Division, should:

**Recommendation 4:** Establish a methodology to identify the optimal locations for providing face-to-face assistance to the most taxpayers.

**Management's Response:** The IRS disagreed with this recommendation and stated that it has an established methodology in place to identify the optimal locations for providing face-to-face assistance to the greatest number of taxpayers, using the Geographic Coverage Model.

**Office of Audit Comment:** As our report details, the IRS uses the Geographic Coverage Model to identify locations in areas already covered by existing Taxpayer Assistance Centers with pending lease expirations. IRS management acknowledged during our review that they have the data to perform the necessary analysis but choose not to evaluate if Taxpayer Assistance Centers with pending lease expirations would better serve taxpayers if relocated to a different region of the country or areas not already covered by Taxpayer Assistance Centers.

**Recommendation 5:** Develop and implement financial and operational documentation and retention requirements to support data analyses, discussion participants, decisions, approvals, and specific closure information.

**Management's Response:** The IRS agreed with this recommendation and has developed financial and operational documentation and retention requirements to support data analyses, discussion participants, decisions, approvals, and specific closure information. These actions are currently being finalized and prepared for implementation.

## ***A Process Has Not Been Developed to Expand Virtual Service Delivery***

Virtual Service Delivery integrates video and audio technology to allow taxpayers to see and hear an assistor located at a remote Taxpayer Assistance Center, giving the taxpayers “virtual face-to-face interactions” with assistors. Taxpayers can use this technology to obtain many of the services available at Taxpayer Assistance Centers. The goals for Virtual Service Delivery are to enhance the use of IRS resources, optimize staffing, and balance workload. Benefits include:

- Reduced dependency on Taxpayer Assistance Centers.
- Reduced costs associated with a traditional brick and mortar delivery method.
- Improved alignment of employees to taxpayer demand.



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- Increased face-to-face customer service.

As of February 2014, the IRS offered Virtual Service Delivery at 30 locations, including 22 Taxpayer Assistance Centers and eight Volunteer Program sites. However, since the Taxpayer Assistance Blueprint was implemented in 2007, the IRS has not revised its geographic coverage methodology to identify underserved areas that would benefit from Virtual Service Delivery. This is despite IRS data that show Virtual Service Delivery is well received by taxpayers and is a cost-effective alternative that could yield improvements in taxpayer service. For example, as of May 2012, 91 percent of taxpayers surveyed would use Virtual Service Delivery terminals again, and 87 percent reported being satisfied with the service they received. Taxpayer Assistance Center leases cost the IRS an average of more than \$60,000 annually each, whereas Virtual Service Delivery has a one-time average start-up cost of \$32,337 per terminal.

The Wage and Investment Division requested Fiscal Year 2014 funding to expand Virtual Service Delivery but did not receive it. Management cited the low number of taxpayers who seek face-to-face services compared to the number who seek service from the other service channels (IRS.gov and toll-free telephones) as a reason for the lack of funding for Virtual Service Delivery. In Fiscal Year 2013, taxpayers visited IRS.gov 456 million times. In contrast, 6.5 million taxpayers received assistance at Taxpayer Assistance Centers. Although the number of taxpayers who seek face-to-face service is significantly lower than other service channels, the needs of these taxpayers should not be overlooked. Many taxpayers seeking face-to-face service are elderly, have low income, or have limited English proficiency.

Our review of the Virtual Service Delivery budget request found that it was not adequately developed to provide decision makers with sufficient data about the potential savings to the IRS and benefits to taxpayers. The IRS described potential benefits as an expectation to “save considerable travel cost and time for employees and taxpayers,” but it did not quantify these savings. It also did not estimate the number of additional taxpayers Virtual Service Delivery would serve. Because the IRS methodology does not include identifying new locations outside areas already served that would benefit from Virtual Service Delivery, the IRS cannot include the volume of taxpayers in underserved areas that would benefit in its funding requests or in communications with outside partners.

Wage and Investment Division management stated that another reason for not expanding Virtual Service Delivery is that it is relying on the IRS’s Office of Online Services to replace existing virtual services with new video technology that will allow taxpayers to receive the same services from their personal computers. Management stated that, after piloting the program, the Office of Online Services’ long-term plan is to implement this technology by Fiscal Year 2016. However, many of the taxpayers assisted by Taxpayer Assistance Centers and Virtual Service Delivery, such as the elderly or those living in rural areas, may not have access to computers or high-speed Internet connectivity. These taxpayers may be unable to use the new video technology even if the pilot is successful and the IRS deploys it. As a result, we believe the Wage and Investment Division should establish efforts to provide Virtual Service Delivery in the best locations to



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increase the efficiency of providing face-to-face assistance to taxpayers. Taxpayers who need assistance but do not have access to a Taxpayer Assistance Center are not in a position in which they can wait for future technology or other service delivery options.

## **Recommendations**

The Commissioner, Wage and Investment Division, should:

**Recommendation 6:** Establish a process to identify the best locations for virtual face-to-face services. This process should include developing a long-term virtual delivery plan to provide face-to-face assistance to as many taxpayers as possible.

**Management's Response:** The IRS disagreed with this recommendation and stated that it has established a process to identify the best locations for virtual face-to-face services. The process uses a repeatable methodology that will continue to be enlisted as funding becomes available for expansion of the program.

**Office of Audit Comment:** The process the IRS established limits its evaluation of possible Virtual Service Delivery sites to only those areas already served by Taxpayer Assistance Centers. It does not identify optimal underserved areas across the country that would benefit the most from Virtual Service Delivery expansion.

**Recommendation 7:** Quantify the cost savings and benefits related to Virtual Service Delivery and report this information in budget requests.

**Management's Response:** The IRS stated it has completed this action item by quantifying the cost savings and benefits related to Virtual Service Delivery and reporting this information in its annual budget requests.

**Office of Audit Comment:** We evaluated the support for Virtual Service Delivery in the IRS's Fiscal Year 2014 budget request and found no evidence that the IRS quantified the cost savings and benefits related to this service.



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**Issues Reported in Prior Treasury Inspector General for Tax Administration Reports Have Not Been Fully Addressed**

The IRS took corrective actions to adequately address three of five recommendations we reviewed that were included in prior Treasury Inspector General for Tax Administration (TIGTA) reports<sup>21</sup> relating to face-to-face services in Taxpayer Assistance Centers. Figure 4 provides a summary of the three recommendations and the actions IRS management has taken.

**Figure 4: Management Actions in Response to Prior TIGTA Audit Recommendations**

| <b>Recommendation</b>   | <b>Management Actions</b>  |
|---|--|
| <b>Use existing system data, such as No Show data, to identify opportunities for improving taxpayer services.</b>   | Initially, in response to the recommendation, the IRS developed a No Show data report to reflect the number of taxpayers who visit Taxpayer Assistance Centers. Since that time, the IRS has used No Show data to identify unmet taxpayer demands and discussed using it during training sessions.   |
| <b>Validate the data used in the Geographic Coverage Initiative process and ensure that the correct criteria are used and all decisions, along with the data used and methodologies for making the decisions, are supported and documented.</b> | The IRS developed more detailed documentation of the model methodology used for the Geographic Coverage Initiative, as well as a version control system to provide documentation of any changes made to the model methodology or updates to the source data.   |
| <b>Identify opportunities to better align the Taxpayer Assistance Centers with taxpayer needs and complete the evaluative process in the Geographic Footprint Initiative.</b>   | The IRS developed a geographic coverage process checklist to include an analysis of its management information system. This assisted in identifying opportunities to better align the Taxpayer Assistance Centers with taxpayer needs as part of the analysis for closing a location; however, as noted in this report, the IRS still has not taken action to align the Taxpayer Assistance Centers with taxpayer needs. |

*Source: TIGTA analysis of actions taken in response to prior audit reports.*

<sup>21</sup> TIGTA, Ref. No. 2009-40-072, *Field Assistance Office Management Information Systems Have Improved, but Enhancements Could Improve Taxpayer Service* (May 2009); TIGTA, Ref. No. 2011-40-022, *The Taxpayer Assistance Centers Are Not Located to Effectively Serve the Maximum Number of Taxpayers* (Feb. 2011); and TIGTA, Ref. No. 2012-40-073, *Better Information Is Needed to Assess Ongoing Efforts to Expand Self-Assistance and Virtual Services to Taxpayers* (Jul. 2012).



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The IRS has not adequately addressed the following recommendations:

- **Ensure Field Assistance Office controls are reinforced to ensure that data are entered accurately into management information systems and reviewed.**<sup>22</sup>

In May 2009, the IRS reported on the Joint Audit Management Enterprise System that multi-tiered operational reviews of data entry were in place. However, at the time of our review, this system was not in place. The IRS stated that it was unable to perform the multi-tiered reviews after upgrading its management information system in October 2011. In January 2014, more than two years after the system upgrade, the IRS finished implementing a new review system that allows area and Territory managers to select a sample of reports to review. However, the completion of this corrective action occurred subsequent to our fieldwork and was not evaluated.

- **Develop sufficient measures (including a customer satisfaction survey) and goals for the Facilitated Self-Assistance initiative in the Taxpayer Assistance Centers that will allow the IRS to determine if the initiative is cost effective and is meeting expectations.**<sup>23</sup>

The IRS disagreed with this recommendation and did not take the actions we recommended. While management agreed that measures and goals are critical for determining if their Facilitated Self-Assistance initiative is cost effective and meeting program expectations, they believed taxpayer usage is a better measure than customer satisfaction surveys for the purpose of determining program success.

Although the IRS disagreed with the above recommendation, we continue to believe that a customer satisfaction survey would be a better measure than taxpayer usage to gauge the effectiveness of Facilitated Self-Assistance terminals in Taxpayer Assistance Centers and that developing other measures and goals for Facilitated Self-Assistance would allow the IRS to determine if these terminals are effective and meeting expectations.

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<sup>22</sup> TIGTA, Ref. No. 2009-40-072, *Field Assistance Office Management Information Systems Have Improved, but Enhancements Could Improve Taxpayer Service* p. 11 (May 2009).

<sup>23</sup> TIGTA, Ref. No. 2012-40-073, *Better Information Is Needed to Assess Ongoing Efforts to Expand Self-Assistance and Virtual Services to Taxpayers* (Jul. 2012).



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## **Appendix I**

### *Detailed Objective, Scope, and Methodology*

Our overall objective was to determine the effectiveness and efficiency of the Taxpayer Assistance Center Program. This review included tests to follow up on the IRS's corrective actions to address recommendations in prior audits of the Field Assistance Office's management of Taxpayer Assistance Centers. To accomplish this objective, we:

- I. Evaluated the IRS's processes for identifying the services the Field Assistance Office provides taxpayers and how it will provide those services.
  - A. Determined if the Field Assistance Office evaluates taxpayer behaviors, preferences, and needs when identifying the services it will provide as part of an overall strategy for providing quality customer service at Taxpayer Assistance Centers.
  - B. Evaluated how management uses the research data results they obtain about taxpayer behaviors, needs, and preferences when integrating the data with all other factors they consider in identifying the services and locations the Field Assistance Office should provide. This included obtaining a status update on the Service Priority Project Initiative and determining how the results will affect the Field Assistance Office.
  - C. Analyzed the process the Field Assistance Office uses to project the number of taxpayers who will need future assistance and to project the resources needed at Taxpayer Assistance Centers.
  - D. Determined how the Field Assistance Office uses existing system data, such as No Show data, to identify trends, patterns, and opportunities for improving taxpayer services.
  - E. Determined the process the Field Assistance Office has in place to reevaluate changes to services and how they affect the IRS.
  - F. Evaluated the IRS's processes for determining when services are offered.
- II. Evaluated the IRS's processes to ensure that Taxpayer Assistance Centers are optimally located to minimize taxpayer burden without adversely affecting taxpayer compliance. We ensured that actions taken are based on accurate and complete data.
  - A. Determined if the Geographic Coverage Model methodology uses appropriate evaluative criteria and accurate source data to identify optimal locations for taxpayer assistance.



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- B. Determined if the Taxpayer Assistance Center Location Model uses appropriate and accurate staffing information, taxpayer services provided, and taxpayer needs to identify, relocate, close, and recommend Taxpayer Assistance Center location sites.
  - C. Evaluated the methodology used to make the decision to close the 11 Taxpayer Assistance Centers in Fiscal Years 2012 and 2013. The IRS closed another Taxpayer Assistance Center in Fiscal Year 2014, for a total of 12 closures. However, this closure occurred after our fieldwork ended and we did not review the methodology used to close it.
- III. Evaluated the IRS's processes for determining the service delivery methods, *i.e.*, Taxpayer Assistance Center assistors, Facilitated Self-Assistance, and Virtual Service Delivery, their locations, and their effectiveness.
- A. Evaluated the Field Assistance Office's plans to expand the use of Facilitated Self-Assistance kiosks at Taxpayer Assistance Centers.
  - B. Evaluated plans to expand Virtual Service Delivery to additional locations, including closed Taxpayer Assistance Center locations, underserved areas, and Taxpayer Assistance Centers targeted for closure.
  - C. Identified and evaluated the IRS's processes for identifying and using emerging technologies that may assist the IRS in providing quality customer service alternatives to face-to-face customer service.
- IV. Followed up on IRS corrective actions to address recommendations in prior audits<sup>1</sup> of the Field Assistance Office's management of Taxpayer Assistance Centers. This included evaluation of the goals and measures for Facilitated Self-Assistance and Virtual Service Delivery services, the implementation of No Show reports, and the implementation of multi-tiered operational reviews.

**Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the processes for identifying the face-to-face services the Field Assistance Office provides taxpayers and for ensuring that these

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<sup>1</sup> TIGTA, Ref. No. 2009-40-072, *Field Assistance Office Management Information Systems Have Improved, but Enhancements Could Improve Taxpayer Service* (May 2009); TIGTA, Ref. No. 2011-40-022, *The Taxpayer Assistance Centers Are Not Located to Effectively Serve the Maximum Number of Taxpayers* (Feb. 2011); and, TIGTA, Ref. No. 2012-40-073, *Better Information Is Needed to Assess Ongoing Efforts to Expand Self-Assistance and Virtual Services to Taxpayers* (Jul. 2012).



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services are based on taxpayers' behaviors, preferences, and needs as part of an overall strategy for providing quality customer service at Taxpayer Assistance Centers; the processes to ensure that Taxpayer Assistance Centers are optimally located to minimize taxpayer burden; and the validation of methodologies and data used. We evaluated these controls by interviewing management, reviewing guidelines and procedures, and evaluating IRS-provided information.



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**Appendix II**

*Major Contributors to This Report*

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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Commissioner for Services and Enforcement SE  
Director, Office of Research, Analysis, and Statistics RAS  
Chief, Agency-Wide Shared Services OS:A  
Deputy Commissioner, Operations, Wage and Investment Division SE:W  
Deputy Commissioner, Support, Wage and Investment Division SE:W  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Director, Customer Assistance, Relationships, and Education, Wage and Investment Division  
SE:W:CAR  
Director, Real Estate and Facilities Management, Agency-Wide Shared Services OS:A:RE  
Director, Field Assistance, Wage and Investment Division SE:W:CAR:FA  
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Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaison: Chief, Program Evaluation and Improvement, Wage and Investment Division  
SE:W:S:PEI



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**Appendix IV**

*Management's Response to the Draft Report*



COMMISSIONER  
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

May 21, 2014

MEMORANDUM FOR MICHAEL E. MCKENNEY  
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Debra Holland   
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Processes to Determine Optimal Face-to-Face Taxpayer Services, Locations, and Virtual Services Have Not Been Established (Audit # 201340005)

Thank you for the opportunity to review and respond to the subject draft report. We appreciate your acknowledgement that the IRS faces many challenges in providing services at Taxpayer Assistance Centers (TACs) with reduced funding and staffing. Face-to-face contact is the most costly method of providing service to taxpayers. In an era of reduced funding and increasing customer demand, the IRS cannot improve service delivery by increasing staffing. However, it can, and has, improved service delivery by making many of the services provided at TACs available online at IRS.gov, and by leveraging our relationships with other service providers. Each year, we review and update our priorities to ensure we are effectively and efficiently meeting the needs of taxpayers and tax professionals. While we have a number of avenues for serving taxpayers, our resources for providing direct services by telephone and face-to-face interaction are limited and will continue to remain so.

Even in the best budget scenario, it would be impossible to answer every phone call or serve every taxpayer who visits a walk-in site. Because serving taxpayers is important to the IRS we know that, given the current and expected future budget environment, we must depend even more on our technology-based services and our external partners than we have in the past. For this reason, the IRS implemented the Fiscal Year 2014 Service Approach to address these challenges. This approach does not eliminate service; rather, it directs taxpayers to the most cost-effective IRS or partner channel available, to provide the needed service. This allows the IRS to focus limited Toll-free and walk-in resources on customer issues that can be best resolved with person-to-person interaction. By using this approach, we are able to improve our ability to serve, address, and resolve more complex matters, such as identity theft victim assistance and tax account issues. The report acknowledges some of these cost-effective channels in



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noting that the IRS has taken actions to enhance self-assisted services and educate taxpayers to use these options by offering online tools.

The changes to TAC services provided were implemented after conducting one of the most extensive engagement efforts on a single topic since the IRS reorganized into its current structure. Those stakeholders included the National Taxpayer Advocate, the Government Accountability Office, the IRS Oversight Board, the Council for Electronic Revenue Communication Advancement, State e-file Coordinators, national representatives of associations like the National Association of Enrolled Agents, the American Institute of Certified Public Accountants, the National Association of Tax Professionals, the Department of Education, Congressional staff, and the Treasury Inspector General for Tax Administration (TIGTA). The overwhelming positive response confirmed to us that it was the right thing to do. The IRS carefully evaluated service delivery in the TACs and considered taxpayer burden. We engaged many stakeholders in identifying, assessing, and addressing the impact the service changes might have on the low income, elderly, and other special needs customers. For example, we implemented procedures to provide special assistance to these taxpayers directing them to the appropriate resource.

The services covered by the new approach were included because reliable self-service and/or partner service options were readily available to meet the needs of our customers. The report contends two million taxpayers were impacted by service cuts, and the majority of the impact was attributable to return preparation. Tax return preparation was just one of the many face-to-face services provided at only 250 of our 389 TACs and, at some locations, service was not available every day of the week. In order to provide these taxpayers with the best service available, prior to the start of the 2014 filing season, we mailed approximately 77,000 postcards to these customers, providing them with information on nearby partner locations at which they could continue to receive free tax return preparation services.

Referring those taxpayers to alternative options for free return preparation services enabled other customers needing face-to-face service to be served. Of the two million taxpayers whom the TIGTA estimated as impacted by the service approach, approximately 1.6 million represent requests for tax account transcripts, which is a service now available online, from any location where the taxpayer has access to the use of a computer, tablet, or smart phone. Prior to the start of the 2014 Filing Season, the decision was made that the Field Assistance function would continue to provide transcripts to taxpayers after implementation of the Service Approach and the rollout of the "Get Transcript" application on IRS.gov. We also began to educate taxpayers on online options, including the use of the Facilitated Self Assistance kiosks available for use in our TAC locations.

The ability of online tools to meet increased demand from redirected traffic was assessed to determine if the suite of tools, including the Interactive Tax Assistant Tool,



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could meet the needs of taxpayers who were no longer receiving those services from the TACs. As noted in the documentation the IRS provided to the TIGTA, both the Information Technology Application Development function and the Wage and Investment Division conducted analyses and traffic projections based on similar applications, growth, and other assumptions. Additionally, performance tests were performed and it was determined the systems could sufficiently meet the projected demand.

The IRS continues to leverage the Geographic Coverage Model (GCM) to identify optimal locations for providing face-to-face services. The GCM uses national data to identify population shifts that occur over time, and incorporates that information into the process for identifying potential TAC locations. Statistics show that the geographic footprint of the underserved population has not changed significantly. The IRS evaluates locations with leases that are about to expire because it is the most advantageous time an office can be moved without incurring additional costs, such as those associated with breaking leases. Many TAC leases are renewed or relocated within the same commuting area because it is determined that the locations meet taxpayer needs. Unfortunately, a continuous evaluative process would be a costly endeavor in terms of staff time required and would not be an effective use of limited resources when opening additional locations is not even feasible in the current budgetary environment.

We are pleased that the TIGTA recognizes the value of Virtual Service Delivery (VSD). Providing assistance through VSD is extremely effective, but comes with significant start-up costs for the procurement and installation of equipment. We have a process in place that has identified the optimal locations for VSD expansion; however, the expansion efforts must compete with other IRS priorities for limited funding.

Attached is our response to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Peter C. Wade, Director, Field Assistance, Wage and Investment Division, at (404) 338-9086.

Attachment



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Attachment

**Recommendations**

The Commissioner, Wage and Investment Division, should:

**RECOMMENDATION 1**

Ensure compliance with IRS procedures that require taxpayer service-related decisions be based on informed research and guided by stakeholder engagement.

**CORRECTIVE ACTION**

We agree that taxpayer service-related decisions must be based on informed research and guided by stakeholder engagement. The IRS development and implementation of the 2014 Service Approach was based on thorough research and was one of the most extensive engagement efforts undertaken since the IRS organized into its current structure. The service approach was developed with consultation and feedback from a diverse array of external partners and stakeholders. Those stakeholders included the National Taxpayer Advocate, the Government Accountability Office, the IRS Oversight Board, the Council for Electronic Revenue Communication Advancement, State e-file Coordinators, national representatives of associations like the National Association of Enrolled Agents, the American Institute of Certified Public Accountants, the National Association of Tax Professionals, the Department of Education, Congressional staff, and the Treasury Inspector General for Tax Administration. The majority of the feedback received was positive. However, we also heard concerns and some issues raised by our external stakeholders and made adjustments to the plan, prior to finalization, that addressed those concerns to the greatest extent possible.

Additionally, we used a variety of methods to monitor and measure performance including level of service provided, wait time experienced by the customer, as well as the overall customer experience. We conducted extensive research and addressed taxpayer burden by integrating related messaging in filing season communications, as well as developing communication products that provide taxpayers helpful information on available services. We also coordinated with our Volunteer Income Tax Assistance and Tax Counseling for the Elderly partners and the tax industry, and provided information and educational products they could use to communicate the service approach to their clients. Further, the Stakeholder Partnership, Education and Communication function developed updated instructions for our employees to use when assisting taxpayers with disabilities needing return preparation assistance. Consequently, we believe we have complied with the IRS procedures requiring taxpayer service-related decisions be based on informed research and guided by stakeholder engagement, and will continue to do so.

**IMPLEMENTATION DATE**

Implemented



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**RESPONSIBLE OFFICIAL**

Director, Field Assistance, Wage and Investment Division

**CORRECTIVE ACTION MONITORING PLAN**

N/A

**RECOMMENDATION 2**

Develop and document steps to be taken to collect data to monitor, measure, and adjust service changes when needed as part of a long-term plan to implement face-to-face service changes included in the Fiscal Year 2014 Service Approach and beyond.

**CORRECTIVE ACTION**

We agree with this recommendation and consider this action complete because the IRS has already taken these steps. The IRS will continue to develop and document steps taken to collect data and to monitor, measure, and adjust service changes through the use of specific internal reports that provide trend analysis on all elements of the Service Approach for decision making. Examples include a weekly report that captures changes in volume and the hours available for redirection toward the provision of assistance for other services. Weekly trend analysis reports are provided for transcript requests and individual tax law questions. Additionally, an Executive Dashboard Report on the Service Approach was developed and is updated and monitored regularly. Since implementation of the service approach and throughout the filing season, we used the Customer Early Warning System to monitor the customer experience and, as appropriate, implement adjustments to ensure our communications and operational approaches were working as intended.

**IMPLEMENTATION DATE**

Implemented

**RESPONSIBLE OFFICIAL**

Director, Field Assistance, Wage and Investment Division

**CORRECTICE ACTION MONITORING PLAN**

N/A

**RECOMMENDATION 3**

Continue working with the National Taxpayer Advocate to complete the Service Priority Project Initiative as well as coordinate the inclusion of Taxpayer Assistance Center services in future surveys that can be used with the Taxpayer Choice Model to obtain data on the services that are most important to taxpayers.



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**CORRECTIVE ACTION**

We have established actions in place to collect available data including Taxpayer Choice Model and other available data sources as well as our stakeholder engagement meeting to understand and address services that are important to taxpayers.

**IMPLEMENTATION DATE**

Implemented

**RESPONSIBLE OFFICIAL**

Director, Strategy & Finance, Wage and Investment Division

**CORRECTIVE ACTION MONITORING PLAN**

N/A

**Recommendations**

The Commissioner, Wage and Investment Division, should:

**RECOMMENDATION 4**

Establish a methodology to identify the optimal locations for providing face-to-face assistance to the most taxpayers.

**CORRECTIVE ACTION**

We have an established methodology in place for identifying the optimal locations for providing face-to-face assistance to the greatest number of taxpayers, using the Geographic Coverage Model.

**IMPLEMENTATION DATE**

N/A

**RESPONSIBLE OFFICIAL**

N/A

**CORRECTIVE ACTION MONITORING PLAN**

N/A

**RECOMMENDATION 5**

Develop and implement financial and operational documentation and retention requirements to support data analyses, discussion participants, decisions, approvals, and specific closure information.

**CORRECTIVE ACTION**

The IRS has developed financial and operational documentation and retention requirements to support data analysis, discussion participants, decisions, approvals,



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and specific closure information. These actions are currently being finalized and prepared for implementation.

**IMPLEMENTATION DATE**

December 15, 2014

**RESPONSIBLE OFFICIAL**

Director, Field Assistance, Wage and Investment Division

**CORRECTIVE ACTION MONITORING PLAN**

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

**Recommendations**

The Commissioner, Wage and Investment Division, should:

**RECOMMENDATION 6**

Establish a process to identify the best locations for virtual face-to-face services. This process should include developing a long-term virtual delivery plan to provide face-to-face assistance to as many taxpayers as possible.

**CORRECTIVE ACTION**

The IRS has established a process to identify the best locations for virtual face-to-face services. The process uses a repeatable methodology that will continue to be enlisted as funding becomes available for expansion of the program.

**IMPLEMENTATION DATE**

Implemented

**RESPONSIBLE OFFICIAL**

Director, Field Assistance, Wage and Investment Division

**CORRECTIVE ACTION MONITORING PLAN**

N/A

**RECOMMENDATION 7**

Quantify the cost savings and benefits related to Virtual Service Delivery and report this information in budget requests.

**CORRECTIVE ACTION**

The IRS has completed this action item by quantifying the cost savings and benefits related to Virtual Service Delivery, and reporting this information in our annual budget requests.



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**IMPLEMENTATION DATE**

Implemented

**RESPONSIBLE OFFICIAL**

Director, Field Assistance, Wage and Investment Division

**CORRECTIVE ACTION MONITORING PLAN**

N/A



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## **Appendix V**

### *Office of Audit Comments on Management's Response to the Draft Report*

IRS management provided some comments and assertions in its response to our report that we believe are inaccurate. We provide our perspective on the IRS's comments below.

**Management Statement:** *The changes to Taxpayer Assistance Center services provided were implemented after conducting one of the most extensive engagement efforts on a single topic since the IRS reorganization into its current structure.*

**Office of Audit Comment:** The above statement implies that extensive engagement efforts with stakeholders were performed prior to developing the Fiscal Year 2014 Service Approach and that their input was used to form its decisions on services to be offered at Taxpayer Assistance Centers. However, the IRS did not engage stakeholders until after it had developed the Fiscal Year 2014 Service Approach. These communications, starting in September 2013, were to notify stakeholders of IRS decisions in the Fiscal Year 2014 Service Approach. For example, the IRS listed TIGTA as a stakeholder with whom the IRS engaged, yet we first learned about the planned service cuts in September 2013, which was almost four months after we initiated our audit.

**Management Statement:** *The IRS carefully evaluated service delivery in the Taxpayer Assistance Centers and considered taxpayer burden.*

**Office of Audit Comment:** The IRS has not provided any documentation of its analysis to support the assertion that an evaluation of service delivery and consideration of taxpayer burden was performed for the development of the Fiscal Year 2014 Service Approach.

**Management Statement:** *The report contends two million taxpayers were affected by service cuts, and the majority of the impact was attributable to return preparation.*

**Office of Audit Comment:** Our audit report did not state that the majority of the two million taxpayers affected by service cuts were attributable to return preparation. Our report states "almost two million taxpayers had their tax returns prepared by Taxpayer Assistance Center assistors, used tax law assistance, or obtained a transcript in a Taxpayer Assistance Center. Taxpayer Assistance Centers do not track how many taxpayers inquired about their refunds."



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**Management Statement:** *The ability of online service tools to handle increased demand from taxpayers redirected from Taxpayer Assistance Centers was noted in the documentation the IRS provided to TIGTA. Both the Information Technology Application Development function and the Wage and Investment Division conducted analyses and traffic projections based on similar applications, growth, and other assumptions. Additionally, performance tests were performed, and it was determined the systems could sufficiently meet the projected demand.*

**Office of Audit Comment:** The IRS has not provided any documentation to support that it analyzed the online service tools' ability to handle increased traffic from the elimination or reduction of Taxpayer Assistance Center services. In fact, the documentation the IRS refers to was provided to us after the end of our fieldwork. Our subsequent review of this documentation determined it does not support the IRS's assertion that it conducted analyses, traffic projections, and performance testing. If such an analysis was conducted, the IRS may have avoided the need to issue new Taxpayer Assistance Center procedures that took effect in January 2014 stating that its online "Get Transcript" application was not ready for a full deployment. The IRS was concerned because of the expected volume of online requests for transcripts as well as concerns being raised regarding the launch of another Federal Government website.

**Management Statement:** *The IRS continues to leverage the Geographic Coverage Model to identify optimal locations for providing face-to-face services.*

**Office of Audit Comment:** As we indicated in our audit report, the IRS uses its Geographic Coverage Model to identify Taxpayer Assistance Centers that can be closed but does not actively try to identify opportunities to place sites in different areas of the country that may better meet the needs of taxpayers. IRS management acknowledged during our review that they have the data to identify sites that would serve more taxpayers if located to a different area of the country but choose not to analyze the data for this purpose.

**Management Statement:** *The IRS has a process in place that identified the optimal locations for Virtual Service Delivery expansion.*

**Office of Audit Comment:** The IRS does not identify underserved areas across the country that would benefit the most from Virtual Service Delivery. The IRS has not established a process or long-term virtual delivery plan to expand virtual face-to-face services to optimal locations not already served by Taxpayer Assistance Centers.