



*The Internal Revenue Service Did Not Follow
Congressional Directives Before Closing
Taxpayer Assistance Centers; a Data-Driven
Model Should Be Used to Optimize Locations*

May 8, 2019

Reference Number: 2019-40-029

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

THE INTERNAL REVENUE SERVICE DID NOT FOLLOW CONGRESSIONAL DIRECTIVES BEFORE CLOSING TAXPAYER ASSISTANCE CENTERS; A DATA-DRIVEN MODEL SHOULD BE USED TO OPTIMIZE LOCATIONS

Highlights

Final Report issued on May 8, 2019

Highlights of Reference Number: 2019-40-029 to the Commissioner of Internal Revenue.

IMPACT ON TAXPAYERS

The IRS provides taxpayers with face-to-face tax assistance throughout the Nation at 359 Taxpayer Assistance Centers, 38 Virtual Service Delivery sites, and five Social Security Administration offices, as of December 31, 2018. The IRS should place these sites in optimal locations to service taxpayers who are likely to seek face-to-face assistance. These taxpayers include individuals whose issues cannot be resolved through other methods or who prefer face-to-face assistance to meet their tax obligations.

WHY TIGTA DID THE AUDIT

This audit was initiated to follow up on TIGTA's previous audit recommendations and to evaluate IRS efforts to provide tax account assistance to taxpayers seeking face-to-face assistance.

WHAT TIGTA FOUND

The IRS established a face-to-face assistance appointment system in Fiscal Year 2017 that improved customer service for taxpayers. For example, the IRS reported that, since adopting this system, just over one-half of the taxpayers who call the appointment telephone line have their issues resolved by an IRS customer service representative and can avoid travelling to a face-to-face assistance site.

However, the IRS did not comply with the congressional directives accompanying the Consolidated Appropriations Act of 2018 prior to closing Taxpayer Assistance Centers in Calendar Year 2018. For example, the IRS did

not timely provide a report to congressional committees on the steps being taken to prevent Taxpayer Assistance Center closures. In addition, the IRS did not conduct a study on the taxpayer impact of closing four Taxpayer Assistance Centers that the IRS closed after Congress passed the Consolidated Appropriations Act of 2018. The IRS did not hold a public forum in the four affected communities at least six months prior to closing the Taxpayer Assistance Centers.

Additionally, the IRS did not use its data-driven Geographic Coverage Model to expand face-to-face assistance to new locations. TIGTA's analysis of this model identified 28 underserved areas with a high number of taxpayers who are likely to seek face-to-face assistance. These taxpayers have low income or received an IRS letter or notice and live more than 30 miles from a Taxpayer Assistance Center.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS ensure that 1) an assessment is completed on the adverse effects a planned Taxpayer Assistance Center closure might have on taxpayers' ability to interact with the IRS, and a public forum is held prior to closing a Taxpayer Assistance Center, and 2) the Geographic Coverage Model is used to support decisions on the locations of current Virtual Service Delivery and Social Security Administration co-located sites and for future expansion of these sites.

IRS management partially agreed with TIGTA's recommendation that the IRS complete an assessment on the impact that a Taxpayer Assistance Center closure might have on taxpayers' ability to interact with the IRS. Management stated that procedures are in place to ensure that community input is considered when decisions are made to close, consolidate, or replace a Taxpayer Assistance Center. IRS management also stated that they complied with the directive to hold a public forum prior to closing a Taxpayer Assistance Center.

Although IRS management agreed with TIGTA's second recommendation, the planned corrective actions will not address the deficiencies cited in the report.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

May 8, 2019

MEMORANDUM FOR COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Internal Revenue Service Did Not Follow Congressional Directives Before Closing Taxpayer Assistance Centers; a Data-Driven Model Should Be Used to Optimize Locations (Audit # 201840028)

This report presents the results of our review to evaluate Internal Revenue Service efforts to provide tax account assistance to taxpayers seeking face-to-face assistance. This audit is included in our Fiscal Year 2019 Annual Audit Plan and addresses the major management challenges of Providing Quality Taxpayer Service.

Management's complete response to the draft report is included as Appendix IV.

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



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Abbreviations

CQRS	Centralized Quality Review System
CSR	Customer Service Representative
FA	Field Assistance
FSA	Facilitated Self-Assistance
FY	Fiscal Year
GCM	Geographic Coverage Model
SSA	Social Security Administration
TAC	Taxpayer Assistance Center
VSD	Virtual Service Delivery



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Background

The IRS's Field Assistance (FA)¹ office provides face-to-face assistance that includes interpreting tax laws and regulations, providing forms and publications, resolving tax account issues, and accepting payments for tax debts. This assistance is provided via:

- **Taxpayer Assistance Centers (TAC)** – The IRS operates 359 TACs nationwide, as of December 31, 2018. These sites provide assistance to taxpayers whose issues cannot be resolved through other methods or who prefer face-to-face assistance. Since November 2016, taxpayers have been required to call the IRS appointment line² to schedule an appointment for services. If they are unable to call, or they arrive at a TAC with an emergency or immediate issue, they can receive assistance the same day if employees are available. In Fiscal Year (FY)³ 2018, more than 220,000 (8 percent) of the 2,783,665 taxpayers who sought assistance from a TAC were given a same-day appointment. Taxpayers without an appointment can still drop off a current year tax return, pick up a tax form or publication, and make a payment.
- **Social Security Administration (SSA) Co-Located Sites** – The IRS initiated a pilot in Calendar Year⁴ 2017 for certain TACs to be co-located in SSA offices. As of November 26, 2018, there are five co-located offices. This pilot was implemented to comply with Section 3 of Office of Management and Budget Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*,⁵ which requires agencies to move aggressively to dispose of excess properties held by the Federal Government and make more efficient use of the Government's real estate assets.
- **Virtual Service Delivery (VSD) Sites** – The IRS operates 38 VSD sites nationwide. These sites are located at external partner organization sites, such as a public library. The VSD initiative is an effort to expand face-to-face services to taxpayers when a TAC is not in their geographic area. Taxpayers must make an appointment to use a VSD site. When they arrive at the VSD site, they access a VSD computer and speak to a remote FA office employee on the computer screen. The VSD program is an alternative to deliver services and was implemented to minimize wait time for taxpayers, improve efficiency of IRS resources, assist taxpayers in rural areas, and address IRS staffing and workload issues.

¹ The FA office is in the Wage and Investment Division.

² (844) 545-5640.

³ Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.

⁴ The calendar year in which the tax return or document is processed by the IRS.

⁵ November 25, 2016.



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- **Facilitated Self-Assistance (FSA) Kiosks** – The FSA is a kiosk located within a TAC that provides Internet access to IRS.gov and SSA.gov. The kiosks help taxpayers who do not have a computer to obtain answers to certain tax questions in the shortest time frame. The IRS has 100 FSA kiosks located nationwide within 37 TACs. Printers are also provided to allow taxpayers to print material viewed on the kiosk. A taxpayer can visit a TAC without an appointment and ask to be directed to the next available kiosk. An employee at the TAC can help the taxpayer use the kiosk.

Figure 1 provides the number of taxpayers assisted using these service options in FYs 2017 and 2018.

Figure 1: Number of Taxpayers Assisted by Face-to-Face Service Option in FYs 2017 and 2018

Service Option	FY 2017	FY 2018
TAC	3,140,644	2,783,665
FSA Kiosk	80,837	75,644
VSD Site	2,492	280
SSA Co-Located Site	2,191	2,174

Source: FA office internal report.

Figure 2 provides a comparison of the services provided via the face-to-face service options.

Figure 2: FA Office Services Comparison List

Services Provided	TAC	SSA	VSD	FSA
Account inquiries ⁶ (help with IRS letters, notices, and levies on wages or bank accounts)	X	X	X	X
Adjustments (changes to tax accounts, balance due notices, and payments)	X	X	X	X
Immediate levy release	X	X		
Alien clearances ⁷ (sailing permits)	X	X		

⁶ The FSA kiosk provides limited self-help services for account inquiries. For example, taxpayers can obtain general information on letters or notices they received.

⁷ Before leaving the United States or any of its possessions permanently or for an extended length of time, all U.S. resident aliens and nonresident aliens (with certain exceptions) must prove they have met all Federal tax requirements. This is done by obtaining a tax clearance document, commonly called a “sailing permit,” from the IRS.



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Services Provided	TAC	SSA	VSD	FSA
Assistance with Affordable Care Act ⁸ tax provision questions for individuals	X	X	X	X
Assistance with questions about tax law changes in the Tax Cuts and Jobs Act ⁹ is available year-round. See the Tax Cuts and Jobs Act for more information.	X	X	X	X
Basic tax law assistance January 1 through April 18 (answers related to individual Federal tax return) (Topics)	X	X	X	X
Check, money order, or cash payment acceptance (exact change is required) ¹⁰	X	X		
Form 911, <i>Request for Taxpayer Advocate Service Assistance</i>	X	X	X	
Submission of Form 2290, <i>Heavy Highway Vehicle Use Tax Return</i>	X	X		X
Individual Taxpayer Identification Numbers ¹¹ and Form W-7, <i>Application for IRS Individual Taxpayer Identification Number</i> , Document Authentication	X	X		
Authenticating the identity of taxpayers who received a Taxpayer Protection Program letter	X	X		
Payment arrangements	X	X	X	X
Procedural inquiries, <i>i.e.</i> , questions not related to tax law	X	X	X	X
Where Is My Refund; get a transcript; payments and penalties	X	X	X	X
Identity theft questions, check the status of a return, and filing and electronic filing questions		X	X	X
Obtain copies of tax forms	X	X		X
Secure Access authentication services	X	X		X

Source: Our analysis of IRS.gov. Note: The SSA column is for SSA co-located sites.

The process to schedule an appointment at TAC, VSD, and SSA co-located sites

As previously noted, the IRS began providing services at the TACs by appointment in November 2016. Conversion to the appointment model was intended to alleviate long lines that sometimes occurred at many TACs and to help employees resolve taxpayers' issues timely.

⁸ 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.

⁹ Pub. L. No. 115-97, 131 Stat. 2054 (2017).

¹⁰ Not all TACs accept cash payments.

¹¹ A number the IRS created to provide Taxpayer Identification Numbers to individuals who do not have and are not eligible to obtain a Social Security Number.



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However, as a further service to taxpayers, IRS customer service representatives (CSR) will attempt to resolve taxpayer questions or provide taxpayers with information on alternative services when they call to schedule an appointment. The CSRs are instructed to make every attempt to resolve taxpayer issues or refer taxpayers to an online self-help service before scheduling an appointment. If a taxpayer's issue can be handled without an appointment but the CSR cannot address the issue, the CSR should transfer the call to the appropriate IRS function. If an appointment is required to address a taxpayer's issue or a taxpayer states a preference for face-to-face assistance, the CSR must schedule the appointment at a TAC, VSD, or SSA co-location site.

Measuring accuracy of appointment line assistance

The IRS's Centralized Quality Review System (CQRS) function assesses the quality of the service that the CSRs provide on the appointment line. For example, CQRS reviewers evaluate statistical random samples of recorded telephone calls daily received on the appointment line. For each call, the reviewer assesses the accuracy of CSR assistance by determining whether the CSR provided the correct response to the taxpayer's question and, if appropriate, whether the CSR took the correct actions to resolve the taxpayer's issue. For FYs 2017 and 2018, the CQRS reported a 96 percent customer accuracy rating for the appointment line.

This review was performed at the Wage and Investment Division Headquarters in Atlanta, Georgia, during the period January through October 2018. 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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Results of Review

Our review identified that the IRS has taken actions to improve customer service for taxpayers who seek face-to-face assistance. For example, the IRS provides a further service to taxpayers who contact the IRS to make an appointment by attempting to resolve the taxpayer’s question or provide the taxpayer with information on alternative services when they call to schedule an appointment. IRS management reported that since adopting the appointment system, just over one-half of the taxpayers who call the appointment line have their issues resolved by a CSR and are not required to visit a TAC.

Our evaluation of a statistical sample of 65 recorded telephone calls to the appointment line identified that the CSR provided the correct response to the taxpayer’s question or took the correct actions to resolve the taxpayer’s issue for 60 (92 percent) calls. Our results are comparable to the 96 percent customer accuracy rating that the CQRS reported for the appointment line in FY 2018. Figure 3 provides the number of taxpayers who called the appointment line and the number of appointments scheduled in FYs 2016 through 2018.

Figure 3: TAC Appointment Line Calls and Appointments Scheduled in FYs 2016 Through 2018

	FY 2016	FY 2017	FY 2018
Taxpayer Calls to Appointment Line	1,841,400	3,535,294	3,554,860
The CSR Addressed Taxpayer Issue and No Appointment Was Needed	965,510	1,859,163	2,008,468
Appointments Scheduled	875,890	1,676,131	1,546,392
Percentage of Taxpayers Whose Issues Were Resolved During Call to Schedule Appointment	52%	53%	56%

Source: FA office and the Wage and Investment Division’s Business Performance Review report. The appointment system was implemented for all TACs in FY 2017.

In addition, the IRS developed and deployed a new appointment scheduling tool (called the Field Assistance Scheduling Tool) in February 2018. This tool is more user friendly and allows the IRS to analyze data about taxpayers who seek face-to-face assistance, such as the percentage of taxpayers who make appointments and the number of taxpayer issues resolved during the first contact with a CSR. The taxpayer data also allow the IRS to more efficiently allocate its resources and assist taxpayers before the tax filing deadline.



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However, we also identified that the IRS did not comply with congressional directives¹² included in the Consolidated Appropriations Act of 2018¹³ prior to closing the TACs, and that it still does not use its data-driven Geographic Coverage Model (GCM) to expand face-to-face assistance to underserved areas with a high number of taxpayers who are likely to seek this type of service.

The Internal Revenue Service Is Not in Compliance With Taxpayer Assistance Center Congressional Directives

The IRS closed 12 TACs in Calendar Year 2018, including four that were closed subsequent to the March 23, 2018, enactment date of the Consolidated Appropriations Act of 2018. Our review identified that the IRS did not comply with congressional directives accompanying this Act which require the IRS to:

- *Report to the committees on appropriations of the Senate and House of Representatives within 120 days of enactment of the Act on the steps being taken to prevent any TAC closures and the status of any proposed alternatives to fully staffed TACs.* The IRS did not provide the required report to the committees by July 21, 2018. IRS management indicated that the report was not submitted by July 21, 2018, because this did not provide adequate time to research, prepare, review, and submit the report timely. Management noted that a draft report was submitted to the IRS Legislative Affairs office on August 23, 2018, and the final report was submitted to the committees on November 20, 2018.
- *Conduct a study on the impact of closing a TAC and the adverse effects it has on taxpayers' ability to interact with the IRS.* Our review identified that the IRS did not conduct the required study on the impact of closing the four TACs¹⁴ that were closed after Congress passed the Consolidated Appropriations Act of 2018.

IRS management stated that they perform reviews to support their decisions for closing the TACs and believe these reviews satisfy the requirement in the Consolidated Appropriations Act to study the adverse effects on taxpayers. For example, management noted that they review information such as the lease expiration date for the TAC, taxpayer needs and preferences, cost savings, and population demographics. Management also analyzes the number of customers served, types of services requested, and available staffing. Our review of the closure documentation identified that the reviews completed by management do not include an assessment of the adverse effects

¹² A directive in the detailed explanation from the Senate Report supporting the Explanatory Statement of the Consolidated Appropriations Act of 2018.

¹³ Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, 132 Stat. 348.

¹⁴ Bullhead City, Arizona; Athens, Georgia; Durham, North Carolina; and Bellevue, Washington.



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on taxpayers and their abilities to interact with the IRS when a TAC is not within the taxpayers' geographic area.

- *Hold a public forum in the impacted community at least six months prior to a planned TAC closure and notify the committees on appropriations of the Senate and House of Representatives.* Our review identified that the IRS did not hold the required public forum for the four TACs closed. Management stated that they did not hold a public forum in the impacted communities because they do not consider these TACs to be closed. For example, management stated that the TAC in Durham, North Carolina, was consolidated into the TAC in Raleigh, North Carolina, and that the TAC in Bellevue, Washington, was consolidated into the one in Seattle, Washington. They also stated that they do not consider the remaining two TACs as closed because a VSD site was opened in the vicinity. We disagree with management's assertion and consider a TAC to be closed when the IRS announces to the public that it no longer provides face-to-face service at a specific location, even if the TAC is consolidated with another TAC or replaced with a VSD site in the same vicinity.

In addition, management stated that 95 percent of the services provided at a TAC can be provided through a VSD site. We agree that VSD sites provide many of the same services that a TAC provides. However, there are key services that a VSD site does not provide, such as assistance to taxpayers applying for an Individual Taxpayer Identification Number or needing help to resolve an identity theft issue, because the IRS does not allow the virtual authentication of identification documents.¹⁵ IRS management held a public forum for the Bristol, Virginia, TAC at the Bristol Public Library on August 14, 2018. The IRS stated that it held this forum to test the process, not to comply with the congressional directive. Finally, management stated that the directive to hold a public forum prior to a TAC closure is limited to the term of the appropriations bill to which it was attached.

Recommendation

Recommendation 1: The Commissioner, Wage and Investment Division, should ensure that an assessment is completed on the impact and adverse effects a planned TAC closure might have on taxpayers' ability to interact with the IRS, and a public forum is held prior to closing a TAC.

Management's Response: The IRS partially agreed with this recommendation. IRS management responded that steps are taken to ensure that community input is considered in all cases when a business decision is made to relocate a TAC in the same general business area, consolidate a TAC with another nearby TAC, or replace a TAC with another form of face-to-face service. Under former procedures, at least 60 days prior to a final decision, signage was posted at the impacted location providing taxpayers an

¹⁵ See Figure 2 for a comparison of services provided via the TACs and the VSD sites.



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opportunity to send written comments for inclusion in the decisionmaking process. If a substantial number of comments are received, further steps are taken to solicit feedback, possibly including a local forum or focus group. Replies to the written feedback include full information on all forms of taxpayer assistance available in the local community and through electronic media. Once a final decision is made, all stakeholders are provided a written report outlining the decision and the impact to taxpayers.

IRS management also stated that they complied with the directive for a public forum, as required by the Consolidated Appropriations Act of 2018, effective for the period covered by the FY 2018 Taxpayer Services appropriation. The FY 2019 Taxpayer Services appropriation requires a 90-day notice to congressional committees. The IRS amended its 60-day procedure to comply with that directive in all cases of proposed TAC closures. The IRS also plans to provide a 90-day notice in cases in which it plans to relocate a TAC in the same general business area, consolidate a TAC with another nearby TAC, or replace a TAC with another form of face-to-face service.

Office of Audit Comment: While the IRS listed activities that it performs to inform the public of TAC closures and obtain community input, the documentation provided to us by the IRS did not include a study on the adverse effects a planned TAC closure might have on taxpayers' ability to interact with the IRS. For example, certain situations require taxpayers to visit a TAC, such as when they are asked to visit a TAC to authenticate their identity after receiving a letter from the Taxpayer Protection Program. Taxpayers in these situations will be adversely affected because they must travel a longer distance to visit a TAC. Conducting a study on these types of taxpayer impacts would allow the IRS to make informed decisions when considering whether to close a TAC.

The Geographic Coverage Model Should Be Used When Expanding Face-to-Face Assistance to New Locations

In response to our prior review,¹⁶ the IRS stated that it uses its GCM to identify optimal locations to provide face-to-face assistance to the greatest number of taxpayers. However, we found that the IRS uses the GCM primarily to evaluate locations that already have a TAC. For example, as part of its decisionmaking process for closing a TAC, the IRS uses the GCM to identify the demographic data for taxpayers who live near the TAC and other nearby TACs. The IRS has not opened a new TAC since Calendar Year 2007. Instead, the IRS has focused on opening VSD sites near locations where the IRS closed a TAC or near a TAC that is open but has staffing shortages.

The GCM evolved from the IRS's Geographic Coverage Initiative in February 2008 and included representatives from four IRS offices – the FA office, the Office of the National

¹⁶ Treasury Inspector General for Tax Administration, Ref. No. 2014-40-038, *Processes to Determine Optimal Face-to-Face Taxpayer Services, Locations, and Virtual Services Have Not Been Established* (June 2014).



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Taxpayer Advocate, the Real Estate Facilities and Management function, and the Office of Program Evaluation and Risk Analysis. The purpose of the Geographic Coverage Initiative was to identify opportunities to better align taxpayer needs with resource allocations using demographic information to determine the best places for the TACs. The GCM uses tax return and U.S. census data to identify optimal locations for the IRS to assist the highest number of taxpayers who live within a 30-, 40-, or 50-minute drive of a location. In addition, the GCM can segment taxpayer populations by characteristics such as income levels, limited-English proficiency, and disabilities.

Face-to-face service is not provided in 28 locations suggested by the GCM

We worked with the IRS's Research function to use the GCM to identify sites nationwide that have a high concentration of both low-income taxpayers, *i.e.*, income less than \$35,000, and taxpayers who received an IRS notice. These are taxpayers, based on the IRS's TAC Customer Survey Results, who will likely seek face-to-face assistance. Our analysis of tax data supports these survey results. We found that about 60 percent of taxpayers assisted in Calendar Year 2017 had low income and 61 percent received a notice from the IRS.

The IRS's Research function provided us a list with the optimal location, distance to the closest TAC, and number of taxpayers living within a 30-minute drive of each optimal location as follows:

- The top 363 locations¹⁷ by zip code that have the highest number of low-income taxpayers.
- The top 363 locations by zip code that have the highest number of taxpayers who received an IRS notice.

Our analysis of the GCM data identified 238 locations that have both a high number of low-income taxpayers and taxpayers who received an IRS notice. We then compared these locations to sites where the IRS currently provides face-to-face assistance and identified 28 underserved locations with a high number of taxpayers who are likely to seek face-to-face assistance. Figure 4 provides these 28 underserved areas along with the number of taxpayers who live in each area.

¹⁷ We requested the top 363 zip codes because 363 TACs were open during our audit planning on February 21, 2018.



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Figure 4: Locations With the Greatest Number of Underserved Taxpayers

Zip Code	City	Miles to Closest TAC	Number of Low-Income Taxpayers	Number of IRS Notice Recipients
35456	Duncanville, Alabama	42	58,679	19,556
86327	Dewey, Arizona	63	57,298	16,266
93550	Palmdale, California	33	117,554	41,021
81007	Pueblo, Colorado	32	50,698	12,569
32542	Eglin AFB, Florida	40	67,529	21,947
32145	Hastings, Florida	42	75,276	17,079
34748	Leesburg, Florida	31	50,568	11,967
33952	Port Charlotte, Florida	31	70,068	14,989
31625	Barney, Georgia	54	52,884	12,895
30179	Temple, Georgia	33	73,237	27,344
70446	Loranger, Louisiana	47	48,726	15,721
70464	Talisheek, Louisiana	42	82,577	33,380
48827	Eaton Rapids, Michigan	59	153,102	36,604
55056	North Branch, Minnesota	39	51,604	16,073
65010	Ashland, Missouri	93	82,916	18,057
63087	Valles Mines, Missouri	43	48,727	13,072
03276	Tilton, New Hampshire	32	61,797	15,421
28555	Maysville, North Carolina	48	89,499	20,540
43783	Somerset, Ohio	40	97,070	17,473
17307	Biglerville, Pennsylvania	32	106,235	20,458
29634	Clemson, South Carolina	32	96,239	26,639
29370	Mountville, South Carolina	38	49,047	16,925
37874	Sweetwater, Tennessee	39	58,287	11,565
77702	Beaumont, Texas	55	104,303	25,276
78046	Laredo, Texas	129	89,501	22,323
76571	Salado, Texas	42	129,748	34,963
78666	San Marcos, Texas	36	89,949	27,055
77878	Snook, Texas	72	69,216	18,166

Source: *The GCM.*



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When we asked FA office management why they have not used the GCM to expand face-to-face assistance to new locations, they stated that budget limitations prevent them from expanding face-to-face assistance. However, they also stated that they plan to open additional VSD and SSA co-located sites. As our analysis indicates, the GCM identifies underserved locations where the IRS can assist the greatest number of taxpayers and should be used to select additional VSD and SSA co-located sites.

There are opportunities to use the GCM to ensure that current VSD and SSA co-located sites and future site expansions are in optimal locations

The IRS opened its existing TACs prior to the creation of the GCM and would face challenges relocating the TACs to locations identified by the GCM. However, management does not use the GCM to identify optimal locations for VSD and SSA co-located sites. For example:

- The GCM was not used to identify the 38 VSD sites that the IRS currently has open. IRS management could not provide any documentation or analysis to support the business decision to open VSD sites at these locations. Our use of the GCM identified that 23 (60 percent) of the 38 VSD sites are not within 30 miles of an optimal location per the GCM. The fact that the IRS did not use its GCM to select these sites may be a contributing factor to the low volume of taxpayers who obtain assistance through the VSD sites. For example, the 38 VSD sites served only 280 taxpayers in FY 2018. The IRS can move a VSD site, as needed, more easily than relocating a TAC. According to IRS management, it costs \$6,000 to relocate a VSD site. As of February 5, 2019, management stated that they are working with a community partner to install a VSD in one new site.
- The GCM was not used to identify the five co-located SSA sites where the IRS has assisted taxpayers since FY 2017. IRS management used criteria provided by the SSA. For example, management considered whether the SSA office had a vacant service window and was in the same city as an IRS office. Our use of the GCM identified that three (60 percent) of the five SSA co-located sites are not within 30 miles of an optimal location per the GCM. SSA officials indicated that they identified 35 additional locations where they can potentially share an office with the IRS in FY 2019. Further expansion of SSA co-located sites provides the most economical option for the IRS. For example, it cost the IRS only \$26,984 to rent space at the five SSA co-located sites in FY 2018.

FA office management stated that the GCM is not the main driver, nor should it be, for expanding face-to-face service to new locations. For example, management stated they consider other factors such as public accessibility to the location, transportation, existence of government buildings, and taxpayers' preferences. While we agree that the IRS should consider these factors, the GCM can be used to identify locations that would serve the most taxpayers who are likely to seek face-to-face assistance, *i.e.*, taxpayers with low income and those who received an IRS notice.



The Internal Revenue Service Did Not Follow Congressional Directives Before Closing Taxpayer Assistance Centers; a Data-Driven Model Should Be Used to Optimize Locations

Recommendation

Recommendation 2: The Commissioner, Wage and Investment Division, should ensure that the GCM is used to support business decisions on the locations of current VSD and SSA co-located sites and for future expansion of these sites to optimal locations.

Management's Response: The IRS agreed with this recommendation. IRS management responded that they plan to expand VSD sites into densely populated areas and will use the GCM to provide data that will help inform their decisions on locations where the VSD is deployed. However, use of the GCM will not provide meaningful data to determine co-located sites with the SSA or rural and underserved locations.

Office of Audit Comment: Although IRS management agreed with our recommendation, their corrective actions will not address the low usage of the VSD at the 38 sites where the VSD is currently located. As we stated in our report, the IRS's 38 current VSD sites served only 280 taxpayers in FY 2018. This is a strong indication that these sites are not optimally located. Additionally, we disagree that the IRS's use of its GCM will not provide meaningful data for determining co-located sites with the SSA. The SSA's website has a list of 1,354 field offices that could be used in conjunction with the GCM to identify optimal co-located sites with the SSA.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to evaluate IRS efforts to provide tax account assistance to taxpayers seeking face-to-face assistance at the TACs, VSD sites, or other agencies partnering with the IRS. To accomplish this objective, we:

- I. Evaluated IRS efforts to assist taxpayers seeking face-to-face assistance at TAC, SSA co-located, FSA, and VSD sites.
 - A. Evaluated the process implemented to ensure that TAC, VSD, FSA, and SSA co-located sites are optimally located to assist the most taxpayers and minimize taxpayer burden.
 1. Discussed with IRS management the methodology established for identifying optimal locations to provide face-to-face assistance to the most taxpayers. (Follow up on Recommendation 4 in our previous audit on face-to-face service options.)¹
 2. Reviewed the documented procedures implemented by management to ensure that TAC, VSD, FSA, and SSA co-located sites are optimally located.
 3. Reviewed analyses conducted by the IRS to assess the efficiency and effectiveness of current TAC, VSD, FSA, and SSA co-located sites, including the basis for any proposed future site locations.
 4. Reviewed the number of taxpayer contacts at TAC, VSD, FSA, and SSA co-located sites to identify trends since FY² 2016.
 5. Evaluated the process established to identify the best locations to provide VSD services, including the development of a long-term delivery plan and the justification for VSD site expansion in FY 2018. (Follow up on Recommendation 6 of our previous audit.)
 - B. Reviewed the data on taxpayers assisted by the FA office in Calendar Year 2017 to evaluate their income, age, and possible reasons for requiring face-to-face assistance.
 1. Obtained the IRS FA office employee list for Calendar Year 2017.

¹ Treasury Inspector General for Tax Administration, Ref. No. 2014-40-038, *Processes to Determine Optimal Face-to-Face Taxpayer Services, Locations, and Virtual Services Have Not Been Established* (June 2014).

² Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.



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2. Obtained the IRS FA office employees' Integrated Data Retrieval System³ audit trails⁴ from Processing Year⁵ 2017 to identify the Taxpayer Identification Numbers being assisted by IRS FA office employees as evidence of face-to-face assistance.
 3. Matched the list of Taxpayer Identification Numbers from Step B.2. to Processing Year 2017 Individual Return Transaction File⁶ Individual Master File⁷ data to obtain the respective tax return data for further analysis of taxpayer characteristics such as income level and age.
 4. To identify the possible reasons for taxpayers requiring face-to-face assistance, matched the Taxpayer Identification Numbers from Step B.2. to the related Individual Master File and Individual Return Transaction File data.
 5. Analyzed the matched data to obtain possible reasons requiring face-to-face assistance.
- C. Determined whether the GCM is used to identify optimal face-to-face assistance locations.
1. Interviewed FA office management to determine how the GCM is used to determine optimal locations.
 2. Met with IRS employees responsible for the GCM to determine how it works and what inputs are used to produce results.
 3. Obtained a current output from the GCM to identify optimal face-to-face assistance locations based on FA office resources.
 4. Based on the output, determined whether the locations suggested by the GCM have a face-to-face service option. For locations without a face-to-face option, we determined why one was not available.
- D. Evaluated the actions taken by the IRS to inform the public and Congress regarding closed and unstaffed TACs in FYs 2017 and 2018.
1. Identified the processes and procedures that must be taken by the IRS to inform the public and Congress regarding any closed and unstaffed TACs.

³ IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.

⁴ A chronological record of system activities that is sufficient to permit reconstruction, review, and examination of a transaction from inception to final results.

⁵ The calendar year in which the tax return or document is processed by the IRS.

⁶ Contains data transcribed from initial input of the original individual tax returns during return processing.

⁷ The IRS database that maintains transactions or records of individual tax accounts.



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2. Obtained a list of the TACs closed or unstaffed in FYs 2017 and 2018.
 3. Reviewed pertinent documentation to assess whether the IRS held public hearings, performed detailed analyses of the specific characteristics of taxpayer populations that have used the TACs, and informed the public and Congress regarding the TACs closed or unstaffed in FY 2017 and 2018.
 4. Reviewed financial and operational documentation and associated data analyses used to support TAC closure decisions. (Follow up on Recommendation 5 of our previous audit.)
- II. Assessed whether the IRS appointment scheduling process is working effectively.
- A. Determined if the IRS's appointment system is scheduling TAC and VSD site appointments as intended.
 - B. Evaluated whether the CSRs are correctly scheduling appointments as required.
 - C. Evaluated the accuracy and reliability of CQRS results for the TAC appointment line.
 1. Selected a statistical sample of 65 of the 1,356 telephone calls to the appointment line from January 1, 2018, to April 30, 2018. The sample was selected using an estimated error rate of 5 percent, a confidence level of 90 percent, and a ± 10 percent precision rate.
 2. For the sample of calls in Steps II.C.1, determined whether the CSRs provided the correct response to the taxpayer question or took the correct action to resolve the taxpayer issue.

Data validation methodology

During this review, we obtained extracts from the Treasury Integrated Management Information System⁸ Employees data files for January 8, 2017, to January 6, 2018; Integrated Data Retrieval System audit trail files for Processing Year 2017; and the IRS's Individual Master File database for Processing Year 2017 that were available on the Treasury Inspector General for Tax Administration Data Center Warehouse.⁹ To assess the reliability of computer-processed data, programmers within the Data Center Warehouse validated the data files we extracted, and we ensured that each data extract contained the specific data elements we requested and that the data elements were accurate. For example, we reviewed judgmental¹⁰ samples of the data extracts and verified that the data in the extracts were the same as the data captured in the IRS's

⁸ The Treasury Integrated Management Information System supports payroll and personnel processing and reporting requirements for the IRS.

⁹ A collection of IRS databases containing various types of taxpayer account information that is maintained by the Treasury Inspector General for Tax Administration for the purpose of analyzing data for ongoing audits.

¹⁰ A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.



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Integrated Data Retrieval System or other systems, if possible. As a result of our testing, we determined that the data were sufficiently reliable for purposes of this report.

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: IRS strategies to assist taxpayers seeking face-to-face assistance at TAC, SSA co-located, FSA, and VSD sites. We evaluated these controls by reviewing policies and procedures, interviewing employees and management, and analyzing data.



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Appendix II

Major Contributors to This Report

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The Internal Revenue Service Did Not Follow Congressional Directives Before Closing Taxpayer Assistance Centers; a Data-Driven Model Should Be Used to Optimize Locations

Appendix III

Report Distribution List

Deputy Commissioner for Services and Enforcement
Commissioner, Wage and Investment Division
Chief, Communications and Liaison
Director, Customer Assistance, Relationships, and Education, Wage and Investment Division
Director, Field Assistance, Wage and Investment Division
Director, Stakeholder Liaison Field, Communications and Liaison
Director, Office of Audit Coordination



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Appendix IV

Management's Response to the Draft Report

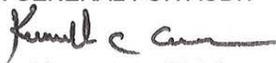


COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

April 17, 2019

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kenneth C. Corbin 
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – The Internal Revenue Service Did Not Follow Congressional Directives Before Closing Taxpayer Assistance Centers; A Data-Driven Model Should be Used to Optimize Locations (Audit # 201840028)

Thank you for the opportunity to review and comment on the subject draft report. We appreciate the acknowledgement of the many actions that IRS has taken to improve customer service for taxpayers who seek face-to-face assistance, which includes Taxpayer Assistance Centers (TAC) and virtual services. We also appreciate the acknowledgements of the accomplishments that we have achieved in the appointment process, the appointment scheduling tool, the Social Security Administration (SSA) co-located sites pilot, the expansion of service through Virtual Service Delivery (VSD) sites in external partner locations and the expedited services that taxpayers can receive through Facilitated Self Assistance Kiosks.

We strive to offer services in the most convenient, efficient, and effective ways possible, using an omni-channel approach, which reaches those individuals who may not have access to Internet service or are not comfortable using it to obtain answers to their questions. For example, as the Taxpayer Inspector General for Tax Administration (TIGTA) notes in the report, in FY 2018, of the 3.5 million calls answered by customer service representatives on the appointment line, 56 percent of taxpayer issues were resolved over the telephone when they called to schedule appointments. This is a great convenience to taxpayers, saving them travel time to the TAC and responding to their needs sooner. This also allows the IRS to provide face-to-face service to those most in need. When combining telephone resolutions with the almost 2.9 million face-to-face contacts, nearly 5.4 million taxpayers were served in FY 2018, despite reduced staffing.

The IRS continually evaluates service needs and delivery options. We routinely review locations and available services to promote more efficient and effective use of the government's real estate assets, and to comply with executive orders and congressional



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directives. Consideration is also given to the level of resources available for the appropriation that funds TAC rent and security costs. We evaluate posts-of-duty with a high percentage of vacant workstations or with a sizable number of field-based employees, as well as demand from taxpayers. Space reduction projects are initiated when leases expire, relocations of staff occur, training space needs are reviewed, and when other workforce needs exist.

During these reviews, we analyze taxpayer demand for face-to-face service in the community and determine how to effectively meet taxpayer needs and preferences. As each TAC location comes under review, the IRS compiles data such as the number of customers served, types of service requested, available staffing and other factors, to determine the most efficient and effective method to meet taxpayer face-to-face service needs. If a tentative decision is made to change the method of providing that service, either through moving the TAC location, consolidating locations or consideration of closure of the location, taxpayers in the community are invited to provide their input into the final decision-making process. When data and preliminary public comments raise no concerns, and traditional face-to-face service is no longer needed in a location, we review options for providing alternative service.

When a TAC must be closed, its closure does not eliminate face-to-face service from a community. Closing a brick and mortar TAC and offering virtual services through VSD, in those locations where we no longer have an assistant, is an alternative to maintain face-to-face service in locations where staff and taxpayer traffic is limited. In a recent report¹, upon thoroughly evaluating VSD, the TIGTA concluded, *“Overall, we found that VSD equipment is user-friendly, high quality, and reliable, making virtual service interactions a reasonable substitute for face-to-face assistance.”* Of the four brick and mortar TACs closed after Congress passed the Consolidated Appropriations Act of 2018, three were replaced by virtual TACs through VSD at partner sites less than four miles from the original TAC. One TAC was closed at the request of the lessor and the employees were placed in another TAC within 10 miles of the original location.

The TIGTA asserts that IRS’s Geographic Coverage Model (GCM) should be used to ensure face-to-face service at VSD and SSA co-located sites, and future site expansions, is provided in optimal locations. The report identifies 28 locations for expansion of face-to-face service. We agree that the model should be used for this purpose; however, the model is not intended to be prescriptive and should only be considered as one factor among many in the decision-making process.

The model identifies potential locations that may optimize coverage of target population groups (e.g., total population, Form 1040, U.S. Individual Income Tax Return filers, and individuals eligible for the Earned Income Tax Credit). The model calculates the population that lives within a given driving distance of each existing TAC. Additionally,

¹ TIGTA, Ref. No. 2019-IE-R002, *Although Virtual Face-to-Face Service Shows Promise, Few Taxpayers Use It* (November 13, 2018).



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the model can identify locations within a 50-minute drive of an existing TAC under consideration for relocation and calculate the resulting change in population coverage if the TAC were to move to those potential locations.

The model provides information about taxpayer coverage, but it does not factor the real-world feasibility of potential TAC locations, whether virtual or co-located with the SSA. For example, the model does not consider the following factors:

- Availability, cost-effectiveness, or security of office space in suggested TAC locations, as well as access to public transportation, parking availability, and space rental costs. Optimal locations it identifies may in fact be in residential and/or unsafe neighborhoods. Illustrating this point is the TIGTA's identification of potential TAC locations using only the GCM, where an Air Force base is identified as an optimal TAC location. Although safety at this location would not be a concern, civilian access to the TAC would be.
- Availability of staff for new locations. Existing staff may be unable to relocate to the locations suggested.
- Geographic parity. The model shows that TACs cover relatively low populations in rural states like Alaska or North Dakota. It may nonetheless be preferable to maintain at least one TAC in each of these states rather than moving them to another state that already has a TAC, even if the models show that doing so would increase nationwide coverage.
- Convenience to taxpayers. The model maximizes coverage but not necessarily convenience. For example, if two large metropolitan areas are a two-hour drive apart, the model may suggest placing one single TAC between them because the populations of both cities would still be considered covered. In practice, it would make more sense to place one TAC in each city center rather than requiring all taxpayers to drive an hour to an in-between location.
- Capacity limitations. The model assumes that each TAC location can serve an unlimited number of taxpayers and does not account for the fact that extremely large cities likely require at least two or three TACs.

We continue to collaborate with the SSA on the co-located site pilot. This pilot allows the IRS to use its existing TAC staff to test the feasibility of the integration of services and space for both agencies within their established footprints. Upon completion of the pilot the IRS and SSA will determine the success of the pilot, which could possibly lead to expansion of services to geographic locations where the SSA currently provides service, but the IRS does not.



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We disagree with the TIGTA's statement that IRS management could not provide any documentation or analysis to support its business decision to open VSD sites in 38 locations. Virtual Service Delivery site selection for 36 of the 38 sites was based on an analysis of existing face-to-face services in each of the sites that were operational. In each of those cases VSD replaced, or was in addition to, a brick and mortar TAC to ensure continued face-to-face service to taxpayers in those geographic communities. Two of the VSD sites were selected to expand face-to-face services to rural communities with smaller populations that were considered to be underserved and have limited Internet bandwidth for personal computer use. The GCM is not designed to identify these rural communities due to smaller population centers. Rather, they are identified more appropriately through maps that show a broader compendium of services that the IRS provides through leveraged partnerships. The IRS will continue to leverage the 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 of identifying potential TAC locations.

We are pleased that the TIGTA recognizes our efforts to improve service, specifically face-to-face service provided through our TACs, SSA co-located sites, and VSD locations. It is a top priority for the IRS to assist all taxpayers as they attempt to comply with their filing obligations. While there have been significant advances in technology and increased availability of alternative service choices, there will continue to be a preference for telephone and face-to-face service in many situations. The IRS is committed to finding ways to ensure all taxpayers have convenient and efficient service options.

Attached are our comments and proposed actions to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Dietra Grant, Director, Customer Assistance, Relationships and Education, Wage and Investment Division, at (470) 639-3443.

Attachment



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Attachment

Recommendations

RECOMMENDATION 1

The Commissioner, Wage and Investment Division, should ensure an assessment is completed on the impact and adverse effects a planned TAC closure might have on taxpayers' ability to interact with the IRS, and a public forum is held, prior to closing a TAC.

CORRECTIVE ACTION

We partially agree with this recommendation. In all cases where Field Assistance makes a business decision to relocate a Taxpayer Assistance Center (TAC) in the same general business area, consolidate a TAC with another nearby TAC, or replace a TAC with another form of face-to-face service, steps are taken to ensure community input is considered. Under former procedures, at least 60 days prior to a final decision, signage was posted at the impacted location, providing taxpayers an opportunity to send written comments for inclusion in the decision-making process. If a substantial number of comments are received, further steps are taken to solicit feedback, possibly including a local forum or focus group. Replies to the written feedback include full information on all forms of taxpayer assistance available in the local community and through electronic media. Once a final decision is made, all stakeholders are provided a written report outlining the decision and the impact to taxpayers, along with alternative forms of service available. Additional stakeholders include members of Congress, the Taxpayer Advocate Service and local media.

The directive for a public forum, attached to the Consolidated Appropriations Act of 2018 was effective for the period covered by the fiscal year 2018 Taxpayer Services appropriation. We complied with that directive. The fiscal year 2019 Taxpayer Services appropriation requires a 90-day notice to Congressional committees. The IRS has amended its 60-day procedure to comply with that directive in all cases of proposed TAC closures. The IRS will also provide a 90-day notice in cases where we plan to relocate a TAC in the same general business area, consolidate a TAC with another closely located TAC, or replace a TAC with another form of face-to-face service.

IMPLEMENTATION DATE

Implemented and ongoing

RESPONSIBLE OFFICIAL

Director, Field Assistance, Customer Assistance, Relationships and Education, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

N/A



The Internal Revenue Service Did Not Follow Congressional Directives Before Closing Taxpayer Assistance Centers; a Data-Driven Model Should Be Used to Optimize Locations

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RECOMMENDATION 2

The Commissioner, Wage and Investment Division, should ensure the Geographic Coverage Model is used to support business decisions on the locations of current VSD and SSA co-located sites and for future expansion of these sites to optimal locations.

CORRECTIVE ACTION

We agree with this recommendation for any expansion of Virtual Service Delivery into densely populated areas and will expand our use of the Geographic Coverage Model to provide data that will help inform our decisions on the locations where it is deployed. Use of the GCM will not provide meaningful data for determining co-located sites with the Social Security Administration, nor will it provide meaningful data for determining rural and underserved locations.

IMPLEMENTATION DATE

June 15, 2020

RESPONSIBLE OFFICIAL

Director, Field Assistance, Customer Assistance, Relationships and Education, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

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