
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Office of Inspections and Evaluations



*Although Virtual Face-to-Face Service
Shows Promise, Few Taxpayers Use It*

November 13, 2018

Reference Number: 2019-IE-R002

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1 = Tax Return/Return Information

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Although Virtual Face-to-Face Service Shows Promise, Few Taxpayers Use It

Highlights

Highlights of Report Number: 2019-IE-R002 to the Commissioner of Internal Revenue.

WHY TIGTA DID THIS STUDY

Driven by changing taxpayer preferences and reduced budgets, the IRS has piloted “virtual” service options. Three business units—Field Assistance, the Office of Appeals, and the Taxpayer Advocate Service—use high-definition video conferencing technology, referred to as Virtual Service Delivery (VSD), to conduct virtual face-to-face interactions with taxpayers. Taxpayer use of the program has been declining for several years. The overall objective of this evaluation was to determine how effectively the IRS uses virtual technology to serve taxpayers face to face.

IMPACT ON TAXPAYERS

VSD gives taxpayers the opportunity to interact with IRS employees through a computer at 47 locations. A taxpayer can travel to certain IRS offices or community partners, like a public library, and receive assistance from a remote IRS employee using a virtual workstation. The IRS is also piloting technology that allows employees to interact virtually face to face with taxpayers from their own homes or personal devices.



WHAT TIGTA FOUND

The IRS has struggled to define the goal of the VSD program and quantify program effectiveness; however, the service shows promise. TIGTA used VSD equipment in nine locations and found that it is high quality and user-friendly. VSD facilitates a similar experience to an in-person, face-to-face interaction. However, less than 2,700 taxpayers used the service in Fiscal Year 2017.

TIGTA found that a number of factors contribute to infrequent taxpayer use of VSD. First, some VSD sites are located near Taxpayer Assistance Centers. IRS research shows that taxpayers prefer to visit a Taxpayer Assistance Center over VSD when they are in close proximity. Second, none of the business units routinely advertise or promote VSD. Thus, it is likely most taxpayers do not even know it is an option. Lastly, the VSD program is limited in the services it offers. For example, taxpayers cannot use VSD to apply for an Individual Taxpayer Identification Number or resolve potential identity theft issues because the IRS does not allow the virtual authentication of identification documents (although Federal guidelines permit virtual authentication).

According to the IRS, it has spent about \$5.3 million since Fiscal Year 2011 on the VSD program and will spend another \$1.7 million through Fiscal Year 2020 in maintenance and customer support contracts. Absent significant changes in oversight and management, the VSD program will likely continue to reach a very limited audience.

Field Assistance and the Office of Appeals are piloting web-based video conferencing software that could enable taxpayers to interact with IRS employees from their own homes. However, neither business unit has developed criteria to determine whether the pilots have been successful, and participation in the pilots has been limited.

WHAT TIGTA RECOMMENDED

TIGTA made a number of recommendations to improve the VSD program, including the development of goals and performance measures and a process to identify VSD locations that align with program goals. TIGTA also recommended that the IRS conduct public awareness activities to increase taxpayers’ knowledge of the VSD program. Finally, TIGTA recommended that the IRS determine the feasibility of developing procedures that would allow taxpayers to verify their identities through the VSD program. The IRS agreed with four recommendations and generally agreed with the other recommendation.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 13, 2018

MEMORANDUM FOR COMMISSIONER OF INTERNAL REVENUE

FROM: Gregory D. Kutz
Acting Deputy Inspector General for Inspections and Evaluations

SUBJECT: Final Evaluation Report – Although Virtual Face-to-Face Service Shows Promise, Few Taxpayers Use It (# IE-17-009)

This report presents the results of our review to evaluate how effectively the Internal Revenue Service uses virtual technology to serve taxpayers face to face. This evaluation is included in our Treasury Inspector General for Tax Administration Fiscal Year 2018 Plan. This review addresses the major management challenge of Providing Quality Taxpayer Service and Expanding Online Services.

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

If you have any questions about this report, you may contact me or Heather Hill, Director, Office of Inspections and Evaluations.



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Abbreviations

FY	Fiscal Year
IRS	Internal Revenue Service
TAC	Taxpayer Assistance Center
TAS	Taxpayer Advocate Service
TIGTA	Treasury Inspector General for Tax Administration
VITA	Volunteer Income Tax Assistance
VSD	Virtual Service Delivery

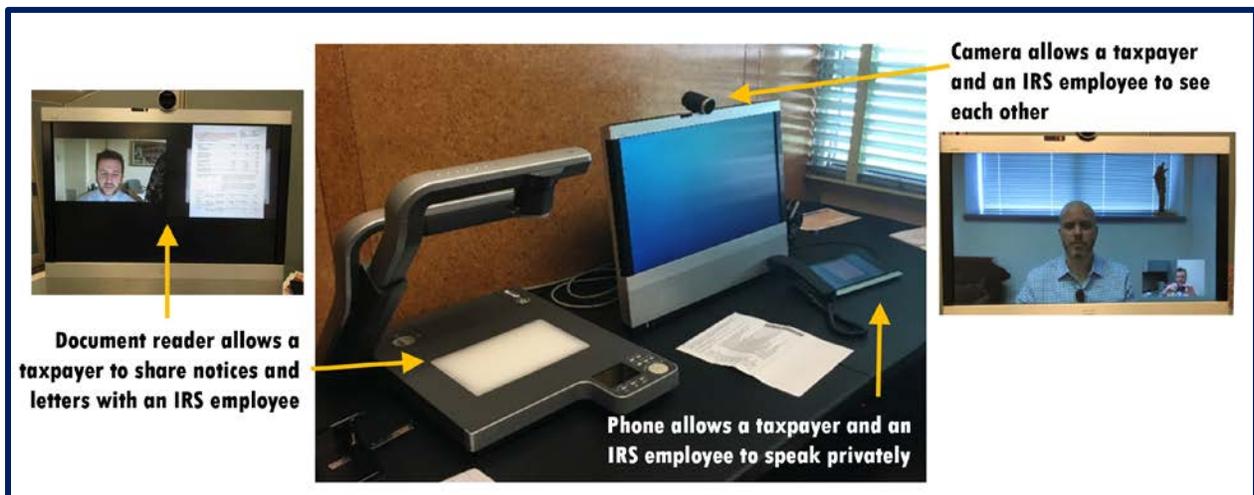


Although Virtual Face-to-Face Service Shows Promise, Few Taxpayers Use It

Background

Driven by changing taxpayer preferences and reduced budgets, the Internal Revenue Service (IRS) continues to develop alternative ways to serve taxpayers. One of the ways the IRS has chosen to meet the service needs and preferences of taxpayers is through video conferencing. Video conferencing technology allows taxpayers to use a workstation with a video monitor, two-way audio, and a document reader to communicate with IRS employees in a different location. The IRS refers to this as the Virtual Service Delivery (VSD) program. Figure 1 illustrates the features of a virtual service workstation.

Figure 1: Features of an IRS Virtual Service Workstation



Source: Photographs taken by Treasury Inspector General for Tax Administration (TIGTA) employees.

According to the device manufacturer, the equipment has a number of embedded security features such as encryption. In addition, the video conference calls are not recorded, and the system does not store any sensitive taxpayer information.

Field Assistance—which provides face-to-face support, education, and compliance services to taxpayers—was the first business unit to offer virtual services. In October 2011, Field Assistance offered virtual services at 10 Taxpayer Assistance Centers (TACs)¹ and two community partner sites (e.g., a nonprofit organization). Equipment was primarily placed in TACs that were understaffed or busy to help manage demand. For example, if a TAC had long wait times, taxpayers could use its virtual workstation to interact with an IRS employee in a

¹ TACs provide taxpayers with face-to-face assistance to resolve tax issues, answer tax law questions, make adjustments to tax accounts, and establish payment agreements for qualified individuals.



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different location. Partner sites were generally selected in areas where a TAC had closed. By October 2015, the program had expanded to 21 TACs and 10 partner sites.

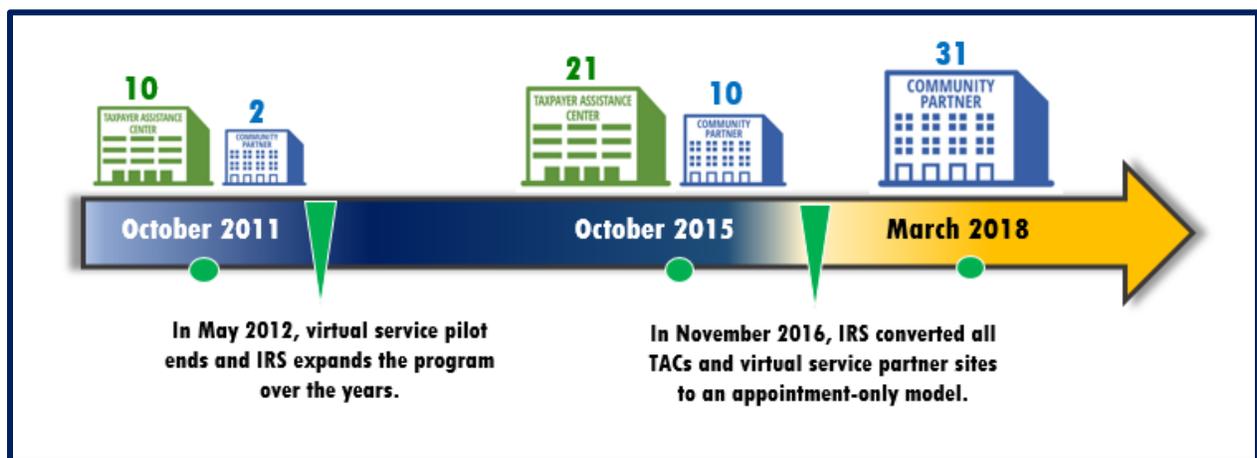
The Taxpayer Advocate Service (TAS)—which helps taxpayers resolve problems with the IRS—also began offering VSD in December 2011. The Office of Appeals (Appeals) function—which helps resolve tax controversies without litigation—began using VSD in July 2014. The TAS and Appeals primarily located VSD equipment in low-income taxpayer clinics or other IRS offices where they did not maintain a local presence.

As of May 2018, all three IRS business units continue to operate VSD sites. Appendix III shows a map of the 47 current VSD locations:

- Field Assistance at 31 community partners.
- Appeals at four community partners and six IRS offices.²
- TAS at three community partners and three IRS offices.

The Field Assistance program has evolved from a mostly TAC-based model to a model fully dependent on community partners (see Figure 2). This shift is because TACs transitioned to an appointment-only service model in November 2016. As a result, Field Assistance no longer needed virtual service equipment at TACs to handle walk-in traffic.

Figure 2: History of Field Assistance Virtual Service Locations and Program Expansion



Source: TIGTA analysis of IRS documents.

According to Field Assistance, the current objective of the VSD program is to expand face-to-face service at partner sites. This can result in reduced travel times for some taxpayers

² In July 2018, Appeals indicated that it is considering closing all of its VSD sites and returning the equipment to Field Assistance.



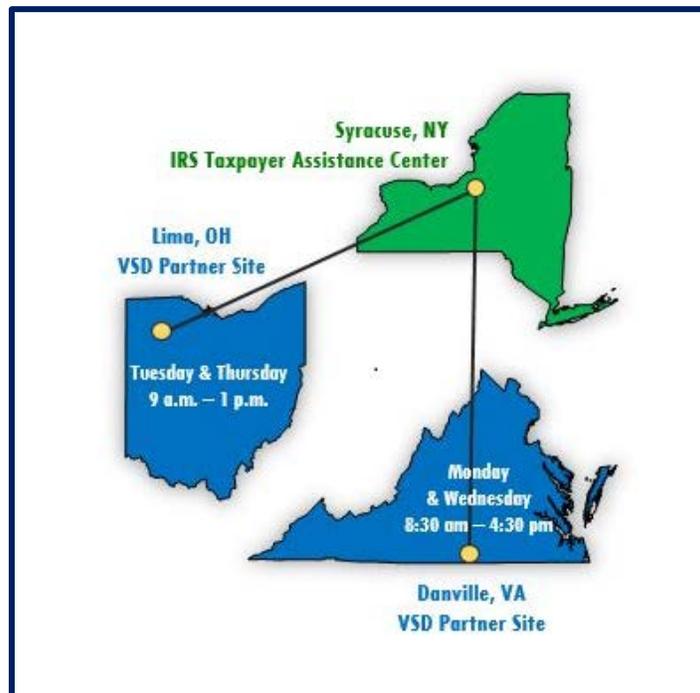
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seeking IRS assistance. For example, a taxpayer near Roswell, New Mexico, can visit a participating local nonprofit to receive virtual service from an IRS employee in another location. Previously, a traditional face-to-face interaction required the taxpayer to drive more than 150 miles to the nearest TAC.

To meet with a Field Assistance employee virtually, taxpayers must call the IRS and make an appointment in advance. Each partner site has a coordinator who is responsible for greeting taxpayers, confirming their appointment, and escorting them to the virtual workstation located in either a cubicle or a private room. The coordinator calls the supporting IRS office and turns on the video monitor to begin the interaction. Taxpayers then answer a series of questions to confirm their identity. The process is similar for taxpayers who want to meet with Appeals or TAS employees. However, the TAS does not require an appointment. In addition, some Appeals and TAS taxpayer-facing VSD locations are IRS offices, in which case an IRS employee helps to facilitate the call for the taxpayer instead of a partner site coordinator.

Figure 3 shows an example of a VSD relationship, where taxpayers at partner sites can use virtual service to interact with Field Assistance employees at another location.

Figure 3: Example of a VSD Relationship



Source: Information obtained from the IRS Wage and Investment Division.

The purpose of this review was to determine how effectively the IRS uses virtual technology to serve taxpayers face to face. For additional information about the objective, scope, and methodology, see Appendix I.



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Results of Review

The Virtual Service Delivery Program Does Not Have Clearly Articulated Goals or Meaningful Performance Measures

The three IRS business units that offer VSD have not clearly articulated the VSD program goals, other than the general goal of expanding taxpayer access to service and offering an alternative to traditional service channels. Moreover, none of the business units have formally documented performance measures to gauge program success. According to the Government Accountability Office, program objectives should clearly define what is to be achieved, who is to achieve it, how it will be achieved, and the time frames for achievement.³ Despite not having clearly documented goals or performance measures, Field Assistance officials assessed the value of the program by counting the number of partner locations that have opened, noting that in Fiscal Year⁴ (FY) 2011 there were two partner sites and in FY 2017 there were 31 sites. However, the number of sites does not tell the IRS anything meaningful about how many taxpayers have actually used the service, the cost of providing service through VSD as opposed to alternative methods, and whether or not partner site selection criteria effectively identifies ideal placement for the equipment.

Moreover, the IRS lacks a centralized and coordinated VSD strategy to align efforts between the multiple business units that offer VSD and to monitor the overall progress of the program. Limited coordination occurs in certain respects, such as occasional conference calls between businesses units. However, the absence of a more centrally managed process limits the sharing of best practices and may lead to missed opportunities to increase program effectiveness.

Exploring alternative service delivery arrangements, such as VSD, aligns with the IRS's goal to expand the ways in which taxpayers can interact with the IRS. However, pursuing alternative service delivery arrangements for the sake of pursuing them is not alone enough to justify a program's existence. Without a clear vision and related goals for the VSD program, it is not possible to objectively measure whether the program is operating effectively or efficiently.

³ Government Accountability Office, GAO-14-704G, *Standards for Internal Control in the Federal Government*, p.35 (Sept. 2014).

⁴ 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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Recommendation

Recommendation 1: The Commissioner, Wage and Investment Division, and the National Taxpayer Advocate should formally develop and document a vision and specific goals for their VSD programs and develop performance measures to monitor and evaluate the performance of the individual programs.

Management's Response: The IRS agreed with this recommendation and plans to develop a vision and specific goals for both VSD programs. Both plans will include defining the criteria used to measure performance and developing measures to monitor and evaluate the effectiveness of the programs.

While Virtual Service Technology Offers a Quality Face-to-Face Experience, Few Taxpayers Use It

In order to be successful, virtual technology must enable taxpayers to interact easily with IRS employees without interruption. During site visits to VSD locations, we could clearly see and hear individuals and easily share information using the features of the virtual workstation. 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.

We visited nine partner sites and simulated the experience that taxpayers may have when using virtual service.⁵ Instead of an IRS employee, TIGTA employees facilitated both ends of the interaction—one TIGTA employee acting as a taxpayer (from the partner site location) and another TIGTA employee acting as an IRS employee at either a TAC or IRS office. During our visits, we:

- Assessed the video quality of the webcam, computer monitor, and document reader (when available) by sharing a common IRS notice and personal identification documents and by simulating nonverbal communication such as facial expressions and gestures.
- Assessed the audio quality by reading a script of a hypothetical individual tax issue.

During our simulations, the high-definition computer monitor enabled us to recognize facial expressions and body language, which are important benefits of the VSD program according to the IRS. The phone system enabled us to hear each other without delays or echoing. Most of the virtual workstations were located in a private room at the partner sites, which limited background noise during our interactions. The document reader allowed us to see holograms and other markings on personal identification documents, such as a driver's license.

⁵ We visited eight Field Assistance partner sites and one TAC that the TAS uses as a customer-facing VSD site. See Appendix I for a list of the specific locations we visited and Appendix IV for selected summaries of our site visits.



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Figure 5: Very Few Taxpayers Use Virtual Services



Source: Information obtained from Field Assistance, TAS, and Appeals.

Note: Taxpayer Advocate Service figures are for Calendar Year 2017.

Field Assistance served considerably more taxpayers through its VSD program when the equipment was located mostly in TACs as a walk-in service. In FYs 2014 through 2016, an average of 22,000 taxpayers used virtual services. Fewer taxpayers have used virtual service now that equipment is located only in partner sites and VSD service requires that an appointment be made in advance. In FY 2017, the 31 partner sites served less than 600 taxpayers.⁶ The adoption of the TAC appointment policy has resulted in a decrease in VSD use. For example, some taxpayers have their issue resolved by an IRS employee during their phone call to make an appointment, eliminating their need to meet with the IRS at either a TAC or VSD partner site.

Although Field Assistance served the most taxpayers virtually, over half of its partner sites had five or fewer taxpayer appointments in FY 2017. In fact, nine (29 percent) of the 31 partner sites had no appointments.

According to the TAS, the change to an appointment model at the TACs has had a trickle-down effect and has also reduced the use of TAS's virtual equipment. Taxpayer use of the Appeals

⁶ At the beginning of FY 2017, some VSD equipment was still located in the TACs. These locations served more than 1,900 taxpayers of the total 2,700 taxpayers served by the VSD program.



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VSD program may be limited because Appeals only offered the service if taxpayers requested a face-to-face meeting and lived within 100 miles of the VSD location.

We believe a number of additional factors have caused infrequent use, including the placement of VSD partner sites near existing TACs, a lack of public outreach, and a limited number of services offered.

Many Field Assistance partner sites are located in close proximity to a TAC, which limits their effectiveness

As of May 2018, Field Assistance had 11 VSD partner sites located in the same city as a TAC. These 11 sites served a total of 24 taxpayers in FY 2017.⁷ Initially, Field Assistance located these partner sites near TACs that were understaffed or busy to help manage demand, but it later determined this strategy has been unsuccessful. IRS research shows that taxpayers prefer to visit a TAC instead of a VSD location when they are in close proximity.

Although Field Assistance captures taxpayer appointment data at VSD locations, at the time of our review it had not used this information to determine if the VSD machines should be relocated. Field Assistance said that it would use this information in the future and plans to relocate VSD equipment from these 11 locations once new partners are identified. As the Government Accountability Office has previously reported, using data to drive decision-making can help improve program implementation, identify and correct problems, and make other management decisions.⁸

In addition to relocating equipment, Field Assistance is adding 12 new partner sites in Fiscal Year 2018. According to Field Assistance, the new partners are located in rural areas (defined as having 500 people or fewer per square mile) and in areas without a TAC or are replacing a TAC that is currently not staffed. As the program expands, we believe that locating new partner sites in areas without a TAC can potentially increase the number of taxpayers who use virtual services.

In 2014, TIGTA recommended that Field Assistance establish a process to identify the best locations to provide face-to-face and virtual assistance to the most taxpayers.⁹ The IRS disagreed with our recommendation and stated that it already had a process to identify the optimal locations for assisting taxpayers. If some partner sites continue serving no taxpayers, and appointments decline further, the VSD program may not be a cost-effective way to provide

⁷ Five of the 11 sites had zero appointments.

⁸ Government Accountability Office, *Data-Driven Decision Making*, https://www.gao.gov/key_issues/data-driven-decision-making/issue-summary (last visited Aug. 1, 2018).

⁹ TIGTA, 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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face-to-face taxpayer service. Therefore, it is important that the IRS develop and document criteria to better identify areas where there is a need for VSD equipment.

Recommendation

Recommendation 2: The Commissioner, Wage and Investment Division, should develop a process to move existing equipment from locations where there has historically been little or no use to new locations that align with program goals. This process should consider taxpayer demand for service, historical VSD use, and existing service options.

Management's Response: The IRS agreed with our recommendation and will document the process by which demand for face-to-face service is gauged and evaluated to identify underserved locations where the deployment of VSD equipment will optimize service provision.

The IRS does not publicly advertise or promote virtual services

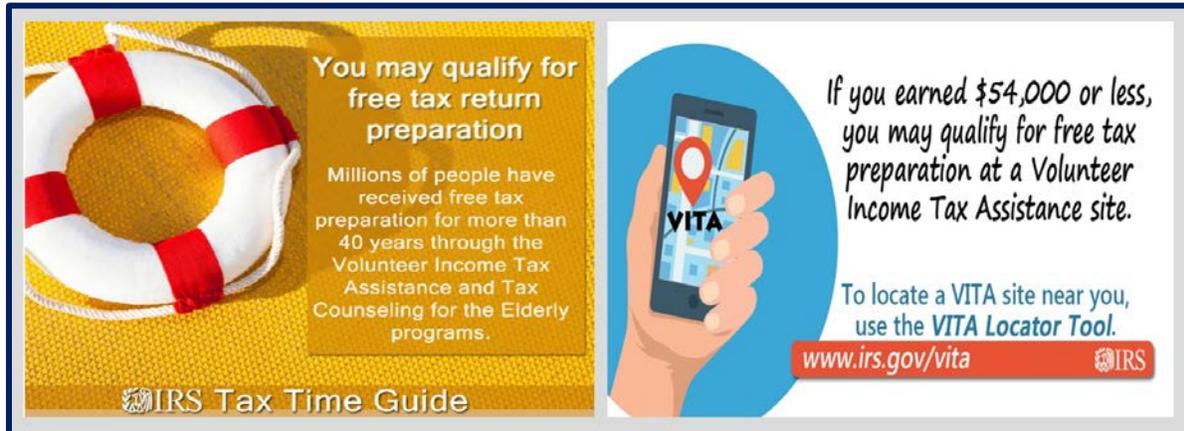
None of the three business units with a VSD program conduct ongoing outreach to increase public awareness of the program. However, the IRS advertises similar taxpayer service programs that rely on partner organizations. Field Assistance views the VSD program as an extension of TACs, which it does not publicly advertise. TAS and Appeals rely on the IRS website to provide information about their virtual service programs. We believe the lack of public awareness likely contributes to infrequent use of the program.

During our visits to partner sites, coordinators said they were interested in advertising the service to increase public awareness. Some coordinators suggested a “demo day” event during which the public could use the service to simulate a typical taxpayer interaction. Because there is no formal IRS outreach campaign, some coordinators have relied on word of mouth or developed their own marketing strategy. For example, one partner site uses social media to promote the service locally, and another created flyers for public distribution. This is unlike the IRS’s approach to promote its Volunteer Income Tax Assistance (VITA) program, which provides free tax return preparation for low-income taxpayers. The IRS conducts a nationwide awareness day promoting the program, uses social media to market the service, and has a website with marketing materials that partner sites can customize, download, and print. Figure 6 shows examples of how the IRS uses social media to advertise the VITA program.



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Figure 6: IRS Uses Social Media to Promote the VITA Program



Source: IRS intranet.

In addition to increasing awareness, public outreach may help reduce taxpayer confusion about the VSD program. According to some partner site coordinators, some taxpayers have walked in to get service and are unaware that the service requires an appointment. Unlike at TACs, the IRS does not have the ability to make same-day VSD appointments, so in this case a taxpayer must make an appointment to visit the VSD location at a later date. Other taxpayers were unaware they could only complete certain tasks through the VSD program.

Increased public awareness can help ensure that taxpayers understand and choose the most appropriate service option. However, broader awareness of the Appeals VSD program would not necessarily increase its use because, by design, the service is only offered to taxpayers in extremely limited circumstances.

Recommendation

Recommendation 3: The Commissioner, Wage and Investment Division, and the National Taxpayer Advocate should both conduct public awareness activities to increase taxpayers' knowledge of the VSD program.

Management's Response: The IRS agreed with this recommendation and will conduct public awareness activities aimed at increasing taxpayers' knowledge and awareness of its VSD program and work with their partners to explore options for increasing public awareness of VSD services.

Field Assistance could expand the number of services it offers through VSD

Compared to a TAC, the VSD program offers taxpayers fewer services. Specifically, the IRS does not allow taxpayers to present documents virtually to verify their identities even though



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Federal guidelines allow it.¹⁰ As previously mentioned, taxpayers are required to answer a series of questions to confirm their identity before beginning the VSD appointment. However, there are certain situations that require taxpayers to present physical documents to verify their identity. IRS management cited multiple reasons for not allowing virtual identity verification, such as privacy concerns and the need for forthcoming Federal guidance. We believe that fewer service options limits the number of taxpayers who choose to use virtual service. The National Taxpayer Advocate voiced similar concerns and stated in its 2014 Annual Report to Congress that the success of the VSD program is limited because it offers fewer service options to taxpayers.¹¹

There are several services available to taxpayers through a TAC that are not available at a VSD location. For example, taxpayers cannot:

- Make a payment.
- Drop off a tax return.
- Apply for an Individual Tax Identification Number.¹²
- Obtain copies of tax returns and transcripts.
- Verify their identity to resolve a potential identity theft issue.

For most of these services, the IRS has online self-service options or telephone service. Taxpayers can use online tools like *Get Transcript* to obtain copies of tax returns and *Direct Pay* to pay tax bills. However, in cases that involve potential identity theft, taxpayers must travel to a TAC to verify their identities if they are unable to do so over the phone or online. In addition, taxpayers may need to travel to a TAC to apply for an Individual Tax Identification Number, a process that also requires identity verification.

In Calendar Year 2017, more than 564,000 taxpayers traveled to a TAC to have their identities verified to either resolve an identity theft issue or complete an Individual Tax Identification Number application. Some of these taxpayers may have traveled several hours to a TAC even though they lived closer to a VSD location. We confirmed with the National Institute of Standards and Technology¹³ that Federal guidelines permit agencies to perform identity verification virtually. For example, the Social Security Administration allows customers to verify identities using virtual services at its community partner locations. We believe that existing VSD equipment meets Federal requirements for virtual identity verification and that more taxpayers would use the VSD program if they could resolve issues requiring identity verification.

¹⁰ National Institute of Standards and Technology, Special Publication 800-63A, *Digital Identity Guidelines Enrollment and Identity Proofing* (June 2017).

¹¹ The National Taxpayer Advocate, *NTA 2014 Annual Report to Congress*, p. 158 (Jan. 2014).

¹² A nine-digit number assigned to certain taxpayers for identification purposes.

¹³ The National Institute of Standards and Technology is responsible for developing standards and guidelines, including minimum requirements for Federal information systems.



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Recommendation

Recommendation 4: The Commissioner, Wage and Investment Division, should work with the Privacy, Government Liaison, and Disclosure's Identity Assurance Operations function to determine the feasibility of developing secure procedures that allow taxpayers to apply for an Individual Taxpayer Identification Number or resolve an identity theft issue through the VSD program.

Management's Response: The IRS generally agreed with this recommendation and will explore options for expanding the use of VSD services to resolve potential identity theft issues. However, IRS management noted that the application process for Individual Taxpayer Identification Numbers is currently not possible in a virtual environment.

Future Challenges Exist for Virtual Face-to-Face Programs

Both Field Assistance and Appeals are piloting web-based video conferencing software that will replace existing VSD equipment when it reaches the end of its lifecycle. However, few taxpayers have participated in the pilot, and no performance measures exist to allow the IRS to determine if the pilot is successful. Field Assistance offers the service at only a few partner site locations. Although Appeals offers taxpayers access to the service from their homes, because of an employee bargaining agreement, a limited number of Appeals employees have agreed to participate in the pilot. Despite limited participation, Field Assistance is requesting funding to expand web-based video conferencing software. However, we found that the budget requests do not have sufficient data to justify expansion.

Although the IRS views web-based video conferencing as the future of virtual face-to-face service, it remains in a pilot phase because of limited taxpayer participation

As of February 2018, 75 taxpayers participated in the Appeals pilot, while 128 taxpayers participated in the Field Assistance pilot through April 2018. Although the initial basis for conducting these pilots is unclear, both business units have extended their pilots because not enough taxpayers have used it. The Field Assistance pilot is limited because taxpayers cannot use the service at home and it is available at only four partner sites. Low participation—from both taxpayers and employees—has limited the Appeals pilot. Because of an employee bargaining agreement, Appeals can only offer the service through employees that have volunteered to participate in the pilot. Only 5 percent of Appeals employees have volunteered. Furthermore, only 4 percent of taxpayers who were offered the service accepted it.

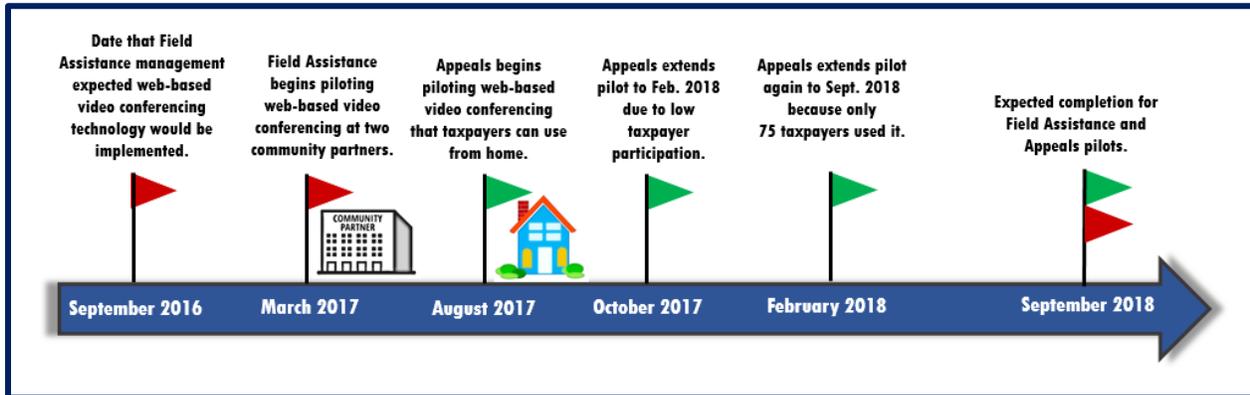
According to Field Assistance, web-based video conferencing software is less expensive and faster to set up than traditional VSD equipment. Web-based video conferencing requires only a laptop and software licenses and facilitates the same services as traditional VSD equipment. It may also be a more convenient option for some taxpayers. For example, the Appeals pilot has



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demonstrated that it has the potential to enable taxpayers to interact with IRS employees from their home computer. Figure 8 shows the history of web-based video conferencing efforts in Field Assistance and Appeals.

Figure 8: The IRS Continues to Pilot Web-Based Video Conferencing



Source: TIGTA analysis of IRS documents.

Field Assistance and Appeals have not established a plan for evaluating web-based video conferencing pilots

Although Field Assistance and Appeals track limited information about web-based video conferencing pilots such as taxpayer usage statistics, neither have developed a plan to evaluate the success of web-based video conferencing pilots. Despite this and the fact that the pilot will not end until September 2018, Field Assistance is requesting funding from the IRS's Information Technology organization to expand the program from four locations. Field Assistance is requesting funding for 70 video conferencing software licenses as part of an initiative to expand access to rural and unstaffed locations.

In addition, both pilots have not followed many of the leading practices for pilot design.¹⁴ A well-developed and well-documented pilot program can help ensure that an agency has the information necessary to make informed program decisions. For example, one of the leading practices is to identify lessons learned about the pilot to make decisions about scalability. We

¹⁴ According to the Government Accountability Office, the leading practices for pilot design include:

(1) Establishment of well-defined, appropriate, clear, and measurable objectives; (2) Clear data gathering strategy and detailed data analysis plan to track the pilot's implementation and performance; (3) Identification of criteria for identifying lessons about the pilot to inform decisions about scalability and whether, how, and when to integrate pilot activities into overall efforts; and (4) Ensuring stakeholder communication and input at all stages of the pilot project, including design, implementation, data gathering, and assessment. See Government Accountability Office, GAO-16-438, *Section 5 Pilot Design Issues Need to Be Addressed to Meet Goal of Reducing Recipient Reporting Burden*, pgs. 4–6 (Apr. 2016).



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found that, at the time of our review, both Appeals and Field Assistance were testing the same software at the same time; however, each function managed the pilots independently. As a result, useful insights or lessons learned were not being shared or applied.¹⁵ Both pilots have experienced technical issues, such as Internet connectivity, that contributed to extending the pilots. Unlike traditional VSD equipment, the quality of web-based video conferencing software is highly dependent on the Internet connection of the participants. In fact, a Field Assistance partner site withdrew from the pilot because of insufficient Internet speed that resulted in poor image and audio quality. This experience illustrates the potential difficulty in expanding web-based video conferencing, particularly in rural locations that may have limited Internet speed options. Although Field Assistance plans to expand web-based video conferencing, at the time of this review, it has only identified a few partners eligible to participate.

Neither pilot contains clear and measurable objectives or information on how data will be evaluated to draw conclusions. Additionally, both business units have not developed performance measures that would allow the IRS to determine if the pilots have been successful. As a result, neither business unit has the data necessary to make an informed decision about the viability of web-based video conferencing software.

Recommendation

Recommendation 5: The Commissioner, Wage and Investment Division, and Director, Office of Appeals, should develop and document the goals of their respective web-based video conferencing pilots and develop performance measures to monitor and evaluate the pilots.

Management's Response: The IRS agreed with this recommendation and will monitor and evaluate performance measures and define measurement criteria as it develops and documents goals for the web-based video conferencing pilot and evaluation plan.

Field Assistance budget requests do not provide sufficient data to justify expansion at this time

IRS records indicate that it has spent approximately \$5.3 million through FY 2017 on equipment and support contracts on the VSD program and plans to spend another \$1.7 million through FY 2020. We reviewed Field Assistance¹⁶ budget requests to the IRS's Information Technology organization for appropriated funds to expand VSD through web-based virtual services and believe the requests do not provide sufficient data to justify expansion at this time. For example, the requests state that one of the benefits of virtual service is that it reduces travel costs and time

¹⁵ After TIGTA made Field Assistance and Appeals aware of each other's pilots, the business units began limited coordination efforts. According to Appeals, it began to develop an internal website to maintain information about its pilot as a resource for other IRS business units.

¹⁶ Appeals and the TAS have no plans to request additional VSD equipment.



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for employees and taxpayers. However, these benefits are not quantified. Additionally, the requests do not contain any data on the number of taxpayers who have used the service, equipment quality, or partner site satisfaction. Finally, the budget request uses survey results from an unrelated pilot as support for its expansion. TIGTA found that IRS management did not approve previous funding requests to expand the VSD program in FYs 2014 and 2015, citing the low numbers of taxpayers who have sought to use the service.¹⁷

Clearly established performance measures would produce meaningful data that IRS management could use to track the program's performance. Additionally, these data could be included in any future budget requests to quantify the benefits of VSD to stakeholders. Finally, we believe that other recommendations included in this report—advertising the program, improving site selection, and expanding available services—may increase taxpayer demand for virtual services.

¹⁷ TIGTA, 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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Appendix I

Objective, Scope, and Methodology

The overall objective of this evaluation was to determine how effectively the IRS uses virtual technology to serve taxpayers face to face. To accomplish this objective, we:

- Reviewed prior TIGTA reports and IRS documents about the VSD program.
- Interviewed Field Assistance, Appeals, and TAS management about the goals, objectives, and performance measures for the VSD program and current web-based video conferencing pilots.
- Obtained the costs of administering the VSD program.
- Obtained historical data showing the numbers of taxpayers served through the VSD program.
- Compared the availability and the services offered between TACs and VSD partner sites.
- Interviewed staff from the Social Security Administration and the National Institute of Standards and Technology about virtual identity verification.
- Interviewed partner site coordinators at VSD locations about their experience with the VSD program.
- Assessed the audio and video quality of virtual technology including monitors, scanners, phones, and laptops at VSD locations. We did not assess the security of the equipment. We used a judgmental sampling¹ method because we did not plan to project the results from our site visits across the entire population of VSD locations. We visited:
 - Two Field Assistance sites that had three or fewer taxpayers use the service during FY 2016 and FY 2017.
 - Two Field Assistance sites that replaced TACs that closed.
 - Two Field Assistance sites that were in close proximity to other sites we visited.
 - One Field Assistance site that had a high volume of taxpayer traffic compared to other partner sites.
 - One Field Assistance site that is piloting new web-based video conferencing technology.

¹ A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.



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- One TAS site.

This review was performed during the period of January 2018 through June 2018 at the following locations:

- Wage and Investment Division Headquarters in Atlanta, Georgia.
- TAS Headquarters in Washington, D.C..
- VSD locations in Lake Havasu City, Arizona; Washington, D.C.; Cumberland, Maryland; Farmington, New Mexico; Staten Island, New York; Lima, Ohio; and Montpelier and Rutland, Vermont.
- TACs in Fresno and Santa Rosa, California; Jacksonville and Tampa, Florida; Fort Wayne, Indiana; New York, Rochester, and Syracuse, New York; and Philadelphia, Pennsylvania.

We conducted this evaluation in accordance with the Council of the Inspectors General for Integrity and Efficiency Quality Standards for Inspection and Evaluation. Major contributors to the report were Heather Hill (Director), Frank O'Connor (Acting Manager), Steve Nall (Lead Evaluator), Matt Schimmel (Senior Evaluator).



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Appendix II

Report Distribution List

Deputy Commissioner for Operations Support
Deputy Commissioner for Services and Enforcement
Chief, Appeals
National Taxpayer Advocate
Commissioner, Wage and Investment Division
Director, Customer Assistance, Relationships, and Education
Director, Field Assistance
Director, Stakeholder Partnerships, Communication, and Education
Office of Legislative Affairs
Director, Office of the Chief Risk Officer
Director, Office of Audit Coordination
Deputy Inspector General for Audit



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Appendix III

Map of Virtual Service Delivery Locations

As of May 2018, taxpayers can use virtual service at 47 locations.

Figure 1: VSD Locations as of May 2018



Source: Map generated based from information received from Appeals, Field Assistance (FA), and TAS management.



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Appendix IV

Summaries of Selected Virtual Service Delivery Partner Sites TIGTA Visited

Below is a summary of selected VSD locations that we visited during our evaluation. We visited eight community partner locations used by Field Assistance and one Federal building used by the TAS. Taxpayers must call the IRS and schedule an appointment to use virtual service at a community partner site. Taxpayer usage statistics are as of September 30, 2017.

Lake Havasu City, AZ Partner Site
Began offering virtual taxpayer assistance with the IRS in February 2013.
Nearest TAC is 124 miles away in Yuma, AZ.
Population density of 1,182 people per square mile (per 2010 Census).

- Virtual service equipment is located at a nonprofit that provides a number of different community services.
- Partner site replaced a TAC that closed in March 2012.
- Taxpayers can video conference with IRS employees in Fresno, CA.
- Virtual service is available Tuesday & Thursday from 9:30 a.m. – 4 p.m.
- Location has served 1,576 taxpayers since FY 2014.

Washington, DC Partner Site
Began offering virtual taxpayer assistance with the IRS in October 2016.
Nearest TAC is less than 5 miles away.
Population density of 9,856 people per square mile (per 2010 Census).

- Virtual service equipment is located at a nonprofit that provides a number of different community services.
- Taxpayers video conference with IRS employees in Fort Wayne, IN.
- Virtual service is available Tuesday & Thursday from 9:00 a.m. – 4 p.m.
- Location has served 18 taxpayers since its inception.
- Location also is piloting web-based video conferencing software that taxpayers can also use to virtually interact face to face with IRS employees.



Source: Google Maps

Cumberland, MD Partner Site
Began offering virtual taxpayer assistance with the IRS in May 2016.
Nearest TAC is less than 2 miles away.
Population density of 2,069 people per square mile (per 2010 Census).

- Virtual service equipment is located at a nonprofit that provides a number of different community services.
- Partner site supplements a TAC staffed by only 1 IRS employee.
- Taxpayers can video conference with IRS employees in Rochester, NY.
- Virtual service is available Monday & Wednesday from 8:30 a.m. – 4 p.m.
- Location has served zero taxpayers since its inception.



Source: TIGTA photograph of building exterior.



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Appendix V

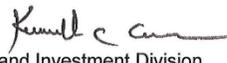
Management's Response to the Draft Report


COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

September 17, 2018

MEMORANDUM FOR GREGORY D. KUTZ
ACTING DEPUTY INSPECTOR GENERAL FOR INSPECTIONS
AND EVALUATIONS

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

SUBJECT: Draft Evaluation Report – Although Virtual Face-to-Face Service Shows Promise, Few Taxpayers Use It (#IE-17-009)

Thank you for the opportunity to review the subject draft report and provide comments. The IRS has historically provided service to taxpayers through three primary channels: telephone assistance through our toll-free service, face-to-face assistance at IRS facilities, and, most recently, through our expanding suite of online self-service tools. In past years, face-to-face assistance was primarily provided at our Taxpayer Assistance Centers (TAC) on a first-come, first-served basis. This model of service delivery frequently presented challenges in providing good customer service. Resources, including staff and equipment, could not be quickly or cost-effectively deployed from underused locations to those where demand exceeded capacity. In 2011, the IRS addressed these challenges by placing Virtual Service Delivery (VSD) technology in locations where significant imbalances between capacity and demand existed. This pairing permitted us to use available staff in an underused location to assist taxpayers at locations where demand was not being met.

As our experience using VSD increased, we found that taxpayers continued to prefer speaking with an available assistor, in-person, rather than using a VSD station in the TAC, even if doing so increased the time they waited for service. As the program evolved, we established partnerships with community service and other non-profit organizations that provide essential services to traditionally underserved populations. These partnerships permitted us to extend our range for providing virtual face-to-face service to areas where staffing brick and mortar facilities was not feasible. As of August 2018, our collaboration with community partners has permitted us to redeploy 38 VSD kiosks from TACs to the partner locations.



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In 2016, the IRS piloted an appointment service for taxpayers wishing to obtain assistance at a TAC. The pilot evolved to full-scale implementation in 2017, where taxpayers were asked to contact the IRS to schedule an appointment for most services provided at TAC locations. When taxpayers call our toll-free telephone line to schedule appointments, the Customer Service Representatives answering the calls identify the reasons appointments are being requested and can often assist taxpayers over the telephone, thus eliminating the need for them to visit the TACs. For those issues that cannot be resolved over the telephone, appointments are scheduled, guaranteeing the taxpayer can receive the assistance they need without the risk of undue wait times or encountering insufficient capacity due to high demand at any given location. We have incorporated scheduling VSD appointments into this program as well. This ensures taxpayers can obtain assistance with the least amount of time to wait or distance to travel, and that the equipment and an assistor are available at the appointed time.

As technology within the marketplace advances, we are embarking on piloting the next level of virtual service to customers. Where the current VSD equipment is stationary and requires a taxpayer to come to it, web-based video conference software will permit face-to-face interactions between the IRS and taxpayers through secure videoconferencing connections. As systemic dependencies are resolved, such as implementing encrypted secure messaging between the IRS and taxpayer email accounts to deliver hyperlinks for their scheduled service appointments, the VSD program will permit taxpayers to obtain assistance from us using their own computers or mobile devices without needing to leave their home, office, or other location. It is anticipated this will appreciably advance the service the IRS is able to provide to those taxpayers whose situations do not lend themselves to existing online or toll-free self-service options.

Attached are our comments and planned actions in response 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) 639-2782.

Attachment



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Attachment

Recommendations

RECOMMENDATION 1

The Commissioner, Wage and Investment Division and National Taxpayer Advocate should formally develop and document a vision and specific goals for their VSD programs and develop performance measures to monitor and evaluate the performance of the individual programs.

CORRECTIVE ACTIONS

We agree with this recommendation. Recognizing that the Virtual Service Delivery (VSD) technology meets unique needs and objectives of the organizations that use it and the populations they serve; both the Taxpayer Advocate Service and the Wage and Investment Division will develop a vision and specific goals for their respective VSD programs. Both plans will include defining the criteria against which performance will be measured and developing those measures to monitor and evaluate the effectiveness of the programs.

IMPLEMENTATION DATES

October 15, 2019 – Development of the National Taxpayer Advocate plan (Action 1)

October 15, 2019 – Development of the Wage and Investment Division plan (Action 2)

RESPONSIBLE OFFICIALS

National Taxpayer Advocate – Action 1

Director, Field Assistance, Customer Assistance, Relationships and Education, Wage and Investment Division – Action 2

CORRECTIVE ACTION MONITORING PLAN

We will monitor these corrective actions as part of our internal management control system.

RECOMMENDATION 2

The Commissioner, Wage and Investment Division, should develop a process to move existing equipment from locations where there has historically been little or no use to new locations that align with program goals. This process should consider taxpayer demand for service, historical VSD use, and existing service options.

CORRECTIVE ACTION

We agree with this recommendation. We will document the process by which demand for face-to-face service is gauged and evaluated to identify underserved locations where the deployment of VSD equipment will optimize service provision.



Although Virtual Face-to-Face Service Shows Promise, Few Taxpayers Use It

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IMPLEMENTATION DATE

October 15, 2019

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.

RECOMMENDATION 3

The Commissioner, Wage and Investment Division, and the National Taxpayer Advocate should both conduct public awareness activities to increase taxpayers' knowledge of the VSD program.

CORRECTIVE ACTIONS

We agree with this recommendation. The Taxpayer Advocate Service will conduct public awareness activities aimed at increasing taxpayers' knowledge and awareness of its VSD program. The Field Assistance function will work with our partners, considering resource impact to our partners, to explore options for increasing public awareness of VSD services.

IMPLEMENTATION DATES

October 15, 2019 – Development of the National Taxpayer Advocate plan (Action 1)

October 15, 2019 – Development of the Wage and Investment Division plan (Action 2)

RESPONSIBLE OFFICIALS

National Taxpayer Advocate – Action 1

Director, Field Assistance, Customer Assistance, Relationships and Education, Wage and Investment Division – Action 2

CORRECTIVE ACTION MONITORING PLAN

We will monitor these corrective actions as part of our internal management control system.

RECOMMENDATION 4

The Commissioner, Wage and Investment Division, should work with the Privacy, Government Liaison, and Disclosure's Identity Assurance Operations function to determine the feasibility of developing secure procedures that allow taxpayers to apply for an Individual Taxpayer Identification Number or resolve an identity theft issue through the VSD program.



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CORRECTIVE ACTION

We generally agree with this recommendation and will collaborate with the Privacy, Government Liaison, and Disclosure's Identity Assurance Operations function to explore options for expanding the use of VSD services to resolve potential identity theft issues. The results of our collaboration will be documented for use as a guide in identifying future uses for VSD services. We note that using VSD services for processing applications for Individual Taxpayer Identification Numbers is not appropriate as the application process requires applicants to provide original identification documents with Form W-7, *Application for IRS Individual Taxpayer Identification Number*, and Form 1040, *U.S. Individual Income Tax Return*. Upon identity authentication, the original identity documents are returned to the applicants; however, Forms W-7 and 1040 are retained by the IRS for continued processing. The exchange of custody of these documents is not possible in a virtual environment.

IMPLEMENTATION DATE

October 15, 2019

RESPONSIBLE OFFICIAL

Director, Field Assistance, Customer Assistance, Relationships and Education, Wage and Investment Division – Action 2

CORRECTIVE ACTION MONITORING PLAN

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

RECOMMENDATION 5

The Commissioner, Wage and Investment Division, and Director, Office of Appeals, should develop and document the goals of their respective web-based video conferencing pilots and develop performance measures to monitor and evaluate the pilots.

CORRECTIVE ACTIONS

We agree with this recommendation. Recognizing that the Virtual Service Delivery (VSD) technology meets unique needs and objectives of the organizations that use it and the populations they serve; the Office of Appeals will monitor and evaluate their performance measures. The Wage and Investment Division will define measurement criteria as it develops and documents its goals for the web-based video conferencing pilot and its evaluation plan.

IMPLEMENTATION DATES

March 15, 2019 – Monitoring and evaluation of performance measures by the Office of Appeals (Action 1)



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October 15, 2020 – Development and documentation of performance goals and measurement plan by the Wage and Investment Division (Action 2)

RESPONSIBLE OFFICIALS

Director, Appeals Case and Operations Support, Office of Appeals – Action 1

Director, Field Assistance, Customer Assistance, Relationships and Education, Wage and Investment Division – Action 2

CORRECTIVE ACTION MONITORING PLAN

We will monitor these corrective actions as part of our internal management control system.



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Washington, D.C. 20044-0589

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