



*The Strategic Improvement Themes in the
Taxpayer Assistance Blueprint Phase I
Report Appear to Be Sound; However, There
Were Some Inaccurate Data in the Report*

May 18, 2007

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

Phone Number | 202-927-7037

Email Address | Bonnie.Heald@tigta.treas.gov

Web Site | <http://www.tigta.gov>



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

May 18, 2007

MEMORANDUM FOR COMMISSIONER, INTERNAL REVENUE SERVICE

FROM: 
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report –The Strategic Improvement Themes in the Taxpayer Assistance Blueprint Phase I Report Appear to Be Sound; However, There Were Some Inaccurate Data in the Report (Audit # 200740012)

This report presents the results of our review to assess the accuracy and reliability of the data used to develop the Taxpayer Assistance Blueprint (TAB) Phase I report.

Impact on the Taxpayer

In July 2005, Congress issued a report requesting that the Internal Revenue Service (IRS) develop a 5-year plan including an outline of which services the IRS should provide and how it will improve services for taxpayers. The conclusions and strategic improvement themes outlined in the TAB Phase I report were valid; however, not all information included in the Phase I report was accurate and/or consistent. As the IRS moves forward with its 5-year service delivery plan, inaccuracies and/or inconsistencies will put the plan at risk of improperly aligning service content, delivery, and resources with taxpayer and partner expectations.

Synopsis

The focus of the TAB initiative is on services that support the needs of individual filers who file or should file Form 1040 series tax returns.¹ The IRS indicates the initiative will address the

¹ Form 1040 series tax returns include any IRS tax forms that begin with “1040” such as U.S. Individual Income Tax Return (Form 1040), U.S. Individual Income Tax Return (Form 1040-A), and Income Tax Return for Single and Joint Filers With No Dependents (Form 1040EZ).



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challenges of effectively and efficiently aligning service content, delivery, and resources with taxpayer and partner expectations.

To satisfy the report submission date of April 14, 2006, the IRS designed the TAB as a two-phased process. The TAB Phase I report identified strategic improvement themes by researching IRS service relative to taxpayers' needs and preferences. The TAB Phase II report will validate the strategic improvement themes through further research of taxpayers' service preferences and develop the 5-year plan for service delivery.

The majority of the information reviewed was accurate. Information found to be inaccurate and inconsistent did not affect the IRS' strategic improvement themes. Moreover, the five strategic improvement themes are common to organizations that aspire to deliver successful customer service.

In the TAB Phase I report, the IRS cited 173 data sources, which included surveys, studies, analyses of Form 1040 series tax return data, and discussions with internal and external stakeholders. The documentation for the data sources was well organized and easily accessible. A sample of 56 (27 included in the body of the report and 29 listed in the Reference Appendix) of the 173 data sources showed documentation was adequately maintained for all 56 data sources.

In general, the TAB Phase I report was well documented and accurate; however, there were some inconsistencies and inaccuracies which we brought to management's attention.

Ninety-five percent (55 of 58) of the statements reviewed (29 from the report's Reference Appendix and 29 statements sampled from the report text) were found to be accurate. However, the types of problems we found with the compilation of some of the data could adversely affect IRS management decisions. For example, we found inaccuracies in the report related to changes in Taxpayer Assistance Center visits and the number of telephone calls answered. In addition, the IRS did not ensure consistency between income and generational analyses and conclusions. The inconsistencies relating to income and generational segmentation do not impact the resulting strategic improvement themes outlined in the Phase I report.

If these inconsistencies exist in the Phase II report, the risk increases that the IRS will draw inaccurate conclusions based on erroneous data. We are unable to determine the impact the inconsistencies may have on results outlined in the TAB Phase II report because it was not available for review. The IRS would not provide us with a copy of the report before it was officially issued. The TAB Phase II report was issued the week of April 9, 2007, after completion of this review, and we have now begun our review to evaluate it.



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The inaccuracies and inconsistencies resulted primarily from the IRS not having an effective process to ensure all statements in the TAB Phase I report correctly reflected the results of its research and data analyses. We shared our results with management throughout the course of our review. They recognize the need to improve their quality assurance process. Management officials stated that actions have been taken to improve the process for the validation of information included in the TAB Phase II report. This process includes an indepth review to locate and verify the accuracy of all footnoted citations, reference documents, and data points contained in all charts and tables in the report. Verifications were also performed to ensure the accuracy of statements and representations included in the report. Therefore, we are not making recommendations at this time but will include testing of the quality review process in our review of the TAB Phase II report.

Management stated they have improved the process for validating information in the TAB Phase II report

Response

IRS management indicated that prior to the completion of this report, a thorough quality review process was developed and implemented for the TAB Phase II. Experienced analysts validated information in the TAB Phase II report, including all citations, reference documents, and data presented in the report. This process was thoroughly documented, and the IRS believes the result is an accurate and well-documented TAB Phase II report. Management's complete response to the draft report is included as Appendix V.

Please contact me at (202) 622-6510 if you have questions or Michael E. McKenney, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 622-5916.



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*The Strategic Improvement Themes in the Taxpayer Assistance
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Abbreviations

IRS	Internal Revenue Service
TAB	Taxpayer Assistance Blueprint



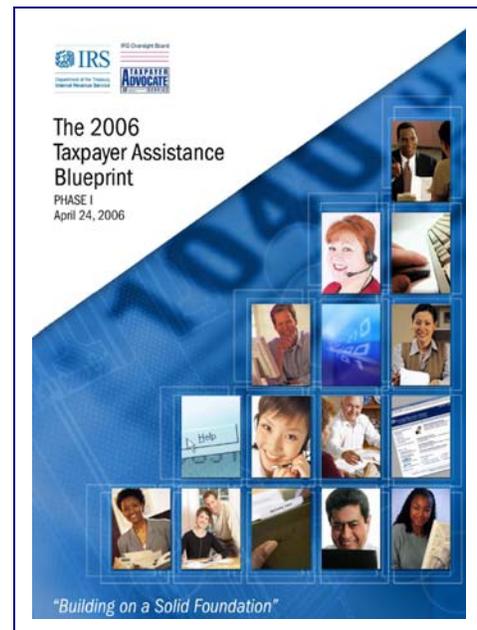
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Background

In May 2005, the Internal Revenue Service (IRS) announced plans to close a portion of its Taxpayer Assistance Centers¹ as part of the agency's continuing efforts to create efficiencies, modernize operations, and reduce costs while maintaining its commitment to taxpayer service. Congress expressed concern about the proposed taxpayer service reductions due to the IRS' inability to explain the potential impact of these changes on taxpayers. Congress was also concerned that the proposed service cuts lacked specificity and the IRS had not developed concrete plans to provide adequate alternative services that would replace the proposed service cuts. Finally, Congress questioned the IRS' estimated cost savings from reducing some of its services.

In July 2005, Congress issued a report requesting that the IRS develop a 5-year plan for taxpayer service activities² and in November 2005 requested the IRS report to the House and Senate subcommittees by April 14, 2006. The plan was to include long-term goals that are strategic and quantitative and that balance enforcement and service.³

The Senate Committee Report stated the plan should outline the services the IRS should provide to improve service to taxpayers. The plan was also to detail how the IRS plans to meet the service needs on a geographic basis and address how the plan would improve taxpayer service based on reliable data on taxpayer service needs. The plan was to be developed with the IRS Oversight Board⁴ and the National Taxpayer Advocate.



¹ Taxpayer Assistance Centers are walk-in offices that assist customers by interpreting tax laws and regulations, preparing certain individual tax returns, resolving inquiries on taxpayer accounts, accepting payments, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.

² United States Congress, Senate Report 109-109. *Transportation, Treasury, The Judiciary, Housing and Urban Development, and Related Agencies Appropriations Bill, 2006: Internal Revenue Service, Processing, Assistance and Management, Committee Recommendation*, July 26, 2005.

³ United States Congress, Conference Report 109-307. *Joint Explanatory Statement of the Committee of Conference: Internal Revenue Service, Processing Assistance, and Management (Including Rescission of Funds)*, November 14, 2005.

⁴ A nine-member independent body charged with overseeing the IRS in its administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws and to provide experience, independence, and stability to the IRS so that it may move forward in a cogent, focused direction.



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The focus of the Taxpayer Assistance Blueprint (TAB) initiative is on services that support the needs of individual filers who file or should file Form 1040 series tax returns.⁵ The IRS indicates the initiative will address the challenges of effectively and efficiently aligning service content, delivery, and resources with taxpayer and partner⁶ expectations.

To satisfy the report submission date of April 14, 2006, the IRS designed the TAB as a two-phased process. The TAB Phase I report identified strategic improvement themes by researching IRS service relative to taxpayers' needs and preferences. The TAB Phase II report will validate those themes through further research of taxpayers' service preferences and will develop the 5-year plan for service delivery. The 2006 TAB Phase I report, issued April 24, 2006, presented five strategic improvement themes. Figure 1 list these themes and Appendix IV provides details of each theme.

Figure 1: TAB Strategic Improvement Themes

Strategic Improvement Themes
1. Improve and expand education and awareness activities.
2. Optimize the use of partner services.
3. Elevate self-service options to meet taxpayer expectations.
4. Improve and expand training and support tools to enhance assisted services.
5. Develop short-term performance and long-term outcome goals and metrics.

Source: TAB Phase I report.

The themes were based upon:

- Current baseline of taxpayer services.
- Preliminary understanding of taxpayers' needs and preferences based on primary research (collected through surveys, focus groups, and interviews with stakeholders, employees, and partners and secondary research gathered through studies, research reports, and literature reviews)
- Targeted research and analyses of customer insights from external organizations.

TAB Phase II will build on the strategic improvement themes and will produce a 5-year plan for preferred service delivery to individual taxpayers within available resources. The themes will be refined and validated in the TAB Phase II. The resulting 5-year plan will describe the evolution

⁵ Form 1040 series tax returns include any IRS tax forms that begin with "1040" such as U.S. Individual Income Tax Return (Form 1040), U.S. Individual Income Tax Return (Form 1040-A), and Income Tax Return for Single and Joint Filers With No Dependents (Form 1040EZ).

⁶ Partners encompass all service providers including community-based stakeholders, practitioners, commercial preparers, and software vendors.



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of taxpayer services over the next 5 years, with specific and measurable operational goals. The IRS originally planned to deliver the TAB Phase II report to Congress in December 2006.

The IRS would not provide the Treasury Inspector General for Tax Administration with a copy of the report before it was officially issued. The TAB Phase II report was issued the week of April 9, 2007, after completion of this review, and we have now begun our review to evaluate it.

This review was performed at the IRS Wage and Investment Division, Customer Assistance, Relationships, and Education Office and the Strategy and Finance, Research Office located in Atlanta, Georgia, during the period September 2006 through March 2007. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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Results of Review

The Taxpayer Assistance Blueprint Phase I Report Was Well Documented, but Some Information Included in the Report Was Not Accurate or Consistent

The Government Accountability Office stresses⁷ significant events need clear documentation that should be readily available for examination. The data used to prepare the TAB Phase I report was well documented, organized, and maintained. The majority of the information reviewed was accurate. Information found to be inaccurate and inconsistent did not affect the IRS' strategic improvement themes. This is because the five strategic improvement themes are common to organizations that aspire to deliver successful customer service. Therefore, the erroneous information was not needed to support the resulting five themes.

IRS officials stated that most of the data developed and used in the Phase I report were for perspective. They estimate the Phase I report contains only 20 percent of the data used in developing the TAB Phase II report, which had not been finalized or approved during this portion of our review. Consequently, we could not evaluate what impact any errors might have on the Phase II report. We have begun evaluating the TAB Phase II report.

The IRS originally planned to deliver the TAB Phase II report to Congress in December 2006. IRS officials stated the Senate Finance Committee staff was pleased with the April delivery of the Phase I report. The staff also stressed they wanted the IRS to take the time necessary to deliver the Phase II report to ensure the report is what Congress wanted the IRS to deliver.

Although the errors identified did not affect the conclusions of the TAB Phase I report, these types of problems with the compilation of data could adversely affect IRS management decisions. As the IRS moves forward with the development of a 5-year service delivery plan, inaccuracies and/or inconsistencies will put the IRS' plan at risk of improperly aligning service content, delivery, and resources with taxpayer and partner expectations.

The IRS maintained the documentation to support data sources cited in the TAB Phase I report

In the TAB Phase I report, the IRS cited 173 data sources that included surveys, studies, analyses of Form 1040 series tax return data, and discussions with internal and external stakeholders. The documentation for the data sources was well organized and easily accessible.

⁷ *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1, dated November 1999).



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A sample of 56 (27 included in the body of the report and 29 listed in the report's Reference Appendix) of the 173 data sources showed documentation was adequately maintained for all 56 data sources. We conducted further testing for the 29 data sources listed in the Phase I report's Reference Appendix and confirmed the data sources were used to support information in the report.

Some information in the TAB Phase I report was inaccurate or inconsistent

Ninety-five percent (55 of 58) of the statements reviewed (29 from the report's Reference Appendix and 29 statements sampled from the report text) were found to be accurate. However, some statements were inaccurate and the IRS did not ensure consistency between income and generational analyses and conclusions. The inaccuracies and inconsistencies were associated with information detailed in the *Current Taxpayer Services*, *Taxpayer Understanding*, and *Leading Practices* sections of the TAB Phase I report.

- The *Current Taxpayer Services* section provides an overview of the current taxpayer services and a snapshot of volume patterns of key service delivery channels.
- The *Taxpayer Understanding* section provides a comprehensive overview of the IRS customers' expectations for services.
- The *Leading Practices* section provides customer service practices gathered through research and analyses of government agencies, non-profit organizations, and private sector companies.

The information included in these three sections of the TAB Phase I report was provided for perspective only. Although in most instances the documentation and/or analyses were accurate, statements in the Phase I report were incorrect. Since business decisions are expected to be made from the Phase II report, and the report establishes the IRS' 5-year plan to improve taxpayer service, it is essential that all statements and conclusions in the Phase I report are accurate.

Inaccurate statements

Three statements were found to be inaccurate, though the conclusions drawn from the statements were mostly accurate.

- *The report states that since Fiscal Year 2003, the number of telephone calls answered has decreased by more than 18 million (19 percent) and Taxpayer Assistance Center visits have decreased by almost 300 thousand (9 percent).* Supporting documentation shows that the decrease in the number of telephone calls was more than 20.8 million, a 26 percent decrease, and the decrease in Taxpayer Assistance Center visits was more than 1.9 million, a 22 percent decrease.



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- *The report states that the senior⁸ and baby boomer⁹ generations comprise approximately 60 percent of the United States population. Supporting documentation shows 50 percent of the United States population in 2000 was seniors and baby boomers and decreases to 45 percent in 2005.*
- *The report states that survey results from the 2005 IRS Oversight Board Taxpayer Attitude Survey revealed 78 percent of the taxpayers surveyed were satisfied with the levels of service they receive over the telephone. However, the survey question asked respondents how important it was that the IRS provides each of the following services to assist taxpayers.*
 - A toll-free telephone number to answer your questions.
 - Office locations you can visit where an IRS representative will answer your questions.
 - A web site to provide you with information.
 - The ability to e-mail your questions directly to the IRS.

Seventy-eight percent of the respondents indicated it was very important that a toll-free number was provided, not that they were satisfied with the service they received.

Inconsistent use of income and generational segmentation

To better understand the expectations of a broad taxpayer base, the IRS segmented the population using two differentiating factors – income and age by generations. The IRS stated that similar to the process used by leading financial organizations, segmenting by income affords important insights into commonalities and differences across income groupings. Research indicates that generational segmentation also offers important insights into behaviors, specifically in four areas the IRS believes remain relatively stable. These four areas are (1) communication preference; (2) information seeking behavior; (3) attitudes toward government, commerce, and finance; and (4) technology base. Figure 2 outlines how the IRS defined the income and generational segmentation.

⁸ People born before 1946.

⁹ People born from 1946 to 1964



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Figure 2: Taxpayer Segmentation Framework

Income Segments	Generational Segments
<p>Low Income Adjusted Gross Income¹¹ less than \$36,000</p>	<p>Millennials¹⁰ Ages 0 to 29</p>
<p>Moderate Income Adjusted Gross Income equal to or greater than \$36,000 but less than \$62,500</p>	<p>Generation X¹² Ages 30 to 40</p>
<p>Moderately High Income Adjusted Gross Income equal to or greater than \$62,500 but less than \$100,000</p>	<p>Baby Boomers Ages 41 to 60</p>
<p>High Income Adjusted Gross Income equal to and greater than \$100,000</p>	<p>Seniors Ages 61 to 116</p>

Source: TAB Phase I report.

The IRS was not consistent in its use of income segmentation. Figure 3 shows the differences identified in the report between the volume of taxpayers based on the Taxpayer Segmentation Framework and the volume of taxpayers shown in the graphs. The volume of taxpayers in the graphs have been overstated for the Moderate Income taxpayers and understated for the Moderately High Income taxpayers. The IRS indicated the analyses supporting the graphs included the correct income segmentation. However, the income ranges detailed in the graphs were mislabeled.

¹⁰ People born 1977 and after.

¹¹ Income (including wages, interest, capital gains, income from retirement accounts, alimony paid to you) adjusted downward by specific deductions (including contributions to deductible retirement accounts, alimony paid by you), but *not* including standard and itemized deductions.

¹² People born from 1965 to 1976.



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Figure 3: Income Segmentation Tax Return Analyses

Taxpayer Segmentation Framework	Graphs
Moderate Income	
\$36,000 but less than \$62,500	\$36,000 to \$65,000
24,861,760	26,501,757
Moderately High Income	
\$62,500 but less than \$100,000	\$65,000 to \$100,000
16,708,575	15,070,011

Source: Treasury Inspector General for Tax Administration analyses of the Graphical Illustrations compared to the Income Segmentation Framework.

In addition, age ranges used for an analyses conducted to identify preferences based on generational segmentation were not consistent with those defined by the IRS and its Taxpayer Segmentation Framework. Specifically, the age ranges used to identify the preference of older and younger taxpayers categorized Millennials as ages 18 to 29 years, Generation X as ages 30 to 44 years, Baby Boomers as ages 45 to 59 years, and Seniors as ages 60 years and older. However, the Taxpayer Segmentation Framework classified Millennial as ages 0 to 29 years, Generation X as ages 30 to 40 years, Baby Boomers as ages 41 to 60 years, and Seniors as ages 61 to 116 years. As a result, the age segmentations are overstated or understated. For example, the volume of Generation X taxpayers is overstated by 39 percent, or approximately 10 million taxpayers, and the volume of Baby Boomers is understated by 26 percent, or approximately 12 million taxpayers.

Figure 4 provides a comparison of the volume of taxpayers when segmenting using age ranges found in the Taxpayer Segmentation Framework and when segmenting using age ranges used by the IRS when performing the generational analyses.

Figure 4: Generational Segmentation Analyses

Taxpayer Segmentation Framework	Volume of Taxpayers	IRS Analyses	Volume of Taxpayers
Millennials (Ages 0-29)	26,314,698	Ages 18-29	25,658,749
Generation X (Ages 30-40)	26,264,005	Ages 30-44	36,624,703
Baby Boomers (Ages 41-60)	47,624,089	Ages 45-59	35,409,477
Seniors (61-116)	26,234,391	Ages 60 and older	28,088,305

Source: Treasury Inspector General for Tax Administration analyses of the generational study compared to the Taxpayer Segmentation Framework.

IRS management stated the inconsistent generational segmentation happened because of the short time period they had to deliver the Phase I report. The contractor the IRS used to perform the generational segmentation analyses used an existing panel of individuals to survey. This



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existing panel was not segmented into the same generational segments as in the TAB Phase I report.

The inconsistencies relating to income and generational segmentation have no impact on the strategic improvement themes outlined in the TAB Phase I report. However, we are unable to determine the impact the inconsistent income and age segmentation may have on results outlined in the TAB Phase II report because it was not available for review. If these inconsistencies exist in the Phase II report, the risk increases that the IRS will draw inaccurate conclusions based on erroneous data. We plan to initiate an audit of the TAB Phase II report once it has been issued.

Lack of validation of the information in the report

The inaccuracies and inconsistencies identified resulted primarily from the IRS not having an effective process to ensure all statements in the TAB Phase I report correctly reflected what was in the source documents. The IRS stated an extensive quality assurance process was used to validate the Phase I research. The IRS explained that the review process ensured research products were continuously subjected to rigorous peer, senior management, and executive review. However, there was no step in the process to ensure what was written in the report agreed with the research and data analyses. Without an improved quality assurance process, the risk increases that decisions the IRS makes on its 5-year plan to improve taxpayer service will be based on inaccurate data.

The Government Performance and Results Act of 1993¹³ directs Federal Government agencies to focus on their missions and goals, how to achieve them, and how to improve their structural organizations and business processes. Performance measures need to be based on program-related characteristics and performance data and must be sufficiently complete, accurate, and consistent. Performance data must be used to improve organizational processes, identify performance gaps, and set improvement goals.

We shared our results with management throughout the course of our review. They recognize the need to improve their quality assurance process. Management officials stated that actions have been taken to improve the process for the validation of information included in the Phase II report. This process includes an indepth review to locate and verify the accuracy of all footnoted citations, reference documents, and data points contained in all charts and tables in the report. Verifications were also performed to ensure the accuracy of statements and representations

¹³ Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).



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included in the report. We are not making recommendations at this time but we will include testing of the quality review process in our review of the TAB Phase II report.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to assess the accuracy and reliability of the data used to develop the TAB Phase I report. Because we did not have the resources to test all statements and validate all data in the report, we consulted a statistician to determine the best methodology to use for our testing. To accomplish this objective, we:

- I. Determined the process followed for developing the Phase I report.
- II. Determined whether the IRS had documentation supporting data sources cited in the TAB Phase I report.
 - A. Identified 55 data sources cited in the TAB Phase I report.
 - B. Based on a statistician's recommendations, we used a random sample and selected 27 data sources.
 1. We chose a sample size of approximately 30 data sources and used a random number to make the selection. We divided the number of references, 55, by 30 resulting in the number 1.833. We rounded it to 2.
 2. We used an interval selection by selecting every second source starting with the number 2, resulting in a random sample of 27. The final sample ended at number 54 and because there was no second sample beyond 55, we concluded with a sample of 27.
 - C. Reviewed the supporting document to ensure the source cited in the report was the same as the source provided by the IRS.
- III. Determined whether the data sources cited in the TAB Phase I Reference Appendix were used to support information included in the Phase I report and whether the IRS had documentation supporting these data sources.
 - A. Identified 118 data sources cited in the Reference Appendix.
 - B. Based on a statistician's recommendations, we used a random sample and selected 29 data sources from the report's Reference Appendix.
 1. We chose a sample size of approximately 30 data sources and used a random number to make the selection. We divided the number of references, 118, by 30 resulting in the number 3.933. We rounded the number to 4.
 2. We used an interval selection by selecting every 4th reference starting with the



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number 4, resulting in a random sample of 29. The final sample ended at number 116 and because there was no fourth sample beyond 118, we concluded with a sample of 29.

- C. Once we found support for the statement, we determined whether the support contained evidence that supported the report and whether the information cited was accurate.
- IV. Determined the accuracy of the statements used in the TAB Phase I report.
- A. Reviewed the Phase I report and identified key assumptions and conclusions cited in the report.
 - B. Based on a statistician's recommendations, we used a stratified sample.
 - 1. We listed all 124 assumptions from the Phase I report, under the headings of *Taxpayer Understanding* and *Leading Practice*.
 - 2. We met as a team and determined which assumptions we believed would have the most impact on the results.
 - 3. We determined that 29 statements warranted review and determined whether the assumptions could be supported.
 - C. Once we found support for the statement, we determined whether the support contained evidence that supported the report.



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Appendix II

Major Contributors to This Report

Michael E. McKenney, Assistant Inspector General for Audit (Wage and Investment Income Programs)

Augusta R. Cook, Director

Russell P. Martin, Audit Manager

Lena Dietles, Lead Auditor

Roberta Fuller, Auditor

Tracy Harper, Auditor

Kathy Henderson, Auditor

Nelva Usher, Auditor

Kevin O'Gallagher, Information Technology Specialist



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Appendix III

Report Distribution List

Office of the Commissioner – Attn: Chief of Staff C
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Chief, Performance Improvement, Wage and Investment Division SE:W:S:PI
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Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Senior Operations Advisor, Wage and Investment Division SE:W:S



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Appendix IV

Strategic Improvement Themes and Associated Questions to Be Addressed in the Taxpayer Assistance Blueprint Phase II Report

- 1. *Improve and expand education awareness activities.*** Questions to be addressed in Phase II include:
 - Do IRS communications or marketing initiatives reach intended target audiences?
 - What is taxpayer awareness of IRS services or key messages?
 - What is the role of communication in guiding selection of service delivery channels?
 - What is the impact of intermediary or partner interaction on message delivery accuracy and consistency?
 - At what life stage might taxpayers most benefit from specific taxpayer education?
- 2. *Optimize the use of partner services.*** Questions to be addressed in Phase II include:
 - Why do taxpayers choose to use partners for service delivery?
 - What mutual benefits bring the IRS and its partners together?
 - How are the roles and responsibilities of the IRS and its partners defined, especially around accountability and quality control?
 - What is the impact of effective or ineffective partner service delivery on downstream workload and compliance?
 - How can the IRS best manage the relationship between service and stakeholder capacity?
- 3. *Elevate self-service options to meet taxpayer expectations.*** Questions to be addressed in Phase II include:
 - What are the key drivers for taxpayer preference for self-assisted versus assisted channels?
 - Are there certain taxpayer segments that cannot or will not use self-assisted channels?
 - Which factors enhance or inhibit taxpayer migration to self-assisted channels?



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- What are taxpayers' expectations for effective self-service?

4. *Improve and expand training and support tools to enhance assisted services.*

Questions to be addressed in Phase II include:

- How do employees, partners, and taxpayers define support requirements?
- Where are the critical gaps and improvement opportunities?
- What is the level of interest for online training and decision tools?
- What information tracking systems are required to determine drivers of service demand?

5. *Develop short-term performance and long-term outcome goals and metrics.*

Questions to be addressed in Phase II include:

- What combination of filing, performance, satisfaction, and efficiency data will establish a link between service and compliance?
- Which programs and processes should be implemented to systematically capture and regularly analyze the voice of the taxpayers and partners?
- What are service performance preferences by taxpayer segment and service task?
- Which performance measures effectively address taxpayers' and partners' needs for awareness/education, access to service, and quality of experience?
- What is the cost of service delivery by taxpayer segment and channel?
- What is the relationship between service cost by channel and service performance by channel?



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Appendix V

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

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MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

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

SUBJECT: Draft Audit Report – The Strategic Improvement Themes in the Taxpayer Assistance Blueprint Phase I Report Appear to Be Sound; However, There Were Some Inaccurate Data in the Report (Audit # 200740012)

I have reviewed the subject draft report and appreciate your recognition of our efforts to produce a well-documented and accurate Taxpayer Assistance Blueprint (TAB) Phase I Report. The primary objective of TAB Phase I was to identify strategic improvement themes by researching IRS service relative to taxpayers' needs and preferences. As you note, the five themes we identified in the Phase I report are common to organizations that aspire to deliver successful customer service.

Your report indicates the vast majority (95 percent) of the information you reviewed was accurate, and none of the exceptions you identified changed any of the conclusions presented in the TAB Phase I Report. Regardless, we take the fact that you identified exceptions in the accuracy of our information very seriously, and we have taken steps to address it. Prior to the completion of your report, a thorough quality review process was developed and implemented for TAB Phase II. Experienced analysts validated information in the Phase II report, including all citations, reference documents, and data presented in the report. This process was thoroughly documented, and we believe the result is an accurate and well-documented TAB Phase II Report.

If you have any questions, please call me at (404) 338-7060, or members of your staff may contact Mark Pursley, Director, Customer Assistance, Relationships and Education, at (404) 338-7100.