



*The Taxpayer Assistance Centers Are Not
Located to Effectively Serve the Maximum
Number of Taxpayers*

February 11, 2011

Reference Number: 2011-40-022

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.

Redaction Legend:

3 = Identifying Information



HIGHLIGHTS

THE TAXPAYER ASSISTANCE CENTERS ARE NOT LOCATED TO EFFECTIVELY SERVE THE MAXIMUM NUMBER OF TAXPAYERS

Highlights

Final Report issued on February 11, 2011

Highlights of Reference Number: 2011-40-022 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) provides taxpayers the option of obtaining personal, face-to-face tax assistance at 401 Taxpayer Assistance Centers (TAC) nationwide. IRS employees who work in the TACs assist taxpayers 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. It is important that TACs be optimally located to serve the most taxpayers. Management information is essential to effectively oversee the TACs.

WHY TIGTA DID THE AUDIT

This audit was requested by the Department of the Treasury to determine whether the current distribution of the TACs was cost effective in terms of coverage and quality of services provided. This audit is a followup to prior audit reports on the TAC Program that identified that key management information used to make decisions and support changes for the TACs was either incorrect, absent, or based on incomplete data.

WHAT TIGTA FOUND

The IRS acknowledges that the locations of most TACs have not changed significantly since Fiscal Year 2000 and that it has not kept pace with shifts in population and demographics. Currently, 35 percent of the United States population does not live within

30 minutes of a TAC. This represents more than 100 million taxpayers who do not have convenient access to a TAC. Conversely, 28 percent of the United States population lives within 30 minutes of more than 1 TAC.

As of October 2010, no actions have been taken to combine, relocate, or close the TACs. IRS officials cited budget constraints and legislative concerns as reasons the IRS has not moved forward. This has caused the IRS to delay conducting any cost-benefit or return-on-investment analyses needed to make any recommendations regarding combining, relocating, or closing the TACs.

The IRS has not validated the data used in the current Geographic Coverage Model. Without clear documentation on the methodology used, it is difficult to determine if the results of the Geographic Coverage Model are reliable. In addition, it would be difficult to compare results over a period of time.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, Wage and Investment Division: 1) validate the data used in the Geographic Coverage Initiative process and ensure that all decisions, along with the data used and methodologies for making the decisions, are supported and documented; and 2) identify opportunities to better align the TACs with taxpayer needs and complete the evaluative process in the Geographic Footprint Initiative, including a cost-benefit analysis, return-on-investment analysis, taxpayer impact assessment, stakeholder input, and communication plan.

The IRS agreed with the recommendations and plans to develop more detailed documentation of the methodology used by the Geographic Coverage Model, as well as a version control system to provide documentation of any changes made to the Model methodology or updates to the source data. It plans to work to identify opportunities to better align the TACs with taxpayer needs on a case-by-case basis, as leases expire and/or events occur that require unplanned relocations. It also plans to develop and implement an evaluative process as part of the Geographic Footprint Initiative.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 11 2011

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

Michael E. McKenney

FROM: (for) Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Taxpayer Assistance Centers Are Not
Located to Effectively Serve the Maximum Number of Taxpayers
(Audit # 201040016)

This report presents the results of our review to determine whether the current distribution of Taxpayer Assistance Centers is cost effective in terms of coverage and quality of services provided. This audit was requested by the Department of the Treasury and is a followup to prior Treasury Inspector General for Tax Administration audit reports on the Taxpayer Assistance Center Program.¹ This review is included in our Fiscal Year 2010 Annual Audit Plan and addresses the major management challenges of Providing Quality Taxpayer Service Operations and Leveraging Data to Improve Program Effectiveness and Reduce Costs.

Management's complete response to the draft report is included in Appendix IX. Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations.

Please contact me at (202) 622-6510 if you have questions or Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services), at (202) 622-5916.

¹ See Appendix IV for a list of prior audit reports.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Table of Contents

Background	Page 1
Results of Review	Page 5
Taxpayer Assistance Centers Are Not Optimally Located to Meet the Service Needs on a Geographical Basis	Page 5
<u>Recommendations 1 and 2:</u>	Page 13
Appendices	
Appendix I – Detailed Objective, Scope, and Methodology	Page 14
Appendix II – Major Contributors to This Report	Page 16
Appendix III – Report Distribution List	Page 17
Appendix IV – Treasury Inspector General for Tax Administration Related Audit Reports	Page 18
Appendix V – Taxpayer Assistance Blueprint Evaluative Criteria	Page 19
Appendix VI – Geographic Coverage Model Criteria	Page 20
Appendix VII – Forty-One Taxpayer and Federal Government Taxpayer Assistance Center Evaluation Criteria	Page 21
Appendix VIII – Timeline of Prior Treasury Inspector General for Tax Administration Reports and Related Events and Actions	Page 25
Appendix IX – Management’s Response to the Draft Report	Page 28



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Abbreviations

IRS	Internal Revenue Service
REFM	Real Estate and Facilities Management
TAC	Taxpayer Assistance Center
TIGTA	Treasury Inspector General for Tax Administration
USPS	United States Postal Service



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Background

The Internal Revenue Service (IRS) provides taxpayers the option of obtaining personal, face-to-face tax assistance at 401 Taxpayer Assistance Centers (TAC) nationwide. IRS employees who work in the TACs assist taxpayers 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. The IRS suggests that taxpayers visit TACs when they have complex tax issues, need to resolve tax problems relating to their tax accounts, have questions about how the tax law applies to their individual income tax returns, or feel more comfortable speaking with someone in person.

TAC employees assist taxpayers by interpreting tax laws and regulations, preparing certain individual tax returns, resolving inquiries on taxpayer accounts, and accepting payments.

In May 2005, the IRS announced plans to close a portion of its TACs 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's inability to explain the potential impact of these changes on taxpayers. Congress also questioned the IRS's estimated cost savings from reducing some of its services.

The House Committee Report stated:

It is clear to the Committee that IRS has rushed to meet an arbitrary figure specified for cuts to service programs, so much so that clearly IRS has not had time to evaluate the impact its proposals would have on taxpayers, nor has it consulted with stakeholders. The Committee does not question the notion that some taxpayer assistance centers (TAC) should be closed or realigned with other IRS assets to achieve savings. However, the methodology used to develop the list of TACs to be closed leaves a great deal to be desired.¹

¹ United States Congress, House Report 109-153, Departments of Transportation, Treasury, and Housing and Urban Development, The Judiciary, District of Columbia, and Independent Agencies Appropriations Bill, 2006: Internal Revenue Service, Processing, Assistance and Management, Committee Recommendation.



The Taxpayer Assistance Centers Are Not Located to Effectively Serve the Maximum Number of Taxpayers

The Senate Committee Report directed the IRS to:

...undertake a comprehensive review of its current portfolio of taxpayer services and develop a 5-year plan that outlines the services it should provide to improve services for taxpayers. This plan should detail how it plans to meet the service needs on a geographic basis (by State and major metropolitan area)...²

The TAC Geographic Footprint Initiatives

In response, the IRS developed a 5-year plan, called the Taxpayer Assistance Blueprint Strategic Plan. The Taxpayer Assistance Blueprint issued in April 2007 committed the IRS to a Service Improvement Portfolio, which includes the TAC Geographic Footprint Initiatives to identify opportunities to better align taxpayer needs with resource allocations using demographic variables to determine the optimal placement of the TACs.

The Taxpayer Assistance Blueprint reported that investment decisions are made through various processes, with only limited consideration of taxpayer needs and are generally in reaction to ongoing or pending real estate events. The Blueprint includes a detailed process to analyze TAC locations for effectiveness in meeting service demands and to make future investment decisions. The process is designed to deliver the services taxpayers need in an efficient and effective manner.

As shown in Figure 1, the Taxpayer Assistance Blueprint presented 26 taxpayer and Government value criteria and a 3-phase process for making future decisions regarding TAC locations.³

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 See Appendix V for a list of 26 criteria.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Figure 1: The Three Phases of the TAC Evaluative Process

Phase 1 – Categorize each TAC to identify those facing staffing and real estate activities in the near term, and those TACs currently providing low or redundant population coverage. Identify those TACs in these categories and evaluate them based on the 26 taxpayer and Federal Government value criteria. Create a list of any recommended closures of the TACs deemed appropriate after full consideration of the applied criteria.

Phase 2 – Bring recommended closures to the IRS Services Committee⁴ some time after the end of the filing season⁵ in Calendar Year 2007. Manage implementation of approved recommendations to minimize negative impact on taxpayers, employees, partners, and filing season operations. This process is expected to last into Calendar Year 2008.

Phase 3 – Continue evaluation of all remaining TACs in terms of all taxpayer and Federal Government value criteria and consideration of business rules. Submit additional recommended closures to the IRS Services Committee. Throughout the process, consider whether the evaluative criteria and process require modification based on lessons learned during Phases 1 and 2.

Source: The 2007 Taxpayer Assistance Blueprint Phase 2 report.

In Fiscal Year 2007, the IRS formed a Validation Team to validate the accuracy of the data gathered on the TAC Program by the Blueprint team. The Validation Team eliminated 6 of the 26 criteria and added 21, for a total of 41 criteria.⁶

The Geographic Coverage Model

The Geographic Coverage Initiative as outlined in the Taxpayer Assistance Blueprint has evolved into the Geographic Coverage Model, which includes nine criteria (or elements) to determine the optimal locations for the TACs. Each element has a unique coverage rate and is sorted by zip code. Coverage is determined by the number of taxpayers living within 30 minutes of an assigned zip code. The data elements in the Model represent the Field Assistance Office's⁷ taxpayer base.

In February 2008, the Geographic Coverage Initiative Team was formed with representatives from four IRS functions and offices: the Field Assistance Office, the Office of the National Taxpayer Advocate, the Real Estate Facilities Management (REFM) function, and the Office of Program Evaluation and Risk Analysis. The team's purpose is to:

- Gather and analyze data from various sources, including research conducted during the Taxpayer Assistance Blueprint and the Geographic Coverage Model.

⁴ The IRS Commissioner chartered the Services Committee as the governance body for IRS service investment decisions. The committee is responsible for overseeing, prioritizing, and approving an integrated portfolio of IRS services.

⁵ The period from January through mid-April when most individual income tax returns are filed.

⁶ See Appendix VII for a list of the 41 criteria.

⁷ The Field Assistance Office is responsible for the TAC Program.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

- Develop a repeatable process for analyzing coverage areas of IRS taxpayer service facilities.

***The nine criteria included in the
Geographic Coverage Model:***

1. Population - latest estimates from the United States Census.
2. United States Individual Income Tax Returns (Form 1040).
3. Limited Income taxpayers - taxpayers making less than \$39,000.
4. Limited English Proficiency taxpayers.
5. Elderly – taxpayers over age 55.
6. Disabled taxpayers.
7. Taxpayer with less than a high school diploma.
8. Taxpayers with problem returns (late filed and balance due).
9. Taxpayers issued balance due notices.⁹

The team is to evaluate coverage to determine: 1) the TACs that should be considered for merging or establishing alternative service options, 2) areas where additional presence is needed, 3) areas where there is overlapping coverage,⁸ and 4) areas that are underserved.

The Geographic Coverage Initiative includes a three-step process to identify and assess the optimal locations of the TACs.

Step 1 – The REFM function monitors TAC leases and notifies the Field Assistance Office 18 to 24 months in advance of lease expirations.

Step 2 – The Office of Program Evaluation and Risk Analysis applies the nine data elements to the Geographic Coverage Model, evaluates coverage of the TACs, and notifies the Field Assistance Office of the results.

Step 3 – The Field Assistant Office assesses TAC staffing, contacts, and workload, and determines whether a TAC should be merged or relocated.

This review was performed at the Field Assistance Office and the Strategy and Finance Office in the Wage and Investment Division in Atlanta, Georgia; the Office of Program Evaluation and Risk Analysis in the Research, Analysis, and Statistics function in Washington D.C.; and the REFM function in the Agency-Wide Shared Services function in Arlington, Virginia, during the period April through October 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁸ Overlapping coverage is where services to taxpayers in the same zip codes are covered by two or more TACs.

⁹ See Appendix VI for details on the nine criteria.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Results of Review

Taxpayer Assistance Centers Are Not Optimally Located to Meet the Service Needs on a Geographical Basis

The IRS acknowledges that the locations of most TACs have not changed significantly since Fiscal Year 2000, and that it has not kept pace with shifts in population and demographics. Currently, 35 percent of the United States population does not live within 30 minutes of a TAC, representing more than 100 million taxpayers who do not have convenient access to a TAC. Twenty-eight percent of the United States population lives within 30 minutes of more than one TAC.¹⁰

Although leases expired for 119 TACs during Fiscal Years 2008 and 2009, the IRS has no immediate plans to combine, relocate, or close the TACs as a result of the Geographic Coverage Initiative. Coverage for 3 of the 119 TACs is 100 percent overlapping and coverage for 18 is more than 50 percent overlapping. In addition to the 119 TACs with expiring leases, the IRS identified 10 additional TACs with coverage overlapping 100 percent.

The Treasury Inspector General for Tax Administration (TIGTA) analysis showed:

- Ten of Pennsylvania's 21 TACs are more than 50 percent overlapping.
- Texas has the second highest uncovered population as well as the fourth highest population with overlapping coverage.
- The combined area of the New England States (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) is one-fourth the size of Texas, has 10 million fewer people, but has 7 more TACs than Texas.
- Michigan has 6 TACs that cover 10 million people and is more than twice the overall geographic size of West Virginia. Yet, West Virginia has 7 TACs to cover 1.8 million people. In addition, West Virginia is in close proximity to other States and their 58 TACs.
- Florida has almost 50 percent more residents and is nearly 25 percent larger than Pennsylvania. Yet, Florida has only 18 TACs and Pennsylvania has 21 TACs.

Field Assistance Office management pointed out that more taxpayer assistors are assigned to the TACs in Florida than in Pennsylvania. However, there are significantly fewer assistors in

¹⁰ The IRS defines coverage rate as the number of taxpayers living within 30 minutes of an assigned TAC zip code.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

proportion to the population. The large number of people in Florida who do not have a TAC nearby as well as the large number of people in Pennsylvania who have more than one TAC nearby indicate that resources could be better aligned. In addition, the wait times for taxpayers visiting the TACs in Florida are greater than in Pennsylvania.

Figure 2 shows the four States with the highest percentage of taxpayers not covered by a TAC, and the four States with the highest percentage of overlapping population coverage.

Figure 2: Uncovered and Overlapping Populations

State	Uncovered Population	Overlapping Population
California	14.1 million	
Texas	8.9 million	5.3 million
Michigan	6.4 million	
Florida	6.4 million	
New York		6.7 million
New Jersey		6.1 million
Pennsylvania		5.8 million

Source: The Geographic Coverage Model and TIGTA analysis of State populations.

Geographic coverage analysis is one of the first steps used to determine if the TACs are located to best serve taxpayers. Once the geographic coverage analysis is completed, other factors need to be considered, including TAC staffing, number and type of taxpayer contacts, workload, and stakeholder concerns. Finally, a communications strategy also needs to be developed.

As of October 2010, no actions have been taken to merge, relocate, or close any TACs. IRS officials cited budget constraints and legislative concerns as reasons the IRS has not moved past Phase 1 of the evaluative process. This has caused the IRS to delay conducting any cost-benefit or return-on-investment analyses needed to make any recommendations regarding combining, relocating, or closing any TACs.

The Geographic Coverage Initiative evolved from the Geographic Footprint evaluative process

In Fiscal Year 2008, we reported that inaccurate and incomplete management information continued to delay implementation of the TAC Geographic Footprint.¹¹ The 26 taxpayer and Federal Government criteria for use in making future decisions regarding the TACs were

¹¹ *Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint* (Reference Number 2008-40-118, dated May 16, 2008).



The Taxpayer Assistance Centers Are Not Located to Effectively Serve the Maximum Number of Taxpayers

replaced with 41 criteria. However, 19 (46 percent) of the 41 criteria contained inaccurate, redundant, or incomplete data.¹²

Recommendations included: 1) improving the management information system to capture the number of taxpayers served, the numbers and types of services provided, and the related resources; and 2) developing and implementing an internal control system to ensure management information data are accurate and reliable. The IRS responded that it could not capture detailed information regarding each individual service because it is cost and resource prohibitive. This recommendation would have required a new, more robust tracking system to replace the Field Assistance Office's current traffic management system. Instead, the IRS stated that information from the Contact Recording System, along with the Field Assistance Management Information System and Business Objects,¹³ was sufficient to capture taxpayer needs and services provided.

In addition, the IRS advised us that it had developed a program called the Geographic Coverage Model that was to be used to better identify the optimal TAC locations. The Model could be used to determine if the current TAC location is best or to identify a better location. Further, the Geographic Coverage Initiative was designed to use specific information to develop a repeatable process that can be used by the Field Assistance Office to help ensure TAC coverage for service delivery. The Geographic Coverage Model was particularly important because 119 (30 percent) of the 401 TAC leases were to expire in Fiscal Years 2008 and 2009.

In January 2010, the Geographic Coverage Initiative Team briefed IRS executives on the current state of the Field Assistance Office's Geographic Coverage Initiative with recommendations that included to:

- Consider combining resources of overlapping TACs into a large TAC and/or migrating services into a nearby TAC.
- Invest savings from elimination of overlapping TACs to eliminate significant gaps in coverage identified by the Model.
- Establish test sites to increase the coverage rate in underserved areas by partnering with State, Federal, and city agencies.

It also identified the TACs with no permanent staffing that could be closed, and the TACs that would benefit from additional staffing, and reported that it expects to realize savings from the elimination of overlapping TACs. Even though a recommendation was made to invest savings, no cost-benefit analysis has been prepared to show how many taxpayers would be affected or the benefit of combining, relocating, or closing the TACs.

¹² See Appendix VII for a list of the 41 criteria.

¹³ Business Objects software provides the IRS with the capability to identify total contacts, wait time, and employee time use.



The Taxpayer Assistance Centers Are Not Located to Effectively Serve the Maximum Number of Taxpayers

We could not test the IRS's entire evaluative process because it has not proceeded past Phase 1 or has not conducted a cost-benefit analysis. The current process includes the Geographic Coverage Model, as well as data from the REFM function and the Field Assistance Office's management information systems. These are generally the same data and criteria in both Taxpayer Assistance Blueprint's Geographic Footprint Initiatives. While all data are not incorporated into one system, these data include the information necessary to make business decisions on the TAC Program.

The IRS cannot confirm that the data used in the current Geographic Coverage Model were validated

Since Fiscal Year 2003, we have reported that the data used to make decisions affecting the TACs are neither accurate nor reliable. In Fiscal Year 2008, we reported that 19 (46 percent) of the 41 criteria used in the TAC Geographic Footprint contained inaccurate or incomplete data. Eight criteria contained inaccurate data involving the Field Assistance Office's management information systems and how the IRS tracks TAC activity and employee workload. Eleven data criteria identified as inaccurate related to TAC real estate and employee costs. For example, the IRS inaccurately calculated rent costs, square footage, and the number of TAC employees currently on the payroll. We reported these same errors in Fiscal Year 2005, noting that this is typical information that any function should have readily available to operate effectively.¹⁴

Since Fiscal Year 2003, TIGTA has reported that the data used to make decisions affecting the TACs are neither accurate nor reliable.

In May 2007, the IRS formed a Validation Team to validate the TAC Geographic Footprint data. In September 2007, the Validation Team raised concerns about the accuracy of the data and stopped all work on the Evaluative Model. The Validation Team was unable to maintain a process to ensure the data were current and accurate. The responsibility for compiling and validating the data was transferred to the Field Assistance Office.¹⁵ The IRS still has not validated the data used in the current Geographic Coverage Model. There is no documentation on the reliability of the data obtained externally or internally.

Further, the Geographic Coverage Model database *****3*****
*****3*****. No documentation is available on the methodology used to develop the database or how it is maintained and controlled. Controls should be in place to ensure all data are accurate and complete. Controls should also include creating and maintaining records on the methodology used to develop and maintain the Model.

¹⁴ *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 22, 2005).

¹⁵ See Appendix VIII for a timeline of reports, actions, and events regarding the TACs.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Tests show discrepancies in the nine data elements included in the Geographic Coverage Model

There was insufficient documentation on the data elements in the current Geographic Coverage Model. For example, for six of nine data elements, the IRS provided multiple sources with different criteria.

Criteria 1 - Population: Three sources were provided for Calendar Years 2008, 2009, and 2010.

Criteria 3 - Limited Income Taxpayers: 1 source showed the criteria as taxpayers with income less than or equal to \$39,000; 1 source showed criteria as Adjusted Gross Income¹⁶ equal to or less than \$40,000.

Criteria 4 - Limited English Proficiency: 1 source showed criteria as the population age 15 years and older; 1 source showed the criteria as the population age 5 years and older.

Criteria 5 - Elderly: 2 sources defined the elderly as age 55 and older; 1 source defined the elderly as over age 55.

Criteria 6 - Disabled Taxpayers: Three different sources showed the same criteria—the United States Calendar Year 2000 Census data. However, the actual data extracted for the data element were not complete and did not include the entire population of disabled taxpayers.

Criteria 9 - Notices: One source defined notices as balance due and first notices; one source defined notices as all notices.

Without clear documentation on the methodology used, it is difficult to determine if the results of the Geographic Coverage Model are reliable. In addition, it would be difficult to compare results over a period of time.

The IRS has been reluctant to move out of Phase 1 and has yet to identify the optimal TAC locations

The IRS has delayed making any decisions on the TAC Geographic Footprint because of Congressional concerns and funding limitations. It also states that it has not yet identified a way to demonstrate how proposed reductions might affect taxpayer compliance, which is necessary before reducing any taxpayer services. Since the Field Assistance Office took ownership of the TAC Program in Fiscal Year 2000, the IRS has developed four separate models to evaluate the locations of the TACs. In addition, we have issued five reports relating to the management

¹⁶ Gross income minus allowable deductions.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

information systems and the ability of the IRS to use the data to ensure it is best serving taxpayers who need or want face-to-face assistance.¹⁷

Nevertheless, the Field Assistance Office has yet to take the additional steps to recommend any changes to TAC locations. According to the Taxpayer Assistance Blueprint, the IRS was to start this process in Fiscal Year 2008.

Congress has expressed concerns about the IRS's lack of a sound strategy for ensuring the TACs are optimally located to serve taxpayers

In May 2005, facing a need to cut \$55 million from the Fiscal Year 2006 budget, the IRS proposed the closure of 68 TACs. In response to this announcement, Congress proposed language to be included in the Department of the Treasury Appropriations Act, 2006,¹⁸ that delayed the closing of any TACs. Subsequently, a law was passed¹⁹ delaying the closure of any TACs.

Congress remains concerned about the effect of TAC closures on taxpayers. In a Senate Report on the 2008 Budget,²⁰ the Senate Committee on Appropriations cited concerns about any IRS efforts to significantly reduce taxpayer services, including face-to-face services. The Committee directed that, if the IRS proposes further reductions in taxpayer services that involve a decrease in face-to-face service, it must demonstrate that the proposed reductions do not adversely affect compliance by taxpayers.

The IRS must complete Phase 1 of the evaluative process to determine the feasibility of locating the TACs to more efficiently and effectively serve taxpayers

In order to make sound business decisions and recommendations, and to provide stakeholders with sufficient information, the IRS must complete cost-benefit and return-on-investment analyses to determine the feasibility of closing, relocating, or opening new TACs. In addition, the IRS must complete an analysis to show how many taxpayers would be affected if the TACs are combined, relocated, or closed. This analysis must include how it plans to meet the service needs on a geographic basis (by State and metropolitan area) and how it will ensure taxpayer compliance is not adversely affected.

Through the Geographic Coverage Model, the IRS has identified opportunities to relocate or combine the TACs as leases expire, but has taken no actions to close or merge any TACs. Figures 3 and 4 show that fewer taxpayers visit the TACs to obtain tax forms or answers to tax

¹⁷ See Appendix IV for the list of prior TIGTA reports.

¹⁸ H.R. 3058, Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006.

¹⁹ Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006, Pub. L. No. 109-115, 119 Stat. 2396 (2005).

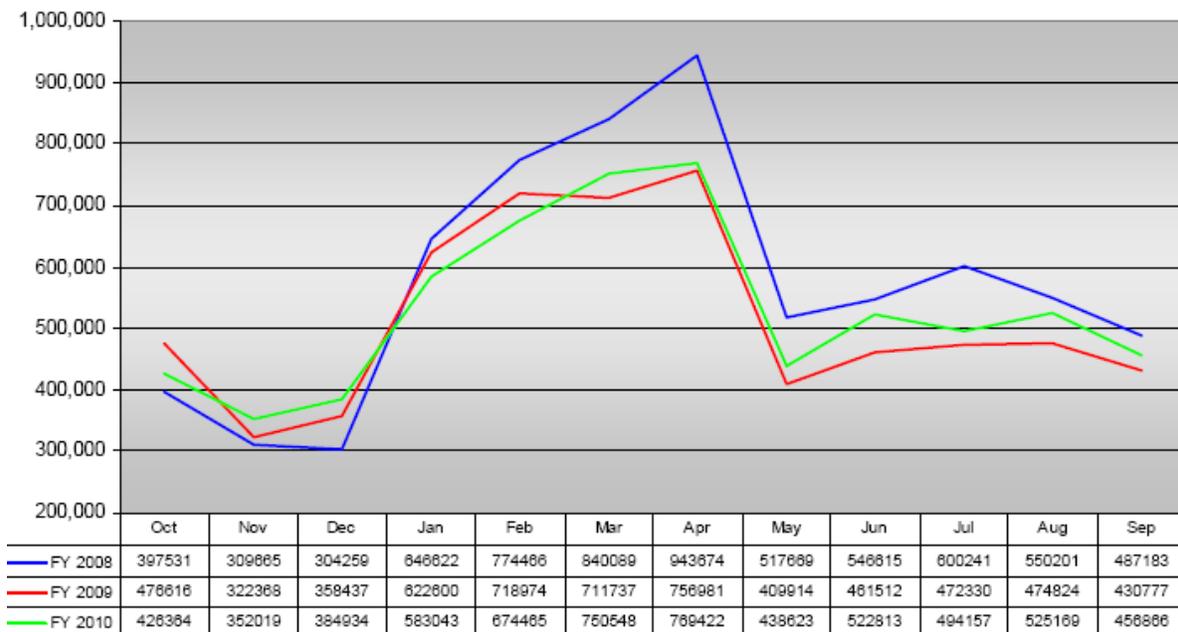
²⁰ S. Rep. No. 110-129, at 23 (2007).



The Taxpayer Assistance Centers Are Not Located to Effectively Serve the Maximum Number of Taxpayers

law questions, but total activity has not changed significantly and has remained relatively steady the last 3 fiscal years.

Figure 3: Field Assistance Office Total Activities for Fiscal Years 2008—2010



Source: Field Assistance Office data obtained from the IRS's internal web site.

Figure 4: Taxpayer Assistance Center Contacts for Fiscal Years 2007–2010 (in millions)

Contacts/Product Lines	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Accounts Contacts	3.1	3.2	3.2	3.5
Forms Contacts	1.3	1.0	0.8	0.7
Other Contacts	1.4	1.5	1.5	1.5
Tax Law Contacts	0.8	0.6	0.3	0.3
Tax Returns Prepared	0.5	0.6	0.4	0.4
Totals	7.1	6.9	6.2	6.4

Source: The Field Assistance Office (liaison email dated October 25, 2010).



The Taxpayer Assistance Centers Are Not Located to Effectively Serve the Maximum Number of Taxpayers

As the IRS reported in the Taxpayer Assistance Blueprint, the TACs serve a small percentage of taxpayers at a high cost, and the majority of taxpayers actually prefer to use other IRS resources (e.g., the telephone and the IRS Internet site, IRS.gov). However, some taxpayers prefer to receive face-to-face assistance to meet their tax obligations—especially for more complex issues. It is essential, given budget constraints and Congressional concerns, that the IRS continues with its analysis and determines the optimal locations for the TACs that yield the maximum coverage rate.

The United States Postal Service (USPS) has challenges similar to the IRS's in closing and/or relocating post offices

The USPS office locations are largely based on historic needs and patterns. However, recently, the USPS Office of Inspector General contracted with a statistician to prepare a model showing optimal locations of post offices. The USPS Office of Inspector General has expressed interest in the concept of the IRS partnering with the USPS and sharing space and cost, resulting in potentially serving more postal customers and taxpayers.

The IRS stated this is an option worth exploring. Advantages of partnering with the postal service include sharing spaces at locations well known to the majority of local populations plus a relatively secure building space. With the availability of wireless laptops now used by TAC assistors in Volunteer Program sites, this option is more feasible than it was before the existence of this technology.

The IRS is exploring alternatives to the TACs

The IRS conducted a pilot of partnering with the IRS's Volunteer Program sites during the 2009 Filing Season. During interviews, TAC managers stated that they believe this is a viable option because taxpayers served at a Volunteer Program site lessen the traffic at the TACs during the filing seasons. The IRS has increased the pilot from 9 sites in the 2009 Filing Season to 27 sites in the 2010 Filing Season and plans to staff 30 Volunteer Program sites during the 2011 Filing Season.

In January 2010, the Field Assistance Office proposed that it should partner with Federal, State, and city agencies to increase coverage of underserved areas. The test sites would be similar to assistance sites which have been established after natural disasters. The IRS has reached out to State agencies but, because of the lack of funding, cannot consider sharing space with any agency if the IRS would need to contribute to the cost of the combined operation.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Validate the data used in the Geographic Coverage Initiative process and ensure that the correct criteria are used and all decisions, along with the data used and methodologies for making the decisions, are supported and documented.

Management's Response: IRS management agreed with this recommendation. The IRS is developing more detailed documentation of the methodology used by the Geographic Coverage Model, as well as a version control system to provide documentation of any changes made to the Model methodology or updates to the source data. The documentation will include a report on the quality review and validation of the methodology that has been conducted by the Office of Program Evaluation and Risk Analysis. Training on the use of the TAC relocation Model, already provided to the additional Office of Program Evaluation and Risk Analysis staff, will allow for review and increased quality control of any analysis from the Model.

Recommendation 2: Identify opportunities to better align the TACs with taxpayer needs and complete the evaluative process in the Geographic Footprint Initiative, including a cost-benefit analysis, return-on-investment analysis, taxpayer impact assessment, stakeholder input, and communication plan.

Management's Response: IRS management agreed with this recommendation. The IRS will work to identify opportunities to better align the TACs with taxpayer needs on a case-by-case basis, as leases expire and/or events occur that require unplanned relocations. The IRS will develop and implement an evaluative process as part of the Geographic Footprint Initiative. The evaluative process will incorporate a cost-benefit analysis, return-on-investment analysis, taxpayer impact, stakeholder input, and a communication plan.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether the current distribution of TACs is cost effective in terms of coverage and quality of services provided. The Department of the Treasury requested this audit. To accomplish this objective, we:

- I. Determined the purpose and current state of the Geographic Coverage Model and how it is being used to meet the IRS's strategic goal of improving service to make voluntary compliance easier.
 - A. Discussed the process and criterion of the current Geographic Coverage Model with responsible IRS officials.
 - B. Obtained and analyzed the Geographic Coverage Model to determine if it provides a "balanced footprint" in determining placement of the TACs to maximize taxpayer services provided. We used the data provided by the IRS and did not assess the reliability.
- II. Determined if the Geographic Coverage Model produces the optimal locations of the TACs in terms of coverage and quality of services provided.
 - A. Discussed with responsible IRS officials how the current TAC configuration provides convenient access for the maximum number of taxpayers.
 - B. Evaluated the REFM function's validation for the resource costs of TAC operations.
- III. Determined if IRS initiatives other than the Geographic Coverage Model currently undertaken by the Field Assistance Office are contributing to make voluntary compliance easier.
 - A. Discussed with responsible IRS officials the partnering of the TACs with State, Federal, and local agencies and with Volunteer Program sites during the filing season and how these activities achieve the desired results on voluntary compliance.
 - B. Attempted to assess the risk to the taxpayer and tax administration. However, we were denied access to the Field Assistance Management Information System, and we could not assess fraud or the reliability of the data provided to the TIGTA from the system.



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Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the Field Assistance Office's Geographic Coverage Model and the Field Assistance Management Information System. We assessed whether the Model shows if current distribution of the TACs is cost effective in terms of coverage and quality of services provided and evaluated controls by interviewing management and reviewing policies and procedures. We also conducted tests of the Geographic Coverage Model.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Appendix II

Major Contributors to This Report

Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services)

Augusta R. Cook, Director

Lena Dietles, Audit Manager

Tracy Harper, Lead Auditor

Roberta Fuller, Senior Auditor

Jerome Antoine, Auditor

Kathy Coote, Auditor

Jerry Douglas, Auditor

Nelva Usher, Auditor



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Wage and Investment Division SE:W
Chief Technology Officer OS:CTO
Director, Customer Assistance, Relationships, and Education, Wage and Investment Division
SE:W:CAR
Director, Real Estate and Facilities Management OS:A:RE
Director, Strategy and Finance, Wage and Investment Division SE:W:S
Director, Field Assistance, Wage and Investment Division SE:W:CAR:FA
Chief, Program Evaluation and Improvement, Wage and Investment Division SE:W:S:PRA:PEI
Senior Operations Advisor, Wage and Investment Division SE:W:S
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Chief, Program Evaluation and Improvement, Wage and Investment Division
SE:W:S:PRA:PEI



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Appendix IV

*Treasury Inspector General for
Tax Administration Related Audit Reports*

- *Trends in Customer Service in the Taxpayer Assistance Centers Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions* (Reference Number 2003-40-158, dated August 12, 2003).
- *The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured* (Reference Number 2005-40-110, dated July 22, 2005).
- *Taxpayer Service Is Improving, but Challenges Continue in Meeting Expectations* (Reference Number 2006-40-052, dated February 17, 2006).
- *The Taxpayer Assistance Center Closure Plan Was Based on Inaccurate Data* (Reference Number 2006-40-061, dated March 22, 2006).
- *Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint* (Reference Number 2008-40-118, dated May 16, 2008).



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Appendix V

*Taxpayer Assistance Blueprint
Evaluative Criteria*

Taxpayer Criteria	Government Criteria
1. Total Population Coverage Rate.	1. Leased/Own.
2. Low Income Return Coverage Rate.	2. Lease Expiration.
3. Problem Return Coverage Rate.	3. Square Feet.
4. Percent Change in Overall Low Income Return Coverage Rate by Eliminating TAC.	4. TAC Rent.
5. Percent Change in Overall Problem Return Coverage Rate by Eliminating TAC.	5. Costs of Releasing Space.
6. Percent Change in Total Population Coverage Rate by Eliminating TAC.	6. Does Another IRS Office Need the Space?
7. Percent of Total Volume Deliverable Via IRS.gov.	7. Is the TAC the Entry Point to IRS Office for Other Taxpayers and Employees?
8. Percent Total Contacts Deliverable Via IRS.gov per Staff Year.	8. Allocated Staffing.
9. Proximity to Another TAC.	9. On Rolls.
10. Proximity to Volunteer Program Sites.	10. Retirement Eligibility.
11. Capacity of Nearest TACs and Volunteer Program Sites to Absorb Displaced Volume.	11. Total Volume.
	12. Percent of Total Volume to Be Delivered Via Assisted Service.
	13. Total Contacts Per Staff Year.
	14. Total Assisted Contacts Per Staff Year.
	15. Modernization Efforts Applied.

Source: IRS's 2007 Taxpayer Assistance Blueprint Phase II, Appendix Section 7.0, Figure A-13.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Appendix VI

Geographic Coverage Model Criteria

Taxpayer Criteria	Explanation
1. Population - Latest Estimates from the United States Census.	Percentage of population, by zip code, located within 30 minutes of travel time from a TAC.
2. United States Individual Income Tax Returns (Form 1040).	Percentage of total Processing Year ¹ 2008 individual tax return population, by zip code, located within 30 minutes of travel time from a TAC.
3. Limited Income Taxpayers - Making Less Than \$39,000.	Percentage of low-income (based on \$39,000) tax return filing population, by zip code, located within 30 minutes of travel time from a TAC.
4. Limited English Proficiency Taxpayers.	Percentage of population with limited English proficiency located within 30 minutes of travel time from a TAC.
5. Elderly – Taxpayers Over Age 55.	Percentage of tax return filing population for which the primary filer is over age 55 located within 30 minutes of travel time from a TAC.
6. Disabled Taxpayers.	Percentage of population with a disability located within 30 minutes of travel time from a TAC.
7. Taxpayer With Less Than a High School Diploma.	Percentage of population with less than a completed high school diploma located within 30 minutes of travel time from a TAC.
8. Taxpayers With Problem Returns (Late Filed and Balance Due).	Percentage of tax return filing population either filing a balance due tax return or late-filed tax return located within 30 minutes of travel time from a TAC.
9. Taxpayers Issued Balance Due Notices.	Percentage of tax return filing population receiving balance due notices located within 30 minutes of travel time from a TAC.

Source: IRS's Geographic Coverage Model (2010).

¹ The year in which tax returns and other tax data are processed.



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Serve the Maximum Number of Taxpayers*

Appendix VII

*Forty-One Taxpayer and Federal Government
Taxpayer Assistance Center Evaluation Criteria*

Taxpayer Criteria		Explanation
1	Total population coverage rate.	Percentage of population, by zip code, located within 30 minutes of travel time from a TAC.
2	Low-income tax return coverage rate (Adjusted Gross Income ¹ less than \$36,000).	Percentage of low-income (based on \$36,000) tax return filing population, by zip code, located within 30 minutes of travel time from a TAC.
3	Low-income tax return coverage rate (Earned Income Tax Credit cutoff for Processing Year ² 2006 = \$35,263).	Percentage of low-income (based on \$35,263) tax return filing population, by zip code, located within 30 minutes of travel time from a TAC.
4	Problem return ³ coverage rate.	Percentage of potentially noncompliant tax return population, by zip code, located within 30 minutes of travel time from a TAC.
5	Total Processing Year 2006 individual tax return coverage rate.	Percentage of total Processing Year 2006 individual tax return population, by zip code, located within 30 minutes of travel time from a TAC.
6	Low-education tax return coverage rate.	Percentage of low-education (less than high school) population, by zip code, located within 30 minutes of travel time from a TAC.
7	Wage and Investment Division total tax return coverage rate (Tax Year 2002).	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for total population.
8	Change in overall total Processing Year 2006 coverage rate if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for total Processing Year 2006 tax returns.
9	Change in overall low-income tax return coverage rate if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for low-income tax returns.

¹ Gross income minus allowable deductions.

² The year in which tax returns and other tax data are processed.

³ Defined by the IRS as tax returns filed late or not fully paid.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Taxpayer Criteria		Explanation
10	Change in overall Wage and Investment Division low-income total tax return coverage rate if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for low-income tax returns.
11	Change in overall low-education tax return coverage rate if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for low-education population.
12	Original count of Tax Year 2004 problem tax returns.	Count by zip code of the number of Tax Year 2004 problem tax returns.
13	Change in Tax Year 2004 problem tax return coverage rate if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for potentially noncompliant tax returns.
14	Reduction in total population coverage rate as a percentage of the target population if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for total population.
15	Reduction in problem tax return coverage rate for Processing Year 2006 as a percentage of the target population if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for potentially noncompliant tax returns.
16	Reduction in low-income tax return coverage rate as a percentage of the target population if eliminating a TAC.	Remove the TAC from geographic coverage analysis and recalculate overall TAC coverage for low-income population.
17	Proximity of next closest TAC (travel time in minutes).	Distance to next closest TAC (travel time in minutes).
18	Next closest TAC name/building code.	Closest TAC name and building code.
19	Capacity of alternate TAC to absorb displaced volume count/percentage.	The nearest TAC site(s) having the requisite capacity to absorb the total volume estimated to be migrated from a given TAC.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Government Criteria		Explanation
1	Lease/own.	TAC space is leased or owned by the Federal Government.
2	Lease expiration.	Lease expiration date.
3	TAC square feet.	Total square footage.
4	TAC rent.	Annual rent expenditure.
5	Rentable/usable factor.	Rentable space is the area for which a tenant is charged rent. Usable space is computed by measuring the area enclosed by the finished surface of the room side of corridors and other permanent walls. Rentable/usable factor is computed by dividing the rentable space by the usable space.
6	Cost per square foot.	Rent cost per square foot.
7	TAC size.	Defined as small, medium, or large based on the number of technical employees at the TAC.
8	Standalone TAC (yes or no).	The TAC is the only IRS function in the building.
9	Allocated technical Full-Time Equivalent (the number of hours worked divided by the maximum number of compensable hours in a work year).	Number of Full-Time Equivalent employees allocated to a given TAC in the Field Assistance Office's allocated staffing plan.
10	On rolls.	Number of employees currently employed in a TAC (as of Fiscal Year 2007).
11	Initial assistance representatives.	Number of initial assistance representatives currently employed in a TAC.
12	Other employees.	Number of other employees (e.g., secretaries, supervisors, clerks) currently employed in a TAC.
13	Technical.	Number of technical employees currently employed in a TAC.
14	Retirement eligibility.	Number of employees eligible for retirement by the estimated TAC closure date.



The Taxpayer Assistance Centers Are Not Located to Effectively Serve the Maximum Number of Taxpayers

Government Criteria		Explanation
15	Total volume per Business Performance Management System.	Total number of contacts delivered in a given TAC during last full fiscal year.
16	Total volume per Q-MATIC. ⁴	Total number of contacts delivered in a given TAC during the last full fiscal year.
17	Total contacts potentially deliverable via IRS.gov.	Total contacts delivered by a given TAC during the last full fiscal year that could be delivered via IRS.gov.
18	Percentage of total volume potentially deliverable via IRS.gov.	Percentage of TAC contacts delivered by a given TAC during the last full fiscal year that could be delivered via IRS.gov.
19	Total technical and initial assistance representative program hours expressed in Full-Time Equivalents.	Technical and initial assistance representative program hours divided by the number of staff hours that represent a Full-Time Equivalent.
20	Potential IRS.gov contacts per technical Full-Time Equivalent.	Total contacts delivered by a given TAC during the last full fiscal year that could be delivered via IRS.gov expressed as Full-Time Equivalents.
21	Total filing season ⁵ volume per Business Performance Management System.	Total number of contacts delivered in a given TAC during a filing season.
22	Modernization efforts applied.	Have investments already been made in installing the TAC Model Design ⁶ in the given TAC (if TAC is moving, ignore this criterion)?

Source: IRS Evaluative Model as of October 2007 and TIGTA audit report Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint (Reference Number 2008-40-118, dated May 16, 2008).

⁴ An automated queuing system used to control the flow of taxpayers waiting for assistance. In most of the TACs, the Q-MATIC automatically records the number of taxpayers assisted.

⁵ The period from January through mid-April when most individual income tax returns are filed.

⁶ The TAC Model Design established detailed requirements for small, medium, and large TACs. The TAC Model Design Guide will be used as a planning and implementation tool by field facility offices to solicit appropriate leased space for new or relocated TACs nationwide.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Appendix VIII

*Timeline of Prior Treasury Inspector General for Tax
Administration Reports
and Related Events and Actions*

Fiscal Year 2001	<p>Before the Field Assistance Office officially began operations in October 2000, TAC locations were based on the IRS's prior structure, which included geographic boundaries of regions and districts. In Fiscal Year 2001, the IRS and an independent contractor developed the Field Assistance Office Design Plan, which was followed by the Service Delivery Model.</p> <p>The IRS developed the Planning and Allocation Model and the Field Assistance Resource Database Model databases. The information from both databases was eventually to be incorporated into a new Field Assistance Office Service Delivery Model, with implementation anticipated at the end of Fiscal Year 2005.</p>
August 2003	<p>The TIGTA reported the IRS's estimation of the number of taxpayers who visit the TACs could be substantially understated due to inconsistencies in tracking visits, using multiple tracking systems, and a manual process of inputting visits to a management information system.</p> <p>The IRS responded that it planned to install, at each of its TACs, an automated system that would allow it to more accurately track taxpayer visits by providing a networked system that captures data on customer volumes and the types of service provided to taxpayers.</p>
November 2004	<p>The IRS acknowledged that it was no longer using the Service Delivery Model developed in Fiscal Year 2001 to drive the TAC Program. The information contained in the Service Delivery Model was never validated and funding had not been provided to meet established goals. IRS management indicated they were working to develop a new model.</p>
May 2005	<p>The IRS announced plans to close 68 TACs.</p>
June 2005	<p>Congress reacted to the report of the IRS's decision to close 68 TACs and proposed to delay the closings until the TIGTA completed a study of how the IRS's plans to reduce services would affect taxpayer compliance and taxpayer assistance.</p>
July 2005	<p>The TIGTA completed an audit of the TAC Program service delivery and reported that key management information used to make decisions and support changes for the TACs was either absent or based on incomplete data. The IRS agreed that improving its management information system is critical and planned to develop a web-based management information system that would provide critical program planning and control information at the local and national levels.</p> <p>The IRS halted plans to close any TACs.</p>



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

**February
2006**

The TIGTA completed an audit on taxpayer services and reported that the IRS had conducted only limited research on the impact of customer service on taxpayer compliance. The IRS agreed that further study was warranted regarding the impact on taxpayer compliance of any reduction in services and stated it was awaiting the results of both the 2006 Taxpayer Assistance Blueprint (Phase 1) and the TIGTA's audit of the TAC Closure Model (this Model was used to identify which TACs to close).

**March
2006**

The TIGTA completed an audit of the TAC Closure Model, reported inaccuracies and inconsistencies in the data used to populate the Model, and raised concerns about using the results to select which TACs to close and determine the associated cost savings that may be achieved.

The IRS agreed that data reliability was an issue that must be addressed, stating it would ensure data used in any decision-making tool related to the TAC Program were accurate and verified.

April 2006

The IRS issued the Blueprint Phase 1 report.

April 2007

The IRS issued the Blueprint Phase 2 report.

May 2007

The IRS formed a Validation Team to validate the accuracy of the data gathered on the TAC Program by the Blueprint team. A decision was made to scrap the Center Closure Model and to continue to build a new model (the TAC Evaluative Model) to make decisions regarding the TAC Program.

**September
2007**

The Validation Team raised concerns about the accuracy of the data used to populate the Evaluative Model. The Validation Team indicated that eight criteria contained inaccurate data. As a result, the Validation Team stopped all work on the Evaluative Model and the IRS transferred responsibility for compiling and validating data to the Field Assistance Office. The Validation Team was unable to develop a process to keep the data accurate and current.

**February
2008**

The Geographic Coverage Initiative Team was formed to gather and analyze data from various sources, including research conducted during the Taxpayer Assistance Blueprint and Geographic Coverage Model and develop a repeatable process for analyzing coverage areas of IRS taxpayer service facilities.

May 2008

The TIGTA completed an audit of the TAC Geographic Footprint, reporting that inaccurate and incomplete management information continued to delay implementation of the TAC Geographic Footprint. In addition, the optimum locations for the TACs and which taxpayers they most effectively serve had not been determined. The IRS was unable to measure how closing Centers might affect taxpayers and compliance.

The IRS agreed to ensure data were accurate and current by conducting reviews and validating Center data weekly by using the Field Assistance Management Information System. The Field Assistance Office would use the process developed by the Geographic Coverage Initiative to create a balanced footprint designed to maximize services provided.

**October
2009**

The IRS reported to Congress on the implementation of the Taxpayer Assistance Blueprint. The IRS collaborated with the Volunteer Program sites to provide one-stop service at nine existing Volunteer Program sites using the Geographic Coverage Model to identify the best locations for expanded service.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

**January
2010**

The Geographic Coverage Initiative Team briefed IRS executives with recommendations, for example, to combine the TACs with overlapping coverage, invest savings from elimination of overlapping TACs to eliminate significant gaps in coverage identified by the Model, and establish test sites to increase the coverage rate in underserved areas by partnering with State, Federal, and city agencies.

Source: TIGTA audit reports, The 2006 Taxpayer Assistance Blueprint (Phase 1), The 2007 Taxpayer Assistance Blueprint (Phase 2), Congressional action, and interviews with IRS employees.



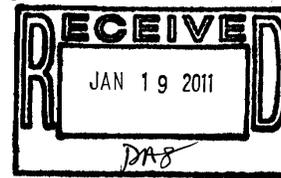
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Serve the Maximum Number of Taxpayers*

Appendix IX

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308



JAN - 6 2011

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR FOR GENERAL AUDIT

FROM: Richard Byrd, Jr. *Richard Byrd*
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report - The Taxpayer Assistance Centers Are Not
Located to Effectively Serve the Maximum Number of Taxpayers
(Audit # 201040016)

We have reviewed the subject draft report and generally agree with your findings and recommendations. We appreciate the Treasury Inspector General for Tax Administration recognizing that the IRS provides taxpayers the option of obtaining personal, face-to-face tax assistance at 401 Taxpayer Assistance Centers (TACs), nationwide.

During Fiscal Year (FY) 2010, our TACs serviced almost 6.4 million customers at these 401 locations. Moreover, by leveraging the services of IRS-sponsored national and local volunteer organizations, almost 3.1 million additional taxpayers received free tax return preparation assistance from 87,601 volunteers located at over 12,000 volunteer sites nationwide.

As noted in your report, our Geographic Coverage Initiative (GCI) examines the placement of IRS TACs and determines if their current locations meet the needs of taxpayers. Although no actions have been taken to combine, relocate, or close TACs as a result of the GCI due to budget constraints and legislative concerns, as your report acknowledges, IRS has undertaken many other successful actions to expand the availability of face-to-face IRS assistance.

In FY 2009, IRS employees worked at nine geographically-dispersed Volunteer Income Tax Assistance locations assisting taxpayers with account and other issues as a supplement to these volunteer sites' free tax return preparation assistance. Over 1,300 taxpayers received IRS service at these nine locations. During FY 2010, the IRS provided assistance at 27 volunteer locations and assisted over 5,300 taxpayers. The IRS plans to staff approximately 30 volunteer locations during FY 2011.



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

2

During FY 2010, the IRS held two Earned Income Tax Credit Awareness Saturday events in 170 TACs. The IRS assisted over 9,500 taxpayers and prepared over 4,000 tax returns on these two Saturdays. These events will continue during FY 2011.

During FY 2010, the IRS sponsored five nationwide Open House Events in at least one TAC in every state. These events convened the staff of multiple IRS organizations who worked together to resolve taxpayer issues. These events targeted the special needs of specific taxpayer segments, such as small businesses, the disabled, veterans, and taxpayers who were struggling due to the economic downturn. The IRS assisted over 35,000 taxpayers and prepared over 8,600 tax returns during these five events and we have plans to conduct four such events during FY 2011.

During the FY 2010 Filing Season, the IRS provided expanded service hours on weekdays (before 8:30a.m. and after 4:30p.m.) and all but one Saturday at 16 of our largest and busiest TACs across the country. This expanded service resulted in 6,272 additional taxpayers served through the week of April 15, 2010. The IRS is planning to offer similar expanded hours of service during the 2011 Filing Season. The IRS also recognized the potential need for assistance for taxpayers impacted by the Gulf of Mexico oil spill. We initiated the Gulf Coast Assistance Day at seven TACs (Mobile, AL; Panama City and Pensacola, FL; New Orleans, Houma, and Baton Rouge, LA; and Gulfport, MS) on Saturday, July 17th, where 168 taxpayers received assistance to resolve a variety of Federal tax issues, including oil-spill related issues.

Finally, the Facilitated Self Assistance (FSA) kiosks, that provide a form of virtual presence, were available at 49 TACs during the 2010 Filing Season. The FSA allows taxpayers to access a number of useful automated services. Approximately 9,700 customers used FSA to file their tax return electronically, apply for an Employer Identification Number, print current and prior year forms and publications, and enroll in the Electronic Federal Tax Payment System. At the end of Filing Season 2010, the equipment was retired in the 49 TACs, however, a newly deployed system will be in place at 37 TACs for the upcoming Filing Season.

Our specific comments to your recommendations are attached. If you have any questions, please contact me, or a member of your staff may contact Leslye Baronich, Director, Field Assistance, Wage and Investment Division, at (404) 338-7141.

Attachment



*The Taxpayer Assistance Centers Are Not Located to Effectively
Serve the Maximum Number of Taxpayers*

Attachment

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1:

Validate the data used in the Geographic Coverage Initiative process and ensure that the correct criteria is used and all decisions, along with the data used and methodologies for making the decisions, are supported and documented.

CORRECTIVE ACTION:

We agree with this recommendation. We are developing more detailed documentation of the methodology used by the model, as well as a version control system to provide documentation of any changes made to the model methodology or updates to the source data. This documentation will include a report on the quality review and validation of the methodology that has been conducted by the Office of Program Evaluation Risk Analysis (OPERA). Training on the use of the TAC relocation model, already provided to additional OPERA staff, will allow for review and increased quality control of any analysis from the model.

IMPLEMENTATION DATE:

September 15, 2011

RESPONSIBLE OFFICIAL:

Director, Field Assistance, Wage and Investment Division

RECOMMENDATION 2:

Identify opportunities to better align the TACs with taxpayer needs and complete the evaluative process in the Geographic Footprint Initiative, including a cost-benefit analysis, return-on-investment, taxpayer impact, stakeholder input, and communication plan.

CORRECTIVE ACTION:

We agree with this recommendation. The IRS will work to identify opportunities to better align the TACs with taxpayer needs on a case-by-case basis, as leases expire and/or events occur that require unplanned relocations. The IRS will develop and implement an evaluative process as part of the Geographic Footprint Initiative. The evaluative process will incorporate a cost benefit analysis, return on investment analysis, taxpayer impact, stakeholder input, and a communication plan.

IMPLEMENTATION DATE:

December 15, 2011

RESPONSIBLE OFFICIAL:

Director, Field Assistance, Wage and Investment Division