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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

OCT 30 1970

Dear Mr. Thrower:

The General Accounting Office has reviewed certain tax return processing techniques of the Internal Revenue Service (IRS) service centers. Our review was made at the National Office in Washington, D.C.; the Southeast Service Center in Chamblee, Georgia; the Mid-Atlantic Service Center in Philadelphia, Pennsylvania; and the Western Service Center in Ogden, Utah.

We found that improved and more economical processing techniques were being used by certain service centers but not by others. Consequently, we believe that the management program utilized by the National Office for controlling the service centers' operations should be expanded to ensure that improved processing techniques will be identified and considered for implementation at all seven service centers. We further believe that comparisons of processing techniques should be made by National Office personnel or closely monitored by them if made by field personnel.

IRS National Office officials have advised us that they will look for ways to intensify the comparative review program and to expand the role of the National Office in the management program.

NEED FOR MORE EFFECTIVE COMPARISONS
OF SERVICE CENTER OPERATIONS

The National Office, as part of its management program for the service centers, has developed a management information system for use in controlling and monitoring the centers' tax return processing operations. The system, designated as the Integrated-Management-Planning-Information-System, was in operation at all centers by January 1, 1968. Performance and cost reports which are generated by the information system show for each of the various processing operations performed the volume of documents processed, the hours expended, and the actual rate of productivity. The reports also show planned rates of productivity developed by each service center for each operation performed.

The National Office, by utilizing the performance and cost reports, prepares listings of the processing results of selected service center operations. Each region receives a copy of the listing which identifies the production rates of selected operations in which the service center in the region compares unfavorably with the planned production rate or the achieved production rates of the other six service centers. The

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National Office generally relies on the region to investigate and resolve the reasons for the unfavorable production rates. Our review showed, however, that the regions' investigations of data furnished on the listings are generally limited to a determination and an evaluation of the reasons for differences between the center's planned and actual rate of productivity.

There are significant differences between the rates of productivity for some of the processing operations performed by the centers. For example, the production rates for the microfilm research work performed varied significantly during fiscal year 1970. The items processed per hour for individual tax items ranged from 8.6 to 12.3, and for business tax items, the items processed per hour ranged from 8.1 to 12.2. According to these production rates for individual and business tax items, the centers with the highest production rates are processing 43 and 51 percent, respectively, more items per hour than the centers with the lowest production rates. Differences in production rates for processing functions result in differences in man-years expended and operating costs incurred--generally, the lower the production rate the higher the operating cost.

We selected for review certain tax return processing operations performed by the Mid-Atlantic, Southeast, and Western Service Centers because performance and cost reports indicated that substantial differences existed between the production rates. We found that productivity differences are attributable in part to the use of more efficient tax return processing techniques by certain service centers. The techniques that we noted follow.

1. Two of the centers were depositing unsigned checks received from taxpayers. In contrast, the other center was returning the checks to the taxpayers for signature. The two centers had made arrangements with a large number of banks to accept unsigned checks. By depositing the unsigned checks, the two centers were able to achieve a higher productivity because the checks otherwise would have been returned to the taxpayer for signature and reprocessed when returned to the center.

2. Generally, loose checks received at service centers are stapled to accompanying tax returns or documents to ensure that the remittance can always be associated with the correct return or document. The procedure requires that the checks be removed for deposit during later processing stages. One center had adopted a technique for keeping loose checks associated with returns during the processing stages and had eliminated the procedure for stapling checks to some returns. The loose checks are placed on the top of each related return and the returns are securely bundled for movement to the next processing stages. This technique saved the time required to staple and subsequently remove the stapled checks from the returns. Center officials estimate that during peak processing periods, as many as 50 clerks were used full time for detaching checks from returns or documents.

3. One center was using "lazy susan" type microfilm storage racks rather than the stationary shelf-type racks used by the other two centers. The racks

are used for storage of microfilm cartridges of taxpayers tax transactions which are used for researching taxpayers' accounts. The "lazy susan" rack provides for more compact storage of the microfilm records and because it revolves, less time is required to locate and replace the microfilm used by employees in the research operation.

Conclusion

We believe that the National Office should place more emphasis on comparisons of the operations of the centers in its management program and that such comparisons should be made by National Office personnel or closely monitored by them if field personnel are used. Since each of the seven service centers generally follows the same operating guidelines and process the same types of tax returns, periodic reviews and comparisons of service center operations should disclose the major factors which affect the variances in productivity of similar operations and provide an effective management tool for controlling the operations of the centers. Such reviews and comparisons would ensure that innovative processing techniques developed by a center are identified for implementation at all seven service centers.

At the completion of our review we discussed our findings with IRS National Office officials. They advised us that more can be done in the area of identification and dissemination of innovative processing techniques developed by a service center. They stated that other programs have resulted in an increased workload for the staff and that additional resources were not available to channel into this area. They advised us that they will consider ways to expand and intensify the use of comparative reviews of the center operations and the role of the National Office in performing these reviews.

We wish to acknowledge the cooperation given to our representatives during this review.

Sincerely yours,



Irvine M. Crawford
Assistant Director

The Honorable Randolph W. Thrower
Commissioner of Internal Revenue
Department of the Treasury

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