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UNITED STATES GENERAL ACCOUNTING OFFICE  
Washington, D.C. 20548

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FOR RELEASE ON DELIVERY  
Expected at 10:00 a.m.  
Monday, December 15, 1975

STATEMENT OF  
ROBERT F. KELLER, DEPUTY COMPTROLLER GENERAL  
BEFORE THE  
SUBCOMMITTEE ON COMMERCE, CONSUMER, AND MONETARY AFFAIRS  
COMMITTEE ON GOVERNMENT OPERATIONS  
HOUSE OF REPRESENTATIVES  
ON  
GAO REVIEWS OF TAXPAYER ASSISTANCE

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Mr. Chairman and Members of the Subcommittee:

We are glad to appear at your request to give you an overview of GAO's reviews relating to taxpayer assistance.

As you know, there has been a long standing refusal by the IRS to permit the GAO to review administration of the Internal Revenue laws. Accordingly, such review work as we have performed has been at the request of the Joint Committee on Internal Revenue Taxation. That Committee, which has authority by law to investigate administration of the Internal Revenue code, designated GAO as its agent in 1971. Since that time we have been asked to conduct a number of reviews.

Among the requests by the Joint Committee was one to review the taxpayer assistance program of IRS. That work is now in its final stages--with two of three contemplated reports having been issued and the third scheduled for early in 1976.

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Let me start by saying a few words about the IRS taxpayer assistance program. It had its real beginnings in the early 1940s. According to a March 1943 New York Times article, taxpayers needing assistance were requested to seat themselves at writing tables and an Internal Revenue representative using a public address system instructed them item by item on how to fill out their returns. In the ensuing years, taxpayer assistance has received greater emphasis, and today's taxpayer service program includes

- a toll free telephone network to provide answers to taxpayer questions,
- walk-in facilities for taxpayers who want more personalized and detailed help,
- training of volunteers who want to help taxpayers, and
- information and education efforts to advise taxpayers how to prepare their returns and how to obtain needed help.

Organized taxpayer assistance is not, of course, limited to IRS. In recent years there has been a dramatic growth in the number of firms and individuals, professional and commercial, who prepare income tax returns for a fee. The rapid growth of what has come to be called the tax industry occurred because of the large gap that developed between taxpayers' need for help and the limited assistance available from IRS. Accordingly, the Joint Committee also requested that we review the need to regulate commercial preparers.

The status of our reports on taxpayer assistance is as follows:

--The first of our reports, titled "Telephone Assistance to Taxpayers Can Be Improved," is dated June 10, 1975, and was released by the Joint Committee on June 12, 1975.

--Our second report, titled "No Apparent Need to Regulate Commercial Preparers of Income Tax Returns," is dated December 8, 1975. It has yet not been released by the Joint Committee.

--Work is still in progress on the third and final report. That report, when completed, will cover such matters as walk-in assistance, assistance to low income taxpayers, training and skill level of tax assistors, and taxpayer education and public information programs.

We discuss these reports in some more detail later.

Upon receiving your letter requesting that we testify, we advised the Joint Committee of the hearings and told them that the report on regulation of commercial preparers would be issued some time during the week of December 8. We asked whether the report would be released by them in time for use in the hearings.

We were told that as soon as the Joint Committee had an opportunity to consider the report it would be released for use by other committees.

We then informed your committee staff that it appeared the report would not be released in time for these hearings and that we therefore would not be able to fully discuss the report.

Your staff had questions relating to our responsibility under the House Rules and the Legislative Reorganization Act of 1970 to provide copies of reports to the House Government Operations Committee. In view

of these questions we would like to take time to discuss our agreement with the Joint Committee.

After many years of unsuccessful efforts to gain access to IRS records for the purpose of reviewing tax administration, the Joint Committee--which has undisputed access to IRS records--requested us to conduct reviews of IRS as agent of the Joint Committee.

The designation of GAO as agent of the Joint Committee was made in a letter dated January 13, 1971. A copy is attached as appendix I. It includes a number of provisions, the one most pertinent to our discussion today stating:

"The final report will be submitted only to the Joint Committee, but ordinarily with a confidential copy to the Commissioner, and no release of the report or any of its contents will be made except by the Joint Committee."

We feel we must honor this provision.

We are not unmindful of the provisions of the Legislative Reorganization Act of 1970.

With respect to reports to the Congress:

--Section 232 requires, among other things, that copies shall be delivered to certain committees, including the House and Senate Committees on Government Operations.

--Section 233 requires that copies shall be delivered upon request to any other committees.

With respect to all reports, including reports to the Congress and to committee chairmen and individual members at their request:

--Section 234 requires that all reports of the General Accounting Office issued the preceding month be listed, that the list be distributed to every committee and member, and that a copy of such reports be furnished to committees and individuals as requested.

With respect to reports made at the request of committees and individual Members, the House Committee on Rules in its report on the bill which became the Legislative Reorganization Act of 1970 recognized the problem on the timing of the release of such reports. Page 12 of House Report No. 91-1215 states:

"The Comptroller General must exercise some discretion in deciding what constitutes a 'report.' There are times when the Comptroller General and a Member or committee of Congress have a confidential relationship such as might exist between an attorney or an accountant and his client. Committees frequently ask the Comptroller General for information to be used during committee hearings in the examination of witnesses. It would clearly be unwise to require the Comptroller General to make the contents of these reports available on request in advance of their intended use.

"As a general rule, however, it is the intent of this legislation that reports prepared by the Comptroller General in the normal course of carrying out the functions of the General Accounting Office should be noted in the monthly summary of reports. It is furthermore expected that Members and committees whose views are not in harmony with the substance of the reports will not attempt to restrict the circulation of these documents."

Unfortunately, the work performed for the Joint Committee as its agent presents a unique problem. We cannot fully discuss at this time the unreleased report on regulation of commercial preparers without abrogating our agreement with the Joint Committee to act as its agent--an agreement without which we could not have conducted the review in the first place.

Under the circumstances, we hope you can understand our situation.

#### Telephone assistance

Telephone assistance, the subject of our report dated June 10, 1975, is the principal means by which IRS assists taxpayers. In fiscal year 1974 about 72 percent of all taxpayer assistance contacts made were by telephone,

and about 57 percent of the time spent assisting taxpayers was associated with telephone assistance. To handle the large volume of calls, IRS during 1971-74 established a centralized telephone system comprising a network of toll-free lines directing inquiries in a specific geographical area to a "telephone center." There were 135 such centers in 1974. The telephone center had equipment enabling supervisors to listen to incoming calls--without the knowledge but with the consent of the assistors--to monitor assistors' responses. Monitoring is the primary means of insuring that service is timely, accurate, and courteous.

GAO concentrated its review on monitoring activities in 6 of IRS's 58 districts during the 1974 tax filing period. We found that

--At five of the six districts, from 12.1 to 53.5 percent--

33.5 percent overall--of assistors were not monitored.

--Two districts concentrated monitoring efforts on the last 6 weeks of the period, rather than on the early weeks when corrective actions would have had greater benefits.

--Two districts gave insufficient attention to the accuracy of assistors' responses.

Moreover, telephone centers were not summarizing the extent or results of their monitoring efforts or reporting them to management officials. IRS district, regional, and headquarters officials need such information to

--insure that an effective monitoring program is implemented at their telephone centers,

- evaluate the quality of telephone assistance, and
- identify and correct areas of program weaknesses, such as assistor training and staff assignment.

IRS's own internal reviews suggest that there is room for improvement in the quality of telephone assistance. During the 1974 tax filing period carefully selected questions were put to tax assistors by internal auditors and national office taxpayer service personnel. Assistors incorrectly answered 20 percent of the questions asked by the internal auditors and 18 percent of those asked by the national office staff. Incorrect responses were given primarily because assistors responded without having probed adequately for all facts needed to clearly understand the question or without adequately researching the problem. Also, some assistors responded to questions beyond their skill level instead of deferring to experienced technical backup assistors.

GAO briefed IRS on these findings in December 1974 so that program guidelines could be improved in time for the 1975 tax filing season. IRS officials agreed with our findings and proposals. They instructed field offices to

- subject all telephone inquiries to sampling,
- base frequency of sampling on a reasonable sampling system,
- implement these quality procedures on the first day of the 1975 filing period, and

--devote sufficient direct staff-hours (approximately 3 to 5 percent) to quality assurance procedures.

IRS also developed a standardized worksheet for evaluating the quality of the telephone assistants' answers. These records are to be maintained for regional and national office review.

GAO also reviewed the availability of telephone assistance during the 1974 tax filing period. IRS's program guidelines specified that the minimum grade of service should allow not more than 10 percent of incoming calls to go without tax assistance because of busy signals. Some districts did not meet this standard because telephone centers had too few lines. Some callers did not receive assistance because they were placed on "hold" and hung up before an assistant became available. This resulted because there were not enough assistants to staff all lines. Additionally, at four of the six districts reviewed, equipment malfunctions caused a variety of problems. However, IRS had recognized these problems and had taken action to deal with them by the 1975 tax filing period.

#### Commercial preparers

The second report relating to taxpayer assistance we have issued is the one titled "No Apparent Need to Regulate Commercial Preparers of Income Tax Returns." This report, as the title indicates, deals with a specific question put to us by the Joint Committee.

As we noted earlier, the tax industry has grown by leaps and bounds to fill the gap that opened between the taxpayers' need for assistance and that available from IRS, particularly for complete return preparation. The rapid growth of the tax preparer industry was possible because anyone who chose to enter the field could do so. As a result, the estimated 200,000



to 250,000 paid return preparers vary widely in intelligence, training, experience, and ethics.

Predictably, some of these persons lack the competence to deal with the returns they prepare, or worse, engage in fraudulent or unethical practices. The reaction of IRS and others to such preparers focused attention on the fact that the preparer industry was unregulated and, together with some well-publicized cases of commercial preparer incompetence and fraud, led many to presume that commercial preparers were a special problem in the industry.

Our review was designed to test this presumption against available data.

While the Joint Committee has not released our report on the regulation of commercial preparers, certain parts of the draft report were recently made public by the Joint Committee in House Report No. 94-658 on the Tax Reform Act of 1975. The draft report was made available to the Joint Committee in accordance with the letter dated January 13, 1971, at the time comments were requested from IRS. House Report 94-658 stated that the GAO draft report indicated commercial preparers on the average have not had a significantly greater tendency to make mistakes in preparing returns than have other types of preparers, and further, that the percentage of tax adjustment determined from IRS Taxpayer Compliance Measurement Program averaged 10.9 percent for returns prepared by commercial preparers and 10.2 percent for returns prepared by professional preparers.

### Third report on taxpayer assistance

As mentioned previously, the third and final report on taxpayer assistance will cover such matters as IRS walk-in assistance, assistance to low income taxpayers, training and skill level of tax assistors, and taxpayer education and public information programs.

We made our review at IRS's national office in Washington, six regional offices, and six district offices. We visited facilities in the districts to observe taxpayer service activities and to interview taxpayers who had received IRS help on their returns. In addition, we contracted with a national survey organization to interview taxpayers that had adjusted gross income under \$10,000. The purpose of the interviews was to determine the effectiveness of the IRS taxpayer service program in reaching lower income taxpayers.

While the field work is completed, the drafting of the report is still in process at the operating level. As in the case of the report on regulation of commercial preparers, release of the final report will have to be made by the Joint Committee because the review was made possible by the letter dated January 13, 1971, and we feel obligated to honor the terms of the letter.

We would like to add that we do not yet have a product which we would be willing to make available to the Joint Committee or to IRS for comment.

Mr. Chairman, that concludes my statement.

## SENATE

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## Congress of the United States

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

1011 LONGWORTH HOUSE OFFICE BUILDING

Washington, D.C. 20515

January 13, 1971

Honorable Elmer B. Staats  
 Comptroller General  
 General Accounting Office  
 Washington, D. C. 20548

Honorable Randolph Thrower  
 Commissioner  
 Internal Revenue Service  
 Washington, D. C. 20224

Dear Messrs. Staats and Thrower:

As you know, the Joint Committee on Internal Revenue Taxation has the duty under section 8022 of the Internal Revenue Code of investigating the operation, effects, and administration of the Federal tax system. To assist the Joint Committee in carrying out this duty, it would like to have the General Accounting Office act as the agent of the Joint Committee in performing certain reviews of the operations, policies, and procedures of the Internal Revenue Service.

If the General Accounting Office is able to carry on this activity as the agent of the Joint Committee, the Committee would like to proceed in the following manner:

1. The Joint Committee, ordinarily after consultation with the Commissioner, will authorize the General Accounting Office to act as its agent to make a particular study, under the authority of chapter 92 and section 6103(d) (2) of the Internal Revenue Code of 1954.

2. The Staff of the Joint Committee will then counsel with representatives of the General Accounting Office and the Internal Revenue Service regarding the manner in which the study is to be carried out. It is contemplated that the plan for the study will be reviewed by the General Accounting Office with the Joint Committee Staff

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Washington, D.C. 20515

Honorable Elmer B. Staats

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and the Commissioner or his designated representatives before the study is begun. To avoid unnecessary duplication of effort, the General Accounting Office will to the extent appropriate review and utilize pertinent information from prior studies on the same subject, such as studies performed by the Assistant Commissioner (Inspection), which are brought to its attention by the Internal Revenue Service.

3. For each study, the Comptroller General will designate the personnel of the General Accounting Office who are to perform the study on behalf of the Joint Committee, and will supply a list of such personnel to the Commissioner and to the Staff of the Joint Committee.

4. During the course of the study, representatives of the General Accounting Office will periodically consult with the Staff of the Joint Committee as to the progress of the study and any problems which are encountered. In addition, representatives of the Internal Revenue Service will advise the Staff of the Joint Committee if the study is producing unanticipated demands upon the time of Internal Revenue Service personnel.

5. The draft report resulting from the study will be submitted to the Internal Revenue Service (as is normally done in the case of General Accounting Office studies of Internal Revenue Service matters) and to the Staff of the Joint Committee.

6. The final report will be submitted only to the Joint Committee, but ordinarily with a confidential copy to the Commissioner, and no release of the report or any of its contents will be made except by the Joint Committee.

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Washington, D.C. 20515

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It is understood that the General Accounting Office may inspect tax returns and other confidential information, where appropriate to the conduct of a study authorized by the Joint Committee and where it is acting in its capacity as the agent of the Joint Committee, pursuant to chapter 92 and section 6103(d)(2) of the Internal Revenue Code of 1954. It is further understood that none of the information obtained from the Internal Revenue Service by the General Accounting Office in its capacity as agent of the Joint Committee will be used in any report of any other General Accounting Office study which has not been authorized by the Joint Committee, unless the Joint Committee authorizes such use.

It is not intended that the studies which the Joint Committee contemplates having done by the General Accounting Office are to involve the reconsideration of tax assessments or collections made by the Internal Revenue Service in individual cases. Rather, the studies are to be concerned with the policies and procedures which have been established by the Revenue Service in the area under consideration, and the effectiveness of those policies and procedures in obtaining the desired goals.

Unless authorized by the Joint Committee to do so, the General Accounting Office will not contact any taxpayers concerning their dealings with the Internal Revenue Service; if such contacts are authorized, General Accounting Office personnel will advise the taxpayers they contact that they are acting on behalf of the Joint Committee. Additionally, plans for contacting taxpayers ordinarily will be reviewed in advance with the Internal Revenue Service to minimize taxpayer relations problems that might be created by such contacts.

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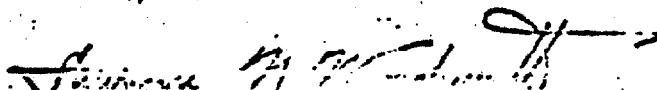
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I would appreciate hearing from you, Mr. Comptroller General, as to whether the General Accounting Office will be able to conduct such studies as an agent of the Joint Committee, and from both of you as to whether the above procedures are satisfactory from your point of view. I am sending a copy of this letter to the Secretary of the Treasury.

The enclosed letter describes the first study the Joint Committee would like the General Accounting Office to undertake.

Sincerely yours,

  
Laurence N. Woodworth

Enclosure

cc: Honorable David M. Kennedy  
Secretary of the Treasury

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

JAN 28 1971

B-137762

Dear Mr. Woodworth:

Your letter of January 13, 1971, addressed to the Comptroller General and the Commissioner, Internal Revenue Service, stated that the Joint Committee would like our Office to act as its agent in performing certain reviews of operations, policies, and procedures of the Internal Revenue Service and proposed certain procedures for the authorization and execution of such reviews. Your accompanying letter of the same date requested and authorized our Office to undertake a study concerning the policies and procedures established by the Internal Revenue Service in connection with the handling and collection of taxpayers' delinquent accounts.

We will be pleased to act as agent of the Joint Committee in making such reviews as the Committee may request; the procedures proposed for the authorization and execution of these reviews appear to be satisfactory. We will begin immediately the review of taxpayers' delinquent accounts in accordance with the letter of authorization and the views expressed by you during your meeting on January 15 with staff members of our Office and the Internal Revenue Service.

Enclosed is a list of personnel whom I have designated to perform the study of taxpayers' delinquent accounts. This listing is also being furnished to the Internal Revenue Service. It is likely that changes will be required from time to time, and we shall notify you and the Service of these changes.

Sincerely yours,

(SIGNED) ELMER B. STAATS

Comptroller General  
of the United States

Enclosure

Mr. Laurence L. Woodworth  
Chief of Staff  
Joint Committee on Internal  
Revenue Taxation  
Congress of the United States

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Stella,

I had a call from Mr. Steven Ivans  
Kiplinger Letters  
1729 H St., N.W.  
Washington, D.C. 20006  
298-6400

*Noted  
Amy*

*Dec 15 1975*

He wanted a copy of Mr. Keller's testimony of 12/12/75 before House Subcommittee on Commerce, Consumer and Monetary Affairs. I referred him to Information Office; he called back and said Information Office had no testimony for Mr. Keller since 12/3. I had him hold while I called Mr. Lowe's office; Mr. Lowe and Mr. Crawford were out so I gave him the IRS site, Mr. Tom Reed, but he said he probably would be back in touch with you on Monday.

Besides the testimony, he wanted copies of series of GAO reports listed (on page 9, he thought) in the testimony. I called Eleanor Seward and she said she would send copy of testimony and get in touch with report distribution about copies of reports.

Gladys  
1/2/76

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