

United States General Accounting Office

GAO

Report to the Chairman, Subcommittee
on Oversight, Committee on Ways and
Means, House of Representatives

**TAX
ADMINISTRATION:**

**IRS Needs to Improve
Distribution of Tax
Materials to the Public**



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The Honorable J. J. Pickle
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

In response to your request, this report discusses the need for the Internal Revenue Service (IRS) to improve distribution of tax materials to the public. Specifically, we assessed the availability of tax materials at IRS' distribution centers and walk-in offices during the 1989 filing season.

As arranged with the Subcommittee, we are sending copies of this report to other congressional committees, the Secretary of the Treasury, the Commissioner of Internal Revenue, and other interested parties.

The major contributors to this report are listed in appendix III. Please contact me on 272-7904 if you or your staff have any questions concerning the report.

A handwritten signature in cursive script that reads "Paul L. Posner".

Paul L. Posner
Associate Director, Tax Policy
and Administration Issues

Executive Summary

Purpose

Taxpayers need a wide range of tax materials, such as forms, schedules, instructions, and publications when they file their annual federal tax returns. Because the Internal Revenue Service (IRS) encourages taxpayers to file early, it is important that these materials be available early.

Not being able to get tax materials when needed can frustrate taxpayers, especially if they made a special effort to visit an IRS office, and can cause them to file later or file inaccurately. In 1988, GAO reported that tax materials were not always available at walk-in sites and that telephone orders were not always completely filled. GAO noted, however, that availability improved as the 1988 filing season progressed.

The Subcommittee on Oversight, House Committee on Ways and Means, asked GAO to examine the availability of tax materials during the 1989 filing season at (1) IRS walk-in sites and (2) IRS distribution centers.

Background

Taxpayers can visit any of IRS' over 600 walk-in sites across the country to obtain tax materials. Taxpayers may also contact one of three IRS distribution centers by mail or toll-free telephone and request to have an item shipped directly to them. Besides filling requests from taxpayers, the distribution centers also supply the walk-in sites with materials.

IRS made several changes in an attempt to better ensure the availability of materials during the 1989 filing season. IRS required each walk-in site to stock a minimum of 79 specific tax items, placed greater responsibility on each site for managing its own tax material inventory, developed training to assist walk in site personnel, and opened a third distribution center.

Between late January and mid-April 1989, GAO visited 60 walk-in sites in 13 states and checked for the 79 items each site was required to stock and a sample of optional items each site chose to stock. During that same period, GAO also placed telephone and mail orders to each of the three distribution centers for randomly selected items on a randomly determined schedule. (See pp. 12 and 13.)

Results in Brief

Although IRS took steps to improve the availability of tax materials, taxpayers may still have had difficulties obtaining materials in 1989. Walk-in sites GAO checked early in the filing season were missing, on average, about 15 percent of the required items and 22 percent of the sampled

optional items. Although availability later improved, the lack of availability early in the season may have hampered taxpayer efforts to file early.

Tax materials were not always available at walk-in sites because (1) distribution centers did not make initial shipments to sites in a timely manner, (2) not all required items were included in the initial shipments to sites, and (3) prescribed inventory management procedures were not always followed.

Taxpayers who tried to order items from the distribution centers also may have encountered difficulties. As of May 31, 1989, GAO had not received about 20 percent of the ordered items and, in many cases, IRS did not provide an explanation as to why an item was not shipped. Without an explanation, a requester does not know whether to look for the item elsewhere, wait for IRS to ship it, or reorder the item. Even when explanations were provided, they were not always correct.

Principal Findings

Materials Often Not Available at Walk-In Sites Early in the Filing Season

Tax materials were not always available at the walk-in sites GAO visited, especially early in the filing season. Of the 24 sites visited before February 12, for example, 18 were missing at least 10 percent of the items GAO checked for. Conversely, of the 36 sites visited after that date, only 4 were missing as many as 10 percent. Among the items missing most often were publications dealing with the supplemental Medicare premium, tax rules for children and dependents, pension and annuity income, and individual retirement arrangements. (See pp. 16-20.)

Initial Shipments to Walk-In Sites Delayed

More timely delivery of tax items to walk-in sites would improve availability. Some deliveries were delayed because items, like a publication on the supplemental Medicare premium that GAO found missing on almost all of its visits, were not available from the printers until after the filing season began. Other delays, however, were caused by distribution centers not shipping items to the sites as soon as they were available. One item, for example, was available at the center on December 27, 1988, but was not shipped to a site GAO visited until February 1, 1989. (See pp. 21 and 22.)

Required Items Not Initially Shipped to Sites

In 1989, for the first time, IRS required that all its walk-in sites stock 79 commonly used tax items. Some of the 79 items were not available at the sites GAO visited because they were not included in initial shipments to sites. This occurred because (1) IRS' National Office did not include nine of the items on the preprinted list from which sites ordered stock and (2) some sites did not order required items that were on the preprinted list—apparently the result of some confusion among the sites as to what was required. (See p. 22.)

Inventory Management Procedures Not Always Followed

IRS developed an inventory management manual and training to provide improved inventory control procedures for walk-in site personnel. Personnel at over 50 percent of the sites GAO visited, however, did not receive the training. Even at sites where personnel were trained, procedures covered by the training were not always followed. For example, the procedures call for setting reorder points to help ensure that stocks were replenished before they ran out. At 33 of 60 sites GAO visited, however, at least one item was at or below the reorder point and had not been reordered. Twelve of the sites had five or more items at or below the reorder point that had not been reordered. (See p. 23.)

Distribution Centers Did Not Always Process Orders Completely

GAO placed 223 mail and telephone orders to IRS distribution centers and received 80 percent of the 2,206 items ordered. IRS procedures require that taxpayers be provided an explanation as to why an item they ordered was not shipped. GAO, however, received no explanation for most of the items it did not receive. An explanation is important because it notifies the requester that IRS received the order and tells the requester why the item is unavailable. In those instances where GAO received an explanation, later follow-up with the centers indicated that many of the explanations were inaccurate. (See pp. 27-29.)

IRS officials attributed problems to processing errors at distribution centers, lost orders, and the higher risk for error posed by the make-up of GAO's orders. GAO believes that the centers need to supplement their quality reviews to specifically assess performance in handling larger orders like those placed by GAO. Those orders may require more handling than the smaller orders the centers said they typically receive and thus may be more susceptible to error. (See pp. 30, 33, and 34.)

Recommendations

GAO recommends that IRS

- make initial shipments of tax materials to walk-in sites within 48 hours after receipt at the distribution centers (the same standard centers use in filling reorders from walk-in sites);
- automatically include all required tax items in the initial shipments to each walk-in site;
- train walk-in site personnel responsible for tax material inventories in reordering procedures and inventory management techniques and monitor walk-in site operations to make sure that procedures and techniques are implemented; and
- supplement distribution center quality reviews to specifically assess performance on orders where errors are most likely to occur.

Agency Comments

The Commissioner of Internal Revenue, in commenting on a draft of this report, expressed agreement with its findings and recommendations and said that corrective actions have already been taken in preparation for the 1990 filing season. (See pp. 24 and 35.)

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Abbreviation

IRS Internal Revenue Service

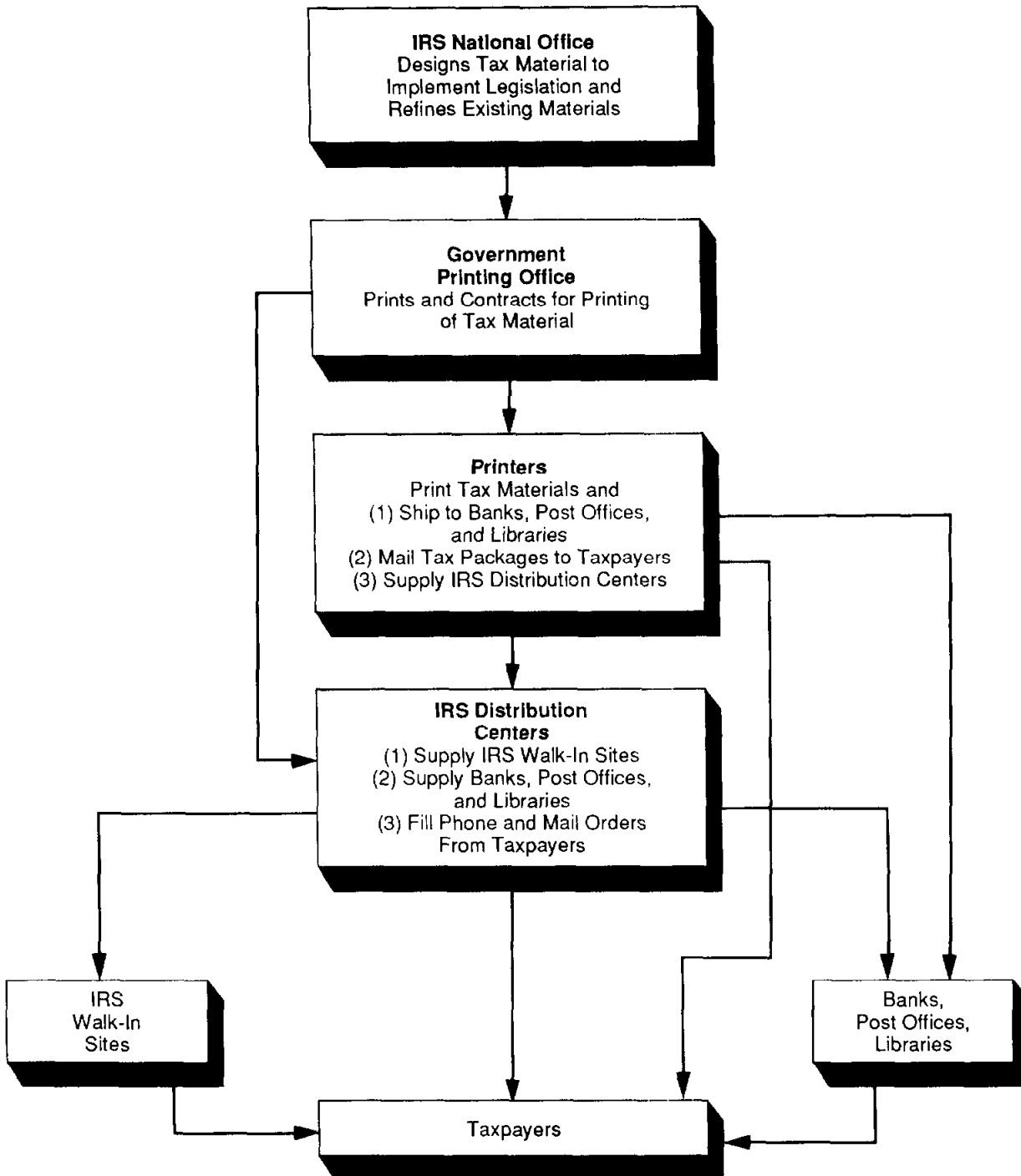
Introduction

Each year, between January 1 and mid-April, millions of taxpayers file tax returns with the Internal Revenue Service (IRS). To better manage and process this large volume of returns, IRS encourages taxpayers to file early in the filing season. To file early, taxpayers need the appropriate tax materials (i.e., forms, schedules, instructions, and publications). Having the right tax materials available should also help taxpayers comply with the tax law and minimize errors on tax returns.

Distribution of Tax Material

IRS is responsible for providing tax materials, and over 600 individual items are available for distribution depending on the needs of the taxpayers. Most taxpayers receive annually a package of tax materials through the mail. Taxpayers who want additional materials or who do not receive a tax package can obtain tax materials at about 64,000 banks, post offices, and libraries; at over 600 IRS walk-in sites; or through phone and mail orders placed with three IRS distribution centers. Figure 1.1 shows the distribution process.

Figure 1.1: Tax Material Distribution



IRS estimated that it printed 2.2 billion tax items during fiscal year 1988, at a cost of \$57.3 million. It further estimated that postage and freight costs associated with transporting tax materials to distribution centers, walk-in sites, and taxpayers totalled \$137.3 million. IRS was unable to determine the staffing and facility costs incurred by the distribution centers and walk-in sites.

The distribution points providing materials to taxpayers are discussed below.

Direct Mailout

Usually in mid-December, printers mail tax packages to taxpayers who filed returns the previous year. Each package contains tax materials for filing a return, a special address label, a preaddressed envelope for mailing the return, and a form for ordering any additional tax materials. The decision as to what tax materials will be included in a particular taxpayer's package depends on the type of return the taxpayer filed the previous year. IRS' annual report for 1988 stated that IRS mailed about 117 million tax packages that year to individuals and businesses.

Banks, Post Offices, and Libraries

IRS has a special program for organizations that wish to distribute tax materials to the public. The program is primarily set up to distribute tax materials through banks, post offices, and libraries, but also includes state and local governments, chambers of commerce, military posts, and others. The variety of material provided through this program varies according to the participating organization. IRS' 1988 annual report stated that more than 400 million tax forms and instructions were distributed to taxpayers through this program.

Walk-In Sites

Over 600 IRS offices located throughout the country stock tax materials for distribution to taxpayers. The number and type of tax items available vary from office to office depending on which items each office chooses to stock. In its 1988 annual report, IRS reported that more than 100 million pieces of tax material were distributed through its walk-in sites.

Distribution Centers

For the 1989 filing season, IRS had three distribution centers responsible for (1) sending an initial shipment of tax materials to IRS' walk-in sites, (2) filling subsequent requests for materials from the sites, and (3) filling phone and mail orders received directly from taxpayers. The three

centers are located in Richmond, Virginia (Eastern); Bloomington, Illinois (Central); and Rancho Cordova, California (Western). Each center serves a portion of the country with the Eastern and Central centers each responsible for about 40 percent of the total workload and the Western center responsible for the rest.

As shown in table 1.1, during the first 5 months of calendar year 1989, the three centers filled over 11 million taxpayer and IRS walk-in site requests for tax materials.

Table 1.1: Distribution Center Work Load for the First 5 Months of 1989

Center	Orders filled
Eastern	4,274,770
Central	4,302,320
Western	2,621,844
Total	11,198,934

During the filing season, when work loads are heaviest, the Eastern and Central centers are each staffed with about 200 telephone operators and about 1,100 to 1,200 persons responsible for filling orders. The Western center, with a smaller work load, has a staff of about half that size.

IRS Made Changes Intended to Improve Availability of Tax Materials in 1989

As part of a review of the 1988 tax return filing season, we assessed the availability of certain forms and publications. We testified in February 1988 that several documents were not available at six walk-in sites we visited early in the filing season.¹ As we reported later, however, a recheck of availability at five of those sites in March and April 1988 showed that the situation had improved.² We also reported that of the 23 test phone orders we placed with IRS' distribution centers, 17 were received in 10 workdays or less (the standard IRS sets for itself), 4 were received within 11 to 15 days, and 2 were never received.

For the 1989 filing season, IRS placed a priority on making tax materials available to the public and implemented several changes toward that end. IRS (1) established a list of tax items that all walk-in sites were required to stock, (2) placed greater responsibility for tax material inventory management on each walk-in site, (3) developed a training

¹Status of the 1988 Tax Return Filing Season (GAO/T-GGD-88-13, Feb. 23, 1988).

²Effective Implementation of the Tax Reform Act Led to Uneventful 1988 Filing Season (GAO/GGD-89-2, Nov. 14, 1988).

course for site personnel involved in managing tax material inventories, (4) opened the Western Distribution Center, and (5) planned to implement an automated phone order system and integrate it with the distribution centers' computerized inventory management system.

Objective, Scope, and Methodology

The Subcommittee on Oversight, House Committee on Ways and Means, asked us to monitor the availability of tax materials at IRS distribution centers and walk-in offices during the 1989 filing season. To accomplish this objective, we focused on the following questions:

- Were tax items available to taxpayers at walk-in sites?
- Were responsible walk-in site personnel trained in and using tax material order procedures?
- Were walk-in site tax material inventories properly managed?
- Were phone and mail orders properly and timely filled?

To address these questions, we did work at IRS' National Office, the three distribution centers, and 60 walk-in sites. We randomly selected the 60 walk-in sites from those located within a 200-mile radius of participating GAO offices in Cincinnati, Ohio; Dallas, Texas; New York, New York; and San Francisco, California. As shown in figure 1.2, the 60 sites were located in 13 different states and included sites serviced by each of IRS' three distribution centers.

By visiting 48 sites once and 12 sites four times each, we completed a total of 96 walk-in site visits from late January through mid-April 1989. We visited 12 sites 4 times each to measure changes in tax material availability as the filing season progressed. At each of the walk-in sites, we (1) determined the availability of 79 tax items that IRS' National Office required each site to stock, (2) determined the availability of randomly selected items from those which the site chose to stock over and above the 79 required items, (3) determined whether responsible walk-in site personnel had been trained in inventory management procedures, and (4) evaluated how sites managed their stocks of tax materials.

Figure 1.2: Location of IRS Walk-In Sites Visited by GAO



Note: Areas of the country served by each distribution center are indicated by heavy lines.

To evaluate the availability of tax materials at IRS' distribution centers, we placed a total of 118 mail and 105 telephone orders at the three centers. An official in the Publishing Services Branch of IRS' National Office identified listings of items available to the public. We randomly selected our orders, which were generally for 10 tax items each, from these listings. In total, we ordered 1,164 items by mail and 1,042 items by phone. Staff from our offices in Cincinnati, Dallas, New York, San Francisco, and Washington, D.C. placed the orders between January 23 and April 14, 1989. We randomly selected the type of order (mail or phone); the date the order was to be placed; the time the order was to be placed, if by phone; the identity of the items to be ordered; and the GAO office placing the order. No two orders were exactly the same. For each order, we recorded (1) whether we received the item, (2) when we received the item, and (3) whether IRS provided an explanation when we did not receive an item.

Our orders were not intended to represent the kinds of orders a distribution center most frequently receives. As such, our results indicate the centers' performance in responding to orders like ours, not the centers' overall performance in filling taxpayers' orders during the 1989 filing season.

We did our work from October 1988 to July 1989 and in accordance with generally accepted government auditing standards. IRS provided written comments on a draft of this report. Those comments are included in appendix II and are evaluated on pages 24 and 35.

Tax Materials Not Always Available at All Walk-In Sites, Especially Early in the Filing Season

Having tax materials available at walk-in sites is important if IRS is to minimize the frustration felt by taxpayers who make a special effort to visit a site in search of information only to find it unavailable. Recognizing this, IRS implemented changes that were intended to improve tax material availability at its walk-in sites during the 1989 filing season. Each walk-in site was required to stock 79 tax items as well as any optional items it chose to stock. In addition, training was developed to help site personnel better understand their inventory management responsibilities.

Our visits to walk-in sites showed that, despite those changes, tax materials were not always available, especially at those sites visited early in the filing season. For example, of the 24 sites we visited before February 12, 1989, 18 were missing at least 10 percent of the required and optional items we were checking for. Conversely, only 4 of the 36 sites visited after February 12 were missing as many as 10 percent of the items. If IRS is going to encourage early filing, as it has done in recent years, those materials taxpayers commonly need to prepare their returns must be available early.

Availability of materials was a problem because (1) some tax items were delivered late from printers to the distribution centers, (2) distribution centers did not make initial shipments of tax items to walk-in sites as soon as the items were available, (3) several required stock items were not included in the initial shipments to walk-in sites, and (4) many walk-in site staff were not following reordering procedures.

IRS Took Steps to Improve Tax Material Availability at Walk-In Sites

An IRS goal is to provide high-quality service to taxpayers. One way IRS provides service is by distributing tax materials. To better meet the public demand for tax materials, IRS changed the distribution process at its walk-in sites for the 1989 filing season. Those changes, which were intended to improve tax material availability and improve inventory management, focused on

- requiring that each walk-in site stock a minimum of 79 specific tax items,
- making walk-in site personnel more responsible for managing inventories and ordering replenishments when needed, and
- developing inventory management procedures and training for walk-in site personnel.

Before 1989, each walk-in site had a recommended list of tax materials to stock that varied depending on whether the site was considered large, medium, or small. In 1989, all sites were required to stock the same 79 tax items. IRS' National Office developed the listing of required items to ensure uniformity in what sites stock and to make available what it considered to be the most commonly used forms, schedules, instructions, and publications. Besides the required items, sites also had the option to stock additional items (referred to as "optional items") to accommodate taxpayers living in their service area.

During the 1988 filing season, walk-in sites received their tax materials through eight automatic shipments spaced over the filing season. This distribution pattern resulted in sites that had items out of stock while waiting for an automatic shipment or that received automatic shipments they did not need. To solve these problems, IRS decided, for the 1989 filing season, to send only an initial shipment of each item the site indicated that it intended to stock. The initial shipment generally represented 25 percent of the walk-in site's estimated 1989 needs. Sites were expected to order additional quantities, as needed, directly from the appropriate distribution center.

With the multiple automatic shipments before 1989, walk-in site personnel did not have to be too concerned about inventory management. The change in 1989 to one initial shipment placed greater responsibility for inventory management on walk-in site personnel. IRS developed inventory management procedures and training to help walk-in site personnel carry out their duties. The inventory management procedures covered such areas as how to time reorders to avoid running out of tax material before stocks can be replenished.

Most Walk-In Sites Had Missing Tax Materials

The unavailability of tax items at walk-in sites can have several consequences. It can (1) frustrate taxpayers who may have made a special effort to visit the site, (2) inconvenience taxpayers by forcing them to look elsewhere for an item, and/or (3) cause taxpayers to file later or file inaccurately. With that in mind, we reviewed tax material availability at 60 walk-in sites in 13 states between January 25 and April 13, 1989. We visited 12 sites four times each (to assess trends) and visited 48 sites one time each for a total of 96 visits. At each of these sites, we reviewed the availability of the 79 required items and a sample of up to 21 optional items.

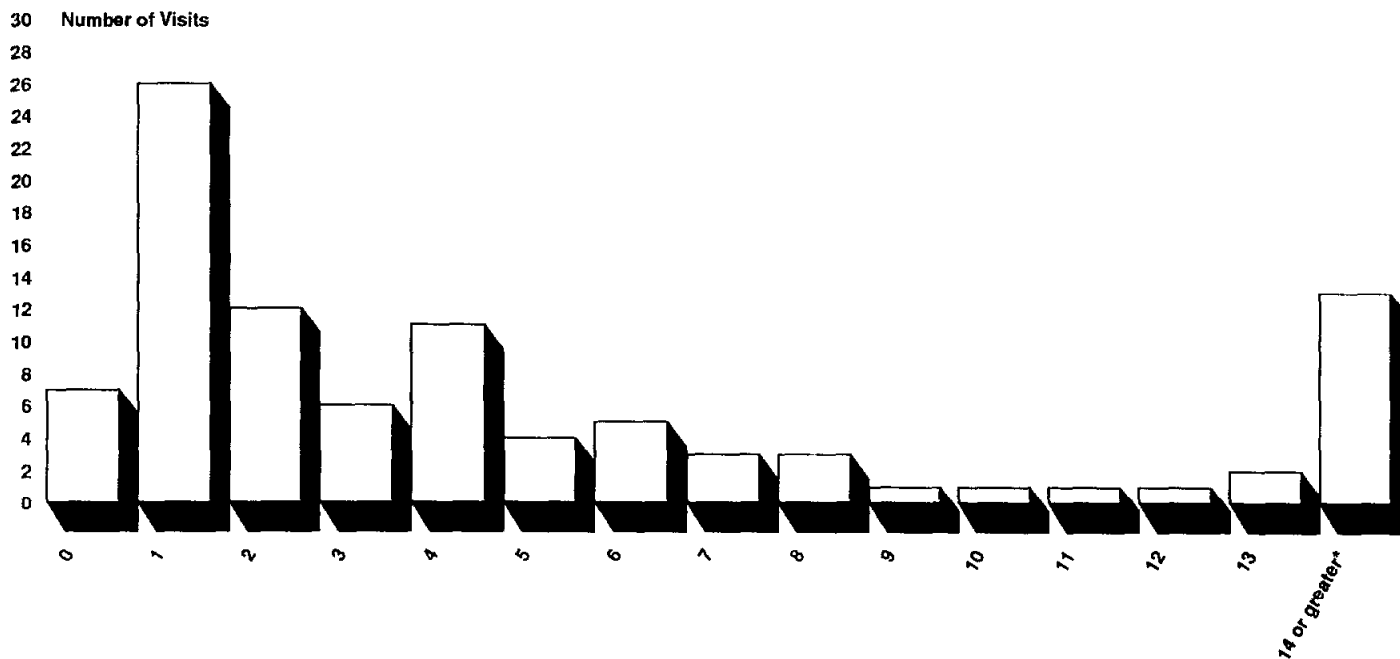
Chapter 2
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Filing Season

Tax materials were not always available at the walk-in sites. For example, we checked for each of the 79 required items during each of our 96 visits—a total of 7,584 checks—and found an item missing during 533 (7 percent) of those checks. On 89 of our 96 visits, we found at least 1 of the 79 items missing. An optional item was missing 222 (11 percent) of the 1,988 times we checked, and at least one such item was found missing during 71 of our 96 visits.

The frequency with which we found required items missing varied depending on the item. As shown in appendix I, publications (which are generally intended to help taxpayers understand the requirements relating to a specific issue) were more likely to be missing than were forms and instructions. Among the publications missing most often were two dealing with the supplemental Medicare premium (found missing on 84 and 22 of our 96 visits, respectively) and others dealing with tax rules for children and dependents (missing on 39 visits), pension and annuity income (missing on 20 visits), and individual retirement arrangements (missing on 18 visits).

The availability of items also varied considerably from site to site. As shown in figure 2.1, for example, of 79 required items checked for during our 96 visits, we found from 0 to 41 missing.

Figure 2.1: Frequency of Missing Required Items



Number of missing items
 * 14 or more items were missing on 13 visits

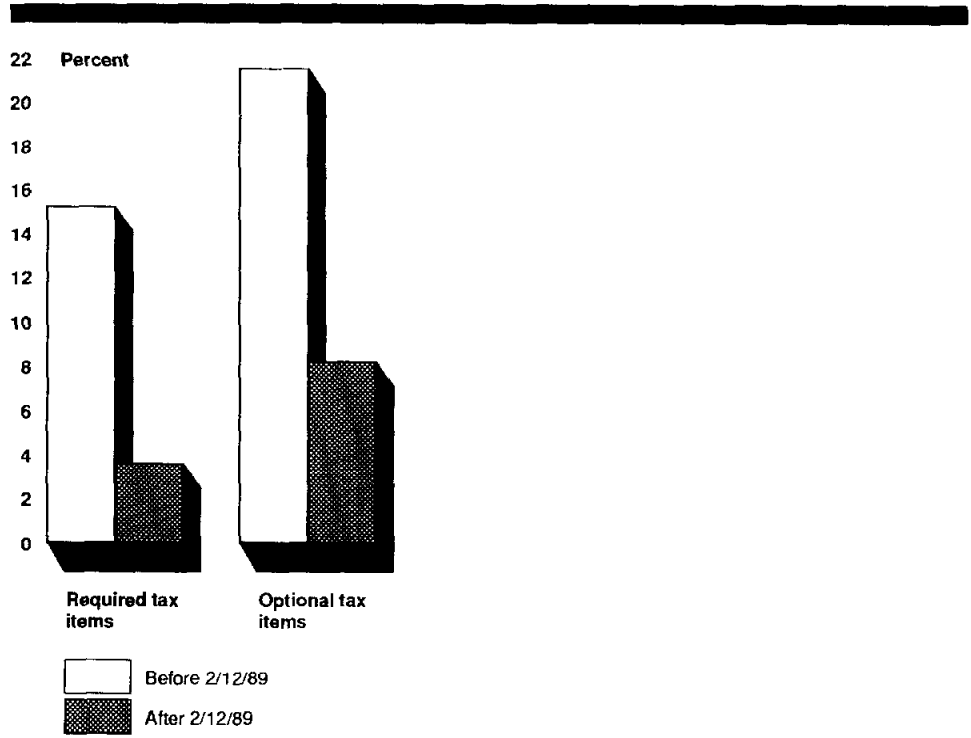
Availability of Tax Materials Improved as Filing Season Progressed

Although we found items missing during most of our visits, the situation improved as the 1989 filing season progressed. As shown in figure 2.2, the 24 walk-in sites visited before February 12, 1989, were missing an average of about 15 percent of the required items and 22 percent of the optional items, while the 36 sites visited after that time were missing an average of about 4 percent of the required items and 8 percent of the optional items. Of the 24 sites visited before February 12, 18 had at least 10 percent of the items missing. Conversely, of the 36 sites visited after that date, only 4 had as many as 10 percent missing.

To further determine the availability of tax materials over the course of the filing season, we visited 12 walk-in sites four times each. As shown in figure 2.3, at each of those 12 sites, the number of missing items declined between the first and fourth visits.

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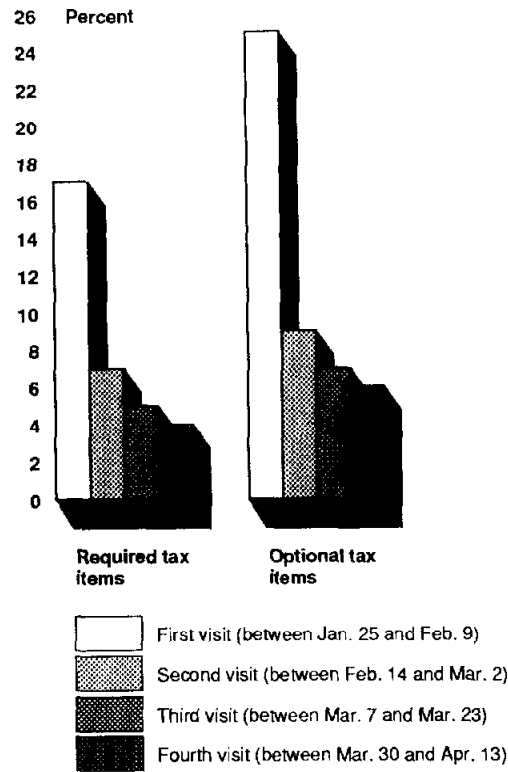
Figure 2.2: Percentage of Missing Items
at Sites Visited Before and After
February 12, 1989



Reflects results of initial visits to 60 sites. 24 sites were visited before 2/12/89 and 36 sites were visited after 2/12/89. Results of follow up visits are shown in figure 2.3.

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 Walk-In Sites, Especially Early in the
 Filing Season**

**Figure 2.3: Percentage of Missing Tax
 Materials at 12 Sites GAO Visited More
 Than Once**



Based on checks for 948 required items and 251 optional items.

Although availability improved as the season progressed, we did not find all 79 required items at any one site until a March 30, 1989, visit. Several sites, including one visited February 8, would have had all required items available earlier were it not for Publication 935 (Some Facts About The Supplemental Medicare Premium), which did not become available to the walk-in sites until late March 1989. IRS officials in the Publishing Services Branch said that Publication 935 was delayed because it took a long time for IRS to develop guidance to help taxpayers interpret the Medicare Catastrophic Coverage Act of 1988 (P. L. 100-360), which was enacted in July 1988.

Availability Could Be Improved With More Timely Deliveries and Better Inventory Management

Tax materials were not always available at the walk-in sites because of late deliveries from printers, shipping delays by distribution centers, the failure to automatically ship required items, and poor inventory management at walk-in sites.

Late Deliveries Contributed to Items Not Being Available

Tax materials normally flow from printers to distribution centers and then to the walk-in sites. Walk-in sites were authorized to offer 1989 tax materials to the public in December 1988. Some tax items scheduled to be at walk-in sites before January 1989, however, were not available at distribution centers until later in the filing season. The centers did not receive 38 of the 79 required and 71 of the 205 optional tax items that we looked for at walk-in sites until after the items were scheduled for delivery to those sites.

IRS officials in the Publishing Services Branch said that some late deliveries were due to (1) legislation that was enacted close to the start of the filing season and (2) the lengthy process for developing or modifying tax materials and obtaining the necessary approvals before an item can be printed. They cited several items, in addition to Publication 935, that were delivered late for those reasons. For example, Form 8586 on the low income housing credit, which was necessitated by the Technical and Miscellaneous Revenue Act of 1988 (P. L. 100-647, enacted in Nov. 1988) was not shipped from the printers until early March 1989.

Distribution Centers Did Not Always Ship Tax Items Promptly

After distribution centers received items from printers, they accumulated several items before making the initial shipment to walk-in sites. Distribution center officials said that this procedure was used when sending tax materials to practitioners before the filing season to save postage and as a convenience to the practitioners. They said that centers continued to follow this procedure when making initial shipments to walk-in sites before and during the filing season and that as many as 2 weeks could pass between the time an item was received at the distribution center and the time it was shipped to the walk-in sites. We identified several instances where the elapsed time was even greater than 2 weeks.

Although the practice of accumulating items for shipment may be practical before the beginning of the filing season, it delays the availability of tax materials once the filing season begins. If the distribution centers had made their initial shipments to the sites as quickly as they try to fill walk-in site reorders (within 48 hours of receipt of the reorder), fewer items would have been missing at the walk-in sites. For example, a site we visited in late January had not yet received an initial shipment of 12 items that we were checking for. The distribution center had those 12 items available from 7 to 36 days before shipping them to the site—an average of about 13 days. For example, Publication 521 (Moving Expenses) was not shipped to the site until February 1, 1989, even though it was available at the distribution center on December 27, 1988.

Required Stock Items Were Not Always Included in Initial Shipments to Walk-In Sites

Using an ordering list that has preprinted on it many of the items available for stocking by walk-in sites, each site, before the filing season begins, identifies the number and type of items it wants to stock. During the last quarter of calendar year 1988 and into the 1989 filing season, distribution centers sent each site an initial shipment of the items that the site indicated it wanted to stock.

Some of the 79 required items were not available at some of the walk-in sites we visited because they were not part of the initial shipments made to the sites. This occurred, in part, because 9 of the 79 required items were not included on the preprinted ordering list that sites used to indicate which items they wanted to stock. IRS National Office officials explained that the ordering list did not include the nine items because it was developed before the list of required items was finalized. Once the latter list was finalized and sent to the field, it was up to each site to make sure it had ordered supplies of all 79 items and to submit another order, if necessary. Several sites, however, did not order supplies of all 79 items, including items that were on the preprinted ordering list. Of the 60 sites we visited, 37 did not order one or more of the 70 required items that were included on the ordering list. The number of required items not ordered for initial stocking by those sites ranged from 1 to 38, with an average of 6.

In explaining why some sites did not order required items even though the items were included on the ordering list, a National Office official said that a change in procedure may have caused some confusion. In the past, sites were sent a list of recommended items to stock, which varied by size of office, with no requirement that a site stock all the recommended items. In 1989, however, all sites were required to stock the

same 79 items. National Office officials agreed that a good way to avoid confusion in the future and ensure that required items are available at all walk-in sites would be to automatically ship a supply of each required item to each site.

Poor Inventory Management May Have Contributed to Items Not Being Available

Once sites received their initial supply of tax materials, they were responsible for monitoring inventory and ordering new stock. IRS developed procedures and training to help walk-in site personnel carry out this responsibility.

IRS developed an inventory management manual and organized training to cover material contained in the manual. The purpose of the training was to instruct IRS personnel at walk-in sites on reordering procedures and inventory management techniques. An important part of the manual was a section on when to reorder materials and how to identify reorder points. This section was intended to ensure that walk-in sites did not run out of an item before a new supply was received.

At 34 of the 60 walk-in sites we visited, staff in charge of having a sufficient supply of tax material available had not received the inventory management training. Site personnel said that they did not attend training because (1) they were unaware training was available, (2) they were hired after training was offered, (3) their office did not have enough money to send them to the training, or (4) they were too busy to attend the training. IRS' national survey of walk-in site personnel after the filing season confirmed our results. It showed that 211 of 467 respondents (45 percent) had not received training.

Site personnel, whether trained or not, did not always follow reordering procedures. IRS provides guidance to site personnel for determining when to reorder tax materials. The objective of specifying reorder points is to ensure that a new supply of materials arrives before available stock runs out. Of the 60 sites we visited, however, 33 had at least one item that was at or below a reorder point and had not been reordered. Of the 33 sites, 12 had 5 or more items that were at or below the reorder point and had not been reordered.

Conclusions

Our visits to IRS' walk-in sites showed that the availability of tax materials improved as the filing season progressed. That is of little comfort, however, to the taxpayer who wants to file early—as IRS encourages. Some of the reasons for missing material, such as late legislation, may be

outside of IRS' control. However, other reasons, such as delays in shipping materials from distribution centers to sites, the confusion over what items sites are required to stock, and the failure of some sites to follow inventory management procedures, are correctable.

Recommendations to the Commissioner of Internal Revenue

We recommend that IRS

- make initial shipments of tax materials to walk-in sites within 48 hours of their receipt at the distribution centers,
- automatically include all required tax items in the initial shipments to each walk-in site, and
- train all walk-in site personnel responsible for tax material inventories in reordering procedures and inventory management techniques and monitor walk-in site operations to make sure the procedures and techniques are implemented.

Agency Comments and Our Evaluation

In commenting on a draft of this report (see app. II), the Commissioner of Internal Revenue expressed agreement with our recommendations and noted several steps that would be taken to help ensure a successful 1990 filing season. In response to our first recommendation, he said that the distribution centers in January 1990 would begin making weekly consolidated shipments to walk-in sites of all tax materials received that week, with more immediate shipments—within 48 hours—if circumstances warrant. He explained that IRS has neither the staff nor the transportation budget to implement a standard 48-hour turnaround as we recommended. We recognize IRS' fiscal situation and believe that the proposed actions meet the intent of our recommendation. Weekly shipments, supplemented with more immediate shipments to meet urgent needs, should improve the overall availability of tax materials at walk-in sites.

The Commissioner said also that (1) required items, of which there will be 87 in 1990, will be shipped automatically to each walk-in site; (2) revised training materials were distributed to field offices in October 1989; and (3) regional offices were asked to ensure that all appropriate walk-in personnel are trained and that required procedures are being followed.

Distribution Centers Could Do a Better Job of Filling Mail and Telephone Orders

Taxpayers may also obtain tax materials by placing mail and phone orders directly with IRS' distribution centers. IRS' goal is to fill all orders completely and within 10 workdays. If an ordered item is not available, IRS procedures require that an explanation be provided so the taxpayer will know that the order was received and when or if to expect the ordered item.

As of May 31, 1989, we had received about 80 percent of the items we ordered through the mail and over the phone. About 71 percent of the items we received were received within 10 workdays. In only about 25 percent of the cases in which we did not receive an item did the distribution center provide the required explanation as to why. Follow-up with the centers indicated that most items we did not receive were probably available at the centers when we ordered them.

IRS officials gave three reasons for the problems we experienced: processing errors at the distribution centers, orders lost in the mail or at the centers, and the additional handling required to fill our orders. IRS officials said that our orders increased the risk of processing errors because they were larger and contained some items that were not frequently requested. This might explain why distribution center quality reviews did not detect problems to the same extent we did. Nonetheless, IRS distribution center officials said that we should have received the ordered items or explanations why the items were missing. They said that our results had identified weaknesses that they plan to correct through increased training and supervision and restructured quality reviews.

Distribution Center Procedures for Processing Orders

Taxpayers may request tax materials from IRS' three distribution centers by calling a toll-free telephone number or by mail.

At the Central and Western Centers, mail and telephone orders were processed in much the same way during 1989. Operators recorded telephone orders on order forms that were then sent to a receipt unit, which was also responsible for opening mail orders. The receipt unit (1) sorted orders according to the items requested so that the orders would go to the appropriate processing line; (2) determined whether the items ordered were available by comparing items requested with a list of items not available at the center; (3) researched items they could not initially identify and determined whether requested items were available for public distribution; and (4) prepared notices to explain that an item needed to be backordered or was not available to taxpayers because, for

example, the item was obsolete or was only available for IRS' internal use. The receipt unit then sent sorted orders to the order fulfillment unit.

The order fulfillment unit contains several processing lines. Depending on the number of different items ordered and their type, an order might be handled by only one person on one line or by several persons on several different lines. The person on the line either pulls the ordered item from stock and puts it in an envelope or notes on the order form that the item is not available. If an ordered item is not available, the order fulfillment unit prepares the appropriate notice and inserts it in the envelope, which is eventually sent to the taxpayer.

Among the notices that taxpayers might receive is one that tells them that an out-of-stock item has been backordered and will be mailed once the center receives a new supply. Those notices can be prepared by the receipt unit, which works from a list of out-of-stock items, or the order fulfillment unit, which might identify an out-of-stock item when it attempts to fill an order.

At the Eastern Center, mail orders were generally handled as discussed above. Telephone orders were processed a little differently, however, because Eastern used an automated phone order system that allowed operators to enter phone orders into a computer. The system (1) checked ordered items for availability, which allowed the operator to tell the requester that an item was not available and the reason why; (2) automatically generated a backorder notice when an item was not available; and (3) generated an order for processing. The orders were sorted and sent to the order fulfillment unit at which point the process was the same as at the other centers.

IRS had intended to use the automated phone system at all three centers during the 1989 filing season. After realizing the system could not handle the work load, however, IRS decided in late December to limit the system's use to Eastern. IRS officials said they have increased the system's efficiency and capacity through software and hardware modifications and expect to have the system fully operational at all three centers by January 1990.

GAO's Orders Were Not Always Filled Completely

We placed 223 mail and telephone orders to the three distribution centers between January 23 and April 14, 1989. Those orders involved a total of 2,206 items, which we randomly selected from a list of tax materials that an IRS National Office official said would be stocked at the centers and available to taxpayers.

Because the items were randomly selected, they included not only items that might be ordered by many taxpayers but also items that might be ordered by only a few taxpayers. For example, our orders included such frequently used items as Form 1040, the basic individual income tax form, and Publication 501, which provides information on exemptions and the standard deduction, and such less frequently used items as Form 6478, which is filed to claim a credit for using alcohol as a fuel, and Publication 908, which provides information on bankruptcy.

Our primary intent in placing the mail and phone orders was to determine to what extent the center either (1) sent us the item we ordered or (2) sent us an explanation, such as "item obsolete," as to why we would not receive the item. If, by May 31, 1989, we had received neither the item nor an explanation, we considered the order incomplete.¹ If we received a backorder notice or some other explanation for a missing item that indicated we would eventually receive the item, we considered the order complete only if we received the item by May 31.

Using those criteria, we considered only 84 (38 percent) of our 223 orders to be complete. The 139 incomplete orders included 15 for which we received nothing. Most of the 139 incomplete orders, however, were complete except for 1 or 2 items. As a result, although only 38 percent of our 223 orders were complete, we received 80 percent of the 2,206 items we ordered.

For most items we did not receive, we also received no explanation as to why. Even when we received an explanation, it was not always accurate. Follow-up with the centers indicated that (1) many of the items we did not receive should have been at the centers when we ordered them and (2) our failure to receive them was apparently occasioned by processing errors.

¹We used May 31 as our cutoff date because it was about 7 weeks after our last order, which we felt allowed IRS enough time to fill our orders.

Explanations Often Not Provided for Missing Items

As noted above, many of our orders were considered incomplete because we did not receive an item and were not given an explanation. There are several reasons why items ordered by taxpayers might not be available at the distribution center. For example, the center may have depleted its stock and may be awaiting a shipment from the printer, the item may be something that the center does not have (like an obsolete form), or the item may be something that is not available to the general public.

When an item is not available, IRS procedures call for the requester to be provided an explanation. This explanation lets the requester know that IRS received the order and tells the requester why the ordered item is not available. Without this information, the requester does not know whether to look for this item elsewhere, wait for IRS to ship it, or reorder the item.

Our 223 mail and phone orders included a total of 2,206 items. Of those, we did not receive 440 (20 percent). We analyzed the missing items to see to what extent the distribution centers provided explanations. We excluded from that analysis the 15 orders for which we received nothing because IRS may never have received those orders or may have lost them before it had a chance to prepare an explanation. Those orders accounted for 150 of the 440 missing items. The other 290 missing items were in orders that we know IRS received and processed because we received something back from IRS. IRS did not provide an explanation for 176 (61 percent) of those 290 items.

We learned later that many of the missing items for which we had not received an explanation may have been in stock at the centers when we ordered them. Officials at two centers examined their inventory records on 145 items that were missing from orders placed at those centers. They determined that 110 (76 percent) of those items should have been available at the time of our orders. According to the officials, the other 35 would not have been available because they were, among other things, obsolete, intended for IRS' internal use only, or not yet printed.²

Officials at the distribution centers and IRS' National Office agreed that the centers need to do a better job of providing taxpayers with an explanation when an item is not available. They indicated that full implementation of the automated phone system should help matters because the

²Our orders included those kinds of items because IRS did not exclude them when it identified for us those items that would be stocked at the centers and available to taxpayers.

system automatically generates a backorder notice if an item is not available.

Explanations Not Always Accurate

Even when the distribution center explained why an item was missing from our order, the explanation was not always accurate. As shown in table 3.1, IRS provided explanations for 114 of the ordered items we did not receive.

Table 3.1: Center Provided Explanations for Nonreceipt of Requested Items

Explanations Provided	Number	Percent
Backordered—to be shipped when available	37	32
Obsolete	21	18
Not printed as of date request received	17	15
IRS could not identify requested items	17	15
Forwarded to another location to be filled	10	9
IRS internal use only	8	7
Other	4	4
Totals	114	100

Officials at two distribution centers examined explanations provided by their centers and furnished information that showed that several were incorrect. Some examples follow:

- Of 26 backordered items reviewed at the two centers, 7 were available at the centers at the time of our order and should have been shipped instead of backordered, 7 were received by the centers in time to be shipped to and received by us before May 31 but were not, 7 were not available for shipment, 3 were not stocked by the center and the request should have been forwarded to another location for filling, and 2 were IRS internal use items that would not be shipped to the public.
- Of 14 items reported as obsolete, 2 were active items of which 1 was available when our order was placed. The other 12 were obsolete.
- Of the 17 items that the distribution centers reported as not identifiable, which would lead requesters to believe that they had ordered something that did not exist, 10 were identified upon further review. Of the 10 identified items, 6 had not been received from the printer at the time of our order, 3 were not generally available for public use, and 1 should have been available at the time of our order.

Processing Errors Cited as Reasons for Incomplete Orders

Besides the need for distribution center personnel to do a better job of providing explanations, center officials pointed to other processing errors that could account for our incomplete orders. Errors they identified included (1) picking the wrong item for shipment, (2) treating an incomplete order as completed, (3) entering the wrong item number when filling out an order blank for a written order, and (4) not thoroughly researching a requested item before deciding it was not available. They said that several factors could account for those instances where entire orders were missing. The possibilities included nonreceipt of the order by the center, loss of the order at the center, and loss of the order after it left the center. Officials at the center using the automated telephone system said that they lost some orders when their telephone operators inadvertently hit a computer terminal key, thereby erasing the order—a situation they intend to correct through training.

Center officials said that order processing personnel were generally low-paid employees hired on a temporary basis, often for a short period when the demand for tax materials was high. Many of those employees received limited training other than that obtained in actually doing the job. Center officials said that additional training and closer supervision would be provided in the future.

National Office officials said that center performance in filling orders will improve if the automated phone order system is successfully implemented at all three centers. Although successful implementation should improve the telephone order taking process and the generation of back-order notices, it will have no effect on errors associated with filling those orders, such as pulling the wrong item from stock, or errors associated with mail orders.

Most Items Were Received in a Timely Manner

We also assessed the speed with which distribution centers responded to our orders. IRS tells taxpayers to expect delivery of their orders within 10 workdays. Of the 1,766 items we received, 71 percent were received within 10 workdays and 92 percent within 15 workdays. As might be expected, items ordered by mail took longer than items ordered by telephone. Figures 3.1, 3.2, and 3.3 show the range of workdays from the date of request until the date of receipt.

Figure 3.1: Percent of Items Received by
Range of Workdays - All Orders

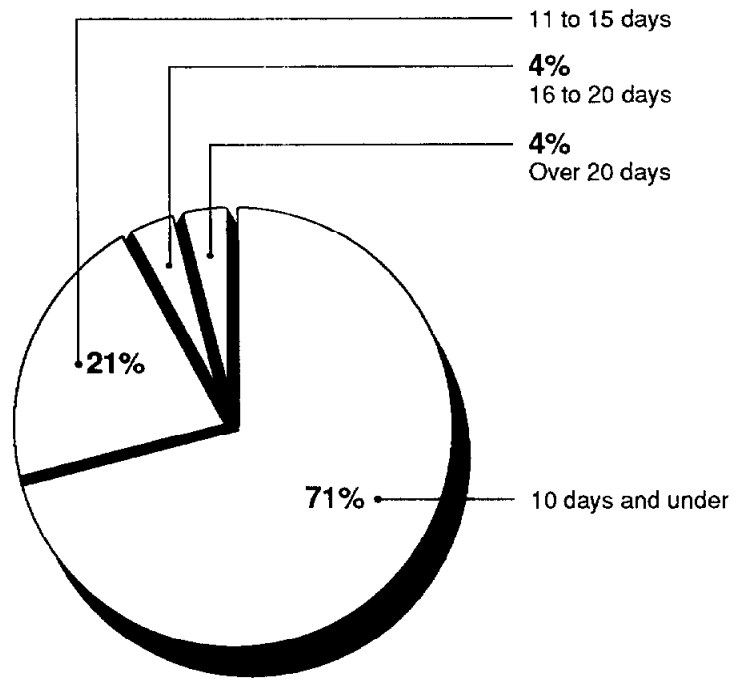


Figure 3.2: Percent of Items Received by
Range of Workdays - Mail Orders

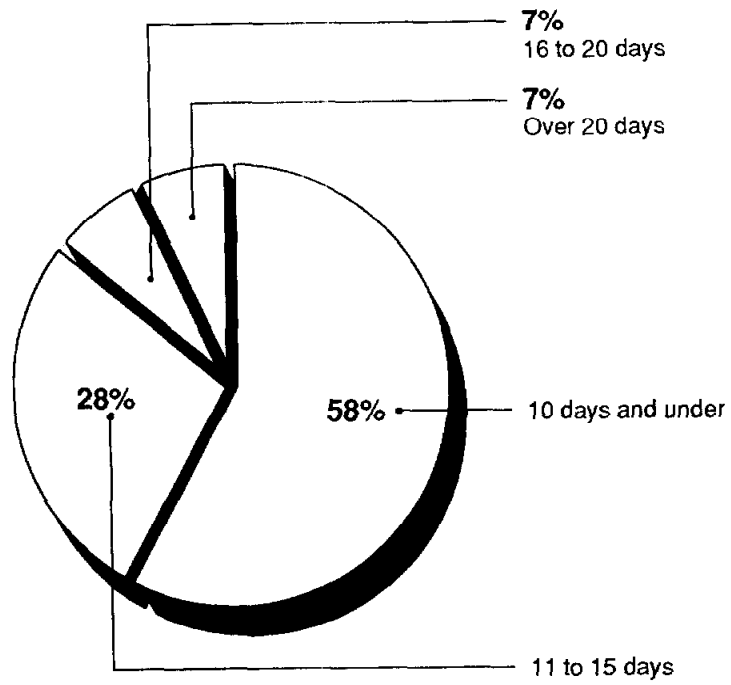
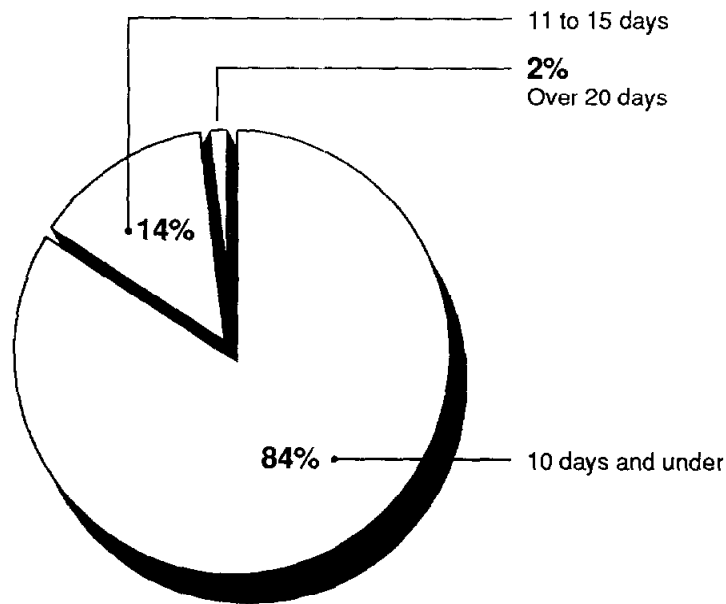


Figure 3.3: Percent of Items Received by
Range of Workdays - Telephone Orders



.2% of telephone orders received in 16 to 20 days.

IRS' Quality Review Results Differed From GAO's Results

The distribution centers review filled orders before they leave the center to measure performance quality and to identify processing problems. In addition, IRS' National Office reviewed distribution center performance during the 1989 filing season. Each of those reviews showed better performance in 1989 than did our results, except for timeliness, where results were comparable.

At each of the distribution centers, a quality assurance staff sampled filled orders for such things as missing items; different quantities than ordered by the taxpayer; and an incorrect item, package size, or label. In contrast to the 38 percent accuracy rate for our orders (see p. 27), each of the centers reported processing accuracy rates of over 90 percent during the 1989 filing season.

Center officials said that their results probably differed from ours because most of the orders they receive, and thus the bulk of the centers' quality review samples, are for one or two items relating to individual tax returns. Such orders are normally filled with little difficulty. In contrast, they said that our larger orders of items randomly selected from all items available for distribution would present greater opportunity for error (because they might require more handling or involve

items that more likely require research) while having less chance of being selected for quality review.

Because a center's quality reviews involve samples of the center's overall work load, the results may mask problems with certain types of orders. One of the areas we discussed with distribution center officials was the possibility of doing separate quality reviews of orders like ours, where the risk of error seems greatest. They said that they expect to change their quality reviews before the 1990 filing season to better measure performance in filling all types of orders.

There are other reasons, unrelated to the nature of our orders, why our results might differ from the distribution centers' results. The centers, for example, would consider an order complete if a missing item were covered by a backorder notice. We would not consider the order complete until the backordered item was received. Our orders included 37 items for which we had received a backorder notice but had not received the backordered item by May 31, 1989.

A separate study by IRS' National Office showed that 81 percent of its test orders were filled completely, compared with our rate of 38 percent. IRS considered an order complete if it received the correct item or if a backorder notice or information notice were included. In the National Office study, 30 IRS employees in 30 different states placed a total of 5,100 orders from January 9 to March 17, 1989. The number of items ordered ranged from 1 to 58 but usually included 3 to 8 items per order. The ordered items were judgmentally selected, with each participant placing the same order on a given day. Although 5,100 orders were placed, IRS decided to stop its study after analyzing 3,071 of those orders because of time and resource constraints.

In discussing the National Office study, IRS officials said that (1) they, unlike us, accepted, as a valid explanation for a missing item, an informal slip of paper stating that an item had been backordered but not identifying which item; (2) they, like the distribution centers, considered an order complete if a backorder notice were included, whereas we did not consider the order complete until the backordered item had been received; (3) their analysis, unlike ours, included only orders for which they had received something—15 (or about 11 percent) of the 139 orders we considered incomplete were orders for which we had received nothing; and (4) distribution center personnel sometimes knew which orders were test orders. Those circumstances may account for some of the difference between IRS' results and ours.

Conclusions

Taxpayers requesting materials from IRS's distribution centers should expect to receive the materials in a timely manner or receive an explanation if, for some reason, an item is not available. On the basis of IRS' responses to our orders, that does not always happen.

It was not completely clear why distribution centers had problems filling many of our mail and telephone orders. Some of the reasons could rest outside IRS. For example, we cannot be sure that some of our orders or IRS' shipments were not lost in transit. Other reasons obviously rest with IRS and seem to involve mistakes in filling orders or failures to provide required explanations.

Although some error can be expected in an order processing operation, there should always be efforts to minimize errors through a quality review process that pinpoints problem areas. In that respect, the fact that our orders were apparently larger and more diverse than the typical order received by the distribution centers served to point to problems that were not being disclosed through the centers' quality reviews. Our orders apparently required handling by more people at the centers and were more likely to involve items that required explanations because they were out of stock or not available to the public. We believe that the centers need to have a better basis for assessing their performance in handling those kinds of orders so that taxpayers who make such orders can be as assured of good service as taxpayers who order one or two common items. That can be accomplished, in our opinion, by doing separate quality reviews of less typical cases—those where the risk of error seems greatest. That will help management identify areas that require closer supervision, additional training, or other corrective action.

Recommendation to the Commissioner of Internal Revenue

We recommend that IRS supplement the distribution centers' quality reviews to specifically assess performance on orders in which errors are most likely to occur.

Agency Comments and Our Evaluation

The Commissioner of Internal Revenue, in commenting on a draft of this report (see app. II), agreed with our recommendation and said that distribution center workplans call for more quality reviews during the filing season and that sampling of telephone order taking and processing lines will be increased to pinpoint specific problems. He said also that IRS

Chapter 3
Distribution Centers Could Do a Better Job of
Filling Mail and Telephone Orders

would emphasize to the distribution centers the importance of monitoring infrequently ordered items where the risk of error is greatest.

Listing of Tax Items Required to Be Stocked at Walk-In Sites and Number of Times Each Item Was Missing During 96 GAO Visits

Item	Title	Number of times missing
W-2	Wage and Tax Statement	3
Instruction W-2	instructions for W-2 and W-2P	2
W-3	Transmittal of Income and Tax Statement	2
W-4	Employee's Withholding Allowance Certificate	2
940	Employer's Annual Federal Unemployment Tax Return	2
941	Employer's Quarterly Federal Tax Return	9
942	Employer's Quarterly Tax Return For Household Employees	10
1040	U.S. Individual Income Tax Return	0
Instruction Form 1040	Instructions for Form 1040	0
1040 Sch A/B	Itemized Deductions/ Interest and Dividend Income	1
1040 Sch C	Profit or (Loss) from Business or Profession (Sole Proprietorship)	0
1040 Sch D	Capital Gains and Losses and Reconciliation of Form 1099-B	0
1040 Sch E	Supplemental Income Schedule	0
1040 Sch F	Farm Income and Expenses	1
1040 Sch R	Credit for the Elderly or for the Permanently and Totally Disabled	1
Instruction 1040 Sch R	Instructions for Form 1040 Schedule R	2
1040 Sch SE	Computation of Social Security Self-Employment Tax	1
1040 A	U.S. Individual Income Tax Return	0
1040 EZ	Income Tax Return for Single Filers with No Dependents	0
Instructions 1040 A/EZ	Instructions for Forms 1040 A and 1040 EZ	0
1040 ES	Estimated Tax for Individuals	2
1040 X	Amended U.S. Individual Income Tax Return	1
Instruction 1040 X	Instructions for Form 1040 X	0
1096	Annual Summary and Transmittal of U.S. Information Returns	4
Instruction 1099	Instructions for Form 1099 Series, 1098, 5498, 1096, and W-2G	7
1099-MISC	Statements for Recipients of Miscellaneous Income	6
2106	Employee Business Expenses	1
Instruction Form 2106	Instructions for Form 2106	1
2119	Sale or Exchange of Principal Residence	0
2210	Underpayment of Estimated Tax by Individuals	14
Instruction 2210	Instructions for Form 2210	10
2441	Credit for Child and Dependent Care Expenses	0
3468	Computation of Investment Credit	4

(continued)

**Appendix I
Listing of Tax Items Required to Be Stocked
at Walk-In Sites and Number of Times Each
Item Was Missing During 96 GAO Visits**

Item	Title	Number of times missing
Instruction Form 3468	Instructions for Form 3468	3
3903	Moving Expense Adjustment	2
Instruction Form 3903	Instructions for Form 3903	2
4506	Request for Copy of Tax Return or Individual Tax Account Information	6
4562	Depreciation and Amortization	3
Instruction Form 4562	Instructions for Form 4562	3
4684	Casualties and Thefts	2
Instruction Form 4684	Instructions for Form 4684	2
4797	Supplemental Schedule of Gains and Losses	1
Instruction 4797	Instructions for Form 4797	0
4868	Application for Automatic Extension of Time to File U.S. Individual Income Tax Return	7
6251	Alternative Minimum Tax Computation	3
Instruction Form 6251	Instructions for Form 6251	9
8283	Noncash Charitable Contributions	8
Instruction Form 8283	Instructions for Form 8283	15
8582	Passive Activity Loss Limitations	8
Instruction Form 8582	Instructions for Form 8582	15
8606	Nondeductible IRA Contributions, IRS Basis and Nontaxable IRA Distributions	2
8615	Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000	4
Publication 15	Circular E Employer's Tax Guide	1
Publication 17	Your Federal Income Tax	4
Publication 334	Tax Guide for Small Business	6
Publication 463	Travel, Entertainment, and Gift Taxes	6
Publication 505	Tax Withholding and Estimated Tax	11
Publication 521	Moving Expenses	8
Publication 523	Tax Information on Selling or Buying Your Home	2
Publication 524	Credit for The Elderly	3
Publication 526	Charitable Contributions	1
Publication 527	Rental Property	5
Publication 529	Miscellaneous Deductions	5
Publication 530	Tax Information for Homes, Condominiums, and Cooperative Apartments	5
Publication 533	Self-Employment Tax	2
Publication 534	Depreciation	7

(continued)

Appendix I
Listing of Tax Items Required to Be Stocked
at Walk-In Sites and Number of Times Each
Item Was Missing During 96 GAO Visits

Item	Title	Number of times missing
Publication 535	Business Expenses	9
Publication 545	Interest Expense	6
Publication 553	Highlights of 1988 Tax Changes	20
Publication 575	Pension and Annuity Income	20
Publication 590	Tax Information on Individual Retirement Arrangements	18
Publication 910	Guide to Free Tax Services	10
Publication 916	Information Returns	9
Publication 917	Business Use of a Car	13
Publication 919	Is My Withholding Correct?	11
Publication 929	Tax Rules for Children and Dependents	39
Publication 934	Supplemental Medicare Premium	22
Publication 935	Some Facts About the Supplemental Medicare Premium	84
Publication 1045	Information and Order Blank for Preparers of Federal Income Tax Returns	25
Total		533

Comments From the Internal Revenue Service



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

DEC -6 1989

Mr. Richard L. Fogel
Assistant Comptroller General
United States General Accounting Office
Washington, DC 20548

Dear Mr. Fogel:

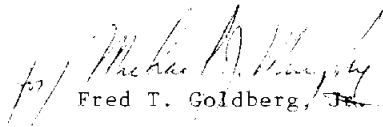
We have reviewed your recent draft report entitled "Tax Administration: IRS Needs to Improve Distribution of Tax Materials to the Public" and believe that it represents a thorough evaluation of the forms distribution process. We are in agreement with its findings and recommendations and corrective actions have already been taken.

IRS recognizes the importance of making its forms, schedules, instructions and publications readily available to taxpayers as early as possible. To help ensure a successful 1990 filing season, we have taken several steps to improve the distribution process, including making more timely distributions to IRS walk-in sites and automatically including all required tax items in the initial shipment to these sites. We have improved our forms management and ordering training for walk-in site personnel who are responsible for maintaining the tax material inventories and we will also substantially increase quality reviews at our distribution centers during the upcoming filing season.

Additional information on the actions we have taken is enclosed.

Best regards,

Sincerely,


Fred T. Goldberg, Jr.

Enclosure

Appendix II
Comments From the Internal Revenue Service

IRS COMMENTS ON RECOMMENDATIONS
CONTAINED IN GAO DRAFT REPORT ENTITLED
"TAX ADMINISTRATION: IRS NEEDS TO IMPROVE DISTRIBUTION
OF TAX MATERIALS TO THE PUBLIC"

Recommendation:

Make initial shipments of tax materials to walk-in sites within 48 hours of their receipt at the distribution centers.

Comment:

The problems encountered last filing season do call for corrective action. In January, the distribution centers will begin making weekly consolidated shipments to the walk-in sites of all items received that week. If a situation arises where an urgently needed item is received late, we will ask the distribution centers to deviate from the consolidation plan and immediately ship that single item to walk-in sites (i.e. within 48 hours). In order to standardize a 48 hour turnaround time, it would be necessary to package and ship each line item individually. We have neither the staff resources nor transportation budget to support such an operation. We believe that our revised plan will be adequate to remedy the problems experienced last year.

Recommendation

Automatically include all required tax items in the initial shipments to each walk-in site.

Comment:

Last year, walk-in sites were required to maintain 79 tax items. This year, based on the results of our field surveys, we have increased the number of required tax items to 87. For the upcoming filing season, each site will automatically receive all of these items.

Recommendation:

Train all walk-in site personnel responsible for tax material inventories in reordering procedures and inventory management techniques and monitor walk-in site operations to make sure the procedures and techniques are implemented.

Appendix II
Comments From the Internal Revenue Service

-2-

Comment:

Last year was the first year that reference and training materials were developed specifically for walk-in personnel. We believe this represented a significant step forward. This year we have undertaken the following efforts to further enhance our training program:

- A task force was convened in July 1989 to revise and strengthen the content of the Procedures on Ordering Forms training material. The task force was made up of representatives from both National Office and field taxpayer service and publishing activities.
- Revised training materials were printed and distributed to field offices in October 1989.
- The training course for Taxpayer Service Representatives now contains this material on forms inventory management and ordering.
- A memorandum was sent to all Regional Commissioners on September 28, 1989 to convey the list of tax items required to be maintained and to provide expectations about training and district office evaluations.
- A memorandum was sent to all Assistant Regional Commissioners (Data Processing) and (Resources Management) on September 28, 1989 to request that all appropriate walk-in personnel receive instruction.

Recommendation:

We recommend that IRS supplement the distribution centers quality reviews to specifically assess performance on orders where errors are most likely to occur and help identify the need for additional training and supervision.

Comment:

Distribution Center workplans call for substantially increased quality reviews during the filing season. Sampling of telephone ordering taking and processing lines will be increased in order to pinpoint specific problems. Employees responsible for errors will be provided prompt feedback by their supervisors. The distribution centers will also be conducting training for supervisors, new employees and seasonal recalls which will include promotion of quality.

We will also emphasize to the distribution centers the importance of monitoring infrequently ordered items where the risk of error is greatest.

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