



Treasury Inspector General for Tax Administration Office of Audit

PUBLISHING AND MAIL COSTS NEED TO BE MORE EFFECTIVELY MANAGED TO REDUCE FUTURE COSTS

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Highlights

Highlights of Report Number: 2011-40-025 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

Part of the Internal Revenue Service's (IRS) mission is to help taxpayers understand and meet their tax responsibilities. To assist taxpayers in complying with their tax filing obligations, the IRS provides forms with instructions and publications to individual and business taxpayers. The Fiscal Year 2010 publishing and mail budget was more than \$272 million.

WHY TIGTA DID THE AUDIT

The IRS stated in its Fiscal Year 2011 budget request that it would reduce publishing and mail costs by \$26 million through efficiencies and savings, including eliminating the automatic mailing of business tax products. This audit was initiated to evaluate the IRS's efforts to reduce publishing and mail costs for tax forms and publications sent to businesses and nonprofits.

WHAT TIGTA FOUND

The IRS is reducing publishing and mail costs, but recent reductions have resulted from budget cuts and were not part of a long-term strategy. In response to the cost savings proposed in the Fiscal Year 2011 budget request, the IRS formed task forces to identify ways to achieve cost savings. A task force proposed 25 actions to reduce publishing and mail costs and lay the foundation for long-term implementation of cost reductions for Fiscal Year 2011 and beyond. However, the task force proposal did not include documentation to show the methodology used to make the proposals, how the estimates were calculated or validated, or how the IRS will measure the results or the cost savings of the proposals.

The task force believed that reducing the mailings of forms instead of eliminating them was a more cautious approach, affecting fewer taxpayers in the short term. Nevertheless, IRS executives decided to eliminate all mailings of tax packages for U.S. Individual Income Tax Return (Form 1040), partnerships, and corporations in

Fiscal Year 2011 in order to meet the cost savings presented in the Fiscal Year 2011 budget request. This could increase burden and reduce compliance for those taxpayers who rely on receiving these packages by mail.

As the IRS moves forward with the proposed cost savings or pursues other methods of saving publishing and mail costs, it needs to implement sufficient controls and procedures to ensure the methodology for the decisions are documented and that the data used are accurate and complete. In addition, these controls should be part of a long-term strategy to continually assess publishing and mail costs and identify opportunities for cost reductions and efficiencies.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, Wage and Investment Division, establish and implement a system of internal controls to ensure that savings and cost data related to the elimination or reduction of mailing tax products are current and reliable. A strategy should be developed to ensure that publishing and mail costs are continually evaluated. The strategy should include goals and measures, as well as steps to monitor the effect on taxpayer burden and compliance.

In their response to the report, IRS officials agreed with both recommendations. Management implemented a system to ensure that savings and cost data related to the elimination or reduction of mailing tax products are current and reliable. The IRS also developed strategies to ensure that publishing and mail costs are continually evaluated, including a comprehensive strategy to measure the effect on compliance and taxpayer burden of the current cost saving proposals.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2011reports/201140025fr.pdf>

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