

**Toll-Free Tax Law Assistance to Taxpayers
Is Professional and Timely, but Improvement
Is Needed in the Information Provided**

September 2003

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INSPECTOR GENERAL
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ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 24, 2003

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Assistant Inspector General for Audit (Small Business and
Corporate Programs)

SUBJECT: Final Audit Report - Toll-Free Tax Law Assistance to Taxpayers
Is Professional and Timely, but Improvement Is Needed in the
Information Provided (Audit # 200340003)

This report presents the results of our annual assessment of the quality of taxpayers' experiences with the Internal Revenue Service's (IRS) toll-free telephone assistance program for tax law questions during the 2003 Filing Season.¹ This audit was part of the Treasury Inspector General for Tax Administration's Fiscal Year (FY) 2003 Annual Audit Plan.

Each year, millions of taxpayers call the IRS for assistance in understanding the tax law and meeting their tax obligations. During the 2003 Filing Season, the IRS handled over 40 million telephone calls. These 40 million calls included 14 million calls from taxpayers with questions about the tax law and who chose to speak with a Customer Service Representative (CSR).

With the continued demands from taxpayers for assistance and the increased complexity of the Federal tax code, the quality of service to taxpayers remains among the major management challenges the IRS faces in FY 2003. While it is the IRS' goal to provide taxpayers with quality tax assistance comparable to the best available in the private and public sectors, over the years, the IRS has faced challenges in providing quality service to meet the needs of taxpayers.

One of the IRS' major strategies for FY 2003 is to increase the quality and efficiency of communications and services provided to taxpayers by improving critical business processes. The aim is to provide prompt and courteous responses to all requests for assistance. The IRS' goal is to make its telephone operation a "world-class customer

¹ The period from January through mid-April when most individual income tax returns are filed.

service organization” that provides taxpayers with accessible and accurate tax assistance.

On October 1, 2002, the IRS implemented a revised system for measuring the quality of its taxpayer assistance. This new measurement system links employee performance to organizational results related to the quality of customer service. This “Embedded Quality” (EQ) system replaces the prior “pass/fail” method for measuring quality and uses instead a “defect-per-opportunity” method. This new method was designed to distinguish between “wrong” answers and procedural defects that do not affect the accuracy of the answer. We also used the EQ measuring system to perform our review. Although our judgmental sample was smaller than the IRS’ statistical sample, both results showed similar areas where improvement is needed.

The new, comprehensive measures include timeliness, professionalism, and accuracy (which is comprised of customer, regulatory, and procedural accuracy). This new measurement system was used on the toll-free operations during the 2003 Filing Season, and the IRS plans to expand it to other programs during FY 2003. The results of the new system will be used as a baseline. This new approach is a significant step in achieving a permanent improvement in providing quality service to taxpayers.

During our review, we monitored a judgmental sample of 294 toll-free tax law calls between January 27 and March 13, 2003, and compared the results to records from an IRS statistically valid sample of 6,011 calls monitored during the same period. The 2 samples showed that CSR performance was professional and timely in 98 percent or more of the total number of calls monitored. Although our sample showed a customer accuracy rate of 73 percent as compared to the IRS’ measured rate of 81 percent, the need for CSRs to fully probe the taxpayer for information was clearly evident as an ongoing issue requiring improvement in both of the samples taken.

In our sample, CSRs not using the Probe and Response (P&R) Guide, or not using the Guide completely, prevented taxpayers from receiving a correct or complete response in 57 of the 69 questions we identified as inaccurately answered. We identified (scored) the response as inaccurate if the response provided was either incorrect or incomplete. Review of IRS records also supports our concern that without sufficient use of the P&R Guide, CSRs are unable to fully understand the taxpayer’s situation and may provide guidance and information that is incorrect or incomplete. The need to ensure better use of the P&R Guide was previously reported in our prior year review of the toll-free tax law assistance program.²

We recommended the Commissioner, Wage and Investment Division, ensure IRS employees receive additional training on the effective and complete use of the P&R Guide to better address questions when providing toll-free tax law assistance to taxpayers.

² *The Quality of Toll-Free Assistance During the 2002 Filing Season Improved; However, More Can Be Done to Improve Quality and Enhance Service* (Reference Number 2002-40-137, dated August 2002).

Management's Response: IRS management was pleased with the results of successfully implementing Embedded Quality in the IRS' toll-free operations. They were also pleased that our observations for Professionalism and Timeliness were virtually identical to the IRS' Centralized Quality Review System results, assuring that the IRS is conducting their internal reviews with the proper focus and independence.

IRS management agreed that the IRS could improve the quality of tax law responses by more consistent use of the P&R Guide and has initiated several actions to improve the Guide and its effective use. Management's complete response to the draft report is included as Appendix VII.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendation. Please contact me at (202) 622-6510 if you have questions or Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 927-0597.

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Background

Each year, millions of taxpayers contact the Internal Revenue Service (IRS) seeking assistance in understanding the tax law and meeting their tax obligations by either calling the various toll-free assistance lines, accessing the IRS Internet web site, or visiting an IRS assistance center. Although accessing the IRS web site is the single most frequent means of contact with the IRS for taxpayers, the second most frequent means is calling the toll-free assistance lines.

According to the April 2003 IRS Oversight Board Annual Report, 90 percent of Americans surveyed viewed the IRS service of providing a toll-free telephone number to answer their questions as either very or somewhat important to them. This same report also reflected the fact that although taxpayer demands for assistance continue to grow, so too does the complexity of the Federal tax code.

During the 2003 Filing Season,¹ the IRS handled over 40 million telephone calls. These 40 million calls included 14 million calls from taxpayers who had questions about the tax law and who chose to speak with a Customer Service Representative (CSR).

With the continued demands from taxpayers for assistance and the increased complexity of the Federal tax code, the quality of service provided to taxpayers remains among the major management challenges the IRS faces in Fiscal Year (FY) 2003. While it is the IRS' goal to provide taxpayers with quality tax assistance comparable to the best available in the private and public sectors, over the years, the IRS has faced challenges in providing quality service to meet the needs of taxpayers. The quality of this assistance is ranked among the top 23 most serious problems encountered by taxpayers, as stated in the National Taxpayer Advocate's FY 2002 Annual Report to Congress.

One of the IRS' major strategies for FY 2003 is to increase the quality and efficiency of communications and services provided to taxpayers by improving critical business processes. The aim is to provide prompt and courteous

¹ The period from January through mid-April when most individual income tax returns are filed.

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responses to all requests for assistance. The IRS' goal is to make its telephone operation a "world-class customer service organization" that provides taxpayers with accessible and accurate tax assistance.

To serve the millions of taxpayer calls, the IRS has divided the types of tax law questions commonly received into categories called 'applications.' These applications are designed to group together calls on similar tax law subjects. For example, calls about the various types of tax credits are all routed to one of the applications, and calls about Individual Retirement Arrangements are routed to another.

The IRS' Centralized Quality Review Staff (CQRS) measures the service provided by telephone assistors by listening to a statistically valid sample of live taxpayer calls from among the 10 applications² and rating the calls on the accuracy, timeliness, and professionalism of the CSR. The CQRS remotely monitored over 10,000 taxpayer calls during the 2003 Filing Season.

On October 1, 2002, the IRS implemented a revised system for measuring the quality of taxpayer assistance which links employee performance to organizational results related to the quality of customer service. This "Embedded Quality" (EQ) system replaces the previous "pass/fail" method and uses instead a "defect-per-opportunity" method. This new method was designed to distinguish between "wrong" answers and procedural defects that do not affect the accuracy of the answer.

The new comprehensive measures include timeliness, professionalism, and accuracy (comprised of customer, regulatory, and procedural accuracy). Customer Accuracy reflects whether the CSR gave a correct/complete response/resolution to the taxpayer's issue. This new measurement system was used on the toll-free operations during the 2003 Filing Season, and the IRS plans to expand it to other programs during FY 2003. The results of the new system will be used as a baseline.

² These applications (categories) are shown in Appendix VI along with the related percentage of calls monitored by the Treasury Inspector General for Tax Administration and the IRS.

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Although the IRS has previously measured the professionalism and timeliness of the assistance it provides, in FY 2003 these measures will actually be baselined for comparison to future years. These two measures will be combined with customer accuracy to report the overall service provided. The move from a pass/fail to a defect-per-opportunity evaluation method will enhance the reporting of these three performance measures to IRS management.

This new approach is a significant step in achieving a permanent improvement in providing quality service to taxpayers. For FY 2003, the IRS' goal for Toll-Free Tax Law Customer Accuracy is 86.5 percent.

We also used the EQ measuring system to perform our review. Although we used a judgmental sample and the IRS used a statistically valid sample to measure the performance of the toll-free assistors, the results of the two independent reviews were similar in determining the areas where improvements are needed.

The audit was conducted in the IRS' Wage and Investment (W&I) Division Headquarters in Atlanta, Georgia, and calls were monitored at the eight IRS toll-free telephone call sites that answered tax law questions from English-speaking taxpayers³ between January and March 2003. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Taxpayers Experience Professional and Timely Service

Surveys conducted during the implementation phase of the new EQ measuring system indicated that timeliness of the telephone calls is what mattered most to toll-free customers. Although the professionalism of the CSR was important, the actual time spent on the issue was ranked as most important.

Based on our review, almost all taxpayers who received toll-free tax law assistance from CSRs during the 2003 Filing Season experienced very professional and timely service.

The IRS' professionalism rate measures the employee's treatment of the taxpayer and positive representation of the

³ This review did not include assistance to Spanish-speaking taxpayers.

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IRS. This professionalism is determined by factors including whether the CSR greeted the taxpayer upon answering the phone call, was courteous, used appropriate language, and ensured the taxpayer's level of understanding of the answer provided. A complete listing of the factors, referred to as attributes, and their definitions are included in Appendix V.

The IRS' timeliness rate measures the actions controllable by the employee in the execution of the transaction. The timeliness is measured by factors including whether the CSR controlled extraneous (unrelated/unnecessary) dialogue initiated by the taxpayer and restrained from initiating extraneous dialogue with the taxpayer. An additional timeliness attribute, not listed in Appendix V, measures the time the CSR places a taxpayer on hold to research the question. We did not rate this attribute in our review but merely noted if we experienced extremely long hold times, which we did not.

During our review, the CSRs were professional in 99 percent of the calls we monitored and provided timely service in 98 percent of the calls.⁴ We did not note any taxpayers who appeared to be upset during their telephone experience. The IRS reported rates of 100 and 99 percent, respectively, during the same time period.⁵ Due to resource restraints, we were unable to review a statistically valid sample; however, we made efforts to ensure our judgmental sample was reflective of the population under review. (See Appendix IV.)

We measured the professionalism of the CSRs by scoring the same eight attributes used by the IRS in its review. A comparison between our professionalism attribute rates and those of the IRS for the same period shows almost identical results.

⁴ Our rates reflect a review of a judgmental sample of 259 calls (294 less 35 transfers) received between January 27 and March 13, 2003.

⁵ The IRS rates reflect a review of a statistically valid sample of 6,011 calls received between January 27 and March 13, 2003.

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**Table 1 – Comparison of the Treasury Inspector General
for Tax Administration (TIGTA) and IRS Rates
for Attributes Comprising Professionalism**

<u>PROFESSIONALISM</u>	<u>TIGTA</u>	<u>IRS</u>
Greeting	100%	100%
Purpose Statement ⁶	100%	100%
Closing (Telephones)	100%	100%
Ensured Taxpayer Understanding	95%	94%
Used Appropriate Language	100%	100%
Courteous	99%	100%
Effective Listening	96%	99%
Apologized	100%	93%

Source: Results of the TIGTA and IRS independent reviews of toll-free tax law calls received between January 27 and March 13, 2003.

To ensure consistency in our scoring of the many attributes used to measure the CSRs' professionalism, timeliness, and customer accuracy, we had the IRS review all of our negative responses. This enabled us to both verify our results and receive and provide feedback on scoring issues.

Comparison of our timeliness results to those of the IRS during the same period shows that CSRs do a good job of not initiating extraneous dialogue unrelated to the taxpayer's question. Concerning taxpayers initiating extraneous dialogue, although not frequent, in 2 calls out of our sample of 259 the CSR should have controlled the conversation and timely directed it back to the tax question.

⁶ Purpose Statement is used to identify if the CSR explained the process or actions to be taken when on the phone and when appropriate.

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**Table 2 – Comparison of the TIGTA and IRS Rates
for Attributes Comprising Timeliness**

<u>TIMELINESS</u>	<u>TIGTA</u>	<u>IRS</u>
Avoid Extraneous Dialogue	99%	100%
Conversation Control ⁷	33%	94%

Source: Results of the TIGTA and IRS independent reviews of toll-free tax law calls received between January 27 and March 13, 2003.

Although our Conversation Control results are reflective of only 3 calls, 1 call in which the CSR did not control the conversation resulted in a call length of approximately 52 minutes. With an average call length in our sample of only 7 minutes, a CSR conversing for potentially 45⁸ minutes on a topic unrelated to the tax question could prevent 6 additional taxpayers from receiving assistance. As mentioned earlier, the timeliness of the call is what was of paramount importance to toll-free customers.

The CSRs' ability to control the conversation with the taxpayer helps ensure as many taxpayers as possible receive assistance. When a CSR participates in a conversation unrelated to the taxpayer's question, he or she is not efficiently using time, which could result in fewer taxpayers receiving toll-free tax law assistance.

For example, if a hypothetical taxpayer was to initiate a conversation with a CSR on the results of a recent sporting event or what the weather was like, the CSR should be polite and redirect the conversation back to the tax-related question. Casual, friendly conversation during the telephone call is acceptable; however, extended discussions on topics unrelated to the taxpayer's question are unacceptable.

The IRS will be baselining its results on professionalism and timeliness during FY 2003.

⁷ In our sample, there were only three calls where the CSR needed to control the conversation.

⁸ Fifty-two minute call less average call length of 7 minutes equals potentially 45 minutes of extraneous conversation.

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Most Taxpayers Receive the Right Answers

On April 9, 2003, the Acting Commissioner of the IRS testified before the Senate Appropriations Subcommittee on Transportation and Treasury that during the 2003 Filing Season “Most [taxpayers] are getting the right answers to their tax law and account questions.”⁹ Our review¹⁰ of a judgmental sample of 259 (294 total calls less 35 transferred calls¹¹) tax law calls indicated a customer accuracy rate of 73 percent (187 of 256 [259 less 3 procedural error calls¹²]). The IRS results from a statistically valid sample of 5,147 (6,011 tax law calls less 864 transferred calls) calls monitored during a similar time period indicated a customer accuracy rate of 81 percent (4,145 of 5,147). For the entire 2003 Filing Season, the IRS reported an 83 percent customer accuracy rate.

When comparing the IRS toll-free tax law assistance to that provided by the private sector, one *Wall Street Journal* article reflected a positive image upon the accuracy of answers provided by the IRS. The article, dated April 8, 2003, compared the IRS toll-free tax law assistance line to three other services offering online tax advice: H&R Block, TurboTax, and The Motley Fool. The article reported that, in addition to providing the only free assistance, “The service that came closest to answering all our questions correctly was the IRS site. The IRS adviser was also the most thorough.”

To measure the customer accuracy rate of the toll-free tax law assistance program, the IRS monitors live taxpayer calls and then determines whether the CSR obtained sufficient information to answer the question and, if so, gave a correct and complete answer. We used the same methodology of

⁹ Hearing on the IRS FY 2004 Budget Request.

¹⁰ Monitoring conducted between January 27 and March 13, 2003.

¹¹ Some calls were transferred to a different CSR prior to the taxpayer receiving assistance. These calls were not scored for accuracy since we could not follow the transferred call.

¹² We scored three calls inaccurate due to procedural errors unrelated to tax law assistance; therefore, these calls are not included in the customer accuracy rate for tax law assistance. However, these procedural errors could have resulted in the taxpayer filing an incorrect or incomplete tax return.

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monitoring live taxpayer calls to measure the customer accuracy rate of the toll-free tax law assistance program.

The CSRs are provided with numerous tax law tools to assist them in answering taxpayer questions. One specific tool used by the CSRs is the Probe and Response (P&R) Guide. The P&R Guide is designed to give the CSRs a script to follow to ensure they address all issues related to a taxpayer's particular type of question. For example, there is a P&R Guide script for such types of questions as Charitable Contributions, Employee/Employer Business Expenses, Retirement Arrangements, and Educational Expenses. During the 2003 Filing Season, there were 83 individual P&R Guide scripts available for use by CSRs. Although not applicable to all tax-related questions, the P&R Guide should, whenever possible, be completely used by CSRs to help ensure taxpayers receive a correct and complete answer.

As an example of how not using the P&R Guide can negatively affect the answer given by the CSR, imagine a hypothetical taxpayer calls the IRS with one of the most frequently asked questions: how to determine his or her filing status or standard deduction. Incomplete use of the related P&R Guide script may result in the taxpayer using an incorrect filing status and standard deduction, with the ultimate potential of a smaller tax refund.

If the hypothetical taxpayer was, for example, recently widowed and both spouses had just turned age 65 and were blind, the taxpayer may be unaware of the ability to continue to use the married filing jointly status in the year of the spouse's death or that an additional deduction is allowed for being 65 or over and/or blind. If the CSR does not use complete probing techniques for this taxpayer, he or she may incorrectly inform the taxpayer to use the wrong standard deduction or the wrong filing status. At worst, this hypothetical taxpayer could get instructed to file as single

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with the standard deduction, resulting in a potential \$6,750 of unclaimed deductions.¹³

Table 3 shows the five attributes that comprise the customer accuracy rate and the related results of the 2003 Filing Season reviews for the TIGTA and IRS, respectively.

**Table 3 – Comparison of the TIGTA and IRS Rates
for Attributes Comprising Customer Accuracy**

<u>CUSTOMER ACCURACY</u>	<u>TIGTA</u>	<u>IRS</u>
Apparent Use of P&R Guide	81%	87%
Complete Use of P&R Guide	79%	91%
Complete Response per P&R Guide	98%	97%
Interpreted/Applied Tax Law	98%	95%
Obtained Tax Law Facts	91%	96%
Correct/Complete Response (Customer Accuracy)	73%	81%

Source: Results of the TIGTA and IRS independent reviews of toll-free tax law calls received between January 27 and March 13, 2003.

To ease the scoring, the first five attributes in Table 3 were arranged in two categories based on their intended measures. The first three attributes in Table 3 measure the CSR's use of the P&R Guide. These attributes are used to measure the customer accuracy of calls in which a P&R Guide script is available for use. The next two attributes in Table 3 measure the CSR's ability to obtain tax law facts from the taxpayer and to interpret those facts and accurately apply the tax law when a P&R Guide script is not available. The final attribute, 'Correct/Complete Response,' is the

¹³ The 2002 standard deduction for a single taxpayer is \$4,700; the standard deduction for married filing jointly taxpayers, with both spouses over 65 and blind, is \$11,450, a difference of \$6,750.

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direct measure of ‘Customer Accuracy,’ and reflects the errors identified in the previous five attributes.

An error in any one P&R Guide or non-P&R Guide attribute resulted in an error in customer accuracy. As not all attributes are required to be coded on every call, the accuracy rates of these five individual attributes will not sum to the overall customer accuracy rate shown in Table 3. This method of scoring is based on the methodology used by the IRS.

Procedural errors cause incorrect/incomplete answers

In our review there were answers given that, although not directly related to tax law, could have resulted in the taxpayer filing an incorrect tax return. In these instances, the taxpayer was either not provided sufficient information or was provided incorrect information in relation to his or her question. The 3 cases with procedural errors were not included in calculating the overall customer accuracy rate of 73 percent.

For example, suppose one hypothetical taxpayer called the IRS toll-free tax law assistance line concerning how to claim the child tax credit. This hypothetical taxpayer had just learned about the child tax credit and thought he might qualify with three children; however, he had already filed a tax return. In this hypothetical call, suppose the CSR does a good job of explaining the qualification for the child tax credit but does not inform the taxpayer of the procedures for filing an amended tax return. The hypothetical taxpayer may then file a second tax return for the same year versus filing an amended return. This would result in additional delays and burden for the taxpayer in receiving an allowed credit of potentially \$1,800.

Although not directly related to tax law, these types of answers are incomplete and could result in additional taxpayer burden. If these 3 procedural errors were included in our overall results, the customer accuracy rate would be 72 percent.

As one of the IRS’ FYs 2003-2004 Strategic Plans states, “Quality customer service stands on the Service’s [IRS’] ability to provide correct answers to customer inquiries,

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Taxpayers May Benefit From Additional Use of the Probe and Response Guide

timely correction of errors, and identification of trends for strategic planning.”¹⁴

Our review indicated not using the P&R Guide, or not using the Guide completely, may have caused 83 percent of the inaccurate answers given to taxpayers. We found that CSRs either did not use at all, or did not completely use, the P&R Guide for 57 of the 69 taxpayers receiving inaccurate answers (i.e., answers which were either incorrect or incomplete).

As mentioned earlier, the IRS provides reference material referred to as the P&R Guide for the CSRs to use to obtain needed information concerning individual tax law questions. Although not applicable to every call, the P&R Guide gives specific questions to ask the taxpayer for over 83 tax law topics.

The ‘Apparent Use’ and ‘Complete Use’ of the P&R Guide also ranked among the lowest accuracy rates on calls scored by the IRS in its review of toll-free tax law assistance during the 2003 Filing Season. During a similar time period,¹⁵ both the TIGTA’s and the IRS’ records show that the CSRs are not effectively using the P&R Guide. (See Table 3.)

The need to probe the taxpayer for additional information to ensure complete understanding of the taxpayer’s situation will only get more important as the tax law grows more complex. As reported in the National Taxpayer Advocate’s FY 2002 Annual Report to the Congress,

“The scope and complexity of the United States (U.S.) Tax Code make it virtually certain that U.S. taxpayers will face procedural, technical, and bureaucratic obstacles in meeting their tax obligations. Although the IRS has consistently and commendably sought to ease the process for all taxpayers, each tax season brings new problems. Some older problems stubbornly resist solution.”

¹⁴ Wage and Investment Strategy and Program Plan FYs 2003-2004, page 21.

¹⁵ January 27 to March 13, 2003.

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With the recent introduction of the Health Coverage Tax Credit, the IRS created its 85th P&R Guide script for CSRs to assist taxpayers who may call the IRS requesting assistance completing the Health Insurance Credit for Eligible Recipients (Form 8885). However, if CSRs do not probe taxpayers to determine if they are eligible for the credit, taxpayers may waste time completing the Form, since eligibility for the credit must be established before filing a Form 8885. This eligibility requirement is explained in the P&R Guide as shown from the following excerpt:

Whether taxpayer is inquiring about assistance completing Form 8885:

IF yes:

§ Has taxpayer received a determination that they are eligible for the credit?

IF no:

§ Advise taxpayer that eligibility for credit must be established before filing Form 8885.”¹⁶

The need for additional probing was also reported in our review of the quality of toll-free tax law assistance provided during the 2002 Filing Season.¹⁷ The IRS took corrective actions last year on our recommendations to improve the P&R Guide used by CSRs to probe taxpayers for pertinent information about their tax questions. We also noted no special concerns documented by the IRS prior to the start of the 2003 Filing Season, as all call sites ‘certified’ they were prepared. However, this year’s review shows the need for the CSRs to use the P&R Guide both more often and more completely.

In summary, the IRS has made strides in its ability to improve its customer service to taxpayers who receive help in meeting their tax obligations by calling the IRS toll-free tax law assistance line. During the 2003 Filing Season,

¹⁶ IRS P&R Guide 38-C, “Health Coverage Tax Credit.”

¹⁷ *The Quality of Toll-Free Assistance During the 2002 Filing Season Improved; However, More Can Be Done to Improve Quality and Enhance Service* (Reference Number 2002-40-137, dated August 2002).

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these taxpayers experienced professional and timely service and most taxpayers received correct and complete answers to their tax law questions. With increased focus on training and use of the P&R Guide to obtain enough information from the taxpayer to ensure a correct and complete answer, the IRS will continue to make strides toward improving the quality of its customer service to America's taxpayers.

Recommendation

1. The Commissioner, W&I Division, should ensure IRS employees receive additional training on the effective and complete use of the P&R Guide to address questions when providing toll-free tax law assistance to taxpayers.

Management's Response: IRS management agreed with this recommendation. An IRS analysis of improvement opportunities led them to a similar conclusion. A task group has already met and developed a comprehensive plan, which includes an enhanced training module that will emphasize the effective and complete use of the P&R Guide. The IRS will train all W&I Division CSRs as part of its Continuing Professional Education training prior to the 2004 Filing Season.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to provide our annual assessment of the quality of taxpayers' experiences with the Internal Revenue Service's (IRS) toll-free telephone assistance program for tax law questions during the 2003 Filing Season.¹ To accomplish our overall objective, we:

- I. Determined the accuracy and quality of responses by the IRS' toll-free tax law assistance program during the 2003 Filing Season by monitoring a judgmental sample of 294 tax law calls, from an estimated population of approximately 8.4 million toll-free tax law calls serviced by the IRS between January 27 and March 13, 2003. We selected a judgmental sample due to limited staff resources while using a monitoring schedule that was representative of the hours of operation for the eight IRS call sites that answered toll-free tax law questions from English-speaking taxpayers during this time.² Specifically, we:
 - A. Captured the conversation between the Customer Service Representative (CSR) and the caller on a call transcription form and evaluated the technical and procedural accuracy of the CSR's response by researching the Customer Service Probe and Response Guide, IRS tax publications, etc.
 - B. Scored each of the 21 attributes for tax law quality, computed the following critical measures for the 259³ calls monitored for accuracy, and discussed exception cases with IRS management (see Appendix V):
 1. Customer accuracy rate.⁴
 2. Professionalism rate.
 3. Timeliness rate.
 - C. Noted the number of taxpayers identified during monitoring that indicated they were upset with their telephone experience and if hold time during the call was excessive.

¹ The period from January through mid-April when most individual income tax returns are filed.

² This review did not include assistance to Spanish-speaking taxpayers.

³ We monitored a total of 294 taxpayer calls; however, 35 were transferred to a different CSR prior to the taxpayer receiving assistance. These 35 calls were not scored for accuracy since we could not follow the transferred call.

⁴ We also computed the customer accuracy rate based on 256 calls (3 calls were scored inaccurate due to errors that were procedural in nature) to reflect the rate associated with errors specifically in just tax law assistance.

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- II. Compared our results for each critical measure to the rates from IRS records for the same measures, during the same reporting period, for an indication of the reliability of the IRS' critical measures.
- III. Obtained and reviewed all 2003 Filing Season Call Site Certifications⁵ for indications of concerns or problems.

⁵ We did not audit the certification process, which involves the individual call sites certifying their readiness for the pending filing season concerning sufficient resources and training.

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Appendix II

Major Contributors to This Report

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Appendix III

Report Distribution List

Commissioner C
Deputy Commissioner for Services and Enforcement SE
National Taxpayer Advocate TA
Commissioner, Small Business/Self-Employed Division SE:S
Acting Deputy Commissioner, Small Business/Self-Employed Division SE:S
Deputy Commissioner, Wage and Investment Division SE:W
Director, Compliance, Wage and Investment Division SE:W:CP
Director, Customer Account Services, Wage and Investment Division SE:W:CAS
Director, Strategy and Finance, Wage and Investment Division SE:W:S
Director, Submission Processing, Wage and Investment Division SE:W:CAS:SP
Director, Office of Legislative Affairs CL:LA
Audit Liaisons:
 Chief, Customer Liaison SE:S:COM
 GAO/TIGTA Liaison SE:W:S:PA

**Toll-Free Tax Law Assistance to Taxpayers Is Professional and Timely,
but Improvement Is Needed in the Information Provided**

Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective action will have on tax administration. This benefit will be incorporated into our Semiannual Report to the Congress.

Type and Value of Outcome Measure:

- Taxpayer Burden - Actual; 57 taxpayers affected (see page 11).

Methodology Used to Measure the Reported Benefit:

We monitored a judgmental sample of 294 live taxpayer toll-free tax law calls received by the Internal Revenue Service (IRS) between January 27 and March 13, 2003. Although our judgmental sample was not statistically valid, we attempted to ensure it was representative of the population by creating a sampling plan in which the percentage of calls monitored by type of tax law question was reflective of the IRS' planned 2003 Filing Season¹ volumes of calls per type of tax law question (referred to as applications). We included night and weekend calls in our monitoring as well as calls serviced by the eight IRS call sites that answered toll-free tax law questions from English-speaking taxpayers during this time. The Customer Service Representative (CSR) transferred 35 of the 294 calls to another toll-free area without the taxpayer receiving assistance from the initial CSR; therefore, we could not monitor these 35 calls for customer accuracy. Of the 259 calls monitored for customer accuracy, 69² (27 percent) received inaccurate (incorrect and/or incomplete) answers to the related tax law question; this number does not include the 3 calls scored as receiving incorrect procedural advice.

We measured the customer accuracy of the calls by using five attributes to determine whether the CSR obtained sufficient tax law information and correctly applied this information to completely answer the taxpayer's question. The five attributes were divided into two categories (Probe and Response (P&R) Guide and Non-P&R Guide). An error in any one P&R Guide or Non-P&R Guide attribute resulted in an error in customer accuracy. These five attributes are: Apparent Use of the P&R Guide, Complete Use of the P&R Guide, Complete Answer per the P&R Guide, Obtain/Determine Tax Law Facts, and Interpret/Apply Tax Law (see Appendix V).

Of the 69 toll-free tax law calls that received an inaccurate (incorrect or incomplete) answer, 57 (83 percent) could have received a correct and complete answer if the CSR had used (or fully used) the P&R Guide. For 30 of these 57 (53 percent) inaccurate answers, the CSR did not use

¹ The period from January through mid-April when most individual income tax returns are filed.

² These 69 calls reflect only inaccurate responses to tax law questions and do not include the 3 calls scored as having procedural errors.

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the P&R Guide at all. The CSR did not completely use the P&R Guide for the remaining 27 (47 percent) inaccurate answers.

With increased and more complete use of the P&R Guide, 57 taxpayers should have experienced reduced taxpayer burden by receiving correct and complete answers to their toll-free tax law questions during the 2003 Filing Season.

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Appendix V

Attributes Used to Measure Taxpayers' Experiences

Professionalism

1. Greeting - Did the Customer Service Representative (CSR) identify him or herself by name and offer to help?
2. Purpose Statement - Did the CSR provide/use a purpose statement?¹
3. Closing - Did the CSR appropriately close the contact with the taxpayer?
4. Ensured Level of Understanding - Did the CSR ensure the taxpayer's level of understanding?
5. Appropriate Language - Did the CSR use appropriate language with the taxpayer?
6. Courteous - Did the CSR provide courteous service to the taxpayer?
7. Effective Listening - Did the CSR listen to the taxpayer in an effective manner?
8. Apologized - When appropriate, did the CSR apologize to the taxpayer?

Timeliness

9. Avoid Extraneous Dialogue - Did the CSR avoid extraneous dialogue with the taxpayer?
10. Conversation Control - Did the CSR control the conversation with the taxpayer?

Customer Accuracy

11. Apparent Use of Probe and Response (P&R) Guide - Was there apparent use of the P&R Guide by the CSR?
12. Complete Use of P&R Guide - Did the CSR use complete probing per the P&R Guide?
13. Complete Response per P&R Guide - Did the CSR provide a complete response per the P&R Guide?
14. Obtain Appropriate Tax Law Facts - Did the CSR obtain the appropriate tax law facts?
15. Interpret/Apply Tax Law - Did the CSR interpret/apply the tax law correctly?
16. Correct/Complete Response/Resolution (i.e., Customer Accuracy) - Did the CSR give a correct/complete response/resolution to the taxpayer's issue?

¹ Purpose Statement is used to identify if the CSR explained the process or actions to be taken when on the phone and when appropriate.

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Regulatory/Procedural²

17. Assistor Identification (ID) - Did the CSR identify himself or herself by name and ID number?
18. Issue Identification - Did the CSR identify the correct tax law issue?
19. Time Periods - Did the CSR explain required Internal Revenue Service (IRS) time periods to the taxpayer?
20. Appropriate Referral - Was this an appropriate referral?³
21. Proper Transfer - Did the CSR correctly identify and transfer the call when needed?

² These five attributes were scored but are not included in the calculation of the Professionalism, Timeliness, or Customer Accuracy rates. They are included in the Regulatory and Procedural accuracy rates, which we measured at 99 and 89 percent, respectively.

³ Appropriate referral is used to identify if the CSR properly transferred a call after assisting the taxpayer or refers the taxpayer to another part of the IRS for assistance.

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Appendix VI

Comparison of Calls Monitored by Question Category¹

<u>QUESTION CATEGORY</u>	<u>TIGTA</u>²	<u>IRS</u>³
Filing Status/Dependents	27%	28%
Small Business	15%	14%
Credits/Standard Deductions	14%	16%
Interest/Dividends	10%	11%
Tax Law Backup ⁴	9%	9%
Estimated Tax	7%	7%
Retirement Arrangements	7%	3%
Pension/Social Security Benefits	7%	6%
Earned Income Tax Credit	4%	5%
Sale of Home	0%	2%

Source: Results of the TIGTA and IRS independent reviews of toll-free tax law calls received between January 27 and March 13, 2003.

¹ The Internal Revenue Service refers to these question categories as ‘applications.’

² Treasury Inspector General for Tax Administration.

³ Internal Revenue Service. Percentages do not total 100 due to rounding.

⁴ The Tax Law Backup category could include most any type of tax law question.

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Appendix VII

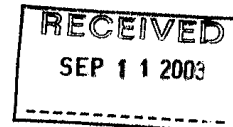
Management's Response to the Draft Report



COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

September 11, 2003



MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX
ADMINISTRATION

FROM: Henry O. Lamar, Jr. *[Signature]*
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Toll-Free Tax Law Assistance to Taxpayers
Is Professional and Timely but Improvement Is Needed in the
Information Provided (Audit No. 200340003)

We are pleased with the results that we are seeing after successfully implementing Embedded Quality in Toll-Free. Our aim in establishing the Embedded Quality was to implement a new way of doing business that builds commitment and capability among all individuals to continually improve customer service, employee satisfaction, and business results. We are gaining increased insight on factors influencing accuracy from the detailed information that we are gathering. This new approach to measurement and improvement allows us to:

- Develop and appropriately use measures to shape organizational and individual performance
- Create accountability by connecting organizational and human performance
- Strategically emphasize improvement through an annual quality planning process that identifies target areas of improvement

We believe that a major advantage of the Embedded Quality (EQ) is its focus on what we are doing right. Our new EQ system was designed to distinguish between wrong answers and procedural defects that do not affect the accuracy of the answer. Measuring defects-per-opportunity is a more balanced approach and better represents the service we provided to customers than our previous pass/fail measurement. I appreciate your positive statements about our new approach to quality measurement and improvement.

I am also pleased that your observations for Professionalism and Timeliness were virtually identical to our Centralized Quality Review System (CQRS) results. Your assessment assures us that we are conducting our internal reviews with the proper focus and independence. Although the high numeric scores are gratifying, we will

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continue to emphasize these important service attributes. I agree that we could improve the quality of our tax law responses by more consistent use of the Probe and Response (P&R) Guide, the tool designed to ensure that all issues related to the question are properly addressed. Results from our extensive CQRS reviews parallel your observations. The accuracy of our tax law responses is higher when our Customer Service Representatives (CSRs) effectively use the P&R Guide. We have initiated several actions designed to improve the Probe and Response Guide and to enhance effective use by our CSRs. I agree with the Outcome Measure listed in the report.

If you have any questions, please call me or Ronald S. Rhodes, Director, Customer Account Services, at (404) 338-8910.

Attachment

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Attachment

RECOMMENDATION 1

The Commissioner, Wage and Investment (W&I) Division, should ensure IRS employees receive additional training on the effective and complete use of the P&R Guide to address questions when providing toll-free tax law assistance to taxpayers

CORRECTIVE ACTION

We agree with this recommendation. Our analysis of improvement opportunities led us to a similar conclusion. A task group has already met and developed a comprehensive plan, which includes an enhanced training module that will emphasize the effective and complete use of the P&R Guide. We will train all W&I CSRs as part of our Continuing Professional Education (CPE) training prior to the 2004 Filing Season.

IMPLEMENTATION DATE

January 15, 2004

RESPONSIBLE OFFICIAL

Director, Accounts Management

CORRECTIVE ACTION MONITORING PLAN

This corrective action will be monitored as part of the Filing Season Readiness process. Progress will be reported to the Director, Accounts Management.