

**Toll-Free Telephone Service Levels Declined in
1999 Despite Costly Efforts to Achieve World
Class Performance**

March 2000

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

March 31, 2000

MEMORANDUM FOR COMMISSIONER ROSSOTTI

Margaret E. Bezz

FROM: for Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Toll-Free Telephone Service Levels Declined
in 1999 Despite Costly Efforts to Achieve World Class
Performance

This report presents the results of our review of the Internal Revenue Service's (IRS) strategy to improve toll-free telephone service. Our review focused on whether this strategy resulted in an increased level of quality customer service in an economical manner. We reviewed the IRS process for forecasting, planning, and scheduling demand and resource requirements; analyzed the IRS methodology to assess the quality of service being provided to customers; and, analyzed whether the existing number of call sites provides an optimum configuration.

In summary, we found that the IRS centralized the management of the toll-free telephone system, invested in new technology, committed significant enforcement resources to answering telephones, and expanded the hours of operation in an effort to better serve taxpayers. Nevertheless, the IRS did not provide an increased level of quality telephone service to taxpayers in an economical manner in 1999. In addition, the IRS' performance in providing toll-free telephone service compares unfavorably with private sector organizations recognized as providing "world class" service. The level of service provided to taxpayers on the 3 main telephone lines declined from 73 percent in the prior filing season to 51 percent in 1999, and almost 16 million more taxpayers received busy signals. Also, during the first 6 months of Fiscal Year 1999, the accuracy of answers to tax law questions declined from 79 percent to 72 percent. For the same period, total labor costs increased by over \$30 million from the prior fiscal year, even though 1.4 million fewer calls were answered.

To provide effective and economical world class toll-free telephone service, the IRS needs different management approaches. Specifically, the IRS needs to employ a systems management approach through the entire Customer Service organization, evaluate the number of call sites, more timely and accurately conduct resource planning, reduce hours of "live" assistance, provide managers with tools to monitor productivity of telephone assistors, and improve quality measures by ensuring that statistically reliable samples are taken.

IRS management agreed that telephone performance during the 1999 filing season fell short of their goals and has taken action to implement some of our recommendations. However, management did not agree with several recommendations because they believed they might not be consistent with the integrated solutions and approaches that they are developing. Management did commit to fully consider these recommendations as they modernize the IRS. In addition, management rejected our recommendation to contract a study that focuses on reducing the number of call sites and our recommendation to decrease live assistance from 24/7. Likewise, management responded that Compliance resources will continue to be used to augment toll-free operations. Management's comments have been incorporated into the report where appropriate, and the full text of their comments is included as an appendix.

Due to the large number of recommendations in the report, as well as the range and complexity of the issues, we have addressed our concerns with management's disagreement, where applicable, in detail in the body of the report. Our assessment of the response to this report shows that IRS management either did not address or only partially addressed some issues and recommendations. In some cases, the Office of Audit will require further clarification and information from IRS management.

Copies of this report are being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions, or your staff may call Gordon C. Milbourn III, Associate Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-3837.

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Executive Summary

The Internal Revenue Service's (IRS) toll-free telephone system is the cornerstone of its customer service operations. Historically, the IRS has struggled to effectively meet the annual customer demand for its toll-free telephone services. The largest part of that demand occurs during the first three and one-half months of each calendar year, which is generally defined as the "filing season" for individual taxpayers. During the 1999 Filing Season, taxpayers attempted over 57 million calls to the IRS' three main toll-free telephone lines.

Providing top quality service to each taxpayer is one of the strategic goals of the IRS' modernization plans. Likewise, Customer Service management has committed to becoming "a World Class Customer Service Organization." In 1998, the IRS began a multi-year plan to modernize its toll-free operations. Some of the planned changes were implemented in 1999. Thus, the audit was conducted to determine whether the IRS' strategy to improve telephone service resulted in an increased level of quality customer service in an economical manner.

Results

The IRS was not able to satisfactorily handle the level of customer demand on its toll-free telephone lines during the 1999 Filing Season. Although the IRS implemented a major technological change and numerous initiatives that were intended to enhance customer service, far too many taxpayers received busy signals or abandoned their calls after being placed on hold. For the 3 main toll-free telephone lines, for example, about 19.5 million calls resulted in busy signals during the 1999 Filing Season - almost 16 million more than during the previous filing season. Callers abandoned another 8.4 million calls before reaching a Customer Service Representative (CSR). The Level of Service (LOS) provided to taxpayers on these 3 lines for the 1999 Filing Season declined to 51 percent from 73 percent for the 1998 Filing Season.

Management attributed these difficulties to such issues as start-up problems, tax law changes, and new telephone demand. At the same time, the IRS shifted to a balanced measures approach which de-emphasized production and put a greater emphasis on employee satisfaction.

The cost to provide toll-free telephone service during the 1999 Filing Season increased while productivity decreased. The IRS' labor costs to handle toll-free calls during the first 6 months of Fiscal Year (FY) 1999 were more than \$175 million as compared to about \$145 million during the same period in FY 1998. During this same 6-month period, the productivity of the

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individual CSRs decreased by approximately 16 percent from the prior year. As a result, the IRS' labor costs increased by \$1.30 per call (approximately 19 percent). Beyond the Customer Service costs, enforcement resources used to supplement the toll-free program cost the government approximately \$314 million in lost revenue that could have been collected.

Management Effectiveness Could be Improved Through Systems Management Methods

The service level decline can be attributed, in part, to the start-up problems caused by many technical and operational changes. However, another key factor was that Customer Service management entered the 1999 Filing Season without developing an integrated plan to effectively align the technology and human resource management changes. Further, the technological solution was implemented without effectively addressing fundamental operating problems.

Implementation problems with the IRS' new national call routing system kept taxpayers from having improved access to the toll-free telephone system. When the problems continued, the IRS reverted to the call routing method used in prior years for the initial routing of calls. However, the problems inherent in this prior method reduced the advantages to be gained by the newer system. In addition, the new technology was implemented without automated controls that would have promptly detected problems.

The forecasting process to determine the staff resources needed to meet estimated customer demand was seriously flawed. Delays and inaccuracies in staffing schedules resulted in an insufficient number of adequately trained CSRs being available when needed. To compensate for these problems, a significant number of Compliance enforcement resources (i.e., Examination and Collection Division staffs) were assigned to answer the telephones. The estimated staff costs alone for these resources were almost \$21 million. An additional minimum of nearly \$314 million of tax revenue was also uncollected. Further, Customer Service management did not employ sufficient "call avoidance strategies" to reduce its reliance on CSRs.

Customer Service Representative Efficiency Could Be Improved by Better Organization Structure and Work Management Practices

Several conditions require attention to improve efficiency and reduce costs. These conditions are in the overall organization structure and the work management practices.

Organization Structure

The IRS' ability to effectively and efficiently provide toll-free telephone service is hindered by the large number of call centers it uses. Whereas 1 to 3 call centers is viewed as optimum by

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businesses recognized as providing world class telephone service, the IRS has 30 toll-free call sites. In addition to the administrative and management overhead associated with so many sites, these sites were generally located in or near large metropolitan areas where labor and space costs tend to be higher.

Some problems exist specifically because of the large number of call sites. First, it makes the complex task of scheduling resources to meet the forecasted call demand even more complicated. Second, with so many labor markets, some sites experience serious recruiting problems. Finally, the lack of standardized equipment among call sites made the technology changes more complicated. Even though substantial site consolidation is the industry trend, the IRS plans to eventually discontinue only 5 of the 30 sites.

Work Management Practices

CSR productivity in answering taxpayer calls declined 16 percent between FY 1998 and FY 1999. While Management Information System data for determining the cause of this decline are limited, some productivity analyses are possible. For example, six call sites tracked CSR time when the CSRs were actually signed on the system. The data show that these CSRs handled calls only 49 percent of their sign-on time. The other 51 percent was spent in waiting for calls, wrapping up prior calls, taking lunch and other breaks, attending meetings, etc. Thus, if a CSR was signed on the telephone system for a typical eight and one-half hour day, that CSR would actually speak with taxpayers about four hours a day.

Management at several call sites had concerns with the effect that some types of “down” time may have had on the LOS. However, the IRS’ agreement with its national labor union limited the ability of Customer Service management to use certain types of “down” time in evaluating individual CSR performance.

Another factor affecting service levels was expanding from a 96-hour week to a full 168-hour week. Staffing was shifted to cover the expanded hours, so fewer people were available during peak periods. However, less than four percent of the calls to the three main toll-free lines were received during the expanded hours.

Improvements Are Needed for Measuring Quality and Providing Specialized Services

When taxpayers did speak with a CSR, the quality of service and customer satisfaction may have been less than satisfactory. The IRS has a new Centralized Quality Review System. Likewise, the IRS has new programs to expand services to some other taxpayers requiring toll-free assistance: the Quality Assurance Program, the Problem Resolution Program (PRP), and the Spanish Language Program. These new systems and programs also encountered problems.

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Quality Assurance Program

Taxpayers who called the IRS with tax law questions during the 1999 Filing Season received correct answers only 72 percent of the time, as compared to 79 percent last year. The lower accuracy rate could be attributable, in part, to the number of 1999 tax law changes. However, it may also represent an actual decline in quality since managers at nearly half of the 20 call sites surveyed were concerned with the overall ability of their new recruits to professionally and accurately answer telephone calls.

However, even the precision of the 72 percent accuracy rate is questionable. For example, during the 1999 filing season the IRS monitored less than 25 percent of the required number of tax law calls that the sampling plan developed by IRS statisticians required to be monitored. In addition, the IRS performed no corporate monitoring of calls received from Spanish-speaking taxpayers or calls received during the extended service hours that were extensively staffed with new and inexperienced CSRs.

Problem Resolution Program

A relatively small percentage of the calls that reached a CSR on the new PRP line involved unresolved tax problems that met PRP criteria. At least one site serviced these non-PRP calls rather than transferring the calls to the appropriate line. This may be causing other callers with legitimate PRP concerns to be unable to reach a CSR.

Spanish Language Program

The IRS did not provide Spanish-speaking taxpayers with effective access to toll-free telephone services. The IRS has a limited number of Spanish-speaking CSRs who often handled English-language calls. Therefore, only a very small percentage of calls from Spanish-speaking taxpayers were successfully routed to Spanish-speaking CSRs. Spanish-speaking callers were frequently told to call back with an interpreter.

Summary of Recommendations

The IRS needs different management approaches to provide effective and economical world class toll-free telephone service. A systems management approach throughout the entire Customer Service organization is needed to ensure effective and continuous improvements. Productivity should be improved by evaluating the number of call sites, more timely and accurately conducting resource planning, reducing hours of “live” assistance, and providing managers with tools to monitor CSR productivity. Additionally, quality measurement and customer service can be improved by ensuring that statistically valid samples are taken. Finally,

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customer service can be improved by providing better access to PRP and Spanish-language services.

Management's Response: IRS management agreed that the performance of the toll-free telephone system during the 1999 Filing Season fell short of their goals and has agreed to implement some of our recommendations. The Customer Service management structure has been realigned; a study group has been formed to develop criteria for determining which call sites receive more hiring authority than others; program changes have been made to increase the number of refund calls handled by automation; portions of the Union agreement were renegotiated to provide call site managers with more effective tools for monitoring assistor "idle" time; additional quality reviewers are being hired; a bilingual quality review center is being established; and several actions are being taken to make toll-free telephone services more accessible to Spanish-speaking taxpayers.

However, management did not agree to implement several recommendations. They also expressed the opinion that the report did not adequately acknowledge the significant challenges the IRS faced during the 1999 Filing Season, the steps taken during the 1999 Filing Season to correct the problems encountered, and the corrective actions the IRS completed which resulted in improved service during the current filing season.

Management's complete response to the draft report is included as Appendix VI.

Office of Audit Comment: The Office of Audit concurs that there were significant challenges and changes in 1999. Progress is being made in several areas. At the same time, IRS management did not address, or only partially addressed, some issues and recommendations. In some cases, the Office of Audit will require further clarification and information from IRS management.

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Objective and Scope

Telephone and walk-in customer service is a FY 1999 emphasis area for the Treasury Inspector General for Tax Administration.

This review is part of one of our Fiscal Year (FY) 1999 emphasis areas to evaluate whether Customer Service operations are being effectively and economically improved to provide taxpayers with quality customer service, in accordance with Congressional and administrative direction.

Audit work was performed at the National Office; the Customer Service Operations Center (CSOC) in Atlanta; the Centralized Quality Review System (CQRS) site in Philadelphia; and call sites located in Fresno, Nashville, and Pittsburgh. In addition, we surveyed the call sites via a detailed questionnaire and analyzed the responses that were received from 20 call sites. Our scope did not include a review of management's plans for the 2000 Filing Season. The audit was conducted between October 1998 and November 1999 in accordance with *Government Auditing Standards*.

Our overall objective was to determine whether the Internal Revenue Service's (IRS) strategy to improve telephone service has resulted in an increased level of quality customer service in an economical manner. To accomplish this objective, we determined if:

- The process for forecasting, planning, and scheduling demand and resource requirements is operating effectively and contributing to a world class telephone operation.
- The IRS has a sound methodology of performance measures in place to accurately assess the quality of service being provided to customers.
- The existing number of call sites provides the optimum configuration to ensure that high quality toll-free telephone services are provided to taxpayers in the most effective, efficient, and economical manner.

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Details of our audit objective, scope, and methodology are presented in Appendix I. Major contributors to this report are listed in Appendix II. In addition, we have included an extensive Glossary of Terms as Appendix V.

Background

The IRS' mission statement was revised in 1998 to place a greater emphasis on serving taxpayers.

The IRS' mission is to provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. In 1993, the President issued Executive Order 12862, "Setting Customer Service Standards," which set a goal for the Federal government to deliver service equal to the best in business.

During the 1999 Filing Season, there were over 57 million call attempts to the IRS' 3 main toll-free telephone lines. Taxpayers calling these lines can elect to listen to a pre-recorded message that may provide the information they seek, or they can elect to speak with a Customer Service Representative (CSR). Overall, the IRS toll-free telephone program has approximately 8,700 employees located in 30 call sites.

A second toll-free telephone system that the IRS provides is known as Tele-Tax. It gives taxpayers access to automated tax topics and automated refund information. Taxpayers cannot reach CSRs through Tele-Tax.

Results

The private sector has set high standards for what Americans expect and receive from telephone services.

In 1998, the IRS began a multi-year plan to modernize its toll-free telephone operations. Some of the planned changes were implemented in 1999. These changes include using the Customer Service Call Router (CSCR) to link the IRS' geographically-dispersed call centers into a single "virtual" call center; establishing centralized call center management;

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expanding toll-free telephone operations to 24 hours a day, 7 days a week (i.e., 24/7 service); and adding a Problem Resolution Program (PRP) toll-free telephone number. These 1999 initiatives were the initial IRS efforts to become a world class customer service organization.

While it has taken a number of steps, the IRS still has many problems to overcome before world class service is achieved. The following table compares the IRS' 1999 Filing Season performance with world class performance levels.

**Comparison of IRS Performance
with World Class Telephone Operations**

The IRS toll-free telephone system needs significant improvement to provide world class service.

Measure	IRS 1999 Filing Season	World Class Performance Level
Average speed of answer	195 seconds	< 15 seconds
Abandoned call rate	22%	< 2% ¹
Busy rate	34%	< 1%
Variance in actual call volume from forecast volume	14% ²	<1/2 of 1%
Level of Service³	51%	98%

Sources: 1999 Filing Season from Customer Service Management Information System Reports; World Class Performance Level from Federal Consortium Benchmark Study Report, February 1995.

In addition, the IRS' Level of Service (LOS) declined from 73 percent during the 1998 Filing Season to 51 percent during the 1999 Filing Season for the 3 main toll-

¹ Customer Service management felt that a 5 percent abandoned call rate, shown in a December 1998 study contracted by the IRS, may be a more reliable benchmark.

² Data available for the period from February 1 through April 15, 1999, only. However, it should be reasonably representative of the entire 1999 Filing Season.

³ Calculated by taking total calls less busy signals and abandoned calls and dividing by total calls.

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Access to the Tele-Tax system was significantly improved during the 1999 Filing Season.

free telephone lines. Thus, about 19.5 million calls resulted in busy signals, almost 16 million more than during the previous filing season, and callers abandoned another 8.4 million calls before reaching a CSR. These IRS performance levels were achieved at a minimum cost of over \$700 million.⁴

The Customer Service Division also implemented a strategy to improve Tele-Tax access for the 1999 Filing Season. The strategy addressed eliminating all old voice response units, increasing line capacity for new systems, and relocating equipment to better balance nationwide traffic and reduce busy signals. As a result, access significantly improved, with callers to the Tele-Tax system receiving considerably fewer busy signals during the 1999 Filing Season (2.8 million) than for the same period in 1998 (13 million).

Customer Service management should focus its attention on the following specific problems that negatively impacted the performance of the toll-free telephone system during the 1999 Filing Season:

- Management effectiveness could be improved through systems management methods.
- CSR efficiency could be improved by better organization structure and work management practices.
- Improvements are needed for measuring quality and providing specialized services.

Each of the above issues is discussed in detail in the remaining sections of this report.

⁴ This figure is composed of the following items:
\$312.5 million – Toll-free staff budget
\$ 53.5 million – Toll-free circuitry costs
\$ 21.0 million – Compliance staff resources used for toll-free
\$314.0 million – Foregone revenue from diversion of compliance resources to toll-free

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Management Effectiveness Could Be Improved Through Systems Management Methods

For FY 1999, the IRS made many significant changes to the toll-free telephone system. Changes were made to the organizational structure and the planning process. Others were technical changes to increase telephone system performance. However, many changes were made without adequately assessing the effect on the total telephone system operation.

In 1992, the IRS selected the systems management approach to continuously improve organizational performance and customer satisfaction. The systems management approach calls for management to understand, control, and improve systems⁵ and to find more cost-efficient ways to provide products and services. The IRS executives and top-level managers were charged with leading the effort to establish a systems management environment.

Customer Service executives did not use an effective management process to implement the many changes to the toll-free telephone system. This caused the Customer Service Division to provide low service levels at a very high cost. Details will be discussed later in this report regarding the decrease in the LOS, the reduction in productivity at an additional cost, and the IRS' not having a reliable quality measure.

The systems management approach would improve the following areas:

- Implementing technology changes.
- Identifying critical processing points and establishing automated failure signals.

Although this filing season included many significant changes for the toll-free telephone system, a process to determine associated risks was not in place.

⁵ A "system" is defined as "the interaction of components (people, equipment, methods, materials, and environment) to transform inputs (raw materials) into outputs (products and services) for a customer."

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- Scheduling Customer Service resource requirements more accurately and timely.
- Eliminating the need to rely on expensive Compliance program resources.
- Using automated systems to handle routine inquiries.

Implementing Technology Changes

To improve taxpayer accessibility to the toll-free telephone lines, the IRS spent over \$22 million for the CSCR to replace its former routing method. However, various implementation problems kept taxpayers from having the desired access during FY 1999.

A well-managed system requires an owner who is accountable for the system's performance and has the authority to change it. The systems owner is responsible for ensuring communication and cooperation, resolving conflicts, and eliminating competition among system components in order to maximize system performance.

The primary problem with the CSCR was the premature national rollout. In December 1998, the Customer Service executive decided to implement the CSCR nationally instead of conducting a site-by-site rollout designed to stabilize the system before a national rollout. In addition, Information Systems (IS) employees informed us that approximately 18 months would be required for a successful rollout; however, the IRS implemented the CSCR in 6 months.

Examples of the resulting problems follow.

- Not having compatible telephone equipment at the call sites prevented the CSCR from working correctly. Consequently, callers received busy signals rather than being connected to a CSR.
- The activation of the Selected Expanded Access (SEA) caused problems that required discontinuance of some call distribution capabilities for several weeks until the CSCR could be modified. When service levels began to

During its peak calling period, the IRS rolled out a new telephone routing system prematurely.

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decline, Customer Service management activated the SEA, a system that allows taxpayers to choose automated services rather than receiving a busy signal and having to call back. However, the CSCR was not designed to work with the SEA. In addition, a May 1999 IRS study showed that 75 percent of the callers offered the SEA rejected the option to potentially find the information they sought from this automated system.

The IRS suspended pre-routing calls for over two months beginning on February 3, 1999.

As a result of technical problems with the CSCR caused by the SEA activation, the IRS reverted to the call routing method that was used in prior years for the initial routing of calls. The CSCR replaced this system because it was labor intensive, created an unbalanced workload across call sites, and potentially resulted in unequal access and longer hold times for taxpayers at sites affected by heavier volumes. Thus, reverting to the prior call routing method reduced the advantages to be gained by the CSCR, and may have resulted in a lower level of service to taxpayers.

- Prior to implementation of the CSCR, there were over 190 specialized skill groups in which CSRs were placed. In order to operate effectively, the CSCR required the IRS to reduce and nationally standardize the CSR skill groups. Hence, they were reduced to 26 skill groups. This reduction limited CSRs to answering questions routed to the skill group to which they were assigned. However, some CSRs had the ability to answer categories of questions outside of those in their assigned groups, while others did not have the full set of skills necessary to answer all of the questions in their skill group.

A private contractor recommended management solutions for many of the IRS' technical problems.

In an effort to improve the CSCR performance, the IRS contracted with the Illinois Institute of Technology Research Institute (IITRI). The IITRI report, issued in February 1999, cited many technical and management problems. For example, the report pointed out:

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“Although the solutions are presented in two sections, technical and management, there is significant overlap. Many technical problems, for example, require management solutions.”

“The call routing and processing system suffers from serious problems, most of which stem from a lack of end-to-end design, end-to-end testing, change control and overall management.”

Recommendations

1. To effectively operate as a “virtual call center” and to ensure that calls are consistently connected and quickly answered, Customer Service management needs to deploy a systems management approach throughout their entire organization.
2. To improve Customer Service operations, the IRS needs to manage the toll-free business components as an integrated system. Customer Service management needs to align the policies, organization structure, and technology with work practices into an integrated system.

Management’s Response: Customer Service management stated that, since the rollout of the CSCR, the whole project management “system” has matured, especially with the inclusion of the PRIME alliance expertise. A Near Term Release (NTR) Project Office was established to provide direction and oversight. A process was established which includes a thorough and comprehensive work breakdown structure that is continually monitored, a NTR Executive Steering Committee with senior executive leadership from both the IRS and the PRIME, and a Change Control Board for the call center environment with expertise from a technical review board.

Customer Service management stated that they have completed some long-term systems improvements for the FY 2000 Filing Season. These include the realignment of

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the Customer Service management structure, improved work and staff scheduling processes, and implementation of the balanced measures process.

On October 1, 1999, the management of all 25 Customer Service sites was unified under the Customer Service Field Organization. By October 1, 2000, Customer Service will complete the final transition to realign under the Wage and Investment and Small Business Operating Divisions. This reorganization will provide the singular focus and accountability necessary to completely align the policies, organization structure, and technology with work practices into an integrated system.

Office of Audit Comment: Although management's response to Recommendation 1 provided numerous corrective actions, it does not address our concern that they are lacking a systems management process that includes an owner who provides oversight for all projects and functions. Instead, the IRS refers to numerous committees, projects and contractors with various oversight responsibilities. While these actions appear to provide an improved level of control within the Customer Service organization, we continue to believe that a single systems owner is necessary to effectively manage the coordination of all projects as well as the competition among projects for limited resources.

Identifying Critical Processing Points and Establishing Automated Failure Signals

To properly manage a call center operation, automated system failure signals are needed so corrective action can be immediately taken. In discussing technical problems with the IRS toll-free system, the IITRI report states that, "Bottlenecks and alarm conditions cannot be automatically identified." When timely corrective actions are not taken, service levels decrease, resources are wasted and service objectives are not met.

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Alarms are essential to timely identify problems in critical processes.

A prime example of a critical processing point is the identification of temporarily inactive telephone lines. Systems analysts can identify this condition by manually viewing the status of each telephone line or by monitoring the system and investigating any calls that have long wait times. However, these manual problem identification processes might occur too late to positively affect how customers are served on a given day. An automated control could identify the problem much more quickly than manual intervention.

When the CSCR routes calls to sites that do not have lines ready to receive calls, callers may receive a busy signal or wait in long queues.⁶ Unfortunately, at the same time, there may have been available lines at other sites.

Recommendation

3. Using a systems management approach, Customer Service management needs to identify all critical conditions where the telephone system needs to be fail-safe and install automated alarms to alert systems analysts of failure conditions when they occur.

Management's Response: For the 1999 Filing Season, the CSCR provided the means for CSOC personnel to centrally monitor the status of equipment, calls, and agents in every call center on a continuous basis using standard templates. For the 2000 Filing Season, the standard templates were refined to enable monitoring by specific agent groups and applications. Alert thresholds are set for the number of agents in an available or ready state and the number of calls queued for those agents.

The AT&T commercial product Network Traffic Monitor, provided in January 1999, enabled CSOC personnel to

⁶ A queue is a holding place for calls waiting for an available CSR. A queue keeps calls sequenced so they will be answered in the order received.

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continually monitor the status of trunk lines for each call center by using an Internet web site. The real time display automatically refreshes every five minutes. Thresholds are set to automatically alert monitoring personnel by changing color in a grid. This information enables CSOC personnel to identify circuitry issues and adjust call routing scripts to prevent the CSCR from routing calls to any site without sufficient trunk lines ready to receive calls.

The Aspect Database Standardization was fully implemented for the 2000 Filing Season. The design of the FY 2000 database provides indicators for the Systems Analysts to monitor call center activity and detect the system failures as soon as they occur and take corrective action as appropriate.

Scheduling Customer Service Resource Requirements More Accurately and Timely

Scheduling is the process of forecasting the workforce that will be needed to meet the anticipated customer demand.

The resource scheduling was neither timely accomplished nor accurately projected. The IITRI report stated that, “The forecasting of workforce needs is primitive and needs much attention.”

Several factors affected the scheduling process:

- In October 1998, Customer Service executives entered into an agreement with the National Treasury Employees Union (NTEU) to increase employee satisfaction. However, certain elements of the agreement (e.g., involuntary tour of duty change restrictions, “auto wrap,” not allowing automated information on employee down time to be used for evaluative purposes, etc.) hampered management’s ability to effectively meet previously established business goals and to sufficiently manage resources.
- The initial half-hour schedules were based on an erroneous planning assumption that production rates would be constant throughout the planning period. Actual production rates varied significantly by week within the planning period.

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- The initial Customer Service plans provided for using less Full Time Equivalents (FTEs)⁷ than were used the prior year. This was based on the assumption that there would be a large increase in the number of CSR calls answered per FTE in 1999. Instead, as the following chart shows, CSR calls answered per FTE has declined significantly over the past three years.

Comparison of Calls Answered Per FTE

	FTE	Calls Answered per FTE
FY 1997 Actual	6,743	6,037
FY 1998 Actual	7,536	5,734
FY 1999 Scheduled	7,432	6,267
FY 1999 Actual through 6/30/99	6,614	4,908

Source: Customer Service Division personnel

- The original unrealistic schedules (both the assumption of constant production rates and the overestimation of actual CSR production rates) led to frequent and late changes being provided to the call sites. These not only caused the call sites to continually change their staffing plans but also to do so with little advance warning. On some occasions, changes for the following week were provided as late as Thursday or Friday of the prior week.
- The schedule was developed under the planning premise that 24/7 service would level demand by spreading out the calls over a longer time. Thus, the IRS rescheduled its resources for the 1999 Filing Season so that fewer resources were available during weekdays and certain times of the day when the greatest volumes of calls are traditionally received.

⁷ The number of full-time staff that would be required during a period to perform the work done during that period.

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Customer Service managers at 85 percent of the call sites were dissatisfied with the process for scheduling resources for the 1999 Filing Season.

Customer Service managers at 17 (85 percent) of the 20 call sites that responded to our questionnaire expressed some level of dissatisfaction with the effectiveness of the scheduling of resources at their call site for the 1999 Filing Season. The following two comments from the questionnaire responses illustrate the frustration experienced by the local call site managers:

“We were not at all happy with the effectiveness of resource scheduling this year. It is inexcusable that the schedules could not be available to the call sites during the summer to allow the call site managers the maximum time to hire and train.”

* * *

“Original workplans for paper and telephones were underfunded. [The National Office] did not anticipate the impact [that] RRA 98⁸ and 24-hour site productivity would have on rates. Resource needs were changed often, were always late, and were changed with short notice.”

The scheduling accuracy and timing problems caused many Customer Service site managers difficulty in timely recruiting, hiring and training a sufficient and competent workforce.

Recommendations

4. Customer Service management needs to establish national owners to manage the various interdependent systems (e.g., hiring, training, labor relations, work planning, forecasting, and scheduling) that affect telephone operations.

⁸ The IRS Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, 112 Stat. 685 (1998) – Legislation signed into law on July 22, 1998, that contains many new and important taxpayer rights and protections.

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5. The appropriate national owners need to be accountable for timely, accurate, and complete workload and customer demand projections.

Management's Response: Customer Service completed a significant realignment of their management structure in October 1999. The Chief, Customer Service Field Operations, is now responsible for the delivery of all processes that impact the delivery of telephone operations. Work planning, forecasting, and scheduling are all accomplished in his organization as well as monitoring and delivery of those schedules. The Customer Service/NTEU agreement was renegotiated and hiring and training guidelines were issued which significantly improved the FY 2000 scheduling process.

Customer Service developed the FY 2000 workplans considerably earlier and with executive oversight. The first planning period (October 1st - December 31st) schedules were issued in August 1999. The draft second period (January 1st - June 30th) schedules were issued in early September 1999.

By October 1, 2000, Customer Service will complete the final realignment to Wage and Investment and Small Business Operating Divisions. This reorganization will more clearly establish national owners to manage the various interdependent systems (e.g., hiring, training, labor relations, work planning, forecasting, and scheduling) that affect telephone operations.

Office of Audit Comment: Management's response to Recommendation 5 did not address the accountability of the national owners that they propose to have in place by October 1, 2000.

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Having a sufficient number of skilled CSRs on the telephones at the right times is critical to providing world class customer service.

Eliminating the Need to Rely on Expensive Compliance Program Resources

The systems management concept requires an organization to evaluate the external environment to identify barriers to goal achievement. The IRS' inability to recruit and retain a sufficient number of qualified CSRs is a fundamental cause for the annual struggle to effectively meet the demand for toll-free telephone assistance. The recruiting and retention problems exist, in large part, because of the heavy reliance on seasonal employees to supplement the permanent CSR staff.

The following presents an excerpt from the comments of Customer Service management at one of the call sites that responded to our questionnaire:

“While our local recruitment efforts continue to expand, it is very difficult to appeal to and draw in new employees when we can't offer permanent vacancies for extended and weekend hours nor can we accurately predict the exact amount of time employees will work. Once hired, we also have problems in retaining employees because of the lack of opportunities to convert to permanent positions. It frequently happens that employees work for us for 90 days in order to get 'status' as an internal applicant and then leave for other agencies or divisions.”

The 1995 Federal Consortium Benchmark Study Report on best practices in telephone service states that benchmarking partners for world class telephone operations, “All commit the resources necessary to meet the customer service standards. This involves heavy investing in hiring and training the right employees, providing expert systems and empowering employees.”

However, the IRS does not have sufficient employees in its toll-free telephone function to effectively meet customer demand. As a result, a significant number of Compliance

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The cost of using Compliance resources for toll-free telephone assistance was nearly \$335 million in FY 1999.

(i.e., Collection and Examination Division) resources were reassigned to the toll-free telephone system during the 1999 Filing Season. These Compliance employees were used to answer the telephones on-line and/or work the Message Callback Program, whereby they answered advanced technical tax law questions that were left by taxpayers.

The approximately 400 FTEs in Compliance resources the IRS diverted to answer the toll-free telephone lines in FY 1999 was done at a substantial cost. While the IRS does not have goals to collect a certain amount of dollars per FTE, revenue is tracked on an historical basis. Using this historical IRS data, we determined that, at a minimum, the use of enforcement resources for toll-free telephone assistance resulted in foregone revenue of approximately \$314 million and salary costs of almost \$21 million. Thus, the total cost of using these Compliance resources to handle telephone calls was about \$335 million which exceeds the entire Customer Service toll-free telephone staffing budget for FY 1999.

However, the IRS does not have a methodology in place that effectively tracks all of the enforcement resources diverted to answering the toll-free telephone lines. As a result, these figures are minimum estimates. There may be additional millions in lost revenue and salary costs that cannot be determined.

Recommendations

6. Customer Service national systems owners need to address the serious shortage of trained CSRs by coordinating their actions to:
 - 6.1. Identify “best practices” at the call sites with successful recruiting/hiring and intermediary skill training experiences and share them with management at all sites.

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General Accounting Office (GAO) Internal Control Standards state that successful organizations must "...obtain employees that have the required skills...."

- 6.2. Reallocate resources, resulting from attrition, from those sites with hiring difficulties to other sites where qualified labor pools are more plentiful.
 - 6.3. Allocate seasonal resources to those sites where qualified labor pools are more plentiful.
 - 6.4. Provide local site management with "delegated examining units," which provide them authority to direct-hire employees.
 - 6.5. Provide local site management with the authority to promote CSRs to Taxpayer Service Specialists as needed.
 - 6.6. Explore the use of continuous open vacancies for seasonal workers.
 - 6.7. Offer incentives such as signing bonuses, subsidized transportation costs, and extended-hour day care facilities.
 - 6.8. Enhance the retention of trained CSRs by converting more seasonal positions to permanent positions and by pursuing external partners (e.g., other government agencies or private businesses) with whom opportunities may exist for sharing employees during the non-peak period for the IRS.
 - 6.9. Explore alternatives (e.g., out-sourcing to the private sector) for dealing with the seasonal customer demands for answers to filing questions and tax law issues.
7. Enhance its efforts to handle calls to completion at first contact by terminating the Message Callback Program. If Compliance resources must be used to assist in responding to taxpayers, have them handle "live" calls.

Management's Response: A web site will be created to allow call sites to research "best practices" in recruiting and training and post their own success stories.

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Customer Service management stated that they believe their use of permanent and seasonal employees, coupled with the use of Compliance resources, represents the best possible approach to delivering the telephone program since, under the IRS' current budget, they are not in a position to meet peak telephone workload demands. Management agreed that improvements are needed to target their hiring to those locations that have higher quality labor pools and stated that a working group is currently developing a series of criteria to be used in determining the optimum locations for hiring decisions. However, they stated that careful analysis is required to ensure that strategic hiring approaches are fully supported, not only by data, but also by current federal hiring practices and discussions with the NTEU. Management agreed that the use of incentives has merit and they plan to use these tools, as appropriate, per agency human resource policies.

Customer Service management stated that they conducted an extensive analysis of outsourcing in 1997 and concluded that, while it was technically feasible, there were a number of barriers that made it impractical. Management will revisit the analysis to determine if circumstances will change.

Customer Service management stated that the Message CallBack Program will be continued for FY 2000. In planning for FY 2001, management anticipates continuing to use Compliance employees to support the filing season.

Office of Audit Comment: Management's response did not address Recommendations 6.4, 6.5, 6.6, and 6.8. These recommendations are largely based on input from Customer Service call site managers who responded to our questionnaire. Because of the high value these managers felt they would have on telephone operations, we believe that IRS management should address these recommendations.

We also believe that the Message Callback Program is not the best use of compliance resources nor does it provide taxpayers with initial contact resolution. Our Recommendation 7 recognized that Customer Service might

The IRS plans to continue using its Compliance employees to support the toll-free telephone operations.

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believe that it is still necessary to use Compliance resources to meet telephone demand. Therefore, we addressed this option by recommending that the Compliance resources be used to handle “live” calls. Not only does this resolve the taxpayers’ calls with one contact, it also prevents the situation where, after a designated number of unsuccessful attempts to reach the taxpayer, the case is closed and the taxpayer must recall the IRS and leave another message to again, attempt to obtain a response.

Using Automated Systems to Handle Routine Inquiries

From January 1 through June 30, 1999, CSRs handled nearly 6 million refund calls at an estimated cost of approximately \$53 million. A December 1998 study contracted by the IRS states that 80 percent of the type of calls suited for automation (e.g., tax law questions and account calls are not suited for automation, while refund calls are) should be handled that way. Using this percentage, almost 4.8 million refund calls could be handled by automation, saving nearly \$42 million in staff costs that could be used to handle more complex calls.

One reason that taxpayers may be electing to speak with CSRs regarding refunds is that, on the automated system, they are required to input their Social Security number, their Filing Status, and the refund amount on their return. If the IRS revises that refund amount due to math error, unallowable items or Federal debt offset, the taxpayer is advised that there is no record of the return. This may cause the taxpayer to contact a CSR to determine their refund status.

In organizations that provide world class telephone service, “call avoidance strategies” are developed to reduce reliance on live assistors and to reduce costs. By directing more refund calls to an automated response system, the IRS would not only save money but would also free up CSRs to handle other calls.

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Recommendation

8. Customer Service management needs to identify ways to reduce the refund calls that are handled by CSRs. This would include revising the automated system to accept the information that the taxpayer puts on the return. If the amount differs, the recording could state that the return has been processed and any refund amounts can be changed by math errors, unallowable items, or Federal debt offsets.

Management's Response: Customer Service management has added a program check with allows the refund application to accept the refund amount from the return even if the processed amount is different from what was originally claimed by the taxpayer. The system then continues to process the call in automation once a match occurs.

To improve the processing of refund calls in automation, programming changes have been made that will provide automated refund assistance to Spanish-speaking taxpayers, improve universal IDRS capability, and prevent refund calls from defaulting to a CSR when there is account data at more than one site.

Customer Service Representative Efficiency Could Be Improved by Better Organization Structure and Work Management Practices

During the 1999 Filing Season, there were over 100 million call attempts to the IRS' toll-free telephone lines. The Customer Service Division's cost to service these calls was over \$225 million. In addition, the IRS spent over \$22 million to purchase, test, install, modify, and maintain the new CSCR to replace its former method of routing.

The GAO "Standards for Internal Control in the Federal Government" states that, "Effective management of an organization's employees – its human capital – is essential to

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achieving results....” These standards also state that, “Only when the right employees for the job are on board and are provided the right training, tools, structure, incentives, and responsibilities is operational success possible.”

The IRS was less efficient at providing toll-free telephone service during the 1999 Filing Season than during the 1998 Filing Season. During the first six months of FY 1999, the IRS used more resources yet answered fewer calls when compared to the same period in FY 1998.

Calculations based on the following table show that:

- The Customer Service labor cost to handle toll-free telephone calls during the first 6 months of FY 1999 was more than \$175 million as compared to nearly \$145 million during the same period in FY 1998.
- The IRS used an additional 431 FTEs to answer more than 1.4 million fewer calls.
- The average number of calls answered per hour (includes work hours, vacation, training, etc.) by individual CSR decreased by more than 16 percent.

The IRS used more resources yet answered 1.4 million fewer calls during the first half of FY 1999, compared to the same period in FY 1998.

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**Labor Cost Per Call Comparison
FY 1998 and FY 1999**

Measure	FY 1998 10/1/97 – 3/28/98	FY 1999 10/1/98 – 3/27/99
CSR Call Volume	21,837,075	20,416,841
FTE	3,672	4,103
Calls Per FTE	5,947	4,976
Average Salary	\$39,406	\$42,702
Hourly Salary	\$18.88	\$20.46
Calls per Hour ⁹	2.85	2.38
Labor Cost Per Call ¹⁰	\$6.63	\$8.58

CSRs handled 16 percent fewer calls per hour during the first 6 months of FY 1999.

Source: Customer Service Division personnel

Even if the average salary had **remained constant** for the two time periods, the IRS would have spent over \$26 million more to answer 1.4 million fewer calls. This increased cost of **\$1.30 per call**¹¹ (approximately 19 percent) demonstrates a productivity decline.

There are several potential causes for the productivity decline, including:

- The technical problems that resulted in calls not being routed to available CSRs.
- Delayed hiring and training.
- Increased usage of Compliance employees.
- The large number of call sites in a centrally-managed call site environment.

⁹ This rate is “fully burdened” (i.e., includes vacation, training, etc. as well as work hours). Management provided us with figures for January through June of 1998 and 1999 that show actual productivity based on work hours declined from 7 to 5.8 calls per hour.

¹⁰ Figures may not compute exactly due to rounding.

¹¹ Calculation: $\$18.88/2.38 = \$7.93 - \$6.63 = \1.30

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- Excessive time spent on activities other than answering taxpayer calls.
- The introduction of 24/7 “live” telephone assistance.

(The first three items were addressed in previous sections of this report. The remaining three items are addressed in the following sections of this report.)

The Number of IRS Call Sites May Have a Negative Impact on Customer Service

One to three call centers is viewed as optimum by businesses providing world class telephone services.

The National Performance Review’s report, “Putting Customers First - Serving the American Public: Best Practices in Telephone Service,” stated that one to three call sites is widely viewed as the optimum number of operating locations. Likewise, Customer Service management has conducted studies that suggest that service could be enhanced and operating costs could be lowered by reducing the number of call centers.

However, Customer Service management continues to attempt to provide world class service while remaining committed to a 25-call site configuration. The IRS answered toll-free calls from 30 call sites during the 1999 Filing Season and intends to eventually phase out 5 satellite call sites through attrition. However, a timetable has not been set for completing even this phase-out process.

The joint benefits of improving performance and reducing costs by reducing the number of call sites are described below.

Fewer call centers could improve performance

World class telephone operations invest in hiring the right people and training them. Some IRS call sites experience serious difficulty in meeting their hiring quotas. At the same time, some call site managers believe that the skills of the recruits are declining.

Of the five call sites ranked lowest for tax law accuracy, two expressed concerns with their ability to hire, and four

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expressed some concern with the abilities of their new hires. (The fifth site was not allowed to hire new employees in FY 1999.)

The following two comments were excerpted from the questionnaire responses of the lowest quality call sites:

“Unemployment levels are very ...[low] in our area. The best people are being hired by other businesses and agencies....”

* * *

“We continue to have problems attracting the better qualified recruit(s) due to our location and current job markets in the area. We met the numbers but the quality of applicants we are getting has continued to decline.”

When sufficient and competent recruits cannot be attracted, service and quality levels suffer.

Fewer centers could provide cost savings

Labor costs vary among the IRS' toll-free call sites due to the locality pay concept for government employees.

The IRS' call sites are generally located in large metropolitan areas where labor costs and rental costs for space tend to be higher. For example, at 22 of the 30 call sites, the labor costs ranged from .21 percent to 7.19 percent higher than the “Rest of the U.S.”¹² due to the government's locality pay. Overall, the IRS' FY 1999 Toll-Free Work Plan shows that 68 percent of staffing was allocated to the 22 call sites where salaries were the highest.

The call sites with higher labor rates also tended to incur the highest rental costs.

The IRS' rental costs for the 30 call sites ranged from \$10.36 to \$33.95 per square foot. Of the 15 call sites with the highest labor rates, 10 also incurred the highest rental costs.

¹² For purposes of Federal employees' annual pay raises, this refers to all locations that have not been designated to receive a locality pay adjustment specific to their local area.

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Comparison of the Customer Service Division's work plans for FY 1997 and FY 1999 suggests that toll-free operations are increasing at call sites with higher operating costs while decreasing at sites that are less costly. At the 9 sites where labor and rental rates were the highest, staffing allocations had increased by nearly 19 percent from FY 1997 to FY 1999. At the 8 sites where labor and rental rates were the lowest, the staffing allocations had decreased by nearly 10 percent during the same period.

The IRS may be paying considerably more than necessary to house and operate the call sites. In FY 1999, the IRS budgeted over \$312 million for toll-free operations salaries. The Customer Service Division does not control space costs and could not provide us with a space cost estimate.

Recommendations

Customer Service management should take steps to contract with an independent call center management consultant to:

9. Determine the potential cost savings, enhanced management performance, and improved customer service that could be achieved by consolidating the toll-free telephone operations.
10. Assist the IRS in developing and implementing short-term and long-term plans for reducing the number of call centers.

Management's Response: The IRS does not plan to implement these recommendations although Customer Service management will revisit their site sizing analysis on a periodic basis. Customer Service management stated that, with 3 sites, front-line staffing would average about 4,000 employees per call center--far above the 600 maximum cited in the Federal Consortium Benchmarking Study Report. They also stated that an analysis of the relationship between direct hours spent and calls per hour at each site last filing season found no indication that large sites were

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more productive than small sites. Management stated that contracting to three sites would erode their back-up capability if any site went down and also pose staffing risks since local job markets are volatile. Management also cited the cost to close some sites and expand others and the strong political and union opposition to closing sites that the IRS faces.

Office of Audit Comment: We did not recommend that the IRS collapse its toll-free telephone operations into three call sites. We only recommended that the IRS use a consultant to independently determine if improved performance and economy could be achieved through a reduction in the number of call sites.

Excessive Time Spent in “Idle” and “Auto Wrap” May Have Contributed to the Productivity Decline

Usually, CSRs sign on the telephone system at the beginning of the tour of duty and sign off at the end of the tour unless they are in all-day training.

While the CSRs are logged on the system, one of four activities generally occurs:

- The CSR is handling a call.
- The CSR is “available” to take a call, but no calls are coming in.
- The CSR is in “idle” status (i.e., the CSR has temporarily left the workstation or is not assigned incoming calls).
- The CSR is in “wrap” status (i.e., the CSR is completing work related to the prior call, is preparing for the next call, or requires time to relieve a stressful call situation).

Corporate data on the amount of time spent by CSRs in the above categories were not available. However, 1 region had data for its 6 call sites that show that the CSRs spent only 49 percent of their sign-on time actually handling

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calls. The following table shows the time distribution among CSR activities.

Southeast Region Analysis of CSR Time Usage – (December 5, 1998 – March 15, 1999)¹³

Call Site	Handling Calls	Available	Idle	Wrap
Atlanta	47%	7%	30%	16%
Baltimore	68%	5%	25%	1%
Indianapolis	48%	15%	34%	3%
Jacksonville	52%	5%	29%	14%
Nashville	37%	8%	44%	10%
Richmond	54%	16%	23%	7%
Total¹⁴	49%	10%	33%	9%

CSRs at 6 sites spent only 49 percent of the time they were logged on the telephone system actually handling calls from taxpayers.

A call handling time of approximately 50 percent suggests that resources are being underutilized.

An April 1998 report, “Consulting Services for Customer Service Business Master Plan Draft Report,” done under contract by an outside contractor for the IRS, addresses the percentage of time spent handling calls. The report stated that, if handle time was 50 percent, “results in this range would suggest underutilization of staff due to inaccurate forecasting or scheduling.”

Management was unable to effectively monitor the appropriateness of “idle” time

When a CSR is in “idle” status, the CSR is required to report the appropriate change of work status using one of four “Idle with Reason Codes.” These identify the types of idle time that the employee was using. Three of the four codes are specific. However, one category encompasses a wide array of activities including lunch, breaks, meetings, and other items.

¹³ Due to rounding, percentages do not add to 100.

¹⁴ Total percentages cannot be computed using the per site percentages in this chart since each site handles a different number of calls.

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Available data for 6 call sites showed that CSRs spent 33 percent of their time in "idle."

The preceding chart shows that the CSRs at 6 call sites collectively spent 33 percent of their sign-on time in "idle." (This equates to 2 hours and 48 minutes in an 8 and 1/2 hour day.) Also, the "idle" time ranged from a low of 23 percent at one call site to a high of 44 percent at another site. The NTEU agreement prohibits management's use of the "Idle with Reason Codes" for evaluating individual performance.

Management at 8 of the 20 call sites that responded to our questionnaire expressed some level of dissatisfaction with the impact that idle time has had on the level of service provided. The following comments were excerpted from two of the questionnaire responses:

"While we are not dissatisfied with the use of idle with reason codes, we are dissatisfied with the IRS' decision to not allow managers to generate reports reflecting the use of idle to counsel employees abusing breaks, lunch, etc."

* * *

"There is unacceptably high idle time; it is impossible to determine its appropriateness. Having just four codes is simply too limiting."

Many call site managers believed that "auto wrap" had a negative impact on productivity during the 1999 Filing Season

Effective November 1, 1998, the IRS' agreement with the NTEU mandated using "auto wrap," a function that automatically moves the CSRs into an unavailable status after each call. Previously, each call site selected which type of "wrap" it wanted. For those sites that did not select "auto wrap," CSRs would be available immediately to receive another call unless the CSRs selected otherwise.

Also, per the NTEU agreement, it is up to the CSRs to determine how much "wrap" time they need and when to take the next call. Managers may discuss with employees

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the proper use of “wrap” time and may address the amount of “wrap” time used based upon telephone monitoring and work reviews. However, managers are not allowed to consider the amount of “wrap” time used for evaluative purposes.

Available data for six call sites showed that CSRs spent nine percent of their time in “wrap.”

As shown in the chart on page 23, the CSRs at 6 call sites collectively spent 9 percent (i.e., 46 minutes in an 8 and 1/2 hour day) of their time in “wrap.” The “wrap” time ranged from a low of 1 percent at 1 site to a high of 16 percent at another site.

Overall, management at 9 of the 20 call sites that responded to our questionnaire expressed some level of dissatisfaction with the effect that “auto wrap” had on the LOS. The following two comments were excerpted from the questionnaire responses we received:

Many call site managers believe that “auto-wrap” had a negative impact on productivity and the level of service provided to taxpayers during the 1999 Filing Season.

“... we have noted a substantial impact on productivity since this site used “auto available” in the past. Even a few seconds between calls multiplied by the number of calls answered in a day really adds up. If we had kept productivity up, we probably would not have needed so much additional assistance answering calls.”

* * *

“We have observed a higher overall wrap up status. Employees now decide when they are ready to take their next call. Our site did an analysis and determined that manual-wrap was far more efficient than auto-wrap. Employees are using wrap time whether needed or not.”

To show the cumulative effect that seemingly small amounts of time can have on service levels, if the CSRs had handled just 1 more call per hour, the IRS would have answered over 8.5 million (42 percent) more calls during the first 6 months of FY 1999.

GAO Standards for Internal Control recommend “an effective reward system” as part of an organization’s efforts to achieve operational success.

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Private industries recognized as providing world-class telephone service have successfully used outcome-based incentive pay systems to reward employees for increased productivity. However, the IRS does not employ this type of system.

Recommendations

To increase the productivity and efficiency of the IRS' toll-free telephone operations, Customer Service management needs to:

11. Determine the reasons for the variations in "idle" and "wrap" time at various call sites and take appropriate steps to develop corporate measures for each.
12. Expand and/or redefine the "Idle with Reason Codes" to provide call site managers with more useful information for monitoring their operations.
13. Renegotiate with the NTEU to allow the use of "Idle with Reason Codes" to determine employee abuses of lunches, breaks, etc. Allow managers to use automated management information to identify trends and atypical performance.
14. Renegotiate with the NTEU to allow Customer Service management to designate the type of "wrap" to be used and establish guidelines for using "wrap" time.
15. Explore the development and testing of an outcome-based incentive pay system that rewards the CSRs at those call sites which meet and/or exceed corporate goals in productivity, quality, and customer satisfaction measures.

Management's Response: After the 1999 Filing Season, the IRS and the NTEU renegotiated portions of the Customer Service Agreement specifically related to the use of "Idle with Reason Codes." Two new categories of "idle" were added to provide managers with helpful information to

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monitor telephone activity. “Read time” and “Break time” were placed in their own respective categories.

In addition, new training has been developed to teach managers how to effectively use automated management information system data to identify employee problem areas and take appropriate corrective actions. A “train-the-trainer” session was conducted January 4-6, 2000, and was immediately thereafter rolled-out to managers at the 25 call sites.

The Chief, Customer Service Field Operations, has asked his Deputies to assemble a “best practices audit team” to evaluate why some sites have a relatively high percentage of their CSRs actually talking to taxpayers on the telephone while other sites have problems doing so.

Regarding the development and testing of an outcome-based incentive pay system, Customer Service management stated that, under their present performance system, an employee is evaluated and rewarded based on his/her critical elements. Management is in the process of revising employee critical job elements to reflect their corporate goals. Management stated that the new critical elements, along with a balanced measures approach, should enhance their ability to meet or exceed their corporate goals.

Office of Audit Comment: IRS management did not address the first part of Recommendation 13 or Recommendation 14. We continue to believe that CSR productivity would be improved by the implementation of these recommendations.

IRS management did not specifically comment on developing an outcome-based incentive pay system. Recommendation 15 was based on the concept of rewarding group effort (i.e., “call sites which meet and/or exceed corporate goals”) while management’s response related to a continuation of current practices to solely reward individual effort. The February 1995 “Federal Consortium Benchmark Study Report” cited this type of corporate outcome-based incentive pay system as a best practice in telephone service. Thus, we continue to

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believe that IRS management should consider its implementation.

The Extended Hours of Toll-Free Telephone Service Negatively Affected Productivity

In October 1997, the President announced several changes that would make the IRS “more customer friendly.” Among these changes was providing “round-the-clock IRS telephone service starting in 1999.”

Accordingly, the IRS expanded its hours of operation for the toll-free telephone system from 96 hours a week (i.e., 16 hours a day for 6 days) in 1998 to 168 hours a week (i.e., 24 hours a day for 7 days) in 1999. However, an appropriate infrastructure was not in place for this expanded service.

Less than 4 percent of the total calls were received during the additional 72 hours a week that toll-free telephone services were available in 1999.

The 72 additional hours that the toll-free telephone system was available each week in 1999 represented a 75 percent increase. However, less than four percent of the total calls to the IRS’ three main toll-free lines were received during these expanded hours of operation.

An internal study of 24/7 service published by the IRS in May 1999 showed that costs for overtime and night differential increased by almost \$3 million from FY 1998 to FY 1999. IRS management attributed this increase to toll-free operations.

The unavailability of the Integrated Data Retrieval System (IDRS) limited the range of services provided during the extended hours

The IDRS is an IRS computer system used by CSRs to view taxpayer accounts and make account adjustments. The IDRS is unavailable during some time each day to update, usually after core business hours and on weekends.

The Corporate Files On-Line (CFOL) is an alternative system used to provide assistance to taxpayers when the

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IDRS is down. The CFOL provides CSRs with access to tax account information, but its information is not as current as the IDRS, and it cannot be used to adjust accounts.

The May 1999 IRS study showed that 26 percent of the callers on 4 Sundays during the filing season could not be served due to the IDRS being unavailable. While this ad hoc survey is not statistically valid, it does provide information on some effects of the IDRS unavailability.

Customer Service management at 11 of the 20 call sites¹⁵ that responded to our questionnaire expressed some level of dissatisfaction with the effect that the unavailability of the IDRS had on their ability to effectively assist callers during the extended hours of service. The following comments were excerpted from two of the questionnaire responses:

“... the absence of IDRS through virtually all of the graveyard tours and most of the weekend requires the assistors to explain to many account customers that ‘*Yes, we are open, but no, we cannot help you.*’ The inability of IS [Information Systems] to adhere to a schedule for CFOL availability further aggravates the situation.”

* * *

“IDRS should be provided for some and/or all Sunday service hours. Without IDRS on Sunday, we are not able to provide full service to our customers. This requires the CSR to prepare a (paper document) creating an increase in inventory for actions that could be completed on-line during the Monday-Friday work week.”

Our discussions with IS management provided conflicting information on when the IDRS was available during the 1999 Filing Season. The only clear consensus was that the IDRS must be down for some period each day for updating.

¹⁵ Not all of the 20 responding call sites provided extended hours of operation during the times that the IDRS was down.

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IS did state that it was the responsibility of each call site to negotiate its need for expanded access with its service center. However, with national call routing, expanded access needs to be controlled on a national basis.

The reliance on inexperienced employees during extended hours adversely affected productivity

IRS executive management did not fully determine the effect of the NTEU agreement on offering full-service telephone tax assistance 24 hours a day, 7 days a week. A provision of the NTEU agreement resulted in extended hours being staffed primarily with inexperienced employees and new managers.

The shortage of experienced staff to answer difficult tax law or account inquires during non-prime shifts led to the preparation of written referrals that had to be answered by experienced day-shift employees. When day-shift employees are replying to written referrals, they are not available to answer incoming calls for tax assistance.

Management at one extended-hours site stated:

“... our inability to move experienced assistors to extended hours resulted in extended shifts being all new employees and all new managers. The fall-out was generation of substantial paper; this forced us to pull off experienced assistors during the day to respond.”

Recommendations

To improve service to taxpayers on the toll-free lines, Customer Service management should:

16. Provide CSRs on the toll-free lines only on a 16 hours a day, 6 days a week (i.e., 16/6) basis to deliver quality customer service that effectively meets taxpayer demand patterns. Automated services should be made available on a 24/7 basis.

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17. Assign national responsibility within the Customer Service Division for the coordination and communication of IDRS availability with IS and the call sites to ensure IDRS availability at all times when CSRs are providing taxpayer service.

Management's Response: Effective April 18, 2000, Customer Service will provide tax law service on a 16/6 basis during non-filing season. Customer Service management stated that they continually assess customer needs and adjust their services as appropriate within available resources. Customer Service will continue to offer automated services consistent with IDRS availability.

Customer Service has established a communication plan with IS to ensure that system availability information is shared nationwide. Customer Service will designate the Servicewide Electronic Research Program as the media to display IDRS real-time schedules to CSRs.

Office of Audit Comment: IRS management's response to the issue of 24/7 service does not effectively address the concerns that we raised in this report. The "tax law service" that they mention is only on one of the toll-free lines, and they are only addressing non-filing season. We continue to believe that it is not good customer service to allow access for account calls on a 24/7 basis and then not be able to respond to taxpayers because the IDRS is unavailable.

IRS management commented on page 24 of their response that it is "cost prohibitive" to have quality reviewers available beyond 16/6 service because only 5 percent of the calls are received during those additional hours. It would also follow that it is an ineffective use of the IRS' limited resources to provide "live" telephone coverage during these same hours. Additionally, we believe that the IRS should not be offering toll-free telephone service at times when they cannot monitor the quality of the answers that are provided to taxpayers.

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IRS management's response to Recommendation 17 does not specifically state whether national responsibility has been assigned. In addition, it is unclear how they are ensuring IDRS availability at all times when CSRs are providing taxpayer service. The response seems to indicate that call sites will know when the IDRS will be down, but does not state what CSRs are expected to do to handle account calls during these times. We believe that it is not customer oriented to accept calls when account services cannot be provided.

Improvements Are Needed for Measuring Quality and Providing Specialized Services

The CQRS began operating on October 1, 1997, in Philadelphia, Pennsylvania, to monitor¹⁶ the accuracy of the answers provided to tax law questions. In addition, the IRS has programs to expand services to other taxpayers requiring special toll-free assistance: the Quality Assurance Program, the Spanish Language Program and the PRP. These new systems and programs also encountered problems.

The IRS' National Tax Law Accuracy Rate Was Not Precisely Measured

World class quality measures include courtesy, initiative, accuracy, and completeness. While world class toll-free telephone operations do not generally employ centralized monitoring, the IRS does use a centralized measurement system.

From October 1, 1998, to April 17, 1999, the CQRS results showed that the IRS achieved a national accuracy rate of 72 percent for tax law questions. Although quality

¹⁶ Local monitoring is conducted at the call sites and varies according to each call site's procedures. Local monitoring was not included in the scope of our review.

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improved as the filing season progressed, this accuracy rate was seven percent less than the accuracy rate measured by the CQRS during FY 1998. Accuracy rates at the individual call sites ranged from a low of 63 percent to a high of 77 percent.

The quality levels may be attributable in part to the number of 1999 tax law changes. Another possible factor is the problems many of the call sites experienced in recruiting and hiring qualified CSRs.

The CQRS results were not statistically reliable.

Of greater concern is the fact that CQRS results are unreliable because the sample of monitored calls was not large enough to provide a precise measurement of the true accuracy rate. The sampling aspects that we identified as needing improvement follow.

The CQRS needs to accomplish its sampling plan

The Statistics of Income function developed the CQRS sampling plan. The plan was designed to produce, at a 90 percent confidence level, a nationally valid accuracy rate that was reliable within plus or minus 5 percent. This means that 90 of 100 samples would identify an accuracy rate that was within 5 percent of the true accuracy rate.

However, the CQRS sampled less than 25 percent of the required number of tax law calls for FY 1999 through the end of the filing season. As a result, the 72 percent accuracy rate measured by the CQRS was statistically reliable within plus or minus 12 percent. Therefore, the true accuracy rate may have been anywhere from 60 percent to 84 percent.

There were two primary reasons for the insufficient sampling. The first reason was insufficient staffing. The second reason was that the reviewers' productivity rate was less than 75 percent of the planned rate.

The number of calls monitored by call site needs to follow the sampling plan

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The CQRS sampling plan specified that an equal volume of calls should be monitored for each site. However, the calls to some sites were monitored far more often than the calls to other sites. The monitoring ranged from 198 calls at 1 site to 339 calls at another site. When the sampling plan for the number of monitored calls per site is not followed, the reported accuracy rates may be incorrect.

CQRS reviewers monitored a disproportionate number of calls involving certain tax law issues

CQRS management did not have an effective control to ensure that specific tax law issues were monitored proportionately to the call volume for those issues. For example, filing status category questions were 26.4 percent of the incoming calls but were only 14.1 percent of the calls monitored. Because accuracy rates vary among tax law issues, disproportionate monitoring diminishes the reliability of the overall accuracy rate measurement.

The IRS needs a corporate measure of the quality of services provided to Spanish-speaking callers

The IRS performed no corporate quality monitoring of Spanish-language calls because the CQRS staff had no reviewers that could interpret the Spanish language. The Spanish-speaking call volume is significant, although the IRS does not have a system to track this information. We estimate that between 5 and 10 percent¹⁷ of call attempts may have been from Spanish-speaking callers. The lack of Spanish-speaking call monitoring further reduces the reliability of the reported accuracy rate.

The IRS needs corporate monitoring of the quality provided during extended hours of operation

The Customer Service FY 1999 Program Letter stated that CQRS reviews of tax law calls would cover all hours of

Call sites were not monitored at the same levels.

¹⁷ This estimate is derived from data provided by the IRS.

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operation. However, the CQRS staff monitored only Mondays through Fridays during the daytime hours. Consequently, 14.8 percent of tax law calls were received outside the hours when the CQRS staff was conducting its monitoring. Therefore, the IRS had no corporate information to determine the quality level provided during the hours of operation outside of the weekday daytime hours. Not monitoring calls during these hours further reduces the reliability of the reported accuracy rate.

Recommendations

To attain a reliable corporate measure of the quality of toll-free telephone service provided to taxpayers, Customer Service management needs to take actions to:

18. Ensure that there is an adequately-sized CQRS staff in place to meet the requirements of the sampling plan or find ways to increase the volume of calls monitored by each reviewer.
19. Revise the process for selecting calls to more effectively ensure that there is a proportionate number of calls monitored for quality for each call site.
20. Ensure that all issues are monitored and that there is an equitable balance of coverage by the national quality review system.
21. Develop a means to ensure that Spanish-language calls are remotely monitored for quality in the same manner as English-language calls.
22. Expand corporate monitoring to include the quality of answers provided to taxpayers during all hours of operation.

The IRS is expanding its staff of quality reviewers.

Management's Response: To ensure that there is an adequately-sized CQRS staff in place, Customer Service management is currently in the process of hiring an additional 15 reviewers. Management stated that the current review samples are large enough to provide a statistically valid call

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site level quality number on a quarterly basis within the accepted confidence and precision margins. Their long-term goal is to provide quality estimates at each call site each month that meet the confidence and precision margins (90 percent and plus/minus 5 percent). The additional staff at the CQRS site will augment the monthly sample to achieve this objective.

The IRS plans no changes to the process of selecting calls for quality review.

Customer Service management does not believe that any changes to the process of selecting calls for quality review are necessary to ensure that a proportionate number of calls are monitored for each call site and to ensure that an equitable balance of coverage is provided for all tax law issues. They stated that the CQRS staff monitors each site's sample volume throughout the week and makes necessary adjustments if it appears a site will receive a disproportionate sample. Due to the complexity of the tax law calls, CQRS reviewers are assigned to monitor specific applications in which they have expertise. Management stated that this methodology provides excellent coverage of issues but cannot reflect the universe of tax law calls due to the number of issues that are messaged.

The IRS is establishing a bilingual review site to monitor the quality of services provided to Spanish-speaking customers.

To ensure that Spanish-language calls are monitored for quality, Customer Service management solicited other potential call sites that had an adequate resource pool to provide bilingual quality review. Many sites expressed interest in housing the bilingual review operation but most were unable to provide a long-term solution due to short-term space considerations. The Dallas call site expressed interest in providing a short-term solution and announced for the bilingual positions on March 6, 2000. The Dallas bilingual quality review call site is projected to be operational in May 2000.

The IRS believes that monitoring the quality of toll-free services provided during extended hours would be cost prohibitive.

At this time, Customer Service management is planning no corrective actions to the issue of providing quality review coverage on a 24/7 basis. They stated that the CQRS site currently operates on a 16/6 basis and provides quality review coverage for 95 percent of the scheduled toll-free

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call volumes. They believe that the additional overtime and utilities would be cost prohibitive to provide coverage for the remaining five percent of scheduled call volumes.

However, they are considering a proposal to conduct call recordings that would provide coverage of the toll-free telephone service 24/7 and allow the CQRS staff to manage their workload as an inventory. Final organizational approval and funding are required to move forward with this initiative.

Office of Audit Comment: Management's response to Recommendation 19 states that they do not believe any changes are necessary to address the disproportionate monitoring of calls at various call sites. The Office of Audit believes management needs to take corrective action so the reported accuracy rates are correct.

IRS management's response to Recommendation 20 covers account calls as well as tax law issues; however, our recommendation was only related to tax law. We do concur that they cannot monitor the tax law calls that are messaged and it was not our intent that these should be considered in the recommendation. However, they have stated that they have a sample designed to monitor all other tax law calls equally. Our review, as shown in this report, shows that there was not equal monitoring during the 1999 Filing Season. The Office of Audit needs further clarification on this issue.

Regarding Recommendation 22, we point out our comment following Recommendation 16, wherein we state that we do not believe that the IRS should be offering toll-free telephone service at times when it cannot monitor the quality of responses that taxpayers receive.

Enhancements Are Needed to Improve Telephone Access to the PRP

The PRP provides special service to taxpayers whose problems have not been timely resolved through normal IRS procedures. The need for both increasing public awareness

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A new PRP toll-free number was available 24/7 in 1999.

of and providing taxpayers with access to PRP assistance was highlighted during the September 1997 Senate Finance Committee hearings.

In November 1998, the IRS implemented a new dedicated toll-free help line to provide assistance to taxpayers for problems unresolved through normal channels. During the 1999 Filing Season, CSRs answered PRP calls at five IRS call sites. Approximately 241,000 taxpayers attempted to call the new toll-free PRP line between November 1998 and April 17, 1999.¹⁸

Relatively few calls to the PRP line involved issues that met PRP criteria

A relatively small percentage of the calls that actually reached a CSR involved unresolved tax problems that met PRP criteria.

Seventy-eight percent of the calls to the PRP line were abandoned by the taxpayers or did not meet PRP criteria.

Of the approximately 241,000 calls into the PRP line:

- 72,000 (30 percent) were abandoned (i.e., the taxpayer hung up).
- 116,000 (48 percent) were subsequently transferred because they did not meet PRP criteria.

Customer Service management attributed the volume of non-PRP calls on the PRP line to the callers' inability to get through to the IRS on the other toll-free lines.

The IRS lacked an effective method to ensure that only PRP calls actually reached the CSRs. Instead, Internal Revenue Manual procedures require CSRs to transfer calls to the appropriate lines if the taxpayer's problem does not meet PRP criteria. At least one of the five call sites handling PRP

¹⁸ PRP management provided the numbers for calls on the PRP line. These include calls which are not reported on the Customer Service Snapshot Report under PRP but which represent calls transferred to other lines.

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Working all non-PRP calls may prevent other taxpayers with real PRP issues from gaining prompt access to the PRP line.

calls elected to respond to non-PRP calls on the PRP line in an effort to provide service to the callers.

Time spent listening to and transferring non-PRP calls, as well as time spent working non-PRP calls on the PRP line, may prevent taxpayers with real PRP issues from gaining prompt access to the PRP line. It is also a costly way to handle the appropriate routing of calls. Additionally, it may result in wrong answers being provided to taxpayers if the CSRs on the PRP line do not have the proper skills to answer taxpayers' questions.

Recommendation

23. Customer Service management should devise a menu system that ensures only appropriate calls are routed to the PRP line.

Management's Response: Beginning with the 2000 Filing Season, callers who dial the National Taxpayer Advocate (NTA) (formerly PRP) toll-free number are directed in the Voice Response Unit (VRU) script to validate whether they qualify for NTA service. Should callers not qualify because they have not previously contacted the IRS, or because their last contact was less than 30 days, they are prompted with 4 options that will permit their calls to be processed in the most efficient manner. If the caller selects 1 of these options, the call is post routed to 1 of the 15 district offices based on the best site available to handle the call.

Technical and Staffing Improvements Are Needed to Ensure That Spanish-Speaking Callers Are More Effectively Served

The IRS does not have enough Spanish-speaking CSRs to meet its estimated customer demand.

The IRS did not provide Spanish-speaking taxpayers with effective access to its toll-free telephone services. The Customer Service Division had only about 200 Spanish-speaking employees to assist an estimated 2.9 to 5.7 million Spanish-speaking callers. Further, the bilingual CSRs also answered English-language calls and were

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frequently unavailable to answer Spanish-language calls.

This resulted in only a very small percentage of successful call transfers to Spanish-speaking CSRs. If Spanish-speaking CSRs were not available, the Spanish-speaking taxpayers were told to call back with an interpreter.

In order to make the IRS more accessible to Spanish-speaking taxpayers, RRA 98 required the IRS to provide all callers to the toll-free help lines with the option of having their questions answered in Spanish. This provision took effect on January 1, 2000. To meet this requirement, the IRS is developing a menu choice for a Spanish script and is developing Spanish messages.

Recommendations

24. To further improve the ability of Spanish-speaking taxpayers to use the IRS' toll-free telephone system, Customer Service management needs to undertake one or more of the following actions:
 - 24.1. Consider developing a separate toll-free line for Spanish-speaking callers.
 - 24.2. Develop a comprehensive strategy for recruiting and hiring more Spanish-speaking CSRs.
 - 24.3. Assign a designated number of the available Spanish-speaking CSRs to exclusively handle calls from Spanish-speaking taxpayers.
 - 24.4. Determine the feasibility of routing calls from Spanish-speaking taxpayers to the Puerto Rico call site.

Management's Response: Customer Service management determined that a separate toll-free line for Spanish-speaking callers was not a viable option at this time because of budgetary and technological restraints and a lack of potential

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assistors. Instead, the IRS decided to institute post routing in January 2000 to nine existing call sites through the use of a Spanish script option.

Bilingual Spanish-speaking assistors and managers were recruited at the nine selected call sites. Additional volunteers were sought from the existing staff. The results of the initial filing season will determine the extent and the direction of continued publicity, recruitment, and hiring.

Beginning in January 2000, Spanish-speaking customers are intelligently routed on an enterprise-wide basis using a pool of CSRs at nine designated call sites. Using post-route call processing, Spanish-speaking customers are directed to two groups who receive (1) Spanish calls only, and (2) Spanish calls and English procedural calls only. The second group was designated because assistors with a dual assignment remain consistently productive and procedural calls are short in nature and have a quick turnaround. Spanish calls have first priority to prevent Spanish-speaking customers from waiting while CSRs in the second group are speaking to English-speaking customers.

Customer Service management conducted a feasibility study and decided to expand the call routing system to include Puerto Rico. They are establishing a new site, installing a new system, and hiring 125 new assistors to begin training in October 2000. The Puerto Rico call site will become part of the Customer Service toll-free enterprise prior to the 2001 Filing Season.

Conclusion

After investing heavily in new technology, committing significant Compliance resources, and expanding the hours of operation to 24/7, the IRS still did not improve toll-free telephone service in 1999. The IRS' performance in providing toll-free telephone service compares unfavorably with world class service.

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To increase productivity and improve the efficiency of the toll-free telephone operation, the IRS should follow the lead of organizations recognized for providing world class telephone service. Actions to be taken include implementing systems management throughout the Customer Service organization, consolidating the toll-free operations into fewer call centers, developing a reliable corporate measure for quality, and employing innovative methods to address the serious shortage of trained CSRs.

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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether the Internal Revenue Service's (IRS) strategy to improve telephone service has resulted in an increased level of quality customer service in an economic manner. We conducted our review between October 1998 and November 1999 at the National Office, the Customer Service Operations Center (CSOC) in Atlanta, the Centralized Quality Review System (CQRS) site in Philadelphia, and three call sites (Nashville, Pittsburgh, and the Fresno Service Center (FSC)).

We performed the following audit work to accomplish our objective.

- I. To evaluate whether the process for forecasting, planning, and scheduling of demand and resource requirements was operating effectively and contributing towards a world class telephone operation, we:
 - A. Analyzed the effectiveness of 24/7 (i.e., 24 hours a day, 7 days a week) toll-free telephone service.
 1. Conducted a site visit at the Atlanta Service Center call site, one of the primary call sites handling 24/7 service.
 2. Surveyed the call sites via questionnaire regarding the effectiveness of 24/7 service. Analyzed the responses received to this questionnaire.
 3. Reviewed procedures for handling account calls when the IRS' Integrated Data Retrieval System (IDRS) is unavailable and determined how management ensured that these calls were resolved in a prompt and effective manner.
 - B. Evaluated the effectiveness of the national call router in providing taxpayers with improved access to the toll-free system.
 1. Conducted a pre-filing season site visit to the CSOC to evaluate readiness for the call router national rollout.
 - a) Reviewed the business rules for the call router to determine whether they were appropriately designed to increase the level of service to taxpayers.
 - b) Interviewed management regarding potential problems and progress towards national implementation.

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2. Determined whether the call router was working effectively at the call sites.
 - a) Surveyed the call sites via a questionnaire to request their input on any issues/concerns relative to the national call router.
 - b) Interviewed management regarding any problems with the call router.
 - c) Determined what measures were taken if the network was unavailable at a site.
 - d) Periodically reviewed the daily CSOC Log to identify any recurring problems being experienced at more than one site. We contacted sites to determine their methodology for identifying selected systemic problems that they had reported.
 - e) Obtained and reviewed management and contractor reports on the call router.
- C. Compared Fiscal Year (FY) 1998 and FY 1999 national management reports to determine whether the call router resulted in increased level of access (LOA) and level of service (LOS) or in reduced amounts of resources needed to answer the call volumes.
- D. Evaluated the potential causes for the significant decline in the LOA and LOS for the 1999 Filing Season.
 1. Surveyed the call sites via a questionnaire to request their input on a variety of issues and concerns relative to the 1999 Filing Season. We analyzed and categorized the concerns of the 20 call sites that responded to the questionnaire.
 2. Reviewed the October 1998, "Memorandum of Agreement Between the Internal Revenue Service and the National Treasury Employees Union" (NTEU) to identify provisions that may have impacted management's ability to achieve the business goals.
 3. Interviewed management regarding any concerns with the decline in the LOA and LOS.
 4. Followed up on various issues that we identified in the above three steps.

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- II. To determine whether the IRS has a sound methodology of performance measures in place to accurately assess the quality of service being provided to customers, we:
 - A. Determined whether the quality review process was adequately designed to measure the quality of the toll-free telephone service.
 - 1. Visited the CQRS site where centralized monitoring of tax law calls is handled and interviewed CQRS employees to identify their system for measuring effectiveness and to determine the specific quality assurance methods used to monitor the performance of the reviewers.
 - 2. Visited the National Office, Quality Analysis Section, to discuss the performance standards and program objectives and determined the status of using recording technology to expedite their review process.
 - 3. Visited two district office call sites and one service center call site.
 - a) Determined the method used to evaluate the work of the quality reviewers.
 - b) Reviewed the quality assurance process to evaluate the scope of their local call monitoring activity and determine whether duplication of work existed between the local sites and the CQRS quality review process.
 - 4. Interviewed Customer Service management to evaluate the methods for ensuring the quality of services provided to Spanish-speaking customers using the toll-free telephone system. We analyzed a management report for April 30, 1999, for 1 site showing 1,156 calls routed to the 8815 line and 185 calls to the 4262 line. We analyzed on-line activity on May 17, 1999, for 52 calls transferred to Spanish-language applications.
 - 5. Evaluated the adequacy of quality assurance coverage provided for the toll-free telephone lines during the extended 24 hours of operation.
 - 6. Evaluated the impact of the new Problem Resolution Program (PRP) toll-free line on improved customer service and the adequacy of quality monitoring during the extended 24 hours of operation.
 - a) Evaluated the effectiveness of the publicity of the PRP toll-free number.

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- b) Reviewed the National Taxpayer Advocate Telephone Activity and the Weekly Customer Service (Snapshot) Reports and evaluated the LOA, LOS, and volume of activity on the PRP toll-free line.
 - c) Visited two Customer Service call sites designated to handle calls received on the PRP toll-free line.
 - (1) Evaluated monitoring during the extended 24 hours of operation.
 - (2) Determined whether a sample of calls was properly controlled on the Problem Resolution Office Management Information System or transferred to the appropriate telephone number if the call did not meet PRP criteria.
- B. Determined whether the quality review process provided accurate results.
- 1. Evaluated the adequacy of the sampling techniques in determining baseline rates for tax law accuracy.
 - a) Discussed the development of the sampling plan with Statistics of Income statisticians and Customer Service management.
 - b) Determined whether the CQRS sampling plan was based on sound mathematical and statistical theory and was designed to ensure that a representative number of calls was monitored from each call site.
 - c) Determined whether the planned sample sizes were sufficient to ensure that the quality review results were reliable.
 - d) Analyzed the execution of the sampling plan by the CQRS and the 3,689 tax law calls monitored from October 1, 1998, to April 17, 1999, to determine whether a sufficient number of calls were monitored, including an appropriate number from each call site, to accurately evaluate quality.
 - e) Determined how the CQRS sampling plan ensured a representative cross-section of applications (i.e., tax law issues) to effectively measure overall quality.

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- f) Determined whether the three call sites reviewed the required sample that was specified in their sampling plans.
 - 2. Evaluated the reliability of the information from the monitored calls.
 - a) Reviewed the documentation for a judgmental sample of 59 calls monitored by the CQRS and by the Quality Review Database call sites (Nashville and FSC) to evaluate whether the data collection process was reliable and whether sufficient information was recorded to support the reviewers' quality determinations.
 - b) Reviewed the documentation for a judgmental sample of 79 calls monitored by the CQRS and by the 3 Customer Service call sites to determine whether the Initial Contact Resolution was acknowledged only when there was a successful resolution of all issues resulting from a taxpayer's first inquiry with the IRS.
- C. Determined whether the feedback from the quality review process was adequately identifying trends, training needs, and the measurements of customer satisfaction.
 - 1. Determined the effectiveness of the system for identifying trends and problem areas.
 - a) Evaluated CQRS management reports and the use of the CQRS Intranet web page to determine how CSR errors and trends were provided to the National Office, the regional offices, and the call sites.
 - b) Evaluated management reports at the call sites to determine:
 - (1) The method by which CSR errors and trends were provided to the National Office, the regional offices, and to the CSRs.
 - (2) The method by which call sites obtained trends and information on CSR errors from the National Office, the CQRS, and the regional offices and how that information was used.
 - 2. Determined whether the CQRS staff and the PRP call site staff had a sufficient level of competence to effectively handle their telephone call

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- monitoring responsibilities through an analysis of their work experience and training.
3. Determined whether the measurement of customer satisfaction was used to provide the best possible service to the customers.
 - a) Determined whether adequate samples were made from the toll-free telephone customers at the call sites for the Customer Satisfaction Surveys.
 - b) Evaluated the IRS' method of analyzing and trending the answers to the Customer Satisfaction Surveys to determine how the IRS used the results to improve customer service.
 - c) Evaluated the IRS' initiative to provide Customer Satisfaction Surveys for Spanish-speaking customers.
 4. Reviewed the process and procedures for handling refund inquiries to the IRS for tax refund offsets to child support and Federal agency debts.
 5. Evaluated the process and procedures for resolving Child Tax Credit inquiries and the IRS' position for using oral testimony to handle these on-line inquiries.
- III. To determine whether the existing number of Customer Service call sites provided the optimum configuration to ensure that high quality toll-free telephone services were provided to taxpayers in the most effective, efficient, and economical manner, we:
- A. Identified and evaluated the IRS' plans for any future consolidation and/or closing of sites currently handling taxpayer service toll-free calls, the automated collection system, service center compliance, and service center account work.
 1. Interviewed Customer Service management in the National Office.
 - a) Discussed the planned timetable for closing the five taxpayer service toll-free sites that have already been designated as "non-continuing."
 - b) Discussed whether the Customer Service Division has any future plans to close additional call sites.
 - c) Discussed the potential impact of the pending IRS reorganization on the number and location of Customer Service call sites.

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2. Researched the IRS Modernization Blueprint, the October 1996 Customer Service Telephone Navigation Concept of Operation (CONOPS) Report, and the FY 1997 Customer Service Telecommunications Study to identify any plans and/or recommendations that would impact the number of call sites.
- B. Evaluated the economical and operational requirements of the current configuration of call sites to determine whether it contributed to operational inefficiencies.
1. Analyzed Customer Service rent cost data and locality pay to evaluate the impact of the difference in costs of providing toll-free telephone services to taxpayers at specific call sites.
 2. Compared FY 1997 and FY 1999 Customer Service Toll-Free Work Plan summaries to assess changes in the allocation of Full-Time Equivalent resources and the potential impact of the non-continuing call sites.
 3. Reviewed Customer Service Performance results reports.
 4. Assessed the impact of the operational requirements of the current configuration.
 - a) Recruiting and hiring
 - b) Office space, equipment, and other capital outlays
 - c) Scheduling and staffing
 - d) Standardization
 - e) Call router
 - f) Operations Centers
- C. Identified reported deficiencies in the current toll-free system for which the root cause can be attributed to the IRS' decentralized telephone operations.
1. Reviewed recent IRS Internal Audit reports and General Accounting Office (GAO) reports on IRS telephone services.
 2. Reviewed other IRS internal studies (e.g., 1997 Customer Service Telecommunications Study).

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- D. Identified best practices and attributes of the customer service telephone operations used in private industry and other government agencies to identify any economic or operational benefits that could be realized by centralizing the IRS toll-free telephone operations.
1. Reviewed the Vice President's National Performance Review report on the best practices in telephone service that was issued in February 1995.
 2. Reviewed the GAO report on the Social Security Administration's toll-free telephone system.
 3. Researched the Internet, periodicals, and other reference materials to identify information on customer service operations and related technology used by private industry or other government agencies.

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Appendix II

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Appendix III

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Deputy Commissioner Operations C:DO
Chief Operations Officer OP
Assistant Commissioner (Customer Service) OP:C
Director, Office of Program Evaluation and Risk Analysis M:OP
National Director, Customer Service Compliance, Accounts and Quality OP:C:A
National Director, Customer Service Telephone Operations and Systems OP:C:T
Director, Customer Service Center OP:C:CS
National Director for Legislative Affairs CL:LA
Office of Management Controls M:CFO:A:M
Office of the Chief Counsel CC
Audit Liaison:
 Office of the Assistant Commissioner (Customer Service) OP:C

Toll-Free Telephone Service Levels Declined in 1999 Despite Costly Efforts to Achieve World Class Performance

Appendix IV

Outcome Measures

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

Finding and recommendation:

The Internal Revenue Service's (IRS) inability to recruit and retain a sufficient number of qualified Customer Service Representatives (CSRs) is a fundamental cause for the annual struggle to effectively meet the demand for toll-free telephone assistance. The recruiting and retention problems exist in large part because of the heavy reliance on seasonal employees to supplement the permanent CSR staff. The IRS has provided substantial Compliance enforcement resources (i.e., Collection and Examination Division employees) to answer the telephones on-line and/or work the Message Callback Program, whereby they answer advanced technical tax law questions that were left by taxpayers. This has resulted in, at a minimum, foregone revenue of approximately \$314 million and salary costs for these resources of nearly \$21 million (see page 16).

We recommended that the Customer Service national systems owners address the serious shortage of trained CSRs by coordinating their actions to:

- Identify "best practices" at the call sites with successful recruiting/hiring and intermediary skill training experiences and share them with management at all sites.
- Reallocate resources, resulting from attrition, from those sites with hiring difficulties to other sites where qualified labor pools are more plentiful.
- Allocate seasonal resources to those sites where qualified labor pools are more plentiful.
- Provide local site management with "delegated examining units," which provide them authority to direct-hire employees.
- Provide local site management with the authority to promote CSRs to Taxpayer Service Specialists as needed.
- Explore the use of continuous open vacancies for seasonal workers.
- Offer incentives such as signing bonuses, subsidized transportation costs, and extended-hour day care facilities.

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- Enhance the retention of trained CSRs by converting more seasonal positions to permanent positions and by pursuing external partners (e.g., other government agencies or private businesses) with whom opportunities may exist for sharing employees during the non-peak period for the IRS.
- Explore alternatives (e.g., out-sourcing to the private sector) for dealing with the seasonal customer demands for answers to filing questions and tax law issues.
- Enhance efforts to handle calls to completion at first contact by terminating the Message Callback Program. If Compliance resources must be used to assist in responding to taxpayers, have them handle “live” calls.

Type of Outcome Measure:

Increased Revenue/Revenue Protection - \$314 million - Potential
Cost Savings (Funds Put to Better Use) - \$ 21 million - Potential

Value of the Benefit:

We estimate the total cost of using Compliance resources to handle telephone calls at approximately \$335 million. However, the IRS does not have a methodology in place that effectively tracks all of the enforcement resources that are diverted to answering the toll-free telephone lines. As a result, there may be additional millions of dollars in lost revenue and salary costs that cannot be determined.

Methodology Used to Measure the Reported Benefit:

Based on information provided to us by IRS management, we were able to develop estimates of foregone revenue for three IRS programs: Automated Collection System (ACS), Examination, and Collection. For each of these programs, IRS management provided us with information on the number of Full Time Equivalents (FTEs) that were diverted to the toll-free program. The ACS and the Examination FTEs were for the entire Fiscal Year (FY) 1999 and the Collection FTEs were through June 1999 (nine months of FY 1999). IRS management provided us figures for the foregone revenue for employees in each of these programs, as well as the average salary costs for these employees. Examination management provided a complete calculation of foregone revenue that included reducing the assessed revenue per FTE by a ratio of Examination dollars collected to Examination dollars recommended.

The following tables present our calculations of the total estimated foregone revenue of \$314 million.

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Increased Revenue/Revenue Protection

Measure	Examination	Collection	ACS
Number of FTEs diverted to the toll-free telephone system	182	42	163
Average dollars collected per FTE		\$445,000	\$1,425,605
Examination's estimate of foregone dollars recommended	\$139,676,400		
Ratio of Examination dollars collected/recommended	.45		
Total estimated revenue foregone	\$62,854,380	\$18,690,000	\$232,373,615

Using the above FTEs provided by IRS management, we multiplied these figures by average salary figures provided by IRS management as follows:

Cost Savings (Funds Put to Better Use)

Function	Average Salary	FTEs	Total Salary Costs
Examination ¹			
• Revenue Agent	\$60,509	127	\$ 7,684,643
• Tax Auditor	\$45,665	55	<u>\$ 2,511,575</u>
• Total Examination Salary Costs			\$10,196,218
Collection	\$64,713	42	\$ 2,717,946
ACS	\$48,875	163	<u>\$ 7,966,625</u>
Total Salary Costs			\$20,880,789

¹ As of May 21, 1999, 73 percent of Examination resources used in Customer Service for FY 1999 were Revenue Agents and 23 percent were Tax Auditors. Therefore, we conservatively estimated a 70/30 split of these resources.

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Finding and recommendation:

Automated systems are needed to handle routine refund inquiries. From January 1 through June 30, 1999, nearly 6 million refund calls were handled by CSRs at an estimated cost of approximately \$53 million. One reason that taxpayers may be electing to speak with CSRs regarding refunds is that, on the automated system, they are required to input the refund amount from their return. If the IRS has revised that refund amount (due to math error, unallowable items, or Federal debt offset), the taxpayer is advised that there is no record of the return. This may cause the taxpayer to contact a CSR to determine refund status. In organizations that provide world class telephone service, “call avoidance strategies” are developed to reduce reliance on live assistors and to reduce costs. By directing more refund calls to an automated response system, the IRS would not only save money, it would free up its CSRs to handle other calls (see page 19).

We recommended that Customer Service management identify ways to reduce the refund calls handled by CSRs. This would include revising the automated system to accept the information that the taxpayer puts on the return. If the amount differs, the recording could state that the return has been processed and any refund amounts can be changed by math errors, unallowable items, or Federal debt offsets.

Type of Outcome Measure:

Cost Savings (Funds Put to Better Use) - Potential

Value of the Benefit:

\$42 million

Methodology Used to Measure the Reported Benefit:

A December 1998 study contracted by the IRS stated that 80 percent of the type of calls suited for automation should be handled that way. Using this percentage, almost 4.8 million refund calls could be handled by automation saving nearly \$42 million in staff costs that could be used to handle more complex calls. IRS management provided us with the number of refund calls for the first six months of calendar year 1999. While this does not enable us to project an annual savings figure, it is recognized that the majority of refund calls to the IRS would occur during this time period. IRS management also provided us with the cost per call handled by assistor and by automated methods. The following tables present our computations using this data:

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Computation of Cost of Refund Calls to CSRs

Number of refund calls to CSRs (January 1 – June 30, 1999)	5,964,294
Percentage of refund calls that should be handled by automation	80%
Number of refund calls that should be handled by automation	4,771,435
Cost per CSR-handled call	\$8.88
Total cost of refund calls to CSRs that could be handled by automation	\$42,370,342
Number of refund calls switched to automation	4,771,435
Cost per automated 3-minute call	\$.15
Total cost of automated refund calls	\$ 715,715

Difference Between Using CSRs and Automated Systems to Handle Refund Calls

Total cost of refund calls handled by CSRs that could be automated	\$42,370,342
Less: Total cost of automated refund calls	\$ 715,715
Savings from switching refund calls from CSRs to automated systems	\$41,654,627

Finding and recommendation:

The average number of calls answered per hour (includes work hours, vacation, training, etc.) by individual CSR decreased by more than 16 percent during the first 6 months of FY 1999. Excessive time spent in “idle” and “wrap” status may have contributed to the productivity decline. At the 6 call sites for which the IRS had data, the CSRs spent 42 percent of the time they were logged on the telephone system in either an “idle” or “wrap” status. The National Treasury Employees Union (NTEU) agreement mandated using “auto wrap,” a function that automatically moves the CSRs into an unavailable status after each call. Per the NTEU agreement, it was up to the CSRs to determine how much “wrap” time they needed and when to take the next call. The NTEU agreement prohibited IRS managers from considering the amount of “idle” and “wrap” time used when evaluating individual performance (see page 29).

To increase the productivity and efficiency of the IRS’ toll-free telephone operations, we recommended that Customer Service management:

- Determine the reasons for the variations in “idle” and “wrap” time at various call sites and take appropriate steps to develop corporate measures for each.

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- Expand and/or redefine the “Idle with Reason Codes” to provide call site managers with more useful information for monitoring their operations.
- Renegotiate with the NTEU to allow the use of “Idle with Reason Codes” to determine employee abuses of lunches, breaks, etc. Allow managers to use automated management information to identify trends and atypical performance.
- Renegotiate with the NTEU to allow Customer Service management to designate the type of “wrap” to be used and establish specific terms under which the use of “wrap” time is permissible.
- Explore the development and testing of an outcome-based incentive pay system that rewards the CSRs at those call sites which meet and/or exceed corporate goals in productivity, quality, and customer satisfaction measures.

Type of Outcome Measure:

Taxpayer Burden - Potential

Value of the Benefit:

During the first 6 months of calendar year 1999, 8.5 million more taxpayer calls potentially could have been answered by increasing CSR productivity by 1 call per hour.

Methodology Used to Measure the Reported Benefit:

Customer Service management provided us with data that showed they used 4,103 FTEs on the toll-free telephone system for the first 6 months of FY 1999. There are 2,087 hours in a FTE. We calculated the benefit of CSRs answering one more call per hour. Therefore, we multiplied the 4,103 FTEs by 2,087 hours to determine that 8,562,961 more calls could have been answered if the individual CSRs had answered an average of 1 more call per hour during this 6-month period. IRS management showed that employees answered an average of 2.38 calls per hour based on all of their paid time (i.e., work time, training, vacations, etc.).

Finding and recommendation:

The extended hours of toll-free telephone service negatively affected productivity. The 72 additional hours that the toll-free telephone system was available each week in 1999 represented a 75 percent increase from the prior year. During the 1999 Filing Season, however, less than four percent of the total calls to the IRS’ three main toll-free lines were

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received during these expanded hours of operation. An internal study of 24/7 service (i.e., 24 hours a day, 7 days a week) published by the IRS in May 1999 showed increased costs of almost \$3 million from FY 1998 to FY 1999 for overtime and night differential. Management attributed this increase to the toll-free operations (see page 32).

The unavailability of the Integrated Data Retrieval System (IDRS), the computer system used by CSRs to view taxpayer accounts and make account adjustments, limited the range of services provided during the extended hours. The May 1999 IRS study showed that 26 percent of callers on 4 Sundays during the filing season could not be served due to the IDRS unavailability. Customer Service management at 11 of the 20 call sites that responded to our questionnaire expressed some level of dissatisfaction with the effect that the unavailability of the IDRS had on their ability to effectively assist callers during the extended hours of service (see page 33).

The reliance on inexperienced employees during extended hours adversely affected productivity. A provision in the NTEU agreement resulted in extended hours being staffed primarily with inexperienced employees and new managers. The shortage of experienced staff to answer difficult tax law or account inquires during non-prime shifts led to the preparation of written referrals that had to be answered by experienced day-shift employees (see page 34).

We recommended that the IRS:

- Provide CSRs on the toll-free lines only on a 16 hours a day, 6 days a week (i.e., 16/6) basis to deliver quality customer service that effectively meets taxpayer demand patterns. Automated services should be made available on a 24/7 basis.
- Assign national responsibility within Customer Service for the coordination and communication of IDRS availability with Information Systems and the call sites to ensure IDRS availability at all times when CSRs are providing taxpayer service.

Type of Outcome Measure:

Cost Savings (Questioned Costs) - Potential

Taxpayer Burden - Potential

Value of the Benefit:

If these recommendations are implemented, \$3 million in overtime/night differential funds could be saved. Other issues related to employee productivity and use of automation. Due to an overlap of cause/effect relationships, the value of these benefits has been covered in other findings.

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Methodology Used to Measure the Reported Benefit:

An IRS management report (24x7 Study, May 5, 1999) provided the \$3 million figure.

Finding and recommendation:

The IRS did not provide Spanish-speaking taxpayers with effective access to its toll-free telephone services. The Customer Service Division had only about 200 Spanish-speaking employees to assist an estimated 2.9 to 5.7 million Spanish-speaking callers. Further, the bilingual CSRs also answered English-language calls and were frequently unavailable to answer Spanish-language calls. This resulted in only a very small percentage of successful call transfers to Spanish-speaking CSRs. If Spanish-speaking CSRs were not available, the Spanish-speaking taxpayers were told to call back with an interpreter (see page 44).

To further improve the ability of Spanish-speaking taxpayers to use the IRS' toll-free telephone system, we recommended that Customer Service management undertake one or more of the following actions:

- Consider developing a separate toll-free line for Spanish-speaking callers.
- Develop a comprehensive strategy for recruiting and hiring more Spanish-speaking CSRs.
- Assign a designated number of the available Spanish-speaking CSRs to exclusively handle calls from Spanish-speaking taxpayers.
- Determine the feasibility of routing calls from Spanish-speaking taxpayers to the Puerto Rico call site.

Type of Outcome Measure:

Taxpayer Burden – Potential

Value of the Benefit:

Improvements in the level of service provided on the IRS' toll-free telephone lines would reduce burden for an estimated 2.9 million to 5.7 million Spanish-speaking taxpayers.

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Methodology Used to Measure the Reported Benefit:

There were 57.3 million call attempts to the IRS' three main toll-free telephone lines during the 1999 filing season. The IRS has no data to indicate how many of these calls were from Spanish-speaking taxpayers. According to Customer Service management, however, the IRS has used Social Security Administration data to estimate that 10 percent of its calls are from Spanish-speaking callers. Management also cited other studies that show the volume of calls from Spanish-speaking taxpayers may be as low as five percent of the total calls.

Therefore, we used these two ranges to estimate that between 2.9 million (5 percent of 57.3 million total call attempts) and 5.7 million (10 percent of 57.3 million call attempts) Spanish-speaking taxpayers attempted to call the IRS during the 1999 filing season.

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Appendix V

Glossary of Terms

Abandoned Call – A call in which the caller hangs up before the call is answered.

Accounts Call – An inquiry relating to a taxpayer's tax account or entity information that deals with the processing of the tax return, correction of errors found during processing, and/or corrections resulting from adjustments or audit assessments. An accounts call does not include tax law questions regarding the initial filing of the return.

Assistor – A term used synonymously with Customer Service Representative (CSR).

Automated Collection System (ACS) – The Internal Revenue Service's (IRS) computerized inventory system that maintains balance due accounts and return delinquency investigations. Using telephones, ACS tax examiners try to locate and speak with taxpayers to secure delinquent returns and payment of all taxes owed.

Auto-Wrap – A function that automatically moves the CSRs into an unavailable status after each call.

Average Speed of Answer – The average answer wait time for calls to a service or route.

Balanced Measures – Performance goals for organizational units set up by the IRS. The three elements of the IRS' balanced measures are: Customer Satisfaction Measures, Employee Satisfaction Measures, and Business Results Measures.

Business Rules – The parameters for a system to include operational processes and contingency scenarios.

Busy – Term used to describe the line condition when the called party's telephone is already in use.

Call Attempts – Total calls received plus all overflows (i.e., calls that were given busy signals).

Call Monitoring – Listening to a taxpayer's call from beginning to end to evaluate the assistor's response. This is performed by management and quality reviewers as a tool to identify problem areas that may signal a need for further clarification or additional training.

Calls Answered – Total calls received minus all abandoned calls.

Call Sites/Call Centers – Any location within a company where quantities of incoming and/or outgoing calls are handled by people, telephones, and computers. The IRS' sites/centers

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provide assistance to taxpayers by answering questions, providing assistance, and resolving account-related issues.

Centralized Quality Review System (CQRS) – The IRS’ corporate monitoring system for its main toll-free telephone lines. The role of the CQRS is to provide a single product review system that provides qualitative and quantitative data for use in determining whether the IRS is fulfilling its three goals of increasing voluntary compliance, reducing taxpayer burden, and improving quality-driven productivity and customer satisfaction.

Collection – The function of the IRS that is responsible for collecting the proper amount of Federal tax from all persons who have not filed returns and/or paid tax as required by law.

Compliance – A term used to describe the IRS’ Collection and Examination functions whose mission is to ensure taxpayer compliance through collecting delinquent taxes and auditing tax returns to determine correct tax liabilities.

Corporate Files On-Line (CFOL) – Command codes that provide nationwide access to information processed through any district/service center and posted to any of the masterfiles. CFOL command codes are available even when the Integrated Data Retrieval System (IDRS) is not. The CFOL command codes allow research capabilities only and cannot be used to adjust accounts.

Customer Satisfaction Surveys – A voluntary survey to measure how satisfied taxpayers were with the service provided by the IRS.

Customer Service – When capitalized in this report, Customer Service refers to the function in the IRS that is responsible for direct taxpayer contact in such areas as toll-free telephone assistance and “walk-in” site assistance.

Customer Service Call Router (CSCR) – Provides a means of routing incoming toll-free service calls to call centers (interactive voice systems and/or to CSRs) where the call can be processed with the minimum expected delay.

Customer Service Operations Center (CSOC) – The new centralized operations center in Atlanta, Georgia. In December 1998, the management of the IRS’ toll-free telephone operations were transferred from the regions and local call centers to the CSOC.

Customer Service Representative (CSR) – An IRS employee who may perform work on the telephones, as well as paper inventory resulting from telephone contacts.

Enforcement – Activities such as auditing tax returns, collecting delinquent taxes, and prosecuting criminal tax cases.

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Examination – The IRS function which administers a nationwide audit program involving the selection and examination of all types of Federal tax returns to determine correct liabilities of taxpayers.

Fail-safe – Capable of compensating automatically for a mechanical failure.

Federal Debt Offset – Effective January 12, 1999, the Financial Management Service offset tax refunds for delinquent child support and debts owed to Federal agencies.

Filing Season – The period from January 1 through April 15 of each calendar year during which most taxpayers typically file their individual income tax returns.

Fiscal Year (FY) – A 12-month period that ends on the last day of any month except December. The IRS' fiscal year runs from October 1 of one calendar year through September 30 of the following calendar year.

Forecast – An expected or desired set of standards for a service over a specified period of time. This includes the number of calls offered, the number of calls handled, average talk time, etc.

Full Time Equivalent (FTE) – The number of full-time employees that would be required during a period to perform the work done during that period. To calculate the FTE, divide the number of seconds of work performed by the number of seconds in the period. For example, if employees spent a total of 7,200 seconds handling calls during a half-hour (1,800 second) interval, the FTE for call handling during the interval is $7,200 \text{ person-seconds} / 1,800 \text{ seconds} = 4 \text{ persons}$.

Handle Time – The amount or percentage of time that CSRs spend talking on an inbound call and performing after-call work.

Idle Time – A work status during which a CSR has temporarily left the workstation or is not assigned incoming calls.

Idle With Reason Codes – Codes input by the CSRs to identify the type of idle time that they are using.

Illinois Institute of Technology Research Institute (IITRI) – Contractor hired by the IRS to review call routing and processing and provide recommendations for improvement.

Initial Contact Resolution (ICR) – The successful resolution of all issues resulting from a taxpayer's first inquiry with the IRS.

Integrated Data Retrieval System (IDRS) – An IRS computer system that enables employees in the service centers and the district offices to have instantaneous visual access to

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certain taxpayer accounts. This system is capable of retrieving or updating stored information; it works in conjunction with taxpayers' account records.

IRS Restructuring and Reform Act of 1998 (RRA 98) – Legislation signed into law on July 22, 1998, that contains many new and important taxpayer rights and protections.

Level of Access (LOA) – Provides information about how well customers are able to get through to the telephone system. The calculation for LOA is calls received divided by total call attempts.

Level of Service (LOS) – The relative success rate of taxpayers who are calling for toll-free telephone services. For FY 1999, the LOS was expressed as the total number of calls answered divided by the total call attempts to arrive at the percentage of callers who actually received service.

Locality Pay – One of two parts of Federal employees' annual pay raises. This part is supposed to be a fine-tuned adjustment to reflect private-sector salaries on a city-by-city basis.

Logged On – A state in which CSRs have made their presence known to the system but may or may not be ready to receive calls.

Math Error – One of a large number of mistakes a taxpayer can make on his/her tax return and for which the IRS issues a notice.

Message Callback Program – Also known as “Compliance messaging.” In this program, for several of the more technical and time-consuming applications, taxpayers were allowed to leave a voice message that Compliance personnel later answered.

National Performance Review – A review of the Federal government that began on March 3, 1993. The goal of the review was to make the entire Federal government both less expensive and more efficient.

Precision – The range of values, less or more than the estimated figure, within which the true value is expected to fall.

Pre-Routing – The GeoTel routing concept that enables the call router to execute routing decisions before a call terminates at a call center. The call router uses real-time data on the status of the call centers to make its decisions on where to route calls.

Problem Resolution Office Management Information System – A database of cases that have been escalated to the Problem Resolution Officers either in the district offices or service centers.

Problem Resolution Program (PRP) – A program established to improve the ability of the IRS to respond effectively to taxpayer problems. The program is headed by the National

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Taxpayer Advocate whose goal is to make certain that taxpayers' rights are protected, to serve as an advocate for taxpayers within IRS, and to represent the interests and concerns of taxpayers. A taxpayer problem meets PRP criteria if it involves a second contact at least 30 days after an initial inquiry or complaint, no response was provided to the taxpayer by the date promised, or established systems have failed to resolve the taxpayer's problem.

Quality Review Database – An IRS intranet-based system that allows all toll-free sites immediate availability to quality review information and reports.

Queue – A holding place for calls while waiting for a CSR to become available.

Rest of the U.S. – For purposes of Federal employees' annual pay raises, this refers to all locations that have not been designated to receive a locality pay adjustment specific to their local area.

Scheduling – The process of forecasting the workforce that will be needed to meet the anticipated customer demand.

Script – Prerecorded statements that taxpayers move through before speaking with a CSR.

Selected Expanded Access (SEA) – A system that allows taxpayers to choose automated services rather than receiving a busy signal and having to call back for assistance.

Service Center – The data processing arm of the IRS. The service centers process paper and electronic submissions, correct errors, and forward data to the computing centers for analysis and posting to taxpayer accounts.

Skill Group – A collection of CSRs that share a common set of skills such as being able to answer certain types of tax law questions. A CSR can be a member of one or more skill groups.

Statistics of Income – The IRS function responsible for planning, developing, and directing a national program of research and statistical analysis.

Systems Management – Understanding the work processes for which you are accountable, having data to know how well the process is performing, making data-based decisions to drive improvements, and making sustainable improvements to the process.

Tax Law Questions – These inquiries are mainly received on the 1-800-829-1040 product line and involve either individual or business tax returns, as well as estate, gift, or other tax situations, usually before the return is filed. Tax law contacts may also be procedural inquiries that are not account-related, thereby not requiring research on the IDRS.

Taxpayer Service Specialists – A CSR with a more specialized set of skills. This position is normally a promotion for a CSR.

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Tele-Tax – A toll-free telephone line that provides taxpayers with access to pre-recorded messages covering various tax topics and automated tax refund status information.

Toll-Free Telephone System – The IRS has a variety of toll-free telephone lines to assist taxpayers in meeting their Federal tax obligations. The three main telephone lines referred to throughout this report are:

- **1-800-829-1040** for tax law inquiries.
- **1-800-829-8815** for questions regarding notices, letters, or bills received from the IRS.
- **1-800-808-4262** for inquiries on the status of a tax refund.

The IRS offers a toll-free telephone service called Tele-Tax, which provides recorded tax information on about 150 topics and automated refund information. The IRS also offers other toll-free telephone lines which allow taxpayers to order tax forms and publications and to have direct contact with the PRP.

Unallowable Items – Items entered on a taxpayer's return that are of a questionable nature or that exceed statutory limitations.

Virtual Call Center – An approach to enterprise-wide call center management that treats several geographically dispersed call centers as if they were a single call center.

Voice Response Unit (VRU) – A telecommunications computer, also called an Interactive Voice Response unit, that responds to caller-entered touch-tone digits. The VRU responds to caller-entered digits in much the same way that a conventional computer responds to keystrokes or a click of the mouse. The VRU uses a digitized voice to read menu selections to the caller. The caller then enters the touch-tone digits that correspond to the desired menu selection. The caller-entered digits can invoke options as varied as looking up account balances, moving the call within or to another call distributor, or playing a pre-recorded announcement for the caller.

Wrap Time – A work status during which a CSR is completing work related to the prior call, is preparing for the next call, or requires time to relieve a stressful call situation.

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Appendix VI

Management's Response to the Draft Report



COMMISSIONER

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

MAR 30 2000

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX
ADMINISTRATION

FROM:

Charles O. Rossotti
Commissioner of Internal Revenue

SUBJECT:

Toll-Free Telephone Service Levels Declined in 1999 Despite
Costly Efforts to Achieve World Class Performance

Thank you for the opportunity to review and comment on your draft report and recommendations on our toll-free telephone service. We agree that our telephone performance during the 1999 tax filing season fell short of meeting the high goals we worked so diligently to achieve. However, we feel that this report does not adequately acknowledge three key issues:

- the significant challenges the Internal Revenue Service (IRS) faced in delivering the Customer Service program for filing season 1999;
- the steps taken immediately and throughout the 1999 filing season to correct the issues/problems we encountered; and,
- the many corrective actions the IRS completed which resulted in improved service during the current filing season.

Many of the recommendations in the report relate to improvements that are directly related to either technology modernization, organizational modernization, or organizational personnel practices. As such, they may not be consistent with the integrated solutions/approaches we are developing. Therefore, while we will consider them in our future plans, we cannot agree to implement many of them at this time. We will commit to fully consider them as we move forward in modernizing the IRS.

I do want to take this opportunity to assure you that we remain committed to provide top quality service to the American public. We know we still have much work to do to improve and modernize the IRS. However, we believe we have turned a corner this filing season; the upward trends in telephone service are most encouraging and show

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that our investments in training, management and technology are beginning to pay dividends. Our specific comments are reflected below.

Overview

- **The IRS faced several significant challenges in delivering its Customer Service Telephone Program for filing season 1999:**
 - The IRS expanded its hours of operation to 7x24 service without adequate funding for the increased hours of coverage. This new initiative, combined with increased training demands to implement the new tax law requirements of RRA-98, caused our effective level of service to decline (especially during the beginning of the filing season). The passage of RRA-98 necessitated a monumental training effort that took all of our employees away from their posts for varying lengths of time. Many of our most experienced employees were away from their posts for even longer periods instructing multiple new tax law classes.
 - The IRS did not have access to account information (required to resolve certain taxpayer inquiries) available on a 7x24 basis due to systems-related restrictions. While we continue to maximize systemic availability to the extent we can, the fact remains that our system is outdated and inadequate. Finding a comprehensive solution to the lack of 7x24 account data is a major aspect of our modernization effort.
 - The IRS underwent a fundamental change in management and technology in 1999. We implemented the concept of managing the telephone operation on an enterprise-wide basis, and began using technology that would allow us to route calls to the first available agent nationwide using the Customer Service Call Router (CSCR). Such a major change does not come risk-free. We did experience start-up problems, both in the use of the new equipment and in our management scheduling process. We monitored the start-up closely, identified problems as they occurred, took immediate action to correct the problems, and converted them into lessons learned in our ongoing quest to make it easier for taxpayers to reach us. We believe the cost we paid then was a worthwhile investment to improve the system for the future.

- **The IRS has made significant progress in delivering its Customer Service program, and took immediate actions throughout the 1999 filing season to correct the issues/problems we encountered:**
 - Management identified the staffing shortfall the first week of January and immediately increased it our staff to the extent possible within our available resources.

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- Compliance messaging was used to forward complex issues to highly trained revenue agents to get back to taxpayers. Taking this step reduced the time our Customer Service Representatives (CSRs) would otherwise have had to devote to these lengthy calls, and ensured that telephone lines and CSRs were available to handle the more general inquiries.
 - Daily conference calls were held with the Chief Operations Officer, the A/C (Customer Service), the Chief Customer Service Field Operations (CCSFO), the Customer Service Operations Center (CSOC), and the staff to monitor daily performance and take appropriate corrective actions.
 - Customers were offered Selected Expanded Access (SEA), an option that provides an automated services menu, when we had a backlog of callers because the CSRs were busy helping other taxpayers.
- **Additionally, the IRS has already taken or plans to take the following actions to address the identified weaknesses.**
- Management in Customer Service took a number of steps in planning for FY 2000 to identify ways to reduce routine refund calls that are handled by CSRs.
 - Customer Service modified tax packages this year to list TeleTax as the primary method of resolution for tax refund inquiries. This should reduce the number of calls coming in to CSRs with the question "Where's my refund?"
 - We added a program check to allow the automated system to accept information from the tax return even if the refund amount entered differs from what was originally claimed due to offset or adjustments. The call no longer defaults to a CSR automatically. Resolution can be accomplished through automation, and taxpayers are advised that changes have been made to their refund amount.
 - Information Systems (IS) added programming changes that will incrementally improve universal Integrated Data Retrieval System (IDRS) capability. This system contains taxpayers' most up-to-date account information.
 - Customer Service contracted with Dynamics Research Corporation to recommend a redesigned Telephone Routing Interactive System (TRIS) product. One area on which their August 1999 report focused was significant improvement to the refund inquiry application. Their recommendations, which were based on user testing, were forwarded to the Customer Communications team for rollout inclusion for filing season 2001.
 - The IRS is adopting a multi-year approach to providing service to Spanish-speaking customers which includes: establishing Puerto Rico as part of the enterprise telephone network, increasing staffing in Puerto Rico by 125 by October 2000, maintaining/increasing staffing at the existing 9 sites that currently receive calls from Spanish-speaking taxpayers, and incorporating demand information into the FY 2002 Work Plans.

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- The Toll-Free Program budget for FY 2000 greatly expands the number of call monitors assigned to the Centralized Quality Review System (CQRS) effort. This will increase the number of calls sampled for accuracy this year and raise the precision of our measurement program. As the error rate increased during FY 1999, larger sample sizes were needed to get the needed precision; thus, additional staff was hired in FY 2000 to handle the larger sample.
- **There are several other key factors that had an impact on our telephone program delivery:**
 - The impact of increased 1st time caller demand (a factor obviously beyond our control) during the first few months of filing season 1999, and the resulting domino effect this unexpected deluge had reduced our effectiveness to answer a high percentage of calls.
 - Comparing 1st time caller demand for filing season 1999 with filing seasons 1998 and 2000 indicates that filing season 1999 was the anomaly.
 - While we continue efforts to determine why customers call (the Call Content Demand Study in Wilmington may shed some light on this), effectively predicting demand is very much an inexact science at present.
 - The report does not address the individual components of Handle Time (talk time, hold time and wrap time), nor why they increased so dramatically from the prior year on all three major product lines.
 - With the shifting ways in which we are configured (e.g., extended hours, new legislation including RRA-98, new hires, and so forth), it is possible that the increased handle time experienced in 1999 was indeed appropriate and commensurate with the task at hand.
 - The balanced measures approach incorporates quantitative, qualitative employee and customer satisfaction elements. It is not one-dimensional.
 - The balanced measures approach is a measurement system designed to provide a comprehensive view of business performance. The report unfairly assesses that the balanced measures approach "de-emphasized production and put a greater emphasis on employee satisfaction."
 - The report states that callers abandoned 8.4 million calls before reaching a CSR. However, this 8.4 million total does not only represent taxpayers waiting for a CSR. It includes Total (primary and secondary) Abandons. The total volume cited represents callers who hung up while waiting for an automated service (primary abandon), and those callers who hung up while waiting in queue for a CSR (secondary abandon).

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- We agree with the TIGTA estimate that our toll-free program used about 400 Compliance FTE and their \$21.0 million in associated costs to supplement telephone staffing last filing season. However, we question the estimate that this shift of Compliance personnel to our toll-free program cost about \$314 million in direct enforcement revenues; we believe that represents an overly simplistic view of the trade-offs and opportunity costs associated with these choices. It is not clear from the TIGTA analysis whether the \$1.5 trillion in total collections would have been higher or lower if 400 Compliance FTE had not been shifted to Customer Service programs.
- We see no possibility of contracting to the one-to-three sites recommended in the TIGTA report. On-roll staffing in our call centers peaks at about 15,000 employees during the filing season each year, with front-line assistants accounting for about 12,000 positions. Even with three sites, front-line staffing would average about 4,000 employees per call center – far more than the 600 maximum suggested in the report.
- Contracting to three sites would significantly increase operating risks – seriously eroding our back-up capability if any site went down due to weather, power outages, natural disasters or terrorist acts.
- The report fails to acknowledge that the IRS deals with perhaps the largest peak telephone demand of any call center operation in existence. We believe our use of permanent and seasonal employees, coupled with the use of Compliance resources, represents the best possible approach to delivering the telephone program, especially in light of the fact that IRS is not funded to handle the peak telephone demand.

IDENTITY OF RECOMMENDATION/FINDING

1. To effectively operate as a "virtual call center" and to ensure that calls are consistently connected and quickly answered, Customer Service management needs to deploy a systems management approach throughout their entire organization.

ASSESSMENT OF CAUSE(S)

The number of significant systems changes that were necessary in the FY 1999 filing season severely impacted Customer Service's ability to initially manage those changes. For example, our expansion to 7x24 service and adherence to half-hour schedules could not be effectively accomplished without the implementation of the intelligent call router so that the operation could be managed on an enterprise-wide basis.

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CORRECTIVE ACTIONS

Prior to implementation of the call router, Information Systems (IS) established the CSCR Project Office to "roll-out" this technology. Business (Customer Service) and technology stakeholders within IRS, and contractors (Lucent Technologies, Geotel, now known as Cisco Systems, AT&T, and ITRI) were represented. Although the system was not a mature one, IS followed the principles of project management to analyze, design, build, test, implement and maintain. In addition, they used the enterprise life cycle approach, which includes configuration management, use of industry "best practices," development of work plans/schedules, critical paths, benchmarks, and so forth. Prototyping and modeling/simulation (M&S) techniques and tools supported business case analyses. The Customer Service Risk Management Group and Executive Steering Committee provided oversight--both have senior executive membership from several functions within IRS.

Since the rollout of CSCR, the whole project management "system" has matured, especially with inclusion of the PRIME alliance expertise. IS established a Near Term Release (NTR) Project Office to provide direction and oversight. They have government task management responsibilities along with the PRIME. We have established an entire process that is very structured and well-documented and includes:

- a thorough and comprehensive work breakdown structure (WBS) which is continually monitored;
- an NTR Executive Steering Committee with senior executive membership (both IRS and PRIME). A component of the new technology to be released is the Customer Communications Project with IRS (business and IS) and PRIME representation;
- a Change Control Board (CCB) for the call center environment with expertise from a technical review board (comprised of business, IS, and contractor systems engineers).

Beginning in January 1999, Customer Service management took steps to immediately address staffing shortfalls and call routing concerns. We have completed more long-term systems improvements for the FY 2000 filing season. These include the realignment of the Customer Service management structure, improved work and staff scheduling processes, and implementation of the balanced measures process. The process owners monitor and review the impact of these process improvements to telephone performance daily via a conference call with the CCSFO, Deputies and CSOC. These executives in turn hold biweekly conference calls with the Chief Operations Officer (COO). The COO evaluates and implements appropriate corrective actions immediately.

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Each Deputy CCSFO holds monthly operational reviews where the focus of the discussion is on site performance results not generally available on a daily basis. For example, the CCSFO has asked the Deputies to assemble a "best practice audit team" to evaluate why some sites have a relative high percentage of their CSRs actually talking to taxpayers on the phone while other sites have problems doing so. This team will visit several high and low performing sites to try to determine how practices differ, which practices appear to have a major impact on performance results, with a view to making recommendations on which practices should be "exported" to low performing sites.

The CCSFO is embarking on a relatively new effort to use controlled experiments to evaluate the cost and benefits of initiatives to improve customer service programs. The first test under consideration is a proposal to establish test and control call sites. The "test" sites selected will be used to evaluate an initiative to increase our issue resolution rates. The new practice will direct every assistor at the test sites, before completing the call, to ask the customer questions such as: "Do you feel your problem has been resolved?" or "If not, can we work together on this issue a little longer to see if we can resolve it?"

The CCSFO has asked Directors at several Customer Service call sites to undertake a variety of short-term studies of the impact of compliance and submission processing activities on call demand. These projects include, for example, an initiative to measure the impact of changes in dollar tolerances on the balance due notice stream, on 8815 call volumes, and on enforcement revenue collections. Another example is measuring the impact of shorter refund processing cycles on 4262 call demand.

IMPLEMENTATION DATE:
COMPLETED October 1999 PROPOSED _____

RESPONSIBLE OFFICIAL(S)
Chief, Customer Service Field Operations
Assistant Commissioner, (Customer Service)

CORRECTIVE ACTION(S) MONITORING PLAN
We are using a variety of techniques to evaluate cost and benefits of initiatives to improve the performance of our Toll-Free Program. In general, these initiatives are designed to better align call and staffing patterns, reduce call demand, increase our ability to answer calls, improve the accuracy of our responses, resolve more taxpayer 1

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issues, improve the efficiency with which we manage our programs and improve customer and employee satisfaction.

Evaluation of daily system performance measures – Every day, senior management officials and their staffs monitor a wide variety of operational performance measures. These include total call attempts, percent of call attempts diverted to SEA, assistor calls answered, average speed of answer, call handle time, the abandon rate, level of service, staffing adherence to schedule and the accuracy of call forecasts. The impact of an initiative to divert more refund callers to an automated response system, for example, can be quickly captured in the daily management report, discussed on the daily conference call and adjusted, if appropriate, within minutes.

Evaluation of weekly, monthly, quarterly and annual program performance measures – We use time and productivity measures, quality indicators and customer and employee satisfaction survey results, along with statistical “outliers” identified on each measure, to monitor performance. The emphasis is not on the numbers themselves, but rather what factors influence the level and change in these performance results, and what corrective actions we can take to improve our performance results. We will monitor the effectiveness of the “best practice audit team” in the monthly “Use of Time” report discussed during operational reviews. The resolution rate test will be evaluated by establishing a demographically similar control site where current practices would remain unchanged over a 3-month test period. Issue resolution rates and customer satisfaction rates would be tracked in the Customer Satisfaction Survey that covered the test period to determine if the initiative had the desired impact. We will also examine whether average talk times rose at the test site relative to the control site.

IDENTITY OF RECOMMENDATION/FINDING

2. To improve Customer Service operations, the IRS needs to manage the toll-free business components as an integrated system. Customer Service management needs to align the policies, organization structure, and technology with work practices into an integrated system.

ASSESSMENT OF CAUSE(S)

Customer Service's transition to the modernized IRS had only been partially accomplished during the 1999 filing season. Only one region had been realigned under one Customer Service Director with the other regions still reporting through a district director to a regional commissioner to national office.

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CORRECTIVE ACTIONS

On October 1, 1999, we implemented an interim step in which management of all 25 Customer Service sites was unified under the Customer Service Field Organization. By October 1, 2000, we will complete the final transition to realign under the Wage and Investment and Small Business Operating Divisions. This reorganization will provide the singular focus and accountability necessary to completely align the policies, organization structure, and technology with work practices into an integrated system.

IMPLEMENTATION DATE:

COMPLETED _____ PROPOSED October 1, 2000

RESPONSIBLE OFFICIAL(S)

Chief, Customer Service Field Operations
Assistant Commissioner, (Customer Service)
Director, Customer Accounts Services - W&I
Director, Customer Accounts Services - SB/SE

CORRECTIVE ACTION(S) MONITORING PLAN

We will continue to closely observe existing operational balanced performance measures as well as new strategic measures developed by the new operating divisions. Current toll-free measures include: Toll-Free Level of Service, Toll-Free Adherence to Scheduled Hours, Toll-Free Telephone Timeliness, Toll-Free Tax Law Quality, Toll-Free Accounts Quality, Toll-Free Customer Satisfaction, and Toll-Free Employee Satisfaction.

IDENTITY OF RECOMMENDATION/FINDING

3. Using a systems management approach, Customer Service management needs to identify all critical conditions where the telephone system needs to be fail-safe and install automated alarms to alert systems analysts of failure conditions when they occur.

ASSESSMENT OF CAUSE(S)

Prior to full standardization of the Aspect database, the design included very few indicators to help the System Analyst monitor the system and detect problems with call center components such as Voice Response Units (VRU). Automated system failure alerts in the call center are limited to the "phone home" type signals to the Aspect Customer Support Center when there is a failure of the Aspect Automated Call Distributor (ACD). Also, prior to the establishment of the Customer Service Operations Center (CSOC) there was no process in place to continuously monitor AT&T trunk lines or to resolve the trunk out of service conditions.

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CORRECTIVE ACTIONS

We have taken the following corrective actions:

1. Customer Service Call Router (CSCR) Monitoring – We implemented the CSCR for Filing Season 1999 and provided the means for CSOC personnel to centrally monitor the status of equipment, calls and agents in every call center on a continuous basis, 24 hours a day/7 days a week, using standard templates. We modified the templates to include alert levels that automatically notify monitoring personnel when an established threshold is exceeded, by changing color in a grid from blue (satisfactory) to yellow (alert) or red (critical) based on the severity of the condition and the corrective action needed. For example, several templates were developed to continually monitor the status of each of the peripheral devices in the CSCR network which communicate call detail data from each Aspect ACD and VRU. When a peripheral device anywhere in the CSCR network goes "off-line" resulting in a break in communication with the Call Router, this is considered a critical failure and the grid color for that device turns red. For Filing Season 2000, standard templates were further refined to enable monitoring by specific agent groups and applications. Alert thresholds are set for the number of agents in an available or ready state and the number of calls queued for those agents.
2. AT&T Trunk Line Monitoring - The AT&T commercial product Network Traffic Monitor (NTM), provided in January 1999, enabled CSOC personnel to continually monitor the status of trunk lines for each call center using the AT&T "I advantage" internet web site. The NTM "Trunk Group Set/Trunk Group Map" displays the number of trunk lines that are out of service, the number of network overflows issued, and the percent of trunk occupancy for each call site. The real-time display automatically refreshes every 5 minutes. Thresholds are set to automatically alert monitoring personnel by changing color in a grid from green (satisfactory) to yellow (alert) or red (critical) based on the severity of the condition and the corrective action needed. This information enables CSOC personnel to: 1) identify circuitry issues and, 2) adjust call routing scripts to prevent the CSCR from routing calls to any site without sufficient trunk lines ready to receive calls. Thus, callers do not receive a busy signal, but are routed to a site having sufficient trunk lines ready to receive the calls.
3. Aspect Database Standardization - The Aspect Database Standardization was fully implemented for Filing Season 2000. The design of the FY 2000 database provides indicators for the System Analyst to monitor call center activity and detect the system failures not covered by the Aspect "phone home" signals. Other than a failure of the ACD, the two primary system failures conditions are VRU problems and

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failed post-routed calls (resulting when either the voice or data does not arrive timely at the target site). The System Analyst can now detect these two primary failure conditions as soon as they occur and take corrective action as appropriate.

IMPLEMENTATION DATE:
COMPLETED January 2000 PROPOSAL _____

RESPONSIBLE OFFICIAL(S)
Chief, Customer Service Field Operations
Assistant Commissioner, (Customer Service)

CORRECTIVE ACTION(S) MONITORING PLAN
CSOC and field systems analysts monitor the effectiveness of these corrective actions real time 24-hours a day, 7 days a week. Daily review of monitoring logs by multiple contractors and IRS personnel ensure that all systems are operational and effective.

IDENTITY OF RECOMMENDATION/FINDING

4. Customer Service management needs to establish national owners to manage the various interdependent systems (e.g., hiring, training, labor relations, work planning, forecasting, and scheduling) that affect telephone operations.
5. The appropriate national owners need to be accountable for timely, accurate, and complete workload and customer demand projections.

ASSESSMENT OF CAUSE(S)
For FY 1999, we encountered problems that prohibited us from issuing the work schedules, including staffing requirements, in sufficient time for sites to react and staff appropriately. At the time the schedules were being developed, Customer Service was negotiating an agreement with the National Treasury Employees Union (NTEU) that would cover a variety of issues relating to staffing and the filing season, including the GS-962 position and the use of staff qualified for that position. The provisions of the agreement were not fully implemented until late in December 1998, long after the initial work schedules were issued. The result was intense last minute changes to the schedules which did not allow us sufficient time to adequately quality review them before issuance to the field.

CORRECTIVE ACTIONS
Customer Service completed a significant realignment of their management structure in October 1999. The CCSFO is now responsible for the delivery of all processes that impact the delivery of telephone operations. Work planning, forecasting and scheduling

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are all accomplished in his organization, as well as monitoring and delivery of those schedules. The Deputy CCSFO, Dallas completed re-negotiation of the Customer Service/NTEU agreement, and issued hiring and training guidelines based on recommendations of the Training Taskforce chaired by the Deputy CCSFO, Atlanta. These guidelines significantly improved the FY 2000 scheduling process. Customer Service developed the FY 2000 Workplans considerably earlier and with executive oversight. Actual rates achieved in FY 1999 were used to schedule for FY 2000.

Customer Service executives discussed the workplans and related staffing issues with Headquarters and Field executives during June, July, and August of 1999. The executive responsible for the sites at the time of workplan development, as well as, the executive under the October 1, 1999 realignment of Customer Service were actively engaged in discussions about the workplans and how these plans would translate into work schedules. The first planning period October 1st – December 31st schedules were issued in August 1999. The draft second period schedules January 1st -June 30th were issued in early September 1999. There were and continue to be ongoing discussions with executives and staffs in the Field Operations offices about how the workplan FTEs would be laid out over the sites' hours of operation. The FY 2001 workplans are being developed under the executive guidance of the CCSFO, along with the executive leadership from headquarters regarding policy and procedural guidance and impact on the Workplans.

By October 1, 2000, we will complete the final realignment to Wage and Investment and Small Business Operating Divisions. This reorganization will more clearly establish national owners to manage the various interdependent systems (e.g., hiring, training, labor relations, work planning, forecasting, and scheduling) that affect telephone operations.

IMPLEMENTATION DATE:
COMPLETED _____ PROPOSED: October 1, 2000

RESPONSIBLE OFFICIAL(S)
Chief, Customer Service Field Operations
Assistant Commissioner, (Customer Service)
Director, Customer Accounts Services - W&I
Director, Customer Accounts Services - SB/SE

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CORRECTIVE ACTION(S) MONITORING PLAN

We will continue to closely observe existing operational balanced performance measures as well as new strategic measures that will be developed by the new operating divisions.

IDENTITY OF RECOMMENDATION/FINDING

6. Customer Service national systems owners need to address the serious shortage of trained CSRs by coordinating their actions to:
 - 6.1. Identify "best practices" at the call sites with successful recruiting/hiring and intermediary skill training experiences and share them with management at all sites.
 - 6.2. Reallocate resources, resulting from attrition, from those sites with hiring difficulties to other sites where qualified labor pools are more plentiful.
 - 6.3. Allocate seasonal resources to those sites where qualified labor pools are more plentiful.
 - 6.4. Provide local site management with "delegated examining units," which provide them authority to direct-hire employees.
 - 6.5. Provide local site management with the authority to promote CSRs to Taxpayer Service Specialists (TSS) as needed.
 - 6.6. Explore the use of continuous open vacancies for seasonal workers.
 - 6.7. Offer incentives such as signing bonuses, subsidized transportation costs, and extended-hour day care facilities.
 - 6.8. Enhance the retention of trained CSRs by converting more seasonal positions to permanent positions and by pursuing external partners (e.g., other government agencies or private businesses) with whom opportunities may exist for sharing employees during the non-peak period for the IRS.
 - 6.9. Explore alternatives (e.g., out-sourcing to the private sector) for dealing with the seasonal customer demands for answers to filing questions and tax law issues.

ASSESSMENT OF CAUSE(S)

The report implies that the primary and fundamental cause for the IRS inability to meet customer demand was the difficulty it had in hiring and training a sufficient number of qualified CSRs. Although we recognize that recruiting and training are critical to our filing season efforts, we believe this conclusion is misleading because it fails to take into account other key issues. The report fails to acknowledge that the IRS deals with perhaps the largest peak telephone demand of any call center operation in existence.

There are several other recommendations made relative to enhancements to our hiring practices. We agree improvements are needed to target our hiring to those locations

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that have higher quality labor pools and are taking steps to move in that direction. In fact, a working group is currently developing a series of criteria to be used in determining the optimum locations for hiring decisions. However, careful analysis is required to ensure that strategic hiring approaches are fully supported, not only by data, but also by current federal hiring practices and discussions with NTEU. Similarly, the use of incentives has merit; we plan to utilize these tools, as appropriate, per agency human resource policies.

CORRECTIVE ACTIONS

We believe our use of permanent and seasonal employees, coupled with the use of Compliance resources, represents the best possible approach to delivering the telephone program, especially in light of the fact that we do not have the funding to handle the peak telephone demand. Under the IRS' current budget, we are not in a position to meet peak telephone workload demands.

"Best practices" were not formally shared with call sites since each had an experienced management staff familiar with conducting recruitment and intermediary skill training in their local sites. Informally, call sites shared "best practices" with one another individually as the need arose. Additionally, the Deputy Chief, CSFO, Atlanta will create a central location on a web site that allows call sites to research "best practices" and post their own success stories.

Customer Service assembled a group on March 2, 2000, to address concerns I raised during the FY 2000 planning process about the way we determine which sites receive more hiring authority than others. This group will gather demographic factors, historical hiring and attrition information, and site performance information to help provide a justifiable foundation for making those decisions in the future. They will complete their study ahead of the work plan cycle so that Headquarters will have the data needed to make more informed decisions in site selections when allocating resources for FY 2001.

We conducted an extensive analysis of the recommendation to consider outsourcing in August 1997. We concluded that while it was technically feasible, there were a number of barriers that made it impractical. We will revisit the analysis to determine if circumstances will change.

IMPLEMENTATION DATE:

COMPLETED _____ PROPOSED: September 1, 2000

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RESPONSIBLE OFFICIAL(S)

Chief, Customer Service Field Operations
Assistant Commissioner, (Customer Service)

CORRECTIVE ACTION(S) MONITORING PLAN

We are committed to continued enhancement of the planning and execution of our work plans, work schedules, hiring plans and business practices to ensure we are positioned to deliver the best possible service to our customers. Monitoring is accomplished through budget development and execution, work plans, WP&C, and schedules.

IDENTITY OF RECOMMENDATION/FINDING

7. Enhance its efforts to handle calls to completion at first contact by terminating the Message CallBack Program. If Compliance Resources must be used to assist in responding to taxpayers, have them handle "live" calls.

ASSESSMENT OF CAUSE(S)

In preparation for FY 1999, we made a corporate decision to abandon the use of the Message CallBack Program and use Customer Service personnel and resources to respond to taxpayers "live." Shortly after the beginning of the 1999 filing season, we began to experience a decreasing level of service. In response to this, we reversed our earlier decision and employed Compliance resources in an effort to meet customer demand, particularly on the more technical and time-consuming topics.

CORRECTIVE ACTIONS

For FY 2000, we made a decision to continue the Message CallBack Program. This program mirrored the same process as the previous year with the following exceptions:

- The taxpayer was able to speak to a representative to leave a message.
 - Taxpayers' questions were input directly into the referral mail (R-mail) database
- R-mail represents an enhancement to the Message CallBack Program as it allows for more efficient distribution of the messages.

In planning for FY 2001, we anticipate continuing to use Compliance employees to support the filing season.

IMPLEMENTATION DATE: N/A

RESPONSIBLE OFFICIAL(S):

National Director, Telephone Operations Division

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CORRECTIVE ACTION(S) MONITORING PLAN

After the FY 2000 filing season, an assessment will be completed and a determination made whether to continue or discontinue the Message CallBack Program.

IDENTITY OF RECOMMENDATION/FINDING

8. Customer Service management needs to identify ways to reduce the refund calls that are handled by CSRs. This would include revising the automated system to accept the information that the taxpayer puts on the return. If the amount differs, the recording could state that the return has been processed and any refund amounts can be changed by math errors, unallowable items, or Federal debt offsets.

ASSESSMENT OF CAUSE(S)

The need to obtain the refund amount is a disclosure requirement in protecting the taxpayer's privacy. It is one of the questions required to obtain authorization before accessing an account. Initially, there were no provisions to accept a refund amount that differed from the amount that was processed. If the refund amount given by the taxpayer did not match the actual refund amount, the call was routed to a CSR to obtain proper authorization.

CORRECTIVE ACTIONS

We have added a program check which allows the refund application to accept the refund amount from the return, even if the processed amount is different from what was originally claimed by the taxpayer. The system then continues to process the call in automation once a match occurs. In addition, we have implemented several other enhancements to improve the processing of refund calls in automation. IS has made programming changes that will provide automated refund assistance to Spanish speaking taxpayers, improve universal IDRS capability, and prevent refund calls from defaulting to a CSR when there is account data at more than one site.

We expect these changes to increase the number of refund calls completed in automation, thereby reducing the number of calls handled by CSRs, as indicated in the recommendation.

IMPLEMENTATION DATE:

COMPLETED: January 10, 2000 PROPOSAL _____

RESPONSIBLE OFFICIAL(S)

National Director, Telephone Operations Division

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CORRECTIVE ACTION(S) MONITORING PLAN

The plan for tracking includes reviewing TRIS Management Information System (MIS) reports for calls completed in the automated refund application. Monthly analysis will compare completion results for FY 2000 to FY 1999. A final analysis of the overall effectiveness of the actions taken will be completed in October 2000 when all measurable data is available.

IDENTITY OF RECOMMENDATION/FINDING

Customer Service management should take steps to contract with an independent call center management consultant to:

9. Determine the potential cost savings, enhanced management performance, and improved customer service that could be achieved by consolidating the toll-free telephone operations.
10. Assist the IRS in developing and implementing short-term and long-term plans for reducing the number of call centers.

ASSESSMENT OF CAUSE(S)

This recommendation is tied to a statement in the Federal Consortium Benchmarking Study Report that reads as follows: "One to three large call centers is the normal configuration for world-class organization. The maximum number of front-line workers at a single call center is typically about 600."

CORRECTIVE ACTIONS

On-roll staffing in our call centers peaks at about 15,000 employees during the filing season each year, with front-line assistants accounting for about 12,000 positions. Even with three sites, front-line staffing would average about 4,000 employees per call center--far above the 600 maximum cited in the Federal Consortium Benchmarking Study Report. Additionally, an analysis of the relationship between direct hours spent on toll-free programs and calls per hour at each site last filing season found no indication that large sites were more productive than small sites. Large sites were actually somewhat less efficient than small sites--although the relationship was not statistically significant.

Contracting to three sites would also significantly increase operating risks--seriously eroding our back-up capability if any site went down due to weather, power outages, natural disasters or terrorist acts. Three sites would also pose serious staffing risks. Local job markets are volatile and move from surplus to shortage as big employers move in and out and economic conditions shift. For example, the rise of casino gambling in Memphis had a significant impact on recruiting and retention at our call site

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there. It is important to remember, also, that it is expensive to close some sites and expand others. One-time costs may swamp recurring annual savings for several years and inevitably, the IRS faces strong political and union opposition to closing sites. Though we do not plan to implement the recommendations, we will revisit our site sizing analysis on a periodic basis.

IMPLEMENTATION DATE: N/A

RESPONSIBLE OFFICIAL(S)
Chief, Customer Service Field Operations
Assistant Commissioner, (Customer Service)

CORRECTIVE ACTION(S) MONITORING PLAN
Not Applicable

IDENTITY OF RECOMMENDATION/FINDING
Recommendations 11-14 all pertain to the Customer Service Agreement with the National Treasury Employees Union (NTEU).

11. Determine the reasons for the variations in "idle" and "wrap" time at various call sites and take appropriate steps to develop corporate measures for each.
12. Expand and /or redefine the "Idle with Reason Codes" to provide call site managers with more useful information for monitoring their operations.
13. Renegotiate with the NTEU to allow the use of "Idle with Reason Codes" to determine employee abuses of lunches, breaks, etc. Allow managers to use automated management information to identify trends and atypical performance.
14. Renegotiate with the NTEU to allow Customer Service management to designate the type of "wrap" to be used and establish guidelines for using "wrap" time.

ASSESSMENT OF CAUSE(S)
Productivity was impacted by provisions contained in Section 1204 of the Restructuring Act and Regulation 26 CFR Part § 801.

CORRECTIVE ACTIONS
After the 1999 filing season, IRS and NTEU renegotiated portions of the Customer Service Agreement, specifically areas related to the use of "Idle with Reason Codes."

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Two new categories of "idle" were added to provide managers with helpful information to monitor telephone activity. "Read time" and "Break time" were removed from the "Temporarily Off the Phone" category and placed in their own respective categories.

In addition, new training has been developed to teach managers how to effectively use automated management information system data to identify employee problem areas and take appropriate corrective actions. A "train-the-trainer" session was conducted January 4-6, 2000, and was immediately thereafter rolled-out to managers at the 25 call sites.

IMPLEMENTATION DATE: N/A

RESPONSIBLE OFFICIAL(S)

National Director, Telephone Operations Division
Assistant Commissioner, (Customer Service)

CORRECTIVE ACTION(S) MONITORING PLAN

Implementation of the Balanced Measures Approach allows IRS to focus attention on and assess progress against organizational goals, and identify improvement opportunities.

IDENTITY OF RECOMMENDATION/FINDING

15. Explore the development and testing of an outcome-based incentive pay system that rewards the CSRs at those call sites which meet and/or exceed corporate goals in productivity, quality, and customer satisfaction measures.

ASSESSMENT OF CAUSE(S)

The implementation of RRA 98 impacted CSR productivity.

CORRECTIVE ACTIONS

Under our present performance system, an employee is evaluated and rewarded based on his/her critical elements. We are in the process of revising employee critical job elements to reflect our corporate goals. The new critical elements along with our balanced measures approach should enhance our ability to meet or exceed our corporate goals.

IMPLEMENTATION DATE: N/A

RESPONSIBLE OFFICIAL (S)

National Director, Telephone Operations Division

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CORRECTIVE ACTION (S) MONITORING PLAN

The Customer Satisfaction element of the Balanced Measures Approach

IDENTITY OF RECOMMENDATION/FINDING

16. Provide CSRs on the toll-free lines only on a 16 hours a day, 6 days a week (i.e., 16/6) basis to deliver quality customer service that effectively meets taxpayer demand patterns. Automated services should be made available on a 24/7 basis.
17. Assign national responsibility within the Customer Service Division for the coordination and communication of IDRS availability with IS and the call sites to ensure IDRS availability with IS and the call sites to ensure IDRS availability at all times when CSRs are providing taxpayer service.

ASSESSMENT OF CAUSE (S)

Shortages of experienced staff and insufficient resources to answer taxpayer inquiries made it difficult to provide adequate 7x 24 hours of service in all product lines.

CORRECTIVE ACTIONS

Effective April 18, 2000, Customer Service will provide tax law service on a 16 hours a day, 6 days a week basis during non-filing season. We continually assess customer needs and adjust our services as appropriate within our available resources. Customer Service will continue to offer automated services consistent with IDRS availability.

Customer Service has established a communication plan with IS to ensure that system availability information is shared nationwide. Customer Service and IS continue to bridge the communication efforts between Field Customer Service User Support Staff and the Field IS help desk to ensure the timely dissemination of scheduled downtimes. Customer Service will designate the Servicewide Electronic Research Program (SERP) as the media to display IDRS real-time schedules to CSRs.

IMPLEMENTATION DATE:

COMPLETED: September 30, 1999 PROPOSAL _____

CORRECTIVE ACTION(S) MONITORING PLAN

The system availability will be collected, verified and provided by IS and posted to SERP by Customer Service.

IDENTITY OF RECOMMENDATION/FINDING

18. To attain a reliable corporate measure of the quality of toll-free telephone service provided to taxpayers, Customer Service management needs to take actions to ensure

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that there is an adequately-sized CQRS staff in place to meet the requirements of the sampling plan or to find ways to increase the volume of calls monitored by each reviewer.

ASSESSMENT OF CAUSE(S)

The sampling plan was designed to provide a statistically valid national quality number each month with 90 percent confidence \pm 5 precision. The sampling plan requirements are currently being met and the quality data is valid within the prescribed confidence and precision margins.

TIGTA maintains that the CQRS results are not statistically valid because Customer Service has not sampled the number of calls recommended by the Statistics of Income (SOI) function. The CQRS staff monitors call sites for a designated period of time and collects as much review data as is available during that window of opportunity so there is no prescribed number of calls recommended by SOI.

We added an additional 19 positions to the initial CQRS staff of 12 during the FY 1999 Filing Season. We experienced delays in reporting for the new hires because of the Servicewide focus on the filing season. In addition, we initially experienced and corrected a few problems with the telephone system that may have contributed to a small sample for some of the toll-free call sites. However, the national quality number was always valid monthly within the prescribed confidence and precision margins and met the requirements of the sampling plan.

CORRECTIVE ACTIONS

We are currently in the process of hiring an additional 15 reviewers at the CQRS site. The application period for the additional reviewer positions at the CQRS site closed on January 14, 2000. The personnel organization is diligently working through the large packages of applicants. We have requested a waiver from the hiring freeze imposed upon the Chief Operations organization in March 2000.

The current review samples are large enough to provide a statistically valid call site level quality number on a quarterly basis within the accepted confidence and precision margins. Our long-term goal is to produce Quality estimates at each call site each month that meet the confidence and precision margins (90 percent \pm 5). The additional staff at the CQRS site will augment our monthly sample to achieve this objective.

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IMPLEMENTATION DATE:

COMPLETED _____ PROPOSED: July 1, 2000

We anticipate having the additional staff on board soon after the end of the FY 2000 filing season.

RESPONSIBLE OFFICIAL(S)

National Director, Workforce Performance and Analysis Division

IDENTITY OF RECOMMENDATION/FINDING

19. To attain a reliable corporate measure of the quality of toll-free telephone service provided to taxpayers, Customer Service management needs to take actions to revise the process for selecting calls to more effectively ensure that there is a proportionate number of calls monitored for quality for each call site.

ASSESSMENT OF CAUSE(S)

The CQRS staff monitors call sites for a designated period of time and collects as much review data as is available during that window of opportunity. This methodology provides excellent randomization of calls but can provide an unpredictable sample volume. Toll-free calls can be disqualified from meeting sample criteria for a variety of reasons. In addition, the reviewers may experience dead air where there are no calls available for a site. The CQRS reviewers are instructed first to switch to another application within the site and then to monitor an alternate site if they are experiencing dead air at the scheduled call site.

The CQRS staff currently monitors each site's sample volume throughout the week and makes necessary adjustments if it appears a site will receive a disproportionate sample.

CORRECTIVE ACTIONS

None are necessary.

IMPLEMENTATION DATE: N/A

RESPONSIBLE OFFICIAL(S)

National Director, Telephone Operations Division

IDENTITY OF RECOMMENDATION/FINDING

20. To attain a reliable corporate measure of the quality of toll-free telephone service provided to taxpayers, Customer Service management needs to take actions to ensure that all issues are monitored and that there is an equitable balance of coverage by the national quality review system.

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ASSESSMENT OF CAUSE(S)

Toll-Free Telephone Service encompasses both Account calls and Tax Law calls. The CQRS staffs are assigned a product line and its applications within call sites to monitor for a designated period of time and collect as much review data as is available during that window of opportunity. The sample for Account calls was designed to provide coverage of issues based on the demand of the taxpayers. This methodology provides excellent randomization of calls and ultimately should reflect the universe of Account calls but will not provide an equal coverage of issues. The sample for Tax Law calls was designed to ensure that all topics that are not messaged are monitored approximately equally. Due to the complexity of topics within Tax Law, we assign the CQRS staffs specific applications to monitor in which they have expertise. This methodology provides excellent coverage of issues but cannot reflect the universe of Tax Law calls due to the number of issues that are messaged.

CORRECTIVE ACTIONS

The current sample designs optimize quality review of the Toll-Free Telephone Service based on available technology and staffing levels. Due to these limitations, there are currently no known corrective actions that can be taken to improve the measurement of the quality of the Toll-Free Telephone Service.

IMPLEMENTATION DATE: N/A

RESPONSIBLE OFFICIAL(S)

National Director, Telephone Operations Division

IDENTITY OF RECOMMENDATION/FINDING

21. To attain a reliable corporate measure of the quality of toll-free telephone service provided to taxpayers, Customer Service management needs to take actions to develop a means to ensure that Spanish-language calls are remotely monitored for quality in the same manner as English-language calls.

ASSESSMENT OF CAUSE(S)

In full cooperation with NTEU, we selected the CQRS site in Philadelphia from several non-continuing Customer Service sites across the nation. The original CQRS staff of 11 was selected from the local Philadelphia commuting area.

In FY 1999, in keeping with our projected expansion plans and seeing the need for bilingual quality reviewers, we announced for additional positions at the CQRS site

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using a standard position description (SPD) with a desired bilingual skill because no National Office SPD existed that included bilingual skills. Although we announced nationally, we were unable to secure funding for moving expenses for the positions. Consequently, the applications we received were from the resource pool within the Philadelphia commuting area.

Although some applicants did possess bilingual skills, the ranking procedures dictated that we only give rank based on their quality review skills. Ultimately, we were unable to hire any bilingual quality reviewers from the Philadelphia resource pool.

CORRECTIVE ACTIONS

We immediately began soliciting other potential Customer Service call sites that had an adequate resource pool to provide bilingual quality review. Many sites expressed interest in housing the bilingual review operation but most were unable to provide a long-term solution due to short-term space considerations. The Dallas call site expressed interest in providing a short-term solution and announced for the bilingual positions on March 6, 2000.

IMPLEMENTATION DATE:

COMPLETED _____ PROPOSED: June 1, 2000

We project that the Dallas bilingual quality review call site will be operational in May 2000.

RESPONSIBLE OFFICIAL(S)

National Director, Telephone Operations Division

IDENTITY OF RECOMMENDATION/FINDING

22. To attain a reliable corporate measure of the quality of toll-free telephone service provided to taxpayers, Customer Service management needs to take actions to expand corporate monitoring to include the quality of answers provided to taxpayers during all hours of operation.

ASSESSMENT OF CAUSE(S)

The CQRS site in Philadelphia currently operates 6 days a week and 16 hours a day Monday through Saturday 7:00 a.m. to 11:00 p.m. These hours were selected because they provided quality review coverage for 95 percent of Customer Service's scheduled toll-free call volumes. The additional evening and weekend hours at the CQRS site currently costs \$225,000.00 in additional overtime and utilities. It was deemed cost

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prohibitive to include coverage for the remaining five percent of the scheduled toll-free call volumes.

We are considering a proposal to conduct call recordings that would provide coverage of the toll-free telephone service 24x7 and allow the CQRS staff to manage their workload as an inventory. Final organizational approval and funding are required to move forward with this initiative.

CORRECTIVE ACTIONS

None are planned at this time.

IMPLEMENTATION DATE: N/A

RESPONSIBLE OFFICIAL(S)

National Director, Telephone Operations Division

IDENTITY OF RECOMMENDATION/FINDING

23. Customer Service management should devise a menu system that ensures only appropriate calls are routed to the PRP line.

ASSESSMENT OF CAUSE(S)

Customer Service management attributes the volume of inappropriate calls on the National Taxpayer Advocate (NTA) (formerly PRP) line to the self-select nature of the menu system. This makes it impossible to ensure all calls are routed to the correct location. The overall menu system will be redesigned as part of the IRS' modernization effort. We have no plans to make interim changes.

CORRECTIVE ACTIONS

Callers who dial the 877-777-4778 number are directed in the VRU script to validate whether or not they qualify for NTA service. Should callers not qualify because they have not previously contacted the IRS, or because their last contact was less than 30 days, they are prompted with four options which will permit their calls to be processed in the most efficient manner. The options the caller receives include: Personal Income Tax Question; Federal Refund or Tax Return Filed; Personal Tax Records or Notice, Letter or Bill; Business or Employment Return. If the caller selects one of these options, the call is post routed to one of the 15 district offices based on the best site available to handle the call.

IMPLEMENTATION DATE:

COMPLETED: January 1, 2000 PROPOSAL _____

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RESPONSIBLE OFFICIAL(S):
National Taxpayer Advocate

CORRECTIVE ACTION(S) MONITORING PLAN
As with the other product lines, managers monitor the NTA calls. Existing reports are being used to compare FY 1999 to FY 2000.

IDENTITY OF RECOMMENDATION/FINDING
To further improve the ability of Spanish-speaking taxpayers to use the IRS toll-free telephone system, Customer Service management needs to undertake one or more of the following actions:

24.1 Consider developing a separate toll-free line for Spanish-speaking callers.

ASSESSMENT OF CAUSE(S)
At the time this review was conducted, assistance for Spanish-speaking taxpayers was sporadic and of inconsistent quality. Service in Spanish was dependent upon whether or not the caller randomly reached a site with a Spanish-speaking assistor available. The 1997 Cordova report found that the level of access for non-English speaking callers was only 26 percent, compared with the goal at that time of 70percent.

CORRECTIVE ACTIONS
Customer Service analyzed the recommendation that a separate toll-free line for Spanish-speaking callers be established, and determined it was not a viable option at this time because of budgetary and technological restraints and a lack of potential assistors. Instead, the IRS decided to institute post routing in January 2000 to nine existing sites through the use of a Spanish script option. At the time this recommendation was made by the Cordova and other studies, Customer Service did not have the routing capabilities and an enterprise system. This is a more efficient way to distribute calls to a limited number of bilingual CSRs. More accurate data on Spanish call demand and most frequently accessed applications and product lines will assist in determining viability of a separate toll-free line in the future. In addition, ACD enhancements such as upgrades to ASPECT 7.2 will also be factored in as consideration for optimal service to this segment of callers.

IMPLEMENTATION DATE:
COMPLETED: January 10, 2000 PROPOSAL _____

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RESPONSIBLE OFFICIAL(S)
National Director, Telephone Operations Division

CORRECTIVE ACTION(S) MONITORING PLAN
We will study existing telephone data reports, the number of callers served, abandoned rates, service level, average speed of answer, call handle time, and quality of answers to determine changes that might be made to current operations. In addition, we will convene a task force in April 2000 to examine the initial operation and recommend changes for improvement.

IDENTITY OF RECOMMENDATION/FINDING
To further improve the ability of Spanish-speaking taxpayers to use the IRS toll-free telephone system, Customer Service management needs to undertake one or more of the following actions:

24.2 Develop a comprehensive strategy for recruiting and hiring more Spanish-speaking CSRs.

ASSESSMENT OF CAUSE(S)
At the time this review was conducted, assistance for Spanish-speaking taxpayers was sporadic. The number of assistors available to handle Spanish-speaking taxpayers was insufficient.

CORRECTIVE ACTIONS
Bilingual Spanish-speaking assistors and managers were recruited at the nine selected sites. Additional volunteers were sought from the existing staff. The results of the initial filing season will determine the extent and the direction of continued publicity, recruitment, and hiring. [See the Corrective Actions comments under recommendation 24.4]

IMPLEMENTATION DATE:
COMPLETED _____ PROPOSED: July 2000

RESPONSIBLE OFFICIAL(S)
National Director, Telephone Operations Division

CORRECTIVE ACTION(S) MONITORING PLAN
We are using regular monitoring reports to identify gaps and shortages that will need to be addressed after the filing season.

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IDENTITY OF RECOMMENDATION/FINDING

To further improve the ability of Spanish-speaking taxpayers to use the IRS toll-free telephone system, Customer Service management needs to undertake one or more of the following actions:

- 24.3 Assign a designated number of the available Spanish-speaking CSRs to exclusively handle calls from Spanish-speaking taxpayers.

ASSESSMENT OF CAUSE(S)

When Spanish calls entered the same queue as English calls, they frequently encountered difficulty getting in and long wait times once they got in.

CORRECTIVE ACTIONS

Beginning January 2000, Spanish-speaking customers are intelligently routed on an enterprise-wide basis using a pool of representatives at nine designated call sites. Using post-route call processing, Spanish-speaking customers are directed to two groups of representatives who receive: 1) Spanish calls only; and 2) Spanish calls and English procedural calls. The second group was designated for a couple of reasons: 1) Assistors with a dual assignment remain consistently productive; and 2) Procedural calls are short in nature and have a quick turnaround. To prevent Spanish-speaking customers from waiting while representatives in the second group are speaking to English-speaking customers, Spanish calls have first priority. Additionally, English procedural calls are routed to a representative in the second group if there are at least two representatives waiting available for a call. At no time is an English-speaking customer routed if there is only one representative waiting available; this representative is "held in reserve" to answer the next Spanish-speaking customer routed to that group.

IMPLEMENTATION DATE: N/A

RESPONSIBLE OFFICIAL(S)

National Director, Telephone Operations Division

CORRECTIVE ACTION(S) MONITORING PLAN

CSOC monitors telephone performance on a real-time basis to ensure the enterprise is operating optimally. One of the services monitored is Spanish assistance. As staffing and/or traffic volumes fluctuate, CSOC makes the appropriate changes as warranted. In addition, CSOC reviews telephone performance from the previous day on a daily basis via a conference call with CSOC personnel and the Deputy CCSFO's staffs.

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IDENTITY OF RECOMMENDATION/FINDING

To further improve the ability of Spanish-speaking taxpayers to use the IRS toll-free telephone system, Customer Service management needs to undertake one or more of the following actions:

- 24.4 Determine the feasibility of routing calls from Spanish-speaking taxpayers to the Puerto Rico call site.

ASSESSMENT OF CAUSE(S)

Puerto Rico has long been a site with the potential to service more Spanish-speaking taxpayers. We have been unable to use them for this service because they did not have a telephone system compatible for routing such calls to them.

CORRECTIVE ACTIONS

We conducted a feasibility study and decided to expand the call routing system to include Puerto Rico. We are establishing a new site, installing a new system, and hiring 125 new assistants to begin training in October 2000. As of March 10, 2000 we have received 547 applications for these positions.

IMPLEMENTATION DATE:

COMPLETED _____ PROPOSED: October 2000

RESPONSIBLE OFFICIAL(S)

National Director, Telephone Operations Division

CORRECTIVE ACTION(S) MONITORING PLAN

The Puerto Rico call site will become part of the Customer Service toll-free enterprise prior to Filing Season 2001. The site is currently transitioning to the Austin Customer Service Center configuration (Austin-Dallas-Puerto Rico) with completion scheduled for mid-April 2000.