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**REPORT TO THE JOINT
COMMITTEE ON INTERNAL
REVENUE TAXATION**

**Telephone Assistance To Taxpayers
Can Be Improved**

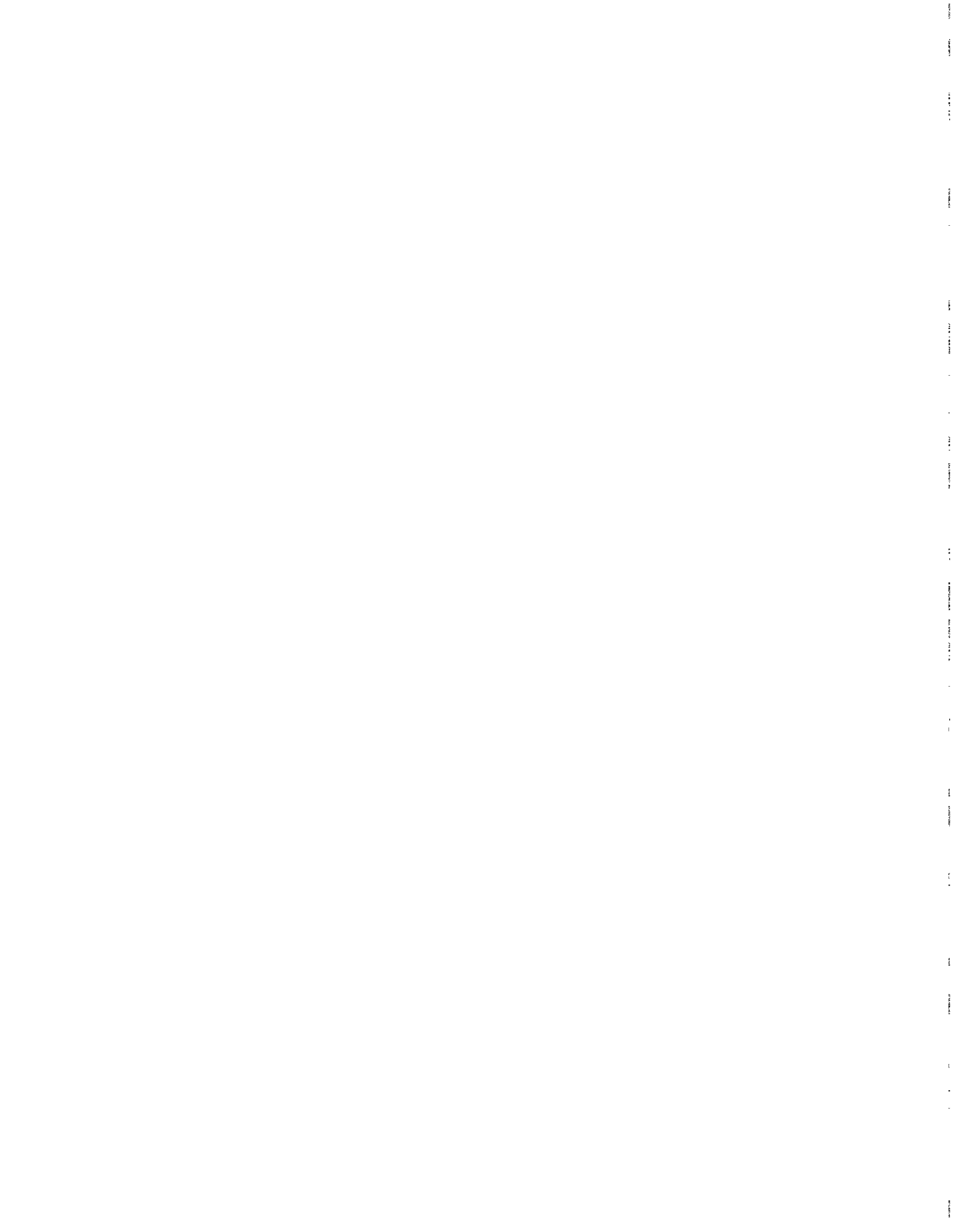
Internal Revenue Service
Department of the Treasury

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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COMPTROLLER GENERAL OF THE UNITED STATES

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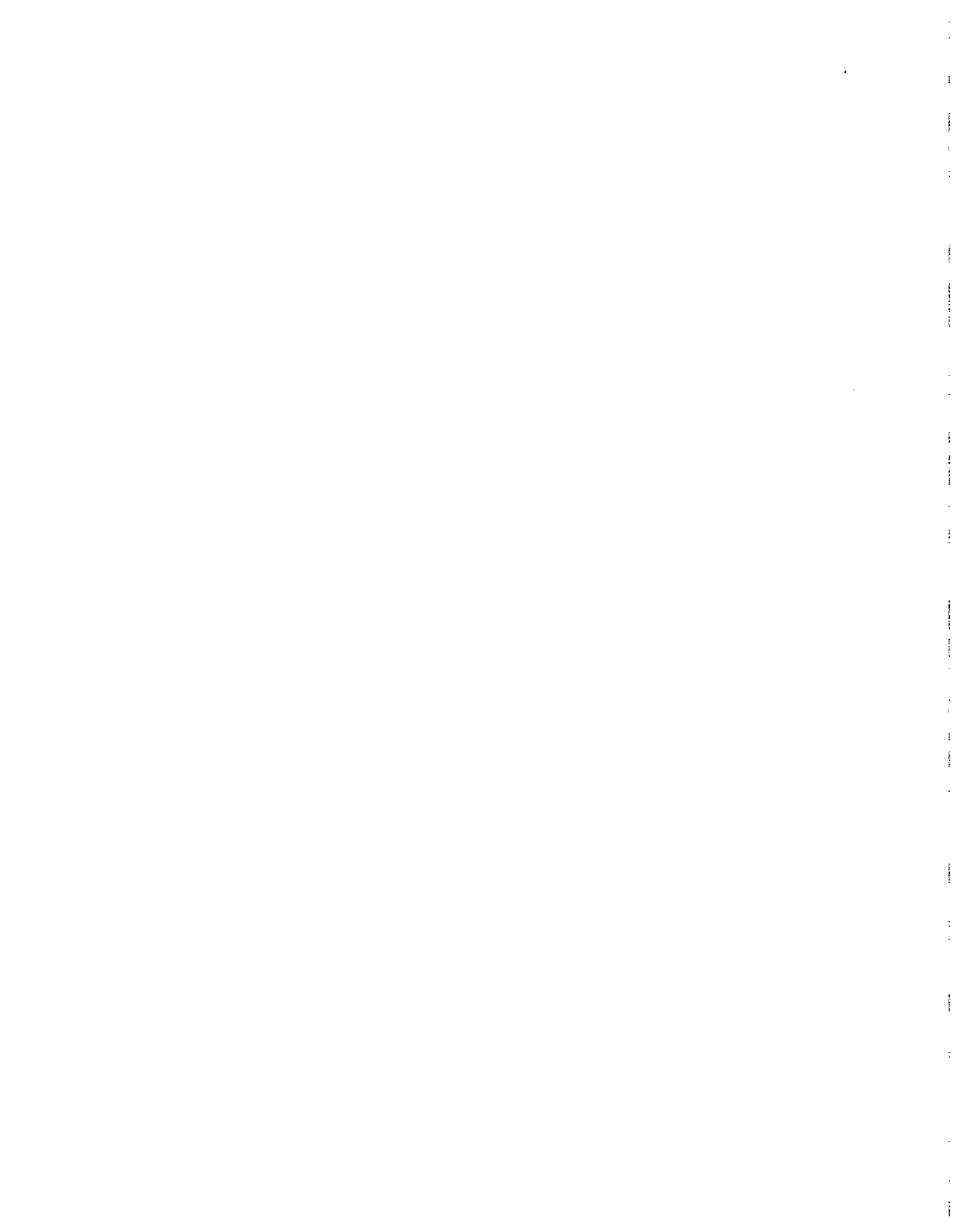
To the Chairman and Vice Chairman
Joint Committee on Internal Revenue Taxation
Congress of the United States

This is one of a series of reports in response to the request of your Committee. The report assesses the telephone assistance the Internal Revenue Service provides to taxpayers.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of the Treasury; and the Commissioner of Internal Revenue.

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General
of the United States



COMPTROLLER GENERAL'S REPORT
TO THE JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION

TELEPHONE ASSISTANCE TO
TAXPAYERS CAN BE IMPROVED
Internal Revenue Service
Department of the Treasury

D I G E S T

WHY THE REVIEW WAS MADE

The Joint Committee on Internal Revenue Taxation has asked GAO to review all facets of the Internal Revenue Service (IRS) Taxpayer Service Program. (See app. I.)

This report covers service provided to taxpayers seeking help on tax questions over the telephone. IRS' overall effort to assist taxpayers will be discussed in a later report.

FINDINGS AND CONCLUSIONS

The purpose of the IRS Taxpayer Service Program is to help people self-assess their tax and file an accurate return. Telephone assistance is a significant element of this activity.

In fiscal year 1974 about 72 percent of all taxpayer assistance contacts made were by telephone, and about 57 percent of the time spent assisting taxpayers was associated with telephone assistance. (See pp. 2 and 4.)

Increased demand for telephone assistance and improved assistance capability

IRS has encouraged taxpayers to phone, rather than visit, for tax assistance because telephone service is more efficient. According to IRS, about 33 percent more people can be assisted per unit of time by phone than by in-person service at IRS offices. (See p. 5.)

During fiscal years 1965-74, the number of telephone assistance contacts increased 52 percent--from 16.2 million to 24.7 million. (See p. 6.)

Responding to the increasing volume of calls, IRS during 1971-74 expanded and upgraded assistance by establishing a centralized telephone system, comprising a network of toll-free lines directing inquiries in a specific geographical area to a "telephone center." There were 135 such centers in 1974. (See pp. 6 and 8.)

The new system enabled IRS in 1974 to provide all taxpayers in the Nation toll-free access

to IRS assistance for the first time--a feature of particular benefit to rural taxpayers. (See p. 10.)

As IRS has expanded and up-graded its system, operating costs have increased substantially. The estimated \$7.5 million spent for equipment and related items in fiscal year 1974 was roughly \$5 million more than was spent in the prior year. In addition, the amount of personnel time spent giving assistance increased 17 percent. These increases probably stemmed from the expansion of toll-free service from 30 districts in 1973 to all 58 IRS districts in 1974. (See p. 12.)

Need for improved monitoring of the quality of service

The telephone centers had equipment enabling supervisors to listen to incoming calls--without the knowledge but with the consent of the assistors--to monitor assistors' responses. Monitoring is the primary means of insuring that service is timely, accurate, and courteous. (See pp. 13 to 15.)

GAO concentrated its review on monitoring activities in 6 of IRS' 58 districts during the 1974 tax filing period (Jan. 2 to Apr. 15, 1974). At various districts monitoring was inadequate in coverage, timeliness, and attention to accuracy of assistors' responses. Specifically:

--At five of the six districts, from 12.1 to 53.5 percent--33.5 percent overall--of assistors were not monitored. (See p. 16.)

--Two districts concentrated monitoring efforts on the last 6 weeks of the period, rather than on the early weeks when corrective actions would have had greater benefit. (See pp. 18 to 19.)

--Two districts gave insufficient attention to the accuracy of assistors' responses. (See pp. 19 to 20.)

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

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

--evaluate the quality of telephone assistance, and

--identify and correct areas of program weaknesses, such as assistor training and staff assignment. (See pp. 20 to 21.)

Monitoring was generally inadequate because IRS program guidelines

--were not specific as to the monitoring coverage districts were to provide,

--did not point out importance of early monitoring, and

--did not require that monitoring results be summarized and reported to management officials. (See p. 23.)

Observations on availability of telephone service

In some districts, availability of telephone assistance during the 1974 tax filing period could have been increased if telephone centers had the additional lines and assistors needed to meet IRS' minimum standard of telephone service.

As defined in program guidelines, the minimum grade of service in 1974 allowed for not more than 10 percent of incoming calls to go without tax assistance because of busy signals.

Some districts did not meet this standard because telephone centers had too few lines. Some callers did not receive assistance because they were placed on "hold" and hung up before an assistor became available. This resulted because there were not enough assistors to staff all lines. (See pp. 26 to 31.)

Additionally, at four of the six districts reviewed, equipment malfunctions caused a variety of problems. (See pp. 31 to 32.)

In general, IRS recognized the problems that hindered its 1974 service and said it had

taken various actions to eliminate or reduce them by the 1975 tax filing period. These actions included

--installing larger capacity systems in a number of telephone centers and

--authorizing additional staff-years for telephone assistance personnel. (See pp. 28 to 29 and 30 to 31.)

RECOMMENDATIONS OR PROPOSALS

On December 5, 1974, GAO briefed IRS on its findings so that corrective action could be taken for the 1975 tax filing season.

GAO proposed that IRS revise taxpayer service program guidelines to

--explicitly require monitoring of all telephone assistors,

--specify factors for managers to consider in determining frequency of monitoring, and

--emphasize monitoring in the early weeks of the filing period.

GAO further proposed that IRS

--develop, for use by all monitors, a uniform form or report listing all important factors to be considered in evaluating assistors' performance and

--require centers to summarize the extent and results of monitoring efforts and report

to officials at appropriate management levels. (See p. 24.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

IRS officials agreed with the findings and proposals. Beginning in mid-December 1974, they instructed field offices to

- subject all telephone inquiries to sampling,
- base frequency of sampling on a reasonable sampling system,
- implement these quality procedures on the first day of the 1975 filing period, and
- devote sufficient direct staff-hours (approximately 3 to 5 percent) to quality assurance procedures.

IRS also developed a standardized worksheet for evaluating the quality of the telephone assistants' answers. These records are to be maintained for regional and national office review. (See pp. 24 and 25.)

GAO is not making any recommendations on these matters since IRS has already taken corrective action.

MATTERS FOR CONSIDERATION BY THE JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

This report is intended to provide the Joint Committee with a general overview of IRS telephone assistance to taxpayers and to bring to the Committee's attention GAO's conclusions and proposals to IRS regarding the need for improved monitoring of telephone assistants' performance.

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ABBREVIATIONS

GAO	General Accounting Office
IRS	Internal Revenue Service

CHAPTER 1

INTRODUCTION

By letter dated January 13, 1971, to the Comptroller General and the Commissioner of Internal Revenue, the Joint Committee on Internal Revenue Taxation requested that we act as the Joint Committee's agent in reviewing the operations, policies, and procedures of the Internal Revenue Service (IRS). Under section 8022 of the Internal Revenue Code, the Joint Committee is responsible for investigating the operation, effects, and administration of the Federal tax system.

In a June 18, 1973, letter to the Comptroller General, the Joint Committee requested and authorized us to conduct three separate studies in accordance with the intent of the January 1971 letter. These studies concerned (1) the taxpayer assistance program, (2) the audit of tax returns, and (3) the regulatory activities of the Bureau of Alcohol, Tobacco, and Firearms. (See app. I.)

IRS assists taxpayers by answering questions on tax matters in person, by mail, and by telephone; distributing tax forms and informational pamphlets; preparing tax returns; and providing educational services. This report covers only those activities related to providing telephone assistance. A later report will discuss IRS' overall efforts to assist taxpayers.

We are treating telephone assistance separately because we completed that segment of our review first and discussed our findings and recommendations with IRS before the 1975 tax filing period.

Telephone contacts have increased substantially in recent years and, in 1974, constituted more than one-half of IRS' total taxpayer assistance contacts. In addition, 1974 was the first year in which IRS offered toll-free telephone service to all taxpayers. Our review of telephone assistance to taxpayers focused on activities during the 1974 tax filing period (Jan. 2 to Apr. 15, 1974).

IRS' MISSION, SCOPE OF ACTIVITIES, AND ORGANIZATION

IRS, an agency of the Department of the Treasury, administers and enforces the internal revenue laws except those relating to alcohol, tobacco, firearms, and explosives. Its activities include providing tax information and assistance to taxpayers in preparing their returns and

determining, assessing, and collecting all internal revenue and other taxes.

IRS is decentralized. Its headquarters organization (national office) in Washington, D.C., develops nationwide policies and programs for administering the internal revenue laws and provides overall direction to the field organization. However, IRS' personnel and work are concentrated in the field. The field organization comprises 7 regional offices, 58 district offices, 10 service centers, a data processing center, and a national computer center.

During fiscal year 1974, IRS had about 75,900 employees and operating costs of about \$1.3 billion. It processed about 117 million tax returns and collected \$260.3 billion in taxes.

THE TAXPAYER SERVICE PROGRAM

IRS seeks to encourage and achieve the highest possible degree of voluntary compliance with tax laws and regulations. As part of this effort, it maintains a taxpayer service program to help people self-assess their tax and file an accurate return.

The need for such a program has increased significantly since World War II, as the number of individuals subject to the income tax has increased and laws have become more complex. In fiscal year 1974, IRS was contacted more than 34.4 million times by taxpayers seeking assistance. About 21.7 million (63 percent) of these contacts were made during the January-April 1974 filing period. In that year, IRS applied an estimated 2,690 staff-years to taxpayer service activities.

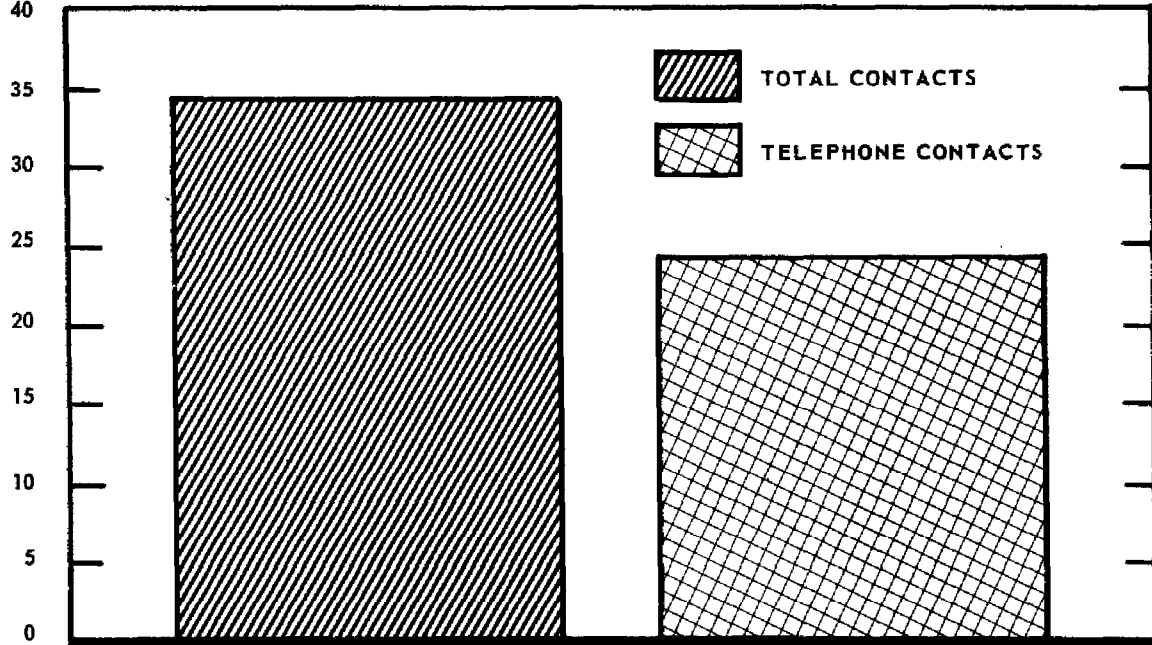
Under the service program, IRS extends assistance by (1) distributing tax forms and informational pamphlets, (2) providing educational services, (3) furnishing "walk-in" assistance to taxpayers by answering their questions and helping them prepare their returns, and (4) answering telephone and mail inquiries.

TELEPHONE ASSISTANCE

Most taxpayers who request help on their Federal tax questions do so by telephone. In fiscal year 1974, IRS recorded 24.7 million telephone calls by taxpayers, representing about 72 percent of the 34.4 million contacts made by taxpayers seeking assistance during that year. The relationship of telephone contacts to total contacts is illustrated in the following chart:

TAXPAYER SERVICE PROGRAM FISCAL YEAR 1974

CONTACTS
IN MILLIONS
40



In providing telephone assistance in fiscal year 1974, IRS expended 2.4 million hours--57 percent of the total 4.2 million hours expended for taxpayer assistance--at a cost (excluding personnel) of about \$7.5 million. (See p. 18.)

Nationwide responsibility for the taxpayer service program rests with the Director, Taxpayer Service Division, a unit of the Office of Assistant Commissioner (Accounts, Collection, and Taxpayer Service).

Prior to 1975 the Chief, Collection and Taxpayer Service Division, had overall responsibility for implementing the program in each district. For the 1975 filing period, taxpayer service in 19 of the largest IRS districts was separated from collection activities and was the responsibility of a Chief, Taxpayer Service Division. Such divisions are designed to upgrade the taxpayer service function. The remaining districts established separate taxpayer service branches but remained combined with collection activities at the division level.

SCOPE OF REVIEW

We reviewed pertinent sections of the Internal Revenue Code; its legislative history; and IRS policies, regulations, procedures, and practices applicable to providing taxpayer assistance by telephone. We also reviewed reports on tests of the telephone system made by IRS national, regional, and district personnel responsible for telephone assistance.

We made our review at IRS' national office in Washington, D.C., and at telephone centers in six districts. The districts and the areas they served were as follows:

<u>District</u>	<u>Area served</u>
Austin, Tex.	Southern half of Texas
Detroit, Mich.	Michigan
Greensboro, N.C.	North Carolina
Omaha, Neb.	Nebraska
Portsmouth, N.H.	New Hampshire
Seattle, Wash.	Washington

CHAPTER 2

INCREASED DEMAND FOR TELEPHONE ASSISTANCE

AND IMPROVED ASSISTANCE CAPABILITY

The telephone is the most convenient and, according to IRS, the most efficient means of assisting taxpayers with their tax questions. With IRS encouragement, more and more taxpayers are using the telephone to get tax help. During the past decade, the number of calls to IRS grew by 8 million-- a 52-percent increase.

Responding to the situation, IRS has established a new, centralized telephone system to expand and upgrade its service. Composed of 135 "telephone centers," the new system in fiscal year 1974 enabled IRS to

--give all taxpayers in the Nation, for the first time, toll-free access to IRS assistance and

--reduce the telephone-answering burden and interruptions to in-person service at local IRS offices.

INCREASED USE OF THE TELEPHONE TO OBTAIN TAX ASSISTANCE

Telephone assistance is obviously convenient to taxpayers because it enables them to obtain IRS advice without leaving their homes or offices and without the bother of writing.

Telephone assistance also benefits IRS, enabling it to answer taxpayer questions more efficiently. According to IRS officials, about 33 percent more people can be assisted per unit of time by telephone service than by in-person service at IRS offices. In the 1974 filing period, telephone contacts accounted for 71 percent of IRS' total taxpayer service contacts but involved only 55 percent of the total staff-hours expended on such service. (See app. III.)

IRS has encouraged taxpayers to use telephone assistance. Its 1974 public information program, for instance, included newspaper, radio, and television announcements urging people to ask their tax questions by phone rather than in person. In addition, IRS listed the toll-free telephone numbers in the tax package sent to the taxpayer.

During fiscal years 1965-74, telephone assistance contacts grew from 16.2 million in 1965 to 24.7 million in 1974--an increase of 8.5 million or 52 percent. In addition, the number of persons filing tax returns increased from 66 million to 83 million--an increase of 17 million or 26 percent. The chart on the next page shows the overall pattern of increase in telephone calls in recent years.

The six districts we reviewed received 7.6 to 23.6 percent more telephone assistance calls in the 1974 filing period than in the 1973 filing period. The data for each district is detailed in the table below.

<u>District</u>	<u>Number of calls answered during filing period</u>		<u>Increase</u>	
	<u>1973</u>	<u>1974</u>	<u>Number</u>	<u>Percent</u>
Austin	435,351	499,874	64,523	14.8
Detroit	580,496	652,972	72,476	12.5
Greensboro	200,930	234,845	33,915	16.9
Omaha	119,563	129,029	9,466	7.9
Portsmouth	58,713	72,750	14,037	23.9
Seattle	375,602	412,994	37,392	10.0

Nationally, the ratio of telephone assistance contacts to total assistance contacts has also increased. In fiscal year 1973 telephone contacts made up 68 percent of total assistance contacts. In fiscal year 1974, however, they made up 72 percent of the total contacts. (See app. III.)

Why have telephone assistance calls increased so substantially? IRS officials cited the following as probable contributing factors:

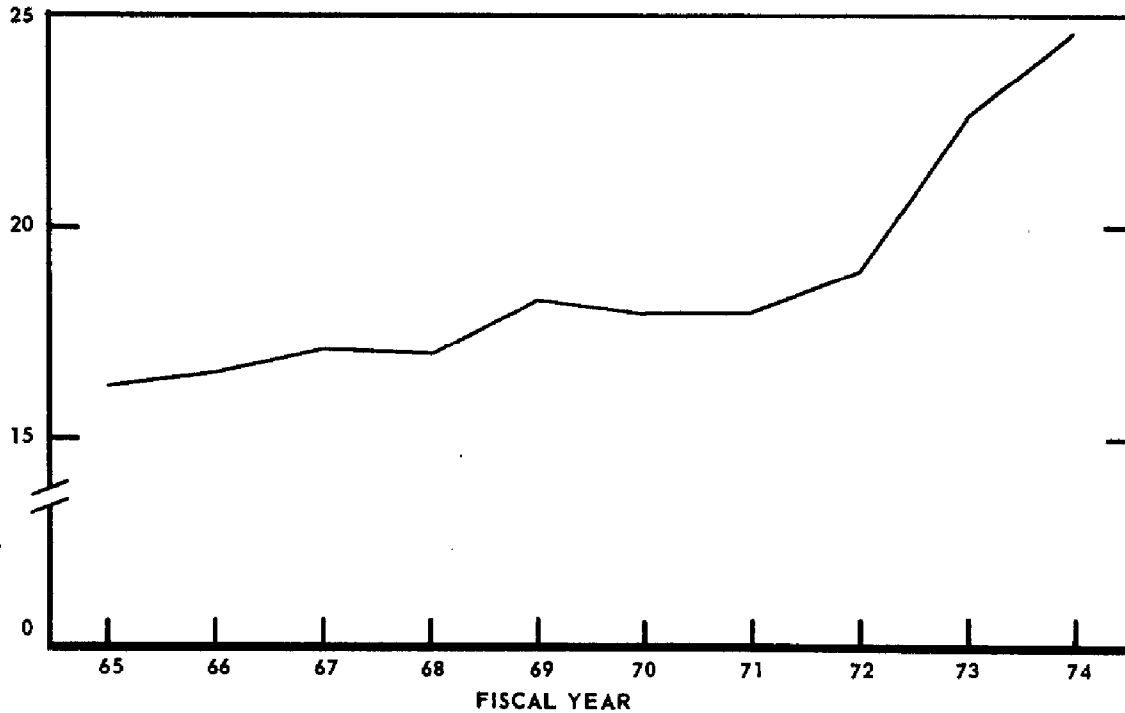
- The public information program.
- The expanded availability of toll-free IRS telephone assistance.
- The energy crisis, prompting some persons to phone, rather than drive their cars to an IRS office, for assistance.

A CENTRALIZED SYSTEM FOR EXPANDED AND UPGRADED SERVICE

Having encouraged and obtained greater taxpayer use of telephone assistance, IRS reappraised its telephone techniques and systems. This included tests of centralized telephone systems as early as 1965.

TELEPHONE ASSISTANCE

CONTACTS
IN MILLIONS



In 1970-71 IRS tested a new, centralized, toll-free system in four districts. The system comprised a network of toll-free lines that automatically directed telephone inquiries within a specific geographical area to a central taxpayer service station, referred to as a "telephone center."

According to the 1970-71 study, wide area telephone service could be used to provide toll-free telephone service to all taxpayers in a district. These lines permit taxpayers to dial direct--with no toll charge--into a central answering point. The study indicated that economies in the use of technical personnel resulting from centralization would offset the cost for additional coverage. It also showed that full centralization was not desirable and that, in districts having one or more large suboffices, more than one center was preferable.

On the basis of the study results, IRS installed the new telephone system in 27 districts by the 1972 filing period and had extended it to all 58 districts by the 1974 period. Under the system, 135 telephone centers were established. In 1974

--each district had one or more centers with combinations of local lines and toll-free lines and

--some metropolitan areas also had centers with local lines serving the areas.

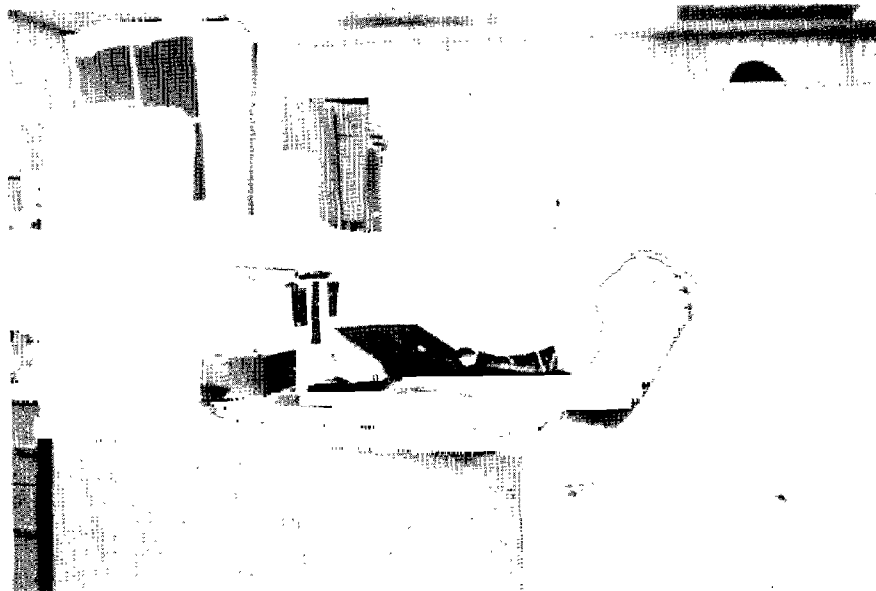
Telephone centers

IRS telephone centers are specifically designed to handle assistance inquiries. They are located in district or local IRS offices, but are usually in a separate room to segregate telephone assistance activities from other office activities.



View of Telephone Center, Greensboro, N.C.

The centers are staffed by telephone assistants trained to answer tax questions. They have ready access to the reference publications needed to researching answers. (See photograph below.)



Telephone Assistor, Greensboro Center

Because of the varying difficulty of tax questions, the centers also include a group of technicians--technical backup assistors--to answer questions the regular assistors cannot. On such questions, the regular assistor is to transfer the call to the backup assistor. If the latter does not know the answer, the question should be researched and the taxpayer called back.

In many districts the telephone system includes equipment that automatically distributes incoming calls to the assistor stations. If all assistor stations are busy, the equipment places the call on hold until a station becomes available.

Also, most districts have equipment to record the number of incoming calls, lost calls (when a taxpayer hangs up before an assistor station became available), and calls that received a busy signal.

In addition, the telephone centers had a monitoring console that enabled an IRS monitor to listen to incoming calls without the assistors' knowledge. Each assistor, however, was aware that his answer to taxpayers' questions could be monitored. The purpose of monitoring is to check the accuracy of information provided by the assistors. (See ch. 3.)

During the 1974 tax filing period, telephone centers provided service Monday through Friday, starting between 7:45 and 8:30 a.m. and ending between 4:30 and 5:30 p.m. Some centers also provided service during evening hours and on Saturdays.

The systems at each of the six districts we reviewed are described in appendix II.

Toll-free service for taxpayers

Under the new system, IRS extended toll-free service to all 58 districts by the 1974 period, thereby giving all the Nation's taxpayers toll-free access to IRS assistance for the first time. This was particularly beneficial to rural taxpayers.

However, nothing guaranteed that taxpayers would use this new service. For example, our analysis of calls in the more urban Detroit district showed that only 8,400 of 63,800 increased calls resulted from the installation of toll-free lines. In contrast, 8,400 (92 percent) of the 9,200 increased calls received by the Omaha district came on long-distance, toll-free lines.

The greater impact of toll-free service in the Omaha district may have been partly due to greater taxpayer awareness of the service. The 1974 filing period was the third year of toll-free service at Omaha, but only the first year of such service at Detroit.

Reduction in telephone workload
and interruptions at local offices

In adopting its new centralized system, IRS sought to reduce the disruptive effect of telephone inquiries on its local offices. The growing volume of telephone calls had (1) increasingly burdened many small local offices because they were not staffed to handle them and (2) interrupted service to taxpayers visiting these offices for assistance.

To encourage taxpayers to call the telephone centers rather than local offices during the 1974 filing period, IRS instructed telephone companies to remove its local office numbers from phone directories and replace them with telephone center numbers. In addition, assistors at the centers were not to give callers local IRS office numbers unless the inquiry concerned a collection or audit.

IRS successfully channeled calls from local offices to telephone centers in the six districts we reviewed. The 16 centers in these districts received 1.8 million (88 percent) of the 2.1 million calls recorded, and local offices received fewer calls than in previous years. To illustrate, 1 local office that had received 28,596 calls during the 1973 filing period received only 695 calls during the 1974 period.

Some taxpayers complained about not being able to call their local IRS office. As a result, the Assistant Commissioner for Accounts, Collection, and Taxpayer Service directed, on February 13, 1974, that:

- Assistors give local IRS office numbers on request from taxpayers.
- Personnel at local offices, if contacted, try to answer phone inquiries rather than refer the caller to a telephone center.
- Telephone company operators be instructed to give local office numbers upon taxpayer request.

--Telephone companies be requested to publish local IRS phone numbers in their directories along with the toll-free number.

Although calls to local offices did not substantially increase, the above action did create problems for some district personnel. Assistors sometimes had to keep taxpayers waiting while they answered incoming calls because local offices had not been staffed for telephone assistance.

Cost of providing
telephone assistance

As IRS has expanded and upgraded its telephone service system, the cost of providing telephone assistance has increased substantially. In fiscal year 1974, estimated expenditures on the system were about \$7.5 million--about \$5 million more than in the prior year. A breakdown of estimated 1974 costs follows:

	<u>Cost</u>
	(in millions)
Circuitry	\$5.5
Equipment (furniture, etc.)	1.3
Special services (repairs, etc.)	<u>.7</u>
Total	<u>\$7.5</u>

The major increase related to circuitry, which cost \$5.5 million in 1974 compared to \$1.6 million in 1973. The main cause of the increase was IRS' expansion of toll-free service from 30 districts in 1973 to all 58 districts in 1974.

In addition to an increase in equipment and related costs, IRS increased, by 17 percent, the amount of personnel time spent assisting taxpayers over the telephone--2.05 million hours in 1973 to 2.39 million hours in 1974.

CHAPTER 3

NEED FOR IMPROVED MONITORING

IRS' main goal for the 1974 taxpayer service program was "quality service," defined as timely, accurate, and courteous answers to taxpayers' inquiries and solutions to their tax problems. To help insure that this goal was met, IRS program guidelines provided that (1) assistors' responses to incoming calls at telephone centers be regularly monitored and (2) supervisory personnel make sample test calls to evaluate assistor performance.

District monitoring efforts were inadequate to insure that telephone assistors were providing high quality service.

At various districts monitoring was inadequate in (1) coverage (how many assistors monitored and how often), (2) timeliness, and (3) attention to the accuracy of assistors' responses. Moreover, telephone centers did not--and were not required to--summarize the extent or results of their monitoring activities and report to management officials. As a result, management's knowledge of both the quality of service and the adequacy of quality control efforts was significantly impaired.

These shortfalls stemmed primarily from weaknesses in program guidelines. We believe IRS can improve monitoring by developing more specific guidelines and requiring summary reporting of monitoring efforts to management.

In addition to providing for continuing monitoring of incoming calls, the guidelines stated that managers and supervisors should make sample test calls to determine the quality of assistors' responses to specific technical and administrative questions. The results of IRS sample test calls during the 1974 filing period underscore the need for improved monitoring. In two separate series of nationwide test calls, IRS personnel identified a substantial error rate in assistors' responses to technical tax questions.

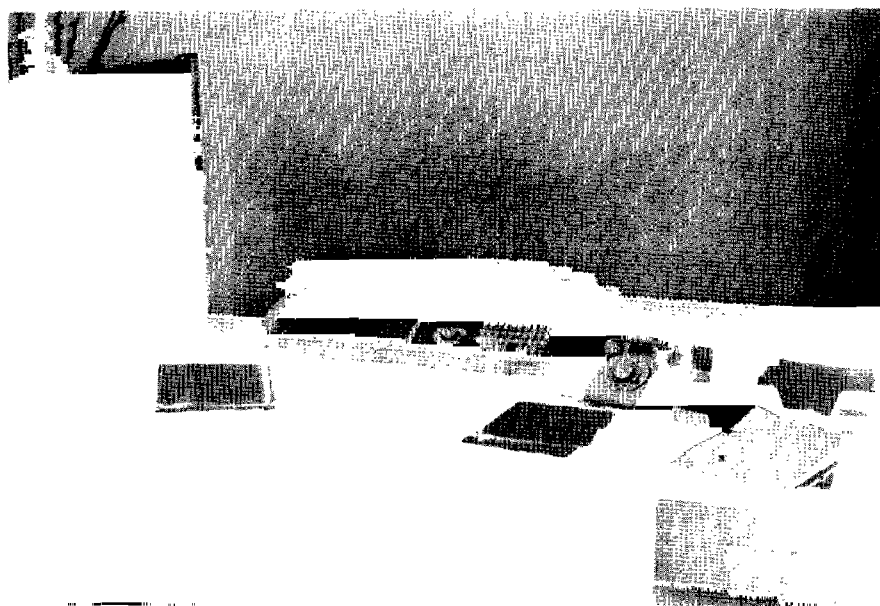
SHORTFALLS IN THE PRIMARY MEANS OF QUALITY CONTROL

IRS issued its 1974 filing period quality control guidelines for the taxpayer service program in December 1973. The guidelines provided that:

"Management should monitor, on a continuing basis, a sufficient number of incoming telephone calls to ensure that assistor responses are accurate, clear, concise, responsive, courteous, and presented in a proper tone."

Other factors to be considered in monitoring were whether the assistor (1) identified himself properly, (2) fully comprehended the problem, (3) recognized his own skill level and referred taxpayers to others when appropriate, and (4) elicited additional facts needed to provide the proper answer.

IRS personnel used monitoring consoles to evaluate assistors' responses. These consoles enabled monitors to listen to incoming calls without the knowledge but with the consent of the assistor. The consoles also enabled the monitor to signal the assistors if they were giving incorrect or unclear answers. An assistor was then aware of a need to consult with the monitor before completing the answer.



IRS Telephone Monitoring Console

We believe effective quality control requires that all assistors be monitored because (1) quality telephone assistance is dependent on the level of the individual assistors' performance and (2) each assistor may handle thousands of calls. Such monitoring should include an evaluation of all

important quality factors and should be conducted with sufficient frequency to enable valid assessment of assistors' overall performance.

In answering a large number of calls during the filing period, an assistor is confronted with many different situations, such as the unpleasant caller or the caller who uses only "street language." Adequate monitoring would demonstrate how an assistor reacts to these different situations.

We also believe monitoring should be emphasized early in the filing period, to permit timely corrective action on deficiencies disclosed.

At each of the six districts in our review, shortfalls existed in one or more of these aspects of monitoring. They resulted primarily from inadequacies in IRS monitoring guidance. Specifically:

- At five of the six districts, from 12.1 to 53.5 percent--33.4 percent overall--of assistors were not monitored. Of those who were monitored, 25 percent were monitored on only three or fewer calls. (Guidelines were not specific about the extent of monitoring coverage.)
- Two districts (Detroit and Portsmouth) concentrated their monitoring efforts on the last 6 weeks of the period. (Guidelines did not stress early monitoring.)
- Two districts (Portsmouth and Seattle) gave insufficient attention to the accuracy of assistors' responses. (IRS had not developed a uniform monitoring report form.)

Monitoring is IRS' most comprehensive means of quality review and should be management's primary source of information on the quality of telephone assistance. Telephone centers, however, were not summarizing and reporting the extent or results of their monitoring efforts to management officials. The reason: program guidelines did not require them to do so. The result: management knowledge of the quality of service and the effectiveness of quality control actions was seriously impaired. Thus, district and headquarters officials did not know the percentage of calls monitored or the results of monitoring.

Monitoring coverage inadequate

Overall, the six districts did not monitor enough of their telephone assistors or monitor them often enough. This was because the program guidelines were not sufficiently explicit as to the extent of monitoring to be performed.

During the 1974 filing period, 257 (33.5 percent) of the 768 assistors in the 6 districts were not monitored. Only one district (Portsmouth) monitored all its assistors; the other five did not monitor from 12.1 to 53.5 percent of their assistors. The extent of monitoring during the period is summarized, by district, in the following table.

<u>IRS district</u>	<u>Number of assistors</u>	<u>Number of assistors monitored</u>	<u>Assistors not monitored</u>	
			<u>Number</u>	<u>Percent</u>
Austin	233	148	85	36.5
Detroit	137	118	19	13.9
Greensboro	66	58	8	12.1
Omaha	81	51	30	37.0
Portsmouth	36	36	-	-
Seattle	<u>215</u>	<u>100</u>	<u>115</u>	53.5
Total	<u>768</u>	<u>511</u>	<u>257</u>	33.5

Moreover, of the 511 assistors who were monitored, 129 (25 percent) were monitored on only 3 or fewer calls. The Portsmouth district, which monitored all of its 36 assistors, monitored 12 of them on 3 or fewer calls.

Of the six districts, only Seattle had a monitoring plan that specifically addressed the extent of coverage to be provided. The plan provided that each assistor be monitored three times a month. The plan, however, was not effectively implemented--only 100 of the district's 215 assistors were monitored during the period.

The fact that some assistors are not assigned to telephone service duties for the entire filing period complicates districts' monitoring efforts. However, to insure the quality of telephone service, all assistors must be monitored. Such across-the-board coverage is required because each individual assistor--on whom the quality of service depends--may handle a significant number and percentage of calls.

For example, the 115 assistors who were not monitored in the Seattle district handled 76,000--19 percent--of the total of 404,000 taxpayer calls the district received during the period. This included 3 assistors who handled 15,000--35 percent--of the calls received at 1 of the district's telephone centers and an assistor who handled 8,400 calls at another center.

We also believe that assistors should be monitored and evaluated on more than three calls. Such limited monitoring provides an inadequate basis for evaluating assistors because of the variety of questions they must answer and the people of different temperaments with whom they must deal. Adequately evaluating each assistor is particularly necessary because each may handle a large volume of calls.

A specific number of calls cannot be designated as appropriate for monitoring all assistors. Rather, districts should determine this number systematically by considering such factors as the assistor's experience and the results of past monitoring.

Officials of the six districts agreed that monitoring coverage should be improved. They attributed shortfalls to several factors, including a lack of clarity in program guidelines which were not specific about the extent of monitoring coverage. As explained on page 14, the guidelines only provided that managers should monitor "a sufficient number of calls" to insure that assistor responses are satisfactory. They did not explicitly require that all assistors be monitored; nor did they include specific factors for managers to consider in judging the appropriate number of calls to be monitored.

Officials in some of the districts cited a variety of other factors that affected monitoring coverage. For example:

- A room used for monitoring was not always available because it was also used for other purposes.
- IRS audit personnel who were to act as monitors did not become available.
- Only one monitoring device was available, thereby limiting the number of calls that could be monitored. (However, a second monitoring device installed late in the filing season was not used.)
- The telephone monitor also acted as backup for personnel providing walk-in taxpayer and telephone assistance.

The monitor often had to assist in these areas and when doing so was unavailable for monitoring.

Monitoring emphasized late
in filing period

Two of the six districts concentrated their monitoring on the latter part of the 1974 filing period. Although monitoring should be continuous--as required by program guidelines--we believe it should be emphasized during the initial weeks, rather than the later weeks, of the period. As shown by the graph on page 27, taxpayer demand for service during the filing period was greatest in a 5-week period from January 20 through February 23. Concentrating monitoring efforts on the initial weeks would enable district officials to take more timely action to correct deficiencies in the service.

During the 1974 filing period, the Detroit and Portsmouth districts performed much of their monitoring in the last 6 weeks of the 15-week period. During these later weeks, the 2 districts monitored 767 (55.8 percent) of the total of 1,374 taxpayers calls monitored in the period. In the last 6 weeks:

--Detroit monitored 447 (46 percent) of a total of 971 calls monitored.

--Portsmouth monitored 320 (79 percent) of a total of 403 calls monitored. Moreover, it monitored 245 (61 percent) of the total calls in the final 2 weeks of the period.

The increased monitoring by Portsmouth during the final 2 weeks had apparently been ordered by the District Director as a result of test calls made by IRS internal audit staff and district revenue agents.

A more detailed analysis of monitoring in Detroit showed that the district did not complete initial monitoring of assistors during January, the first month of the filing period. Only 73 (62 percent) of the 118 assistors monitored during the period were initially monitored in January. Further, 32 of these 73 were monitored on only 1 call.

Our analysis in Detroit also showed that monitoring was not concentrated in the early weeks of the period. For example, 1 assistor had 1 call monitored in January, 2 calls monitored in February, and 10 calls monitored in April. Another assistor had two calls monitored in January and seven calls monitored on April 15.

By concentrating monitoring efforts in the later weeks of the filing period, these two districts were not acting contrary to program guidelines, which provided only for monitoring "on a continuing basis."

However, monitoring would be a more effective tool to insure quality service if it were emphasized during the first weeks of the tax filing period. About 71 percent of the taxpayer calls received by the six districts during the 1974 period were received after January. Effective disclosure of assistors' deficiencies through extensive monitoring in the early weeks would enable IRS officials to take corrective action--such as retraining or reassignment of staff--before most taxpayer requests were received.

Inadequate monitoring of
the accuracy of responses

Two of the six districts gave insufficient attention to the accuracy of assistors' responses. Consequently, monitoring in these districts provided inadequate assurance that taxpayers were receiving high quality assistance. This situation existed, in part, because IRS had not developed a uniform guide for monitors to use in evaluating assistors' performance.

Quality control guidelines established for the assistance program specified that such service was to provide accurate answers to taxpayers inquiries. Accurate answers are essential to the program's main purpose: helping taxpayers to file accurate returns. A basic objective of monitoring was to insure accurate responses.

In the Portsmouth and Seattle districts, monitoring of the accuracy of responses was not fully effective. Specifically:

--In Portsmouth, monitoring reports provided no evaluative data on assistors' accuracy.

--In Seattle, monitoring data concerning assistor accuracy was not adequately evaluated.

The Portsmouth district developed a checklist to evaluate assistors. A district representative said the checklist was to insure that the information they provided to taxpayers was technically accurate. The checklist provided for "yes" or "no" answers by the monitor on such factors as whether the assistor properly identified himself, was courteous, or recognized his own skill level and referred the question when appropriate. It did not include accuracy as a factor to be evaluated.

Although IRS listed the factors to be monitored (e.g., accuracy and courtesy) in its program guidelines, it did not develop a standard checklist or comparable form for monitors' use in evaluating assistors. Each district developed its own form. We believe that the use of a standard checklist would help insure that all districts evaluate each assistor's performance on the basis of all factors.

The form used by monitoring personnel in Seattle did require the monitor to verify whether assistors' responses were technically correct. However, district management believed that monitoring should deal only with courtesy. As a result, we do not believe monitoring information on the accuracy of assistors' responses was adequately evaluated.

Data on the accuracy of assistors' responses in monitoring reports at the other four districts showed that from 1.8 to 7.3 percent of the answers given by assistors were incorrect. This data is summarized in the table below.

<u>District</u>	<u>Total calls monitored</u>	<u>Monitoring reports we reviewed</u>	<u>Reports citing incorrect answers</u>	
			<u>Number</u>	<u>Percent</u>
Austin	2,616	1,576	29	1.8
Detroit	971	971	71	7.3
Greensboro	398	398	18	4.5
Omaha	<u>381</u>	a/ <u>296</u>	<u>9</u>	3.0
Total	<u>4,366</u>	<u>3,241</u>	<u>127</u>	3.9

a/ Does not include an additional 85 reports reviewed that were incomplete as to data on assistor accuracy.

Although the overall error rate identified by local monitors may be acceptable we believe that this rate cannot be used as a reliable measure of program quality. The districts did not monitor enough of their assistors, nor did they monitor them often enough, to determine the quality of service they were providing. Further, IRS test calls revealed a substantially higher rate of incorrect responses. (See p. 22.)

Inadequate reporting
impairs management overview

Although monitoring is the primary means of evaluating the quality of telephone assistance, telephone centers were not required to summarize the extent or results of their monitoring efforts and report them to management officials.

Under program guidelines, monitoring results were to be discussed with the individual telephone assistants to inform them of deficiencies noted. Monitors prepared reports on each call they monitored and discussed the results with the assistants, individually or in groups.

The guidelines, however, made no provision for reporting

- the number and percentage of calls monitored,
- the error rate found in assistants' responses, or
- the types of errors disclosed.

As a consequence, none of the telephone centers in our review summarized the information contained in the individual monitoring reports.

Taxpayer service management personnel indicated that they obtained some overview knowledge by reviewing the individual monitoring reports. However, in the absence of summary information, management personnel did not have the knowledge they needed for effective quality control. They did not have, for instance, a record of the overall error rate in assistants' responses.

Other IRS officials (district, regional, and headquarters), lacking ready access to the individual monitoring reports, also had limited knowledge of monitoring activities.

IRS cannot insure high quality telephone assistance unless management officials receive summary information on both the scope and the results of monitoring efforts. Without such information, management cannot judge the adequacy of monitoring coverage or the effectiveness of actions taken to correct deficiencies.

SAMPLE TEST CALLS INDICATE NEED FOR IMPROVED MONITORING

In addition to providing for continuing monitoring of incoming calls, the guidelines stated that managers and supervisors should make sample test calls to determine the quality of assistants' responses to specific technical and administrative questions. In making the calls, they were to pose questions that taxpayers were likely to ask and not disclose that they were IRS personnel. They were to evaluate assistants' responses in terms of the same factors that were to be considered in monitoring.

During the 1974 tax filing period, both national office taxpayer service personnel and IRS internal audit personnel made calls to test telephone assistants' responses to such questions. National office personnel completed 457 calls to assistants in all 58 districts, and internal audit personnel completed 1,157 such calls in 41 districts. In addition, in the 6 districts in our review, district and regional personnel completed, respectively, 538 and 319 test calls.

To test assistants' technical knowledge, national office personnel used different questions each week over an 11-week period. The questions were developed on the basis of (1) those most frequently asked by taxpayers, (2) those covered in taxpayer assistance training classes, and (3) national office personnel experience.

Internal audit personnel, in testing assistants' responses to technical questions, used 19 questions commonly confronting taxpayers. All 19 were approved for test purposes by the Director of the Taxpayer Service Division.

Assistors incorrectly answered

--240 (20 percent) of the 1,157 questions asked by the internal audit staff and

--83 (18 percent) of the 457 questions asked by the national office staff.

The error rate in assistants' responses to the test calls by district and regional office personnel was about 11 percent for the six districts.

The results of the national office test calls were sent to the regions biweekly. No feedback on subsequent action taken by the regions was expected or received by the national office. Although we did not obtain information on all the corrective action taken in response to test call results, we were told that the Portsmouth District Director ordered increased monitoring as a result of calls made by internal audit and district personnel.

According to both the national office and internal audit, incorrect responses were given primarily because some assistants responded

--without having probed adequately for all facts needed to clearly understand the question and

--spontaneously, without adequately researching the problem.

In addition, according to internal audit staff, some assistors responded to questions beyond their skill level instead of deferring to experienced technical backup assistors.

The 18- and 20-percent error rates identified in nationwide test calls were substantially higher than the approximately 4-percent overall error rate disclosed by monitors' reports. (See p. 20.) The national office could not compare differences between test call results and monitoring results because it did not receive reports on monitoring activities.

Sample test calls are not a satisfactory substitute for an effective monitoring program because the latter permits management to (1) evaluate assistors' responses to real taxpayers' questions, (2) monitor all assistors often enough to accurately determine the quality of service being provided, and (3) evaluate how well assistors handle people of different temperament, unexpected problems, and unpleasant or troublesome callers.

We think the test call results, however, indicate that IRS needs to improve its monitoring. A national office official agreed that more comprehensive and systematic monitoring was needed.

CONCLUSIONS

To adequately assess and control the quality of telephone assistance to taxpayers, IRS needs to improve its monitoring of telephone assistors and use more effectively the evaluative information monitoring can provide.

The monitoring was inadequate generally because IRS program guidelines did not (1) specify the monitoring coverage districts were to provide, (2) point out the importance of early monitoring, and (3) require that monitoring results be summarized and reported to management officials.

IRS can improve monitoring by insuring that all telephone assistors are monitored on all important quality factors and with sufficient frequency to enable a valid assessment of the general level of their performance. This review activity can be further improved by emphasizing it early in the tax filing period, thus permitting timely identification and correction of weaknesses in assistors' performance.

To obtain the proper benefit from monitoring, however, IRS must insure that management at all appropriate levels is apprised of the extent and results of monitoring. Unless it has knowledge of these matters, management cannot adequately assess either the quality of service being provided to the public or the adequacy of quality control efforts.

PROPOSALS MADE TO IRS

On December 5, 1974, we briefed IRS on our findings and conclusions so that corrective actions could be taken for the 1975 filing season. At the briefing, we proposed that IRS revise its program guidelines to

- explicitly require monitoring of all telephone assistants,
- specify factors for managers to consider in determining the frequency of monitoring, and
- emphasize monitoring in the early weeks of the filing period.

We further proposed that IRS

- develop, for use by all monitors, a uniform form or report listing all important factors to be considered in evaluating an assistant's performance and
- require centers to summarize the extent and results of monitoring efforts and report them to appropriate management officials.

AGENCY COMMENTS

The Commissioner of Internal Revenue, by letter dated April 3, 1975, said that IRS agreed with our findings and proposals and that it has taken action to correct the program deficiencies outlined. (See app. IV.)

On December 13 and 16, 1974, IRS issued instructions to regional and district offices requiring them to install evaluation and monitoring systems as a basis for improving telephone service. These instructions provided the districts with a sample worksheet for recording the monitoring results. Those results were to be used for program analysis and employee feedback. Further, the regions and districts were instructed that, as a minimum,

- quality procedures should be implemented on the first day of the 1975 filing period,
- frequency of monitoring should be based on a reasonable sampling system with all telephone inquiries subject to sampling,

--sufficient direct staff-hours (approximately 3 to 5 percent) should be devoted to quality assurance procedures, and

--monitoring records should be maintained for regional and national office review.

The Commissioner, in commenting on this report, also noted that:

--On December 23, 1974, IRS sent all regional and district offices a Management by Objective Program for fiscal year 1975 incorporating in its objective to improve the quality of telephone assistance, performance conditions and organizational responsibilities in line with our proposals.

--On January 30, 1975, IRS published and sent to the assistant regional commissioners responsible for taxpayer service a document entitled "Managing a Toll-Free Telephone System." This document was intended to introduce the toll-free telephone system supervisor to tools and techniques fundamental to the efficient management of his telephone system.

--In early January 1975, IRS initiated an extensive field visitation program for national office Taxpayer Service Division managers and analysts. A major area of discussion with regional and district officials was the implementation and effectiveness of quality procedures established in the telephone assistance program.

Because IRS has already taken corrective action in accordance with our proposals, we are making no recommendations in this report.

CHAPTER 4

OBSERVATIONS ON THE AVAILABILITY OF TELEPHONE ASSISTANCE

Although IRS has expanded and upgraded its telephone system, during the 1974 filing period not all districts gave taxpayers the prompt, convenient telephone assistance IRS wanted them to receive.

The minimum acceptable grade of telephone service for 1974, as defined by IRS guidelines, allowed for busy signals on no more than 10 percent of incoming calls, assuming adequate staffing for all lines.

Some districts did not meet this standard because some telephone centers had too few lines. In addition, some callers who did "get through" did not receive assistance because they hung up before an assistant became available. This occurred because there were too few telephone assistants. IRS also experienced a variety of service problems caused by equipment malfunctions.

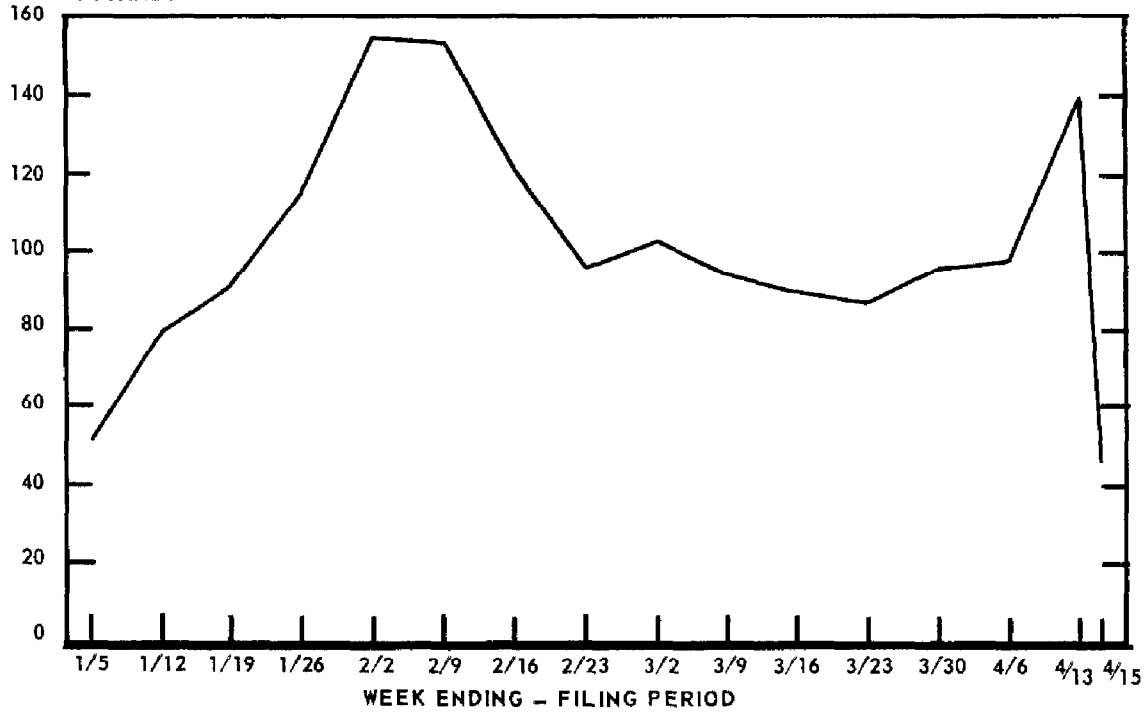
IRS generally recognized the problems involved and said it had taken action to eliminate or reduce them by the 1975 tax filing period.

BUSY SIGNALS: NOT ENOUGH TELEPHONE LINES

Busy signals were a significant problem to callers in some IRS districts during the 1974 filing period. IRS internal audit staff reported receiving busy signals in 437 (36 percent) of 1,225 test calls they placed in 33 districts. The period in which they placed these calls--January 17 to March 8--approximated the 5-week period (Jan. 20 to Feb. 23) when taxpayer demand for assistance is at its peak. (See graph on following page.)

COMPLETED TELEPHONE CALLS FIVE IRS DISTRICTS

CALLS
IN THOUSANDS



Four of the six districts in our review had equipment that recorded the number of busy signals callers received. (At Greensboro, recording equipment did not function and no other records were kept; at Detroit, recording equipment had not yet been installed.) The data was not complete for the entire filing period in some of these districts and, according to IRS personnel, may not be entirely accurate.

The best available data, however, indicate that about 159,000 (13.2 percent) of the 1.2 million calls to the 4 districts received busy signals during the 1974 period. The Portsmouth and Austin districts--with busy signal rates of about 20 percent--substantially exceeded the 10-percent rate allowed under IRS' minimum standard of service. The data is summarized in the table below.

<u>District</u>	<u>Calls</u>			<u>Percent busy signals</u>
	<u>Answered</u>	<u>Received busy signals</u>	<u>Total</u>	
Portsmouth	45,452	11,625	57,077	20.4
Austin	476,073	117,967	594,040	19.6
Omaha	117,467	13,319	130,786	10.2
Seattle	406,903	16,087	422,990	3.8
Total	<u>1,045,895</u>	<u>158,998</u>	<u>1,204,893</u>	
Average				13.2

The problem was most severe in one Portsmouth district telephone center which recorded busy signals on 10,000 of its 23,600 incoming calls during the filing period.

The problem at this center existed primarily because there were not enough telephone lines. The district officials were unable to obtain more lines because the local telephone exchange had no expansion capacity. However, additional lines were made available by the 1975 filing period. In addition, by the 1975 filing period, the Austin and Omaha districts had new systems with more lines.

Omaha officials reported that the district's system in 1974 was not adequate to meet needs. They said the new system will enable all but 2 percent of incoming calls to be completed at any one time.

During the 1975 filing period all Austin district toll-free (long-distance) calls were handled by the Dallas district at its Dallas telephone center. The number of toll-free lines

available at the Dallas center was increased to handle the Austin district calls. Further, the Austin district had more local telephone lines serving taxpayers than it had in 1974.

LOST CALLS: NOT ENOUGH ASSISTORS

There were not always enough telephone assistors to staff all available lines during the 1974 filing period. The result was "lost calls"--calls in which callers placed on "hold" hung up before an assistor became available. Because of lost calls, one of the districts in our review did not meet the IRS minimum standard of service, even though its busy signal rate was within the allowable limit.

Three of the districts we reviewed--Austin, Detroit (in part), and Seattle--had equipment to record lost calls during the period. Their records showed that about 168,000 (13.5 percent) of the 1.2 million calls answered became lost calls. The data is summarized in the table below.

<u>District</u>	<u>Calls answered</u>	<u>Lost calls</u>	<u>Percent of lost calls</u>
Austin	476,073	79,854	16.8
Detroit (note a)	359,758	57,330	15.9
Seattle	<u>406,903</u>	<u>30,502</u>	7.5
Total	<u>1,242,734</u>	<u>167,686</u>	
Average			13.5

a/Data is for the telephone center in Detroit only. The district's other center, in Grand Rapids, did not have recording equipment.

Statistics comparing lost calls to the total number of calls placed on hold were available only at Austin, where about 80,000 (56 percent) of the 143,366 calls placed on hold were lost.

The IRS minimum standard of service, allowing no more than 10 percent of the calls to receive busy signals, assumed that all lines would be adequately staffed, that is, that all callers who did not get busy signals would get assistance.

The table on page 28 shows that, in terms of busy signals alone, Seattle met the standard and Austin did not. Only 3.8 percent of calls at Seattle were unserved because of busy signals--a rate well within the 10-percent limit. At Austin, the rate of unserved calls due to busy signals exceeded 10 percent.

When lost calls were added to busy signals, however, Seattle--at 11 percent--slightly exceeded the 10-percent limit and Austin--at 33.3 percent--greatly exceeded it. The data is summarized in the table below.

<u>District</u>	<u>Calls not serviced</u>		<u>Total</u>	<u>Total calls placed</u>	<u>Percent of calls not serviced</u>
	<u>Lost calls</u>	<u>Busy signals</u>			
Seattle	30,502	16,087	46,589	422,990	11.0
Austin	79,854	117,967	197,821	594,040	33.3

Data on both lost calls and busy signals was not available at the other four districts.

We did not obtain general data on the number of unstaffed lines. However, we found that a major telephone center in the Austin district staffed all of its 40 lines between April 1 and 15. At other times during the filing period, an average of 30 lines were staffed. Recording equipment for the center showed that 105,000 of 236,000 calls were placed on hold and that 53,000 of them were lost.

The problem of unstaffed telephone lines was not confined to the districts in our review. An internal audit report noted that 15 of 41 districts reviewed were unable to handle a large volume of taxpayer calls because of inadequate staffing. In 1 district, during 1 day in February, only 8 telephone assistants were available to answer calls on 27 incoming lines during the peak workload period. On another day, only 13 assistants were available.

We observed the effects of too few assistants in the Omaha district. This district did not have automatic equipment to place calls on hold. When the number of calls exceeded the number of assistants, phones continued to ring until an assistant was free to answer or manually place the call on hold--or until the caller hung up.

IRS recognized that service has been impaired by insufficient numbers of telephone assistants, and it has taken corrective action. According to a headquarter's official:

- The number of assistants in the regions were increased. Nationwide, IRS has authorized an additional 488 staff-years for all taxpayer service activities of which a portion will be assigned to telephone assistance.

--A task force is being assembled to establish standards for various aspects of telephone service, including the "hold" time that should be allowed before assistors request the taxpayer's name for call back.

EQUIPMENT MALFUNCTIONS

Equipment malfunctions were experienced by four of the six districts in our review--Austin, Greensboro, Omaha, and Seattle. Such malfunctions result in calls being cut off, calls not being clearly heard, and various other impairments to service. In all cases, district officials had taken or planned action to correct the problems.

Data was not available on the precise extent that service was impaired by equipment malfunctions. However, as described by district officials, malfunctions had the following general effects:

- Conversations were frequently cut off or crossed with other conversations.
- Voices on some telephone lines faded so that assistors could not hear the taxpayers.
- Taxpayers received a busy signal when lines were not busy.
- Calls were lost while being placed on hold.

Greensboro had the most serious equipment problems of the four districts. The newness of the equipment was a major factor. According to district officials (1) the equipment was the first of its kind to be used in the area, (2) installers of the equipment were apparently inexperienced, and (3) local telephone company repairmen were even more inexperienced. The situation was compounded by the untimely response of the local telephone company to the district's request for service.

Officials at Greensboro said the problems have been largely corrected as a result of the following joint IRS-telephone company actions:

- IRS and telephone company officials had weekly meetings to discuss problems.
- The telephone company brought in more experienced repair personnel and provided a training course for IRS personnel.

--IRS was given a special telephone number for requesting repair work, enabling it to bypass the normal request channel.

At Omaha, officials said equipment problems occurred because the manual system was overloaded. As a result, telephone repairmen were called almost daily to work on malfunctioning lines, instruments, lights, etc. By the 1975 filing period, Omaha had a new automatic-equipment system, which officials indicated would be adequate to meet needs and has a built-in capacity for further expansion.

CONCLUSION

In some districts, the availability of telephone assistance to taxpayers could have been significantly improved if telephone centers had additional lines and/or assistants needed to meet the minimum standard of service.

Because of actions taken by IRS to improve telephone services, we are making no recommendations at this time.

93D CONGRESS, 1ST SESSION

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Congress of the United States
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION
 1015 LONGWORTH HOUSE OFFICE BUILDING
 Washington, D.C. 20515

JUN 18 1973

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

Dear Mr. Staats:

The Joint Committee hereby requests and authorizes the General Accounting Office to undertake separate studies concerning the policies and procedures established by the Internal Revenue Service in connection with its taxpayer service program and its audit of tax returns. The Joint Committee also requests and authorizes the General Accounting Office to undertake a study of the regulatory activities of the Bureau of Alcohol, Tobacco and Firearms. These studies are to be conducted in accordance with the understandings set forth in my letter dated January 13, 1971, to you and the Commissioner of Internal Revenue.

Taxpayer Service Program

The Service's taxpayer service program is responsible for providing taxpayers with the assistance they need in properly meeting their Federal tax filing obligations. The basic objectives of the program are (1) communicating requirements of the tax laws, (2) informing taxpayers, and (3) assisting taxpayers.

Questions have arisen in recent years as to whether the Service should improve its services to taxpayers and whether commercial preparers of tax returns should be regulated to provide a more uniform and better quality service to taxpayers. It is anticipated that the requested study will cover all facets of the taxpayer service program with special emphasis on the adequacy of assistance provided to low-income taxpayers in preparing returns.

BEST DOCUMENT AVAILABLE

Congress of the United States
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION
Washington, D.C. 20515

Honorable Elmer B. Staats
General Accounting Office
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If, in order to achieve the objectives of this study, it is necessary to solicit the views of taxpayers on the adequacy of services provided to them, the staff of the Joint Committee should be notified in advance.

Audit of tax returns

As I understand, the audit of tax returns and the related conferences and appeals that result from such audits account for about one-half of the Internal Revenue Service annual operating costs. Because of the size and complexity of these activities, it may be necessary to deal with and report separately on one or more of the following areas: individual income returns, business returns, excise returns (excluding alcohol and tobacco returns), and exempt organization returns.

It is anticipated that the requested study will cover all facets of the audit of tax returns and will include inquiries into such matters as:

- the basis for selecting all types of returns for audit, including an analysis of the discriminant function system used to select tax returns of individuals for audit;
- the adequacy of management controls to assure that employees do not propose unwarranted assessments of taxes;
- the fairness to the Government and to the taxpayers of the conference and appeals procedures; and
- the adequacy of the Service's audit of tax-exempt organizations.

In conducting this study, it is important that the General Accounting Office, acting for and on behalf of the Joint Committee, preserve the privacy and confidentiality of information on tax returns, audit adjustments, and Internal Revenue Service procedures and actions in the selection of returns for audit.

Congress of the United States
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION
Washington, D.C. 20515

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Alcohol, tobacco, and firearm
regulatory activities

During fiscal year 1972, the Bureau of Alcohol, Tobacco and Firearms had about 1,400 employees assigned to alcohol and tobacco regulatory activities. Establishments qualified to engage in the production, distribution, storage, and use of alcohol and alcohol liquors which are subject to inspection by the Bureau included 319 distilleries, 147 breweries, 464 bonded wine cellars, 9,720 wholesalers, and 328,489 retailers. Establishments qualified to engage in the production or exportation of tobacco products and cigarette papers included 187 tobacco products manufacturers, 7 manufacturers of cigarette papers, and 203 tobacco export warehouses. Revenue from such regulated industries totaled \$7.3 billion.

It is anticipated that the requested study will cover all facets of the Bureau's regulation of the alcohol and tobacco industries and will include inquiries into:

- the adequacy and effectiveness of the Bureau's inspections of regulated businesses;
- the adequacy of Bureau controls over bonded warehouses containing taxable whiskey; and
- the adequacy of Bureau controls over imported cigars and cigarettes.


It is also anticipated that the study will include an evaluation of the adequacy of the Internal Revenue Service's audit of tax returns filed by businesses regulated by the Bureau.

Congress of the United States
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION
Washington, D.C. 20515

Honorable Elmer B. Staats
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We would appreciate being informed from time to time on the progress of these studies.

Sincerely yours,


Laurence N. Woodworth

cc: Honorable George P. Shultz, Secretary of the Treasury
Honorable Donald C. Alexander, Commissioner of
Internal Revenue
Mr. Rex D. Davis, Director, Bureau of Alcohol,
Tobacco and Firearms (w/copy of 1/13/71 letter)

DESCRIPTION OF THE TELEPHONE SYSTEMS
IN THE DISTRICTS REVIEWED
(1974 TAX FILING PERIOD)

AUSTIN DISTRICT

The district had four telephone centers, in Austin, El Paso, Houston, and San Antonio, Texas.

The centers had 26 toll-free (long-distance) telephone lines and 69 local lines, distributed as follows:

--Austin:	26 toll-free and 14 local lines.
--El Paso:	5 local lines.
--Houston:	40 local lines.
--San Antonio:	10 local lines.

At Austin and Houston, lines were connected to equipment that automatically distributed incoming calls to assistor stations and, if necessary, placed calls on hold until an assistor became available. The two centers had recording equipment to count the number of incoming calls, incoming calls placed on hold, and lost calls. Each also had a monitoring console permitting a monitor to evaluate assistors' performance by listening to incoming calls without the taxpayer's or assistor's knowledge.

The San Antonio and El Paso centers did not have such equipment. Incoming calls were manually answered by assistors.

Service was provided Monday through Friday from 7:45 a.m. to 4:30 p.m., except in Austin where service was provided until 5:00 p.m. Each center also provided service on two Saturdays during the filing season (Feb. 9 and Apr. 13).

DETROIT DISTRICT

The district had telephone centers in Grand Rapids and Southfield, Michigan.

The centers had 35 toll-free lines, 43 foreign exchange lines, and 62 local lines. Foreign exchange lines permit a caller to be connected to a distant exchange by dialing only a local number. Such lines provide the equivalent of local

service from the distant exchange. Normally, foreign exchange lines were used to connect a nearby city directly to the telephone center. Lines were distributed as follows:

- Grand Rapids: 29 toll-free, 13 foreign exchange, and 12 local lines.
- Southfield: 6 toll-free, 30 foreign exchange, and 50 local lines.

Both centers had equipment that automatically distributed incoming calls to assistant stations and each had a monitoring console. The Southfield center also had equipment to record lost calls.

Service was provided at both locations from 8:00 a.m. to 5:30 p.m., Monday through Friday, and from 10:00 a.m. to 3:30 p.m. on Saturday. On Monday, April 15, service was available until 8:00 p.m. at the Southfield center.

GREENSBORO DISTRICT

The district had one telephone center, located in Greensboro, North Carolina. The center had 35 toll-free lines and 15 local lines. It had equipment that automatically distributed incoming calls, recording equipment to count the number of calls, and a monitoring console.

Service was provided Monday through Friday from 8:30 a.m. to 4:30 p.m.

OMAHA DISTRICT

The district had one telephone center, located in Omaha, Nebraska. The center had 12 toll-free and 13 local lines.

It did not have equipment that automatically distributed calls but had a Centrix (manual) system. With this system, each phone had a button for each line. When a call came in, the phones would ring until answered by an assistant. The center, however, did have equipment to count the number of incoming calls, calls that received a busy signal, and a monitoring console.

During the filing period, the center provided service from 8:00 a.m. to 4:45 p.m., Monday through Friday, from

January 2 until January 15, and from 8:00 a.m. to 5:45 p.m. from January 15 until April 15, except for April 10, 11, 12, and 15, when it operated until 7:30 p.m. It also provided service on six Saturdays for a 5-hour period.

PORTSMOUTH DISTRICT

The district had two telephone centers, located in Manchester and Portsmouth, New Hampshire.

The centers had a total of five toll-free lines, three local lines, and five lines from the U.S. Government switchboard. The five switchboard lines are not considered toll-free lines under IRS' definition. Lines were distributed as follows:

- Manchester: one local and three Government switchboard lines.
- Portsmouth: five toll-free, two local, and two Government switchboard lines.

Each center had a manual system for answering incoming calls and recording equipment that counted the number of calls, calls receiving a busy signal, and calls placed on hold. They also had monitoring consoles.

Service was available at each center Monday through Thursday from 8:00 a.m. to 5:00 p.m., Friday from 8:00 a.m. to 2:00 p.m., and Saturday from 9:00 a.m. to 2:00 p.m.

SEATTLE DISTRICT

The district had six telephone centers, located in Everett, Seattle, Spokane, Tacoma, Vancouver, and Yakima, Washington.

The centers had 17 toll-free, 3 foreign exchange, and 75 local lines, distributed as follows:

- Everett: 6 local lines.
- Seattle: 17 toll-free, 3 foreign exchange, and 36 local lines.
- Spokane: 12 local lines.
- Tacoma: 13 local lines.
- Vancouver: 4 local lines.
- Yakima: 4 local lines.

The Seattle center had equipment that automatically distributed calls to assistor stations; the other centers used a manual system. All centers had recording and monitoring equipment.

Service was available Monday through Friday from 8:15 a.m. to 4:45 p.m. Beginning on February 4, service was available until 6:00 p.m. on Monday. Beginning on February 9, Saturday service was provided from 9:00 a.m. to 1:00 p.m.

TAXPAYER CONTACTS AND STAFF-HOURS
USED BY IRS TO PROVIDE TAXPAYER SERVICE

	<u>1974</u>		<u>1973</u>		<u>Increase</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
	(000 omitted)		(000 omitted)		(000 omitted)
	<u>Contacts</u>				
Fiscal year:					
Total	34,448	100	33,613	100	835
Telephone	24,680	72	22,697	68	1,983
Filing period:					
Total	21,797	100	21,331	100	465
Telephone	15,412	71	14,031	66	1,382
	<u>Staff-hours</u>				
Fiscal year:					
Total	4,207	100	3,943	100	264
Telephone	2,388	57	2,047	52	341
Filing period:					
Total	2,486	100	2,369	100	117
Telephone	1,378	55	1,168	49	210

Commissioner

Washington, DC 20224

APR 3 1975

Mr. Victor L. Lowe
Director, General Government Division
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Lowe:

Thank you for the opportunity to review and comment on your draft report of our telephone assistance program. We have made notations directly on the draft for your consideration. Changes are suggested based on information available in our National Office.

Also, we appreciate the early briefing on the contents of the draft report that your staff presented to us on December 5, 1974.

We agree with the findings and recommendations listed in your draft and discussed at the briefing, with the exception of the comments made on page 23 relating to the toll-free service in Detroit and Omaha Districts. We have enclosed our comments to the document for your consideration. We have taken action to correct the program deficiencies outlined and request that you consider including these actions in your final report.

1. On December 13, 1974, we published Taxpayer Service Program Guidelines which contain instructions on monitoring procedures and a sample worksheet for recording the results of monitoring for program analysis and feedback to the employees.
2. On December 16, 1974, a memorandum was sent to all Assistant Regional Commissioners (ACTS), "Areas of Special Attention, FY 1975 Filing Season," in which we emphasize the need for frequent telephone monitoring from the first day of the filing period through the end of the year, and the need for maintaining accurate monitoring records for local, regional and National Office analysis.
3. On December 23, 1974, we sent to all regional and district offices a Management by Objective Program for FY 1975 in which we incorporate, in our objective to improve the quality of telephone assistance, performance conditions and organizational responsibilities in line with recommendations in your draft report.

4. On January 30, 1975, we published and sent to all Assistant Regional Commissioners (ACTS) a document entitled "Managing a Toll-Free Telephone System." It is intended to introduce the toll-free telephone system supervisor to the tools and techniques fundamental to the efficient management of his telephone system.

Copies of all the documents referred to above can be obtained by contacting Stan Goldberg, Director, Taxpayer Service Division, telephone number 964-6352.

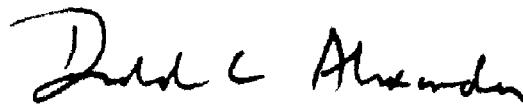
In addition, we have initiated an extensive field visitation program for National Office Taxpayer Service Division managers and analysts. A major area for discussion with regional and district office officials is the implementation and effectiveness of quality procedures established in the telephone assistance program. Visits began in early January.

We would be glad to discuss at your convenience the pen-and-ink changes to your draft and the courses of action we have taken to improve our telephone assistance program as the result of your recommendations.

We find no matters discussed in the report that would adversely affect administration of the tax laws if disclosed to the public.

With kind regards,

Sincerely,



Commissioner

Enclosures

Draft Report of IRS Telephone Assistance Program
Comments on Draft Report

DRAFT REPORT OF IRS TELEPHONE ASSISTANCE PROGRAMCOMMENTS REGARDING PAGE 23 [See GAO note 1.]

Incorrect implication -- By its very nature, toll-free service has had its greatest effect in small states with disparate population. In the larger, more urbanized states, a very large percentage of the population already had access to IRS via a local phone call prior to toll-free service. In the smaller states with large rural populations (and many fewer IRS POD's), this was not so. For this very reason, toll-free service was phased in first in our 23 smallest districts.

Detroit -- District figures show 138,645 out of 627,217 calls were received on WATS (toll-free long distance lines) in 1974. Since these lines did not exist in prior years, all these calls can be considered growth calls.

Omaha -- District figures show that WATS represents 100 percent of growth, FY 1973 vs. 1974 and/or filing period 1973 vs. filing period 1974. In FY 1973-74, total calls increased 20,000 while WATS calls increased 6,000.

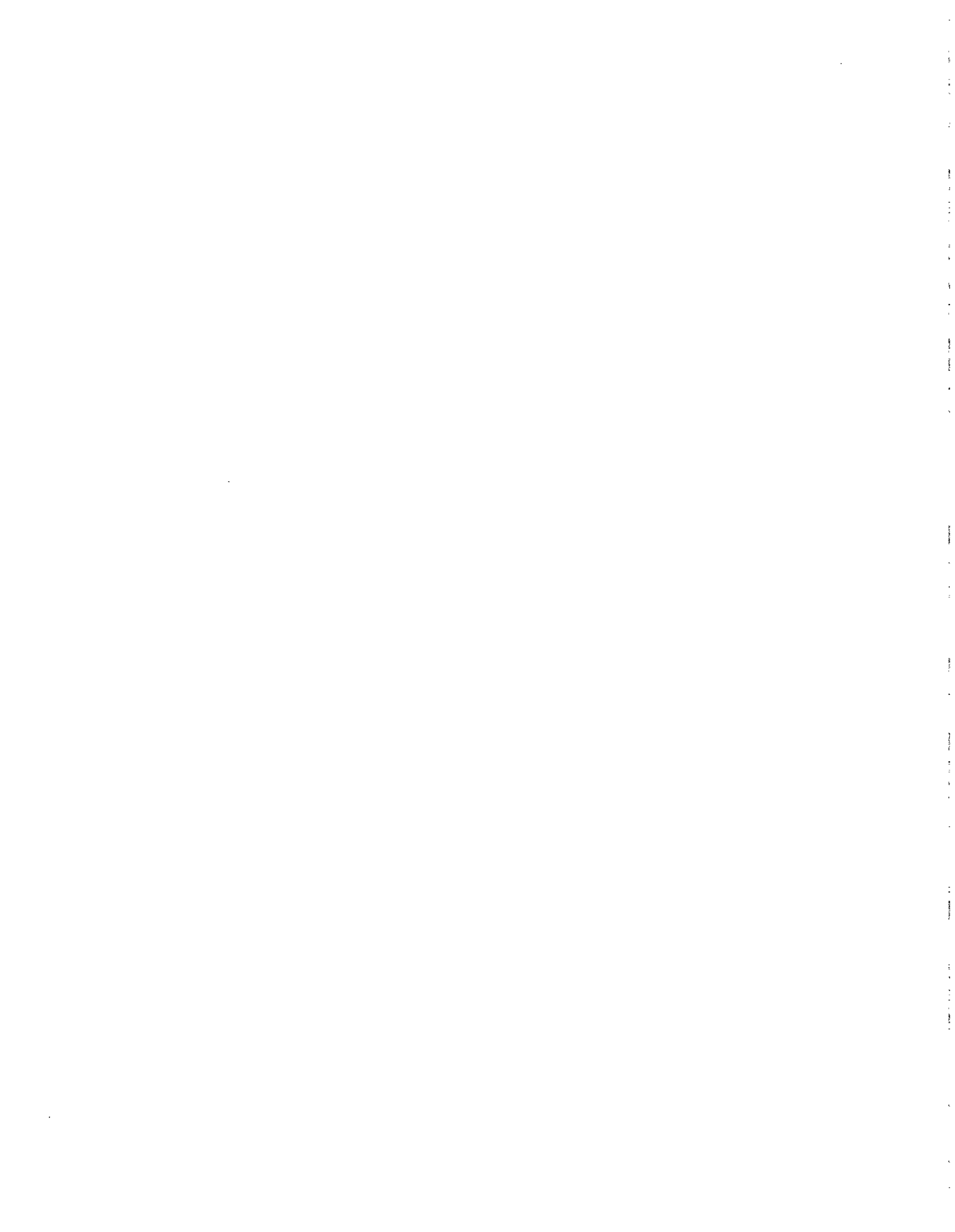
We do not know from what source GAO derived the telephone figures for Detroit and Omaha Districts. The figures stated above were secured from district management via telephone on Friday, March 28, 1975. [See GAO note 2.]

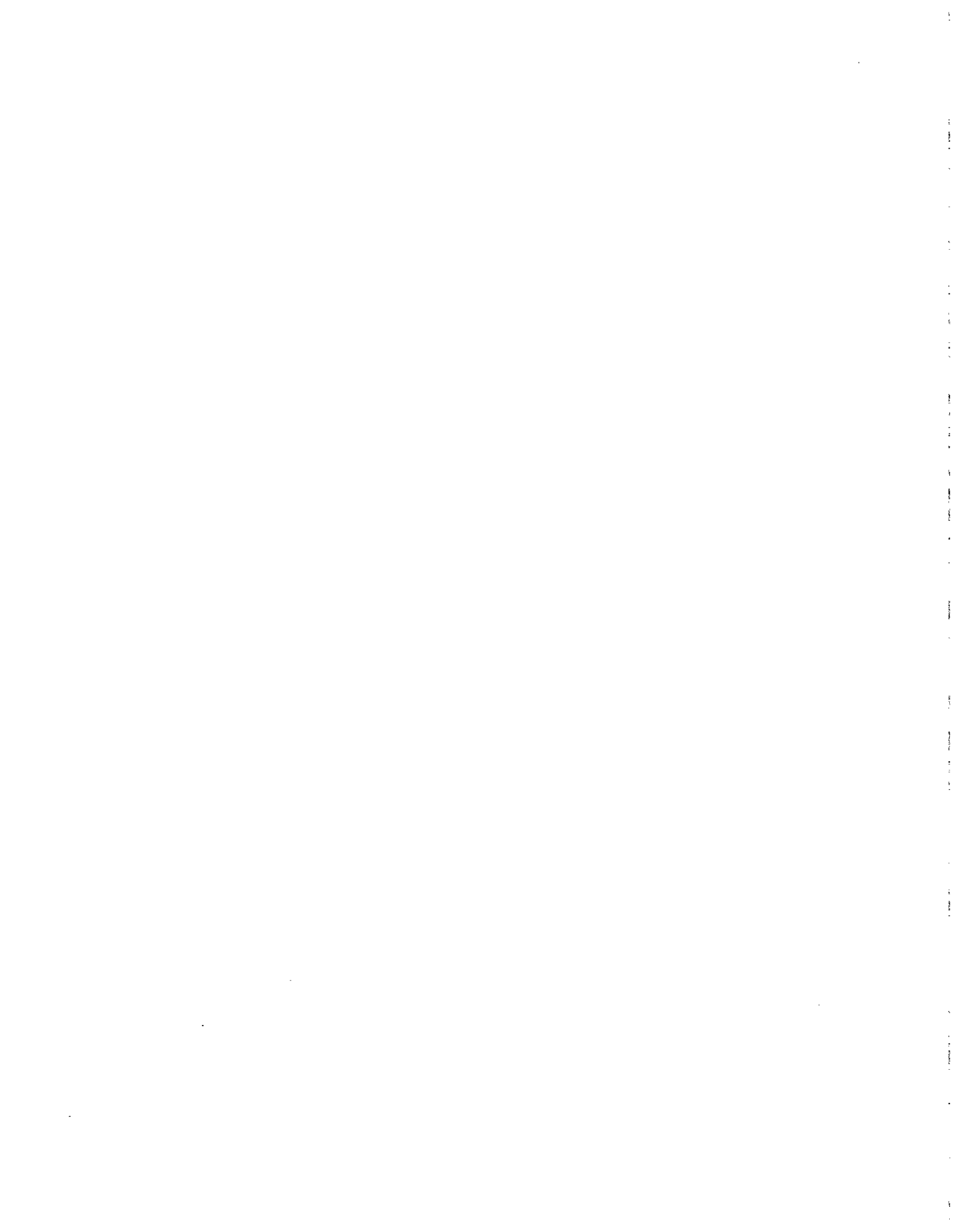
- GAO notes:
1. Page referred to is now p. 10.
 2. The figures used on p. 10 were reverified and are correct. The IRS figures noted above do not exclude those calls from cities which had local telephone assistance in prior years. Such calls cannot, in our opinion, be considered growth calls attributed to the installation of toll-free lines.

PRINCIPAL OFFICIALS RESPONSIBLE
FOR ADMINISTERING ACTIVITIES
DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF THE TREASURY:		
William E. Simon	Apr. 1974	Present
George O. Shultz	June 1972	Apr. 1974
John B. Connally	Feb. 1971	June 1972
David M. Kennedy	Jan. 1969	Feb. 1971
 COMMISSIONER OF INTERNAL REVENUE:		
Donald C. Alexander	May 1973	Present
Raymond F. Harless (acting)	May 1973	May 1973
Johnnie M. Walters	Aug. 1971	Apr. 1973
Harold T. Swartz (acting)	June 1971	Aug. 1971
Randolph W. Thrower	Apr. 1969	June 1971
 ASSISTANT COMMISSIONER (ACCOUNTS, COLLECTION, AND TAXPAYER SERVICE) (note a):		
Robert H. Terry	Aug. 1973	Present
Dean J. Barron	July 1971	Aug. 1973
 DIRECTOR, TAXPAYER SERVICE DIVI- SION:		
Stanley Goldberg	Mar. 1974	Present
Herman C. Slaski (acting)	Jan. 1974	Mar. 1974
John Weber	Oct. 1973	Jan. 1974
John Weber (acting)	July 1973	Oct. 1973
Herman C. Slaski (acting)	June 1973	July 1973
William F. Culliney	Nov. 1971	June 1973

a/Effective July 1, 1971, the Office of Assistant Commissioner (Data Processing) was redesignated the Office of Assistant Commissioner (Accounts, Collection, and Taxpayer Service).





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