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

January 2001

IRS TELEPHONE ASSISTANCE

Opportunities to Improve Human Capital Management

GAO

Accountability * Integrity * Reliability

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Contents

United States General Accounting Office
Washington, DC 20548

January 30, 2001

The Honorable Amo Houghton
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

Each year, the Internal Revenue Service (IRS) receives tens of millions of telephone calls from taxpayers seeking help on a variety of topics—from simple inquiries about the status of their refund to highly complex questions about tax law. The approximately 10,000 full- and part-time customer service representatives[1] who answer these calls are part of IRS' human capital. Sound management—to ensure that an adequate number of customer service representatives with the right skills are available when needed—can serve as a powerful tool to help IRS achieve its goal of better serving American taxpayers.

Because of your interest in the quality of IRS' toll-free telephone service, you asked us to prepare three reports on telephone customer service operations. The first report, issued in August,[2] presented information on the human capital management practices of selected public and private call centers. Another report, discussing the telephone customer service IRS provided during the 2000 filing season, will be issued later this year. Our objectives for this report were to identify whether IRS faced challenges, and, if so, any potential improvement opportunities, relating to

- identifying staffing levels needed to meet its telephone customer service goals;

[1]In October 2000, IRS had 9,865 customer service representatives. About 40 percent of them were seasonal employees who generally worked between 6 and 12 months per year. These 9,865 representatives are equivalent to about 8,000 full-time employees.

[2]*Customer Service: Human Capital Management at Selected Public and Private Call Centers* (GAO/GGD-00-161, Aug. 22, 2000).

- recruiting, training, retaining, and scheduling customer service representatives; and
- evaluating its call center human capital management practices.

To address these objectives, we interviewed officials and examined documents at IRS' National Office in Washington, D.C., Office of Chief Customer Service Field Operations and Customer Service Operations Center (hereafter referred to as the Operations Center). We also visited 6 of IRS' 25 call sites because the individual sites were responsible for administering many aspects of human capital management, including recruiting, training, retaining, and scheduling customer service representatives. The six call sites, located in Atlanta, Baltimore, Cincinnati, Denver, Fresno, and Indianapolis, were selected to include different characteristics, such as staffing levels, hours of operation, and geographic location. We also reviewed literature on human capital management in call centers at other organizations. Our objectives, scope, and methodology are discussed in greater detail in a separate section of this report.

Results in Brief

IRS faces an annual challenge in determining the staffing level for its toll-free telephone customer service operations. IRS does not establish a long-term telephone customer service goal reflecting the needs of taxpayers and the costs and benefits of meeting that goal and annual goals aimed at making progress toward reaching that long-term goal. Rather, IRS annually determines the level of funding it will seek for its customer service workforce, based on its judgement of how to best balance service and compliance activities, and then calculates the level of service that funding level will provide. This approach to setting goals is inconsistent with Government Performance and Results Act and the practices of selected public and private call center operations that deal with tax questions or specific subjects that are comparable in complexity to tax questions addressed by IRS customer service representatives. Without a long-term, desired level-of-service goal, and plans to reach the goal over time, IRS lacks meaningful targets for managing call center performance and measuring improvement. IRS recognizes the need to establish long-term goals, and the Commissioner says that IRS' final fiscal year 2002 Strategic Plan and Budget will include a 74-percent level-of-service goal, with a goal of reaching 85 percent to 90 percent by fiscal year 2003. In addition, IRS is considering adopting some of the measures used by other organizations and establishing goals for those measures.

According to site officials, the six IRS call sites we visited faced challenges in successfully recruiting, training, retaining, and scheduling customer service representatives:

- Five sites had difficulty hiring representatives due to job characteristics such as the seasonal nature of the work;
- All sites had difficulty getting representatives trained and keeping them proficient through refresher training, due in part to the scope and complexity of the topics they were expected to know;
- Four sites had double-digit attrition—estimated as high as 19 percent at one site; and
- All sites had difficulty effectively scheduling their staff, due to inaccurate demand forecasting and complicated staff scheduling methods.

Recognizing its recruiting difficulties, IRS is developing a strategy to focus its recruiting to those sites where it is better able to compete in the local job market. IRS is also modifying a commercial system to improve demand forecasting and staff scheduling. Regarding training, in fiscal year 2000, IRS began to reduce the topics assigned to customer service representatives and to provide just-in-time training on those topics. However, these efforts do not include identifying specific competency gaps nor ensuring that these gaps are filled through refresher training. Moreover, IRS is not monitoring customer service representative attrition to determine what, if any, steps should be taken to address it.

IRS also faces challenges in evaluating its human capital management practices for its telephone customer service operations. According to our self-assessment checklist for agency leaders, all human capital policies and practices should be designed, implemented, and assessed by the standard of how well they help an organization pursue its mission, goals and objectives, and strategies.[3] IRS' evaluations do not assess how individual or collective human capital policies and practices affect its ability to achieve long- and short-term desired level-of-service goals, because, as previously discussed, IRS has not yet established such goals. Additionally, while IRS evaluates human capital management practices in areas such as recruiting or training, in an ongoing effort to improve those

[3] *Human Capital: A Self-Assessment Checklist for Agency Leaders,* Version 1 (GAO/OGC-00-14G, Sept. 2000), p. 2.

practices, its evaluations generally do not consider potential interrelationships between or among human capital management practices. Unless IRS evaluates how its human capital management practices affect its ability to meet strategic and annual toll-free service goals and considers the interrelationships among its human capital management practices, IRS is not likely to optimize its progress toward reaching its customer service goals.

We are recommending that the Commissioner

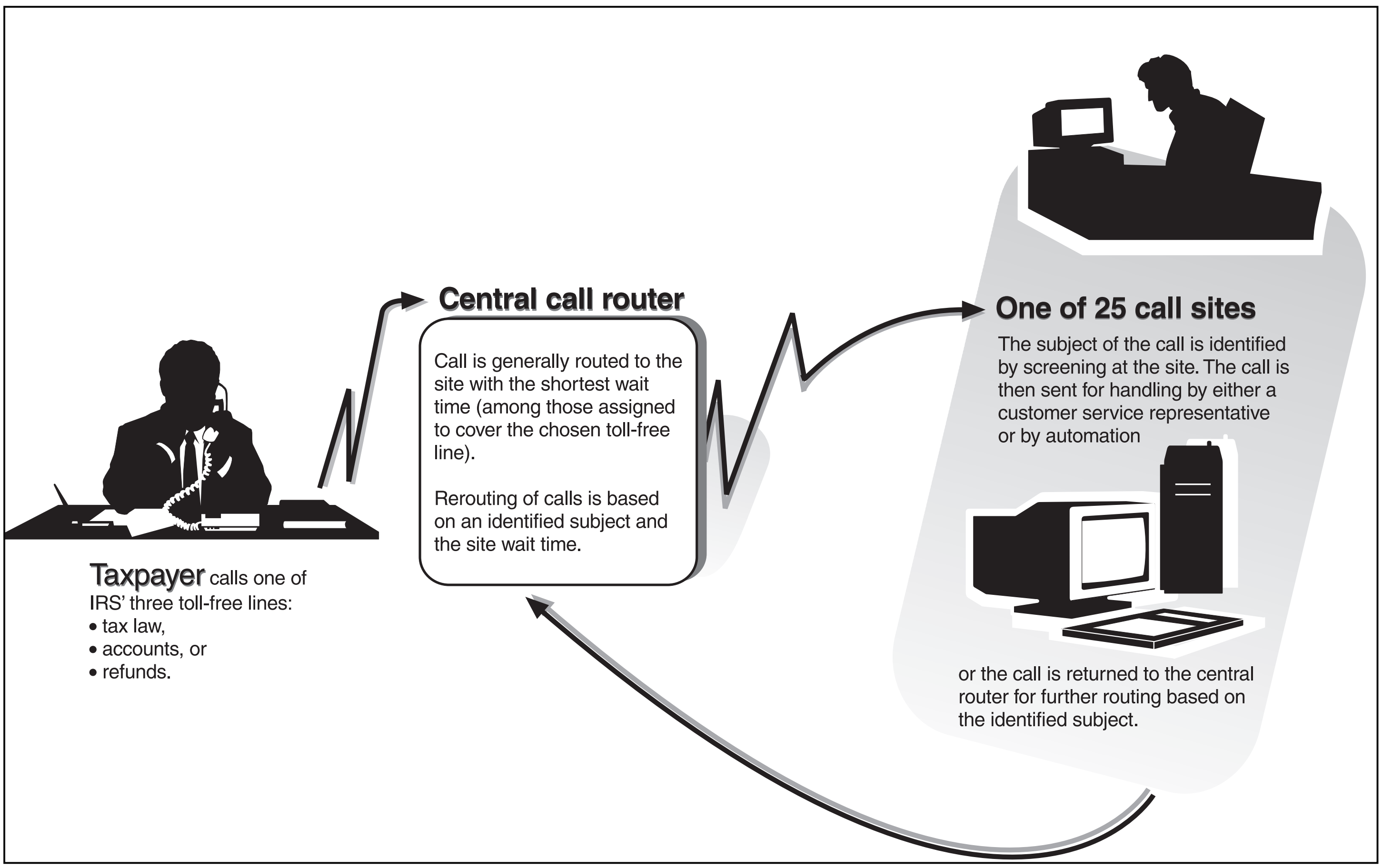
- set long- and short-term customer service goals that are based on taxpayers' needs and working with congressional and other stakeholders to obtain support and resources needed to reach those goals;
- establish a system for identifying and meeting the refresher training needs of customer service representatives;
- develop a strategy for monitoring and dealing, as appropriate, with the attrition of customer service representatives; and
- ensure that IRS' evaluation of human capital management practices consider their effects on achieving the toll-free operation's long- and short-term goals as well as the interrelationships among human capital management practices.

The Commissioner of Internal Revenue agreed with our recommendations and offered additional information on IRS' efforts related to our recommendations. We have incorporated his comments and modified our report where appropriate.

Background

IRS' 10,000 customer service representatives are located at 25 call sites around the country. In 1999, IRS began operating this network as a single call center providing round-the-clock service. Managing the network in this way enabled IRS to route calls from three separate toll-free lines—one each for questions about tax law, account services, and refund status—to the sites with the shortest hold times among those customer service representatives assigned to answer questions concerning those issues. (Fig. 1 illustrates call routing within IRS' toll-free network.)

Figure 1: How IRS' Call-Routing System Operates



Source: GAO analysis of IRS call-routing information.

Before IRS began operating the network as a single call center, taxpayer calls were routed by area codes or by the percentage of staff the site had scheduled to work. Calls routed in this manner could not be easily rerouted when a site was experiencing frequent busy signals or lengthy hold times. Although individual call site operating hours and call handling responsibilities varied, IRS expanded its overall toll-free network coverage in January 1999—from 16 hours a day, 6 days a week, to 24 hours a day, 7 days a week.

IRS' call center network is controlled by the Operations Center. In general, the Operations Center is responsible for

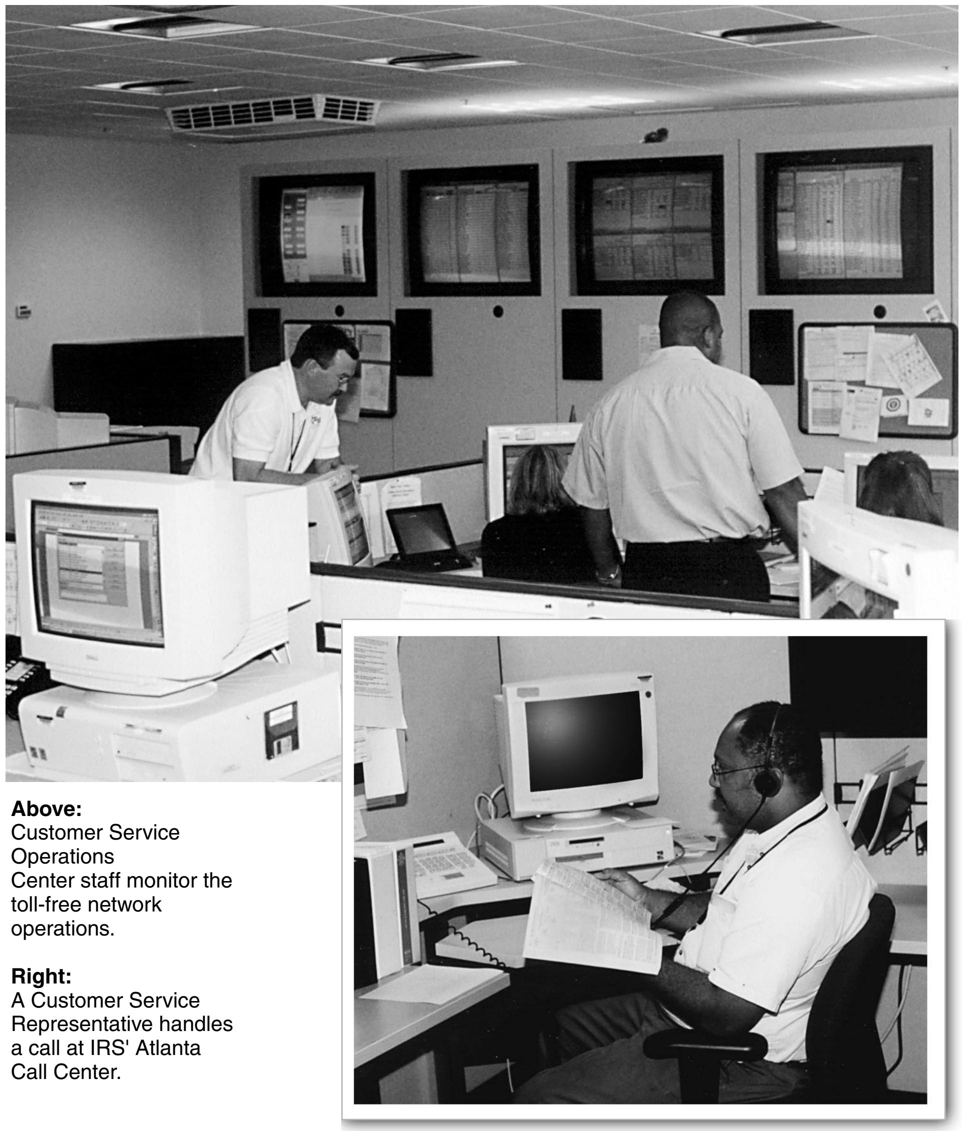
- forecasting call demand—the numbers, types, and timing of calls IRS is expected to receive throughout the planning year on each of its three toll-free lines (tax law, accounts, and refunds);
- planning the routing of calls among call sites, based on each call site's assigned toll-free line and subject coverage responsibilities;
- developing staffing requirements for each call site and monitoring site adherence to those requirements; and
- monitoring network call traffic status and, when necessary, rerouting calls among the sites to optimize service.

The Operations Center develops call site staffing requirements weekly, with call site input and agreement. These requirements prescribe the numbers of trained customer service representatives that are to be available and ready each half-hour to take calls on each assigned subject category and toll-free line. The call sites, in turn, are expected to adhere to the staffing requirements prescribed by the Operations Center. They are generally responsible for recruiting, training, and assigning customer service representatives in sufficient numbers and skills to enable them to meet prescribed staffing requirements.[4] Collectively, IRS call centers employed nearly 10,000 customer service representatives in October 2000.

The top picture in figure 2 shows Operations Center officials monitoring network operations, while the picture on the right shows a representative handling a call at IRS' call center in Atlanta.

[4]To ensure the availability of the prescribed numbers of customer service representatives, the call sites generally must schedule more than the required numbers of representatives to allow for breaks, reading time, and other factors that make the representatives unavailable to take calls.

Figure 2: IRS Employees Monitoring Network Operations and Handling a Taxpayer's Call



Above:
Customer Service Operations Center staff monitor the toll-free network operations.

Right:
A Customer Service Representative handles a call at IRS' Atlanta Call Center.

Source: GAO.

Scope and Methodology

To address our objectives, we interviewed IRS officials involved in managing toll-free telephone operations, obtained supporting documentation, and reviewed related reports by the Treasury Inspector General for Tax Administration (TIGTA). Although we did not independently verify IRS officials' responses to our questions, we reviewed them and related documentation for consistency. IRS' use of other resources will be discussed in a forthcoming report on toll-free performance during the 2000 filing season.

We used our human capital self-assessment checklist[5] to obtain an understanding of human capital management, its importance in achieving federal agency operational goals, and the framework that we developed to assist agency leaders in evaluating their human capital management practices. Because people are a key resource for carrying out agencies' missions, we also reviewed the Government Performance and Results Act's requirements for agency strategic planning, goal-setting, and performance measurement. To identify human capital management practices used by other organizations in telephone customer service, we obtained information from several sources, including

- our August 2000 report on human capital management practices of public and private organizations;[6]
- the 1995 National Performance Review report on best practices in telephone service;[7] and
- literature on call center management, including Incoming Calls Management Institute[8] information and reports.

We did our work at

- IRS' National Office in Washington, D.C.;
- the Office of the Chief Customer Service Field Operations in Atlanta;
- the Customer Service Operations Center in Atlanta; and
- six of IRS' 25 call sites.

As agreed with your office, we judgmentally selected the six sites to ensure geographic coverage and other characteristics and, therefore, cannot project our results to all 25 call sites.

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[5] GAO/OGC-00-14G, Sept. 2000.

[6] See appendix I for a description of the organizations included in our August report.

[7] *Putting Customers First–Serving the American Public: Best Practices in Telephone Service* (Federal Consortium Benchmark Study Report, Feb. 1995).

[8] The Institute is located in Annapolis, MD, and offers training programs and educational resources to call center management professionals.

Because IRS began providing 24-hour coverage in 1999, we included the two call sites that operated 24 hours a day, 7 days a week and four sites operating fewer than 24 hours a day. Because some call sites were colocated with IRS service centers that had large labor pools from which the sites might recruit staff, the six sites included three that were colocated with service centers and three that were not. To understand human capital management practices within the context of IRS' new organizational and operational structure,[9] our sample includes three sites that were designated to serve taxpayers with incomes from wages and investments and three sites that were designated to serve small business and self-employed taxpayers. Since differences in site staffing levels could lead to differences in their human capital management practices, we selected two sites each from the low, middle, and high ranges of staffing levels among the 25 call sites—less than 200 staff, between 200 and 400, and more than 400, respectively. The characteristics of the six sites are shown in table 1.

Table 1: Characteristics of the Six IRS Call Sites We Visited

Call site location	24-hour, 7 day-a-week service	Colocated with a service center	Site designation[a]	Toll-free staffing level[b]
Atlanta	Yes	Yes	W&I	602
Baltimore	No	No	W&I	285
Cincinnati	No	Yes	SB/SE	166
Denver	No	No	SB/SE	288
Fresno	Yes	Yes	W&I	473
Indianapolis	No	No	SB/SE	197

[a]Site designation as either Wage and Investment Income (W&I) or Small Business and Self Employed(SB/SE) refers to the site's organizational alignment with one of the new IRS divisions named for the taxpayer groups they were designed to serve.

[b]Staffing levels are based on IRS' planned full-time equivalent staffing as of August 1999.

Source: GAO.

We performed our work between May 1999 and October 2000 in accordance with generally accepted government auditing standards. We obtained written comments on a draft of this report from the

[9]IRS is restructuring its operation into four divisions: Wage and Investment Income (W&I), Small Business and Self Employed (SB/SE), Large and Mid-size Business, and Tax-Exempt and Government Entities. Toll-free service will be provided to taxpayers categorized as W&I or SB/SE.

Commissioner of Internal Revenue. The comments are discussed near the end of this report and are reprinted in appendix II.

IRS Plans to Base Staffing on Strategic Goals Rather Than Annual Funding

IRS faces an annual challenge in determining the staffing level for its toll-free telephone customer service operations. IRS has not established a long-term, desired level-of-telephone-service goal based on the needs of taxpayers and the costs and benefits of meeting them, and then determined what staffing level is needed to achieve that service level. Rather, IRS annually determines the level of funding it will seek for its customer service workforce, based on its judgment of how to best balance its efforts to assist taxpayers and to ensure their compliance with tax laws, and then calculates the expected level of service[10] that funding level will provide. IRS' approach to setting this goal is inconsistent with federal guidance on strategic planning, which calls for agencies to develop strategic goals covering at least a 5-year period and to determine the staffing and other resources needed to achieve the goals. IRS' approach is also inconsistent with industry practices, which base their goals and staffing on customer needs. Without a long-term level-of-service goal, as well as annual goals aimed at achieving the long-term goal over time, IRS lacks meaningful targets for strategically planning and managing call center performance and measuring improvement. In commenting on a draft of this report, the Commissioner stated that IRS planned to set strategic goals and staff to meet those goals.

In the absence of a long-term goal, and multiyear plans for reaching it, IRS has estimated the service it could provide based on different staffing levels. For example, when formulating its fiscal year 2000 budget, IRS estimated that it would receive over 100 million calls on its three toll-free lines throughout the fiscal year and that its customer service representatives could handle an average of 5.6 calls per hour[11] that they were available to take calls.[12] These workload and productivity

[10]For fiscal year 2000, IRS calculated its level of service as the number of call attempts, minus busy signals and calls abandoned, divided by call attempts.

[11]Other planning assumptions included the use of automation and fiscal year 1999 demand (the first year IRS attempted to provide round-the-clock service), with a 2 percent growth factor.

[12]According to an Operations Center official, the calculation considers the time customer service representatives are not available to take calls, such as when they are on leave, or attending training, meetings, or other authorized events.

assumptions were the basis for calculating the expected levels of service IRS could provide with different staffing levels. Specifically, with customer service representative levels ranging from 8,291 to 10,800 full-time-equivalent staff, IRS estimated that it could achieve levels of service ranging from 58 to 80 percent, respectively. Because of the need to balance service and compliance activities within overall staffing budget limitations, IRS decided to request funding at the lower level, establishing a 58-percent level-of-service goal for fiscal year 2000 and a 60-percent level for fiscal year 2001.

A long-term, results-oriented goal is important because its provides a meaningful sense of direction as well as a yardstick for measuring the results of operations and evaluating the extent of improvements resulting from changes in resources, new technology, or management of human capital. The Government Performance and Results Act of 1993 required executive branch agencies to

- develop multiyear, strategic plans covering at least a 5-year period;
- set long-term, output- or results-oriented goals in these strategic plans;
- describe the human and other resources needed to achieve goals;
- update these plans at least every 3 years;
- prepare annual performance plans with annual performance goals; and
- measure and report annually on its progress toward meeting those goals.

Under the act, strategic plans are the starting point for agencies to set annual performance goals aimed at achieving their strategic goals over time. As part of the strategic planning process, agencies are required to consult with Congress and to solicit the views of other stakeholders who might be affected by the agencies' activities.

Unlike IRS, officials at all seven public and private call center operations we visited as part of our August 2000 report said that they determined staffing requirements based on their customers' needs and clearly articulated service-level goals—that is, the percentage of calls to be answered within a given time frame. For example, the Social Security Administration (SSA)—an agency that is also subject to federal budget constraints, had a goal of 95 percent of its callers getting through on its toll-free line within 5 minutes of their first attempt. This goal was established with input and support from Congress and top SSA leadership as part of a government wide effort to improve customer service. According to an SSA associate deputy commissioner, the focus on improving telephone customer service followed a period of very poor service in the early and mid-1990s, when as many as 49 percent of callers got busy signals when they called the toll-free number. The associate deputy said that congressional stakeholders continue to monitor SSA's toll-free telephone operations, resulting in continued support by SSA management to allocate the resources needed to meet established goals.

Other studies have also documented the importance of setting service-level goals based on customers' needs. One guide to call center management for practitioners that we reviewed underscored the importance of service-level goals.[13] It described service level as "the core value" at the heart of effective call center management, without which, answers to many important questions, including "How many staff do you need?" would be left to chance. It said service-level goals should be realistic, understood by everyone in the organization, taken seriously, and funded adequately. While the guide also recommended benchmarking, formally or informally, with competitors or similar organizations, it stated each organization should determine an appropriate service level for its call centers, considering its unique circumstances. These considerations should include the labor and telephone equipment costs of answering the call, the value of the call to the organization, and how long callers are willing to hold for service.

IRS recognizes the need to establish long-term goals and is considering adopting some of the measures used by other organizations and establishing goals for those measures. For fiscal year 2001, for example, IRS plans to measure the percentage of callers who reach IRS within 30 seconds. While IRS has not established a long-term goal for this measure, it has set an interim goal of 49 percent for fiscal year 2001.

In commenting on a draft of this report, the Commissioner stated that IRS had instituted an agencywide strategic planning process in March 2000 that links the budget and available resources to its strategies and improvement projects. According to the Commissioner, IRS' fiscal year 2002 Strategic Plan and Budget will include a 74 percent level-of-service goal, with a goal of reaching 85 to 90 percent by fiscal year 2003. Also, IRS had an initiative under way to improve workload planning to ensure that

[13]Brad Cleveland and Julia Mayben, *Call Center Management on Fast Forward: Succeeding in Today's Dynamic Inbound Environment* (Annapolis, MD, 1997).

customer needs are considered during the planning and budgeting process.

Call Sites Faced Challenges in Implementing Human Capital Practices

The six call sites we visited faced challenges in successfully recruiting, training, retaining, and scheduling customer service representatives. According to site officials, these challenges included difficulties

- recruiting representatives due to job characteristics,
- training representatives and keeping them proficient,
- retaining skilled representatives, and
- scheduling representatives to meet forecasted staffing requirements.

Job Characteristics Affected Efforts to Recruit Suitable Representatives

Officials at five sites said they experienced some degree of difficulty in recruiting representatives because of job characteristics such as the seasonal nature of the positions, undesirable work hours, or the stressfulness of the work. Nevertheless, five of the sites were able to fill their vacant positions. One site was unable to fill its needs and had concerns about the suitability of the persons hired. According to officials at this latter site, due to the limited time between the date they were provided the number of positions to fill and the time that the new employees had to report for work, the officials did not have sufficient time to interview all applicants before hiring them.

Officials at each IRS call site were responsible for hiring representatives for their location, including deciding what recruiting methods and applicant screening tools to use. All six sites used some combination of conventional recruiting methods, such as newspaper advertisements and college campus recruiting. To determine the suitability of applicants, beyond the basic qualifications for the position,[14] officials at four sites interviewed applicants before hiring them, and most used interview techniques to determine how applicants might behave in typical work

[14]Basic qualifications were 1 year of customer-service-related experience or a 4-year college degree.

situations.[15] Two of these four sites also administered a five-question, tax-related math test to assess a candidate's basic math and analytical skills.

In an effort to improve its recruiting for customer service representatives, IRS is in the early stages of developing a national recruiting strategy. As part of this plan, IRS is determining where it should target its recruiting efforts. IRS is identifying sites where IRS' salary and benefits make it a competitive employer in the local job market and sites that have trouble recruiting and retaining suitable applicants. Officials believe this will help IRS determine which sites should be growth sites for hiring telephone customer service representatives.

All Sites Experienced Challenges in Training Representatives and Keeping Them Proficient

According to officials at the call sites we visited, the many obstacles that affected their ability to train customer service representatives and keep them proficient included

- the broad range of complex topics representatives must address,
- inadequate resources,
- the cyclical nature of taxpayer demand,
- reassignment of tax topics among representatives, and
- the lack of a formal mechanism to identify individual refresher training needs.

Each year, IRS must train thousands of customer service representatives in a broad range of topics, and according to officials at the six sites we visited, they sometimes had to do so without adequate resources. Topics range from the status of refunds to more complicated issues such as capital gains or losses. In fiscal year 1999, the standard training curriculum provided by all sites generally included periods of classroom instruction, followed by periods of on-the-job training that were roughly half the length of the classroom instruction. This training was delivered incrementally over a 3-year period,[16] between the busy filing seasons, during which IRS

[15] One site that did not interview applicants hired primarily from within IRS. Officials did not think interviews were necessary because they had access to IRS-prepared performance assessments, and they could talk to the applicants' supervisors. Officials at the other site did not interview because, based on previous site experience, only a few of the applicants hired without interviews were unable to do customer service work.

[16] The classroom instruction totaled over 300 hours—132 hours in the first year; 87 in the second year; and 92 in the third year.

receives the bulk of its toll-free calls. The training program also included annual tax law/procedural update training. However, after customer service representatives received their initial training, they generally did not receive subsequent refresher training despite the cyclical nature of the work.

Officials also cited a shortage of instructors, limited training time, and outdated training materials as other factors that affected their ability to effectively train customer service representatives. For example, officials at the one site that did not hire the number of representatives authorized said they did not have enough instructors to provide the necessary training. Officials at three sites said that they did not have sufficient time to fully train representatives before their peak season because they did not receive timely notice of when, and how many, they could hire. Officials at four sites also said that training materials provided by the National Office were frequently outdated.

Keeping customer service representatives proficient was also a challenge for the sites due to the cyclical nature of taxpayer demand and changes to the topics representatives were expected to know. The frequency of the calls and the topics covered varied throughout the year. The bulk of the calls are generally received during the busy filing season. For example, more than 57.6 of the 79.6 million toll-free calls made to IRS in fiscal year 2000, or 72 percent were made from January through June. In addition, calls received from January through April predominantly involved tax law topics, while calls received after April mainly involved account- and refund-related topics. Consequently, customer service representatives could go long periods, such as months between filing seasons or even years since topic training was completed, without receiving calls to reinforce their experience on some of the topics for which they were trained. Moreover, this situation was compounded when IRS implemented centralized call routing in 1999. In conjunction with this change, IRS consolidated the number of subject categories, which ranged from 40 to 125 depending on the site, and reassigned representatives to a broader group of 31 categories. This was done without ensuring that they had adequate training or experience.[17] According to a site official, inadequate training is one factor reducing the accuracy of IRS responses to tax law

[17]Our report about telephone customer service during the 2000 filing season will discuss skill gaps in greater detail. We expect that report to be issued later this year.

and account calls. From 1998 to 1999, for example, network accuracy for account calls decreased from 87.9 to 81.7 percent, according to IRS' weekly customer service snapshot report dated September 30, 1999.

Officials at the sites we visited also said that the lack of a formal mechanism to identify which representatives needed refresher training hindered their ability to keep their representatives proficient. Officials have records of specific training each representative has received, but they do not have a method for assessing individual competency gaps—i.e., between knowledge and skills needed to respond to calls and current proficiency—to quantify each representative's refresher training needs. Although IRS had developed such a system and began using it in December 1998, a customer service training official said testing was not done consistently among the call sites, and refresher training was not provided to meet identified needs. The official also said a lack of funding and uncertainty of future organizational developments led IRS to discontinue the system in 1999.

Because IRS does not have a system for assessing competency gaps to identify the specific refresher training needs of individual representatives, call sites waste scarce training resources trying to improve the performance of customer service representatives. For example, officials said they sometimes send groups of representatives to refresher training, knowing that some representatives will probably receive training they do not need. This happens because the course covers several subjects and each representative probably needs some of the training but most representatives probably do not need all of the training. Providing unnecessary training wastes resources that would otherwise be available for representatives who need additional training.

Other studies identified similar IRS training issues. According to a March 1999 TIGTA report on its survey of IRS call sites, the managers at 15 of 20 call sites surveyed expressed moderate-to-high levels of dissatisfaction with the timing, duration, and quality of customer service representative training.[18] Similarly, the representatives ranked training as their highest concern among 12 issues covered by IRS' 1999 employee satisfaction survey. Moreover, in his May 2000 comments on a recently completed customer service employee feedback report, the Commissioner of Internal

[18] *Survey of Internal Revenue Service Call Sites* (TIGTA, Mar. 1999).

Revenue recognized the training challenges call site managers and employees faced, stating that

> "Fundamentally, we are attempting the impossible. We are expecting employees and our managers to be trained in areas that are far too broad to ever succeed, and our manuals and training courses are, therefore, unmanageable in scope and complexity…. The next step is to rethink what we should do at each site in order to achieve greater site specialization."[19]

Because of the problems involved in attempting to provide the full range of training to all customer service representatives, in fiscal year 2000, IRS began refocusing its program to provide just-in-time training, targeted more to the specific types of questions taxpayers call about at different times throughout the year. In addition, as part of restructuring, IRS intends to further specialize training to serve specific taxpayer groups– those who receive income from wages and investments and those who receive income from small businesses or self-employment. IRS' training related plans do not, however, address the need for identifying competency gaps to determine refresher training needs and target training accordingly. A National Office official informed us that IRS was working with the Office of Personnel Management to "develop competency models, document career paths, and develop assessment instruments for use in training, development, selection, etc., for all of the occupations within the IRS." Due to the broad scope of this endeavor, however, the official could not say when IRS could expect to establish and implement a mechanism for assessing the refresher training needs of customer service representatives and ensuring that the training is provided.

IRS Did Not Monitor Reasons for Call Center Attrition to Determine How to Address It

Despite its substantial investment in recruiting and training its network of 10,000 customer service representatives, and concern by National Office and some site officials that attrition was higher than it should be, IRS was not actively monitoring attrition and determining what steps, if any, were needed to address it. Officials do not track how many representatives leave, why they leave, or where they go—data that would be key to a strategy for decreasing attrition. A recent study of experiences at 186 call centers indicates that attrition is a major problem for the industry that is expected to worsen. Some of the organizations we contacted as part of our

[19] Charles O. Rossotti, "Comments on Customer Service Employee Feedback Report" (memorandum dated May 25, 2000).

August 2000 report, however, were not as concerned about their attrition. They said most of their attrition was to other jobs within their organization and thus benefited the overall organization.

None of the six sites we visited could provide attrition statistics for customer service representatives for 1998 or 1999. Officials at four sites provided estimates ranging from 13 to 19 percent per year; however, these estimates were just their opinions—they were not based on data collected by the site or the National Office.[20] Although IRS did not monitor attrition, National Office officials and officials at three sites said that attrition was a problem. Only one of the six sites had collected data to determine the reasons why representatives left; officials at the remaining five sites and the National Office had opinions about why representatives left.[21] In addition, IRS did not monitor whether the representatives who left obtained other jobs within or outside of IRS.

According to a call center industry retention study,[22] staff turnover has been a long-time problem that is expected to worsen as the responsibilities of customer service representatives are expanded to include responding to Web-based customer inquiries in addition to the more customary avenues, such as by telephone or correspondence. The study reported that call centers generally lose about 62 percent of their full-time representatives within 2 years. The reasons for turnover included better employment opportunities within the company, but outside the call center or outside the company; better compensation; and better career opportunities. In order to reduce their attrition rates, some companies were (1) providing more opportunities for customer service representatives to develop and learn new skills and (2) establishing strategies to avoid wasting time and

[20]National Office officials provided lower nationwide attrition rates of 4.3 percent for 1998 and 3.6 percent projected for 1999, but these rates did not include all attrition. For example, the official who calculated these rates advised us that they did not include any attrition to other jobs within IRS.

[21]Examples included the stressful nature of the work, seasonal employment, and better opportunities elsewhere.

[22]*Agent Staffing and Retention Study,* Final Report (Call Center Management Review, May 2000). The Call Center Management Review, published monthly by the Incoming Calls Management Institute, surveyed 771 U.S. call centers and received 186 responses (24-percent response rate). Small, medium, and large call centers from more than 50 industries responded to the survey, which was completed in April 2000.

resources recruiting, hiring, and training representatives, only to lose them to other organizations.

Some of the organizations included in our August 2000 report had high attrition, but officials said that attrition from their call centers was usually to other positions within their organizations. For example, at one company, officials noted that policies to promote from within and encourage employee mobility, allowed customer service representatives to move to more senior positions within the company.

IRS Was Adapting a Commercial System to Address Inaccurate Call Demand Forecasting and Staff Scheduling Difficulties

IRS faces challenges in effectively scheduling staff—that is, having the right number, with the right skills, at the right time, at each call site—due to inaccurate demand forecasting and a complicated staff scheduling process. During the first 6 months of fiscal year 2000, IRS data indicated that for 60 percent of the time call sites were overstaffed or understaffed compared to tolerances established by IRS. In addition, IRS' method for measuring call sites' adherence to their schedules was incomplete. Recognizing its problems with forecasting and scheduling, IRS was adapting an automated system similar to those used by other organizations.

Inaccurate forecasting of the expected fiscal year 2000 toll-free call volume led to inefficient scheduling and use of staff at some sites. The Operations Center estimated that IRS would receive 100 million calls in fiscal year 2000, but IRS actually received about 80 million—20 percent less than forecasted. Because individual site staffing requirements were based on IRS' forecasts of the expected numbers, types, and timing of calls, network and individual site work plans were also overstated, resulting in the underutilization of staff at some sites. For example, according to TIGTA's March 2000 report, for the period December 5, 1998, through March 15, 1999, overstated call demand resulted in staff being scheduled and ready to take calls, but getting no calls, an average of 10 percent of their time at six sites for which data were available.[23]

[23] *Toll-Free Telephone Service Levels Declined in 1999 Despite Costly Efforts to Achieve World Class Performance* (TIGTA, Mar. 2000). TIGTA reported that those staff also averaged 49 percent of their time taking calls, 9 percent wrapping up after calls, and 33 percent idle (not available to take calls) due to reasons such as lunch, breaks, meetings, and other events.

Operations Center officials stated that IRS' increased use of new routing technologies, combined with continuous organizational and procedural changes, made accurate forecasting difficult. Moreover, they believed the information that IRS had about historical demand was of limited value in predicting future demand for two reasons. First, the historical information was not based on operating 24 hours a day; and second, it was difficult to take into account the constantly changing environment (i.e., tax law changes and increased use of electronic filing and Web-based services). However, the Directors of Customer Account Services, whose staffs have responsibility for providing telephone customer service to wage and investment and small business and self-employed taxpayers, stated that demand forecasting should improve now that IRS has 2 years of information based on operating 24 hours a day.

Managers at most of the sites we visited stated that the complicated scheduling process made it difficult to ensure that the appropriate staff were scheduled to work at the right times. They were also concerned about the amount of time they spent scheduling and rescheduling staff in attempting to ensure that they had scheduled the number of staff with the skills the Operations Center prescribed for each half-hour increment of service time. IRS management had not developed a standard system for the sites to use in helping them to develop their site schedules. As a result, each site we visited used its own system to track variables related to each customer service representative, such as the specific work schedule agreement, planned vacation and training, and skill level in answering certain types of calls. Site managers then used these variables to develop site schedules. Managers explained that the large number of variables to consider when doing so (e.g., more than 160 different work schedules at one site) complicated the scheduling process and made it difficult for them to optimize their day-to-day efforts to meet the staffing requirements prescribed by the Operations Center. IRS' own statistics bear this out. At the times IRS measured, call centers were either understaffed or overstaffed, compared with the Operations Center's prescribed staffing schedule, 60 percent of the time—24 percent and 36 percent, respectively, during the first 6 months of fiscal year 2000. In measuring site adherence to its prescribed staffing requirements, the Operations Center considers variances of more than 10 percent (of the total number required to be ready for each half-hour period) as overstaffing or understaffing.

The Operations Center only partially measures each site's ability to meet the prescribed staffing requirements. The current measurement system determines if each site had, on average, the required number of customer service representatives available to answer the telephone for each half-hour period.[24] However, the Operations Center did not measure the extent to which sites provided representatives with the required skills.

IRS is working with a contractor to refine a commercially available automated system to facilitate forecasting demand, scheduling staff, and tracking adherence to the schedule.[25] The system is expected to use historical data to more accurately forecast call demand (volume, type, and timing of calls) and to centrally compare information on site staff resources (e.g., availability and skills) in relation to forecasted demand to help ensure that network staffing schedules make optimum use of available site staffing. This system is also expected to identify individual site staffing options for meeting network requirements, thus reducing the amount of time site managers spend on scheduling staff.

According to Operations Center officials, the contractor was still refining the commercial version of the system because it was not designed to handle the size and complexity of IRS' toll-free operations (e.g., the number of call sites and customer service representatives and the range of topics). According to the project leader responsible for this system, both system hardware and software were in place at all call centers prior to October 2000, but the software is not yet fully operational. Even though IRS now has 2 years of information based on operating 24 hours a day, it did not gather that data in a consistent format. The system's forecasting and scheduling capability will not be usable until IRS has collected at least 1 year of call demand data in a consistent format. The project leader was not sure when IRS would have these data because data collection efforts were delayed in order to make changes that would allow IRS to capture more data than originally planned and in a reconfigured format. Also, the planned transfer of certain functions from the Philadelphia Service Center to the Operations Center was more than a year behind schedule in October 2000. Moreover, the project leader said IRS' restructuring could cause further delays in achieving full system capability.

[24]Sites are considered to have met the prescribed total staffing requirement for the half hour (i.e., for all subjects, combined), if the number of representatives available and ready to take calls is within 90 to 110 percent of the requirement.

[25]The automated system is called the Tele-Center Workforce Management System.

Other organizations included in our August report used an automated system similar to the one IRS is implementing. For example, one company used an automated system to identify its short- and long-term staffing requirements. The system assisted call center managers in forecasting call demands and scheduling staff to meet the demands. Officials said the system also enabled the company to significantly reduce the time needed to perform these tasks. It forecasted call demand down to half-hour intervals, based on historical data trends. Considering various assumptions about call patterns and information such as the number of customer service representatives available to take calls, on leave, or in training, the system also generated a staffing schedule. The schedules were reviewed daily and adjusted as needed.

Evaluations Do Not Consider How Human Capital Practices Affect Achieving Level-of-Service Goals

IRS also faces challenges in evaluating its human capital management practices. According to our self-assessment checklist, all human capital policies should be designed, implemented, and assessed by the standard of how well they help the organization pursue its mission, goals, and objectives.[26] While IRS evaluates its practices to make improvements in some areas, such as recruiting or training, the evaluations do not assess how individual or collective human capital policies and practices affect its ability to achieve level-of-service goals. Its evaluations also generally did not consider how improving practices in one area might affect other areas. Unlike IRS, some organizations consider how their human capital management practices affect their operational goals and how changing one practice may affect another. Without expanding its evaluations to include such analyses, IRS is unlikely to optimize the efficiency and effectiveness of its toll-free operations.

Except for retention,[27] IRS evaluated its human capital practices, to some extent, in most areas, including recruiting, training, and scheduling to improve those areas. These evaluations generally focused on how each practice could be improved for the next year. While these evaluations are useful for making short-term adjustments, they do not provide a basis for

[26]"…an organization's human capital policies must be aligned to support the organization's shared vision—that is the mission, vision for the future, core values, goals and objectives... All human capital policies should be designed, implemented, and assessed by the standard of how well they help the organization pursue its shared vision." GAO/OGC-00-14G, Sept. 2000, p. 2.

[27]As discussed earlier, IRS was not monitoring attrition.

strategic planning because they do not assess how human capital management practices may need to be revised to support a long-term level-of-service goal. Additionally, IRS evaluations generally do not consider how making changes in one area affects other areas. For example, IRS evaluations of recruiting did not consider how improving retention practices might reduce attrition, decrease resources spent on recruiting and training new employees, or increase the resources available for improving the skills and productivity of existing employees.

Unlike IRS, other organizations have evaluated the effects of changes in one human capital practice on other practices as well as on the overall results of their telephone assistance operations. For example, one company used training results to identify successful new hires. First, officials determined the characteristics that recruits who did well during training had in common. Then, the company changed its recruiting practices to identify and hire similar people. The Incoming Calls Management Institute recommended doing something similar—identify the personality traits and skills of top performing customer service representatives and use those traits to help assess persons applying for a representative position.

Conclusions

IRS faces significant challenges in managing its human capital to provide telephone customer service to taxpayers. IRS has made or planned substantial improvements to help meet these challenges, but further improvements are needed. IRS will have difficulty improving its telephone service without setting a long-term, desired service-level goal that is based on the needs of taxpayers, as well as annual goals aimed at making progress toward reaching its long-term goal. As the Government Performance and Results Act and SSA experience suggest, IRS will also need support for its long- and short-term goals from congressional stakeholders.

IRS' telephone customer service workforce represents a substantial human capital investment in providing assistance to taxpayers. To get the most from this investment, IRS must be able to (1) target scarce training resources where they are most needed to optimize call center and network performance, (2) minimize turnover of trained and experienced customer service representatives to avoid unnecessary recruiting and training expenditures and enhance productivity, and (3) determine how its individual or collective human capital policies and practices affect its ability to achieve customer service goals and how changes in one or more human capital management practices will affect other practices. However, until IRS establishes a system for assessing competency gaps to identify the refresher training needs of individual customer service representatives, it cannot effectively target scarce training resources to meet individual training needs. Without a system for monitoring attrition, identifying its causes, and taking steps to address them, IRS cannot ensure that its recruiting and training resources are used efficiently. And, unless IRS considers its human capital management practices' contribution to achieving overall service goals and considers the interrelationships among its toll-free service human capital practices, it lacks a good basis for assessing the soundness of those human capital practices.

Recommendations for Executive Action

We are recommending that the Commissioner of Internal Revenue take several steps to improve IRS' human capital management practices related to providing telephone customer service. Specifically, the Commissioner should

- establish a long-term, desired service-level goal based on taxpayers' needs, together with annual goals designed to make progress toward reaching that long-term goal over time, and work with congressional and other stakeholders to obtain their support and the resources needed to reach those goals;
- establish a system for assessing customer service representatives' competency gaps and meeting the refresher training needs identified by the assessments;
- develop a system for monitoring call center attrition and identifying its causes and use the information gathered from that system to develop, as appropriate, strategies for dealing with the attrition of customer service representatives; and
- ensure that IRS' evaluations of human capital management practices consider the effects of those practices on its ability to achieve long- and short-term customer service goals and the interrelationships among human capital practices.

Agency Comments and Our Evaluation

The Commissioner of Internal Revenue provided written comments on a draft of this report in a January 12, 2001, letter, which is reprinted in appendix II. We also met with senior IRS officials on January 4, 2001, to discuss our draft report and to obtain updated information on IRS' new toll-free measures and goals. The Commissioner agreed with our recommendations, which he said should improve performance in this critical area. In addition, he provided information summarizing IRS' efforts relating to each recommendation and commented that IRS' efforts reflected the constructive dialog between IRS and our staff. We incorporated the new information and modified the report, where appropriate, to reflect IRS efforts.

The Commissioner's letter stated that IRS had instituted an agencywide strategic planning process in March 2000 that links the budget and available resources to its strategies and improvement projects, but also recognized the need to strengthen that new process. Toward this end, the Commissioner stated that IRS' fiscal year 2002 Strategic Plan and Budget reflects a 74-percent level-of-service goal, with a goal of reaching 85 to 90 percent by fiscal year 2003. This plan was not yet available as we were preparing this report. He also stated that an initiative was under way to improve workload planning to ensure that customer needs are considered during the planning and budgeting process. The Commissioner's letter did not say how the cited workload planning initiative would identify and assess customer needs.

Based on the Commissioner's comments, significant efforts were under way or planned to help ensure that customer service representatives will have the competencies and training needed to respond to taxpayer calls. In addition to the targeted training and planned specialization discussed in this report, for example, IRS plans to establish competency-based recruiting and retention methods to help ensure that IRS recruits and retains individuals who are well-suited to telephone customer service work. The Commissioner's comments also stated that IRS' competency-based management plans include the use of "assessment instruments to identify training needs." These initiatives seem to be promising and may form a basis for identifying individual refresher training needs and ensuring that these needs are met.

The Commissioner's comments also recognized the importance of retaining skilled representatives. His comments identified several efforts that focused on identifying employees that may be more likely to remain with IRS. He did not comment on monitoring why employees leave or on using this information to strengthen IRS' efforts to retain skilled representatives.

Regarding IRS' evaluations of its human capital practices, the Commissioner's comments did not respond directly to the primary point of our recommendation—that IRS evaluations should consider the effects of its practices on its ability to achieve its long- and short-term customer service goals. However, the Commissioner did say that IRS has embraced our Human Capital Self-Assessment Checklist for Agency Leaders. IRS had used it as a diagnostic tool in its recent review of its mid- and top-level management realignment process and planned to use it again in fiscal year 2001 to “conduct an overview of the status of human capital practices throughout the Service.” Our checklist provides a framework by which agency leaders can develop informed views of their agencies’ human capital policies and practices. The Commissioner also objected to our comparing IRS’ 1998 performance with performance in subsequent years, because of the many changes to IRS’ operating environment, such as enterprise call management and 24-hour operations. This report compared IRS’ reported tax law and account accuracy in 1998 and 1999. As stated in our evaluation of the Commissioner’s comments on our 2000 filing season report,[28] we believe it is appropriate to compare IRS’ performance before and after the operational changes mentioned above. In reevaluating the examples we used, however, we decided to eliminate our reference to IRS’ reported tax law accuracy because we learned that the methods used to measure tax law accuracy changed in 1999, and thus, results may not be comparable.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the Ranking Minority Member of the Subcommittee on Oversight; the Chairman and Ranking Minority Member, Committee on Ways and Means; the Secretary of the Treasury; the Commissioner of Internal Revenue; and Director, Office of Management and Budget. We will also send copies to others upon request.

[28] *Tax Administration: Assessment of IRS’ 2000 Tax Filing Season* (GAO-01-158, Dec. 22, 2000).

If you have any questions, please call me at (202) 512-9110 or Carl Harris at (404) 679-1900. Key contributors to this report are acknowledged in appendix III.

Sincerely yours,

Michael Brostek
Director, Tax Issues

Appendix I: Organizations Contacted in Our August 2000 Report

Table 2 describes the organization, mission, and telephone center operations of the private and public organizations that were included in the scope of our August 2000 report.[1]

Table 2: Telephone Customer Service Operations in Organizations We Visited or Telephoned

Organization	Mission	Telephone customer service operation
Allstate Insurance Company	Multinational public company selling insurance products. It has a customer base of more than 14 million households in the United States and Canada.	Three call centers in Roanoke, VA; LaBrea, CA; and Jackson, MI, staffed by about 1,150 customer service representatives, most of whom worked part-time. The call centers provided after-hours support to insurance agents nationwide. Toll-free telephone lines were open from 6 p.m. to 9 a.m. for general information and to leave messages for agents. Allstate officials said that they plan to expand call center operations to handle customer sales and service in 2000.
California Franchise Tax Board	Administrator of California's personal income and bank and corporation tax law. Also responsible for nontax programs, such as the homeowners and renters assistance program and political reform act audits.	One centralized call center in Rancho Cordova, CA, was staffed by more than 300 telephone customer representatives, including supervisors. They were assisted during busy times by cross-trained employees from the correspondence section of the center and by former telephone customer service employees working overtime. Toll-free telephone lines were open from 7 a.m. to 8 p.m., Monday through Friday, and from 7 a.m. to 4 p.m. on Saturday. During filing season, the hours were extended from 6 a.m. to midnight, Monday through Friday, and from 7 a.m. to 4 p.m. on Saturdays and holidays. The call center provided taxpayers with information on return preparation, filing requirements, forms, refund status, and general tax law.
Canada Customs and Revenue Agency	Canadian tax, customs, and trade administrator. Also charged with redistribution of income through the delivery of social and economic benefits.	Four call centers in Toronto, Montreal, and Vancouver, and the national 1-800 Overflow Call Center in Ottawa, that responded to about 40 percent of the general inquiries. Telephones were also answered at 42 other sites throughout Canada where agents handled both telephone and walk-in inquiries. Officials estimated that about 2,600 full-time-equivalent positions were dedicated to telephone client services, providing taxpayers with general and account-specific information on the programs administered by the Canada Customs and Revenue Agency. Toll-free telephone lines were open from 8:15 a.m. to 5 p.m., Monday through Friday, for individual taxpayers and from 8:15 a.m. to 8 p.m. for business taxpayers. During the 2000 filing season, calls from all taxpayers were also taken from 9 a.m. to 1 p.m. on Saturdays and Sundays, and lines for individual taxpayers were open until 10 p.m.

[1] *Customer Service: Human Capital Management at Selected Public and Private Call Centers* (GAO/GGD-00-161, Aug. 22, 2000).

Organization	Mission	Telephone customer service operation
General Electric Appliance Company[a]	One of 11 core businesses of General Electric. Manufactures appliances, including refrigerators, ranges, dishwashers, microwave ovens, washing machines, dryers, water filtration systems, and heating systems. Also provides repair and maintenance services on appliances, operating a nationwide fleet of service vans.	A telephone hotline that provided consumers with product information and responded to questions about repairs. The answer center, located in Louisville, KY, handled about 2 million calls each year. About 200 telephone customer service representatives responded to inquiries 24 hours a day, 7 days a week.
Hewlett-Packard Company[a]	Designer, developer, and manufacturer of computer products, including personal computers, printers, computer workstations, and a range of hardware and software.	The Hewlett-Packard Company Executive Customer Advocacy Group provided support for customers contacting Corporate Headquarters regarding issues or concerns with products and services. The hotline was located in Palo Alto, CA. It operated from 8 a.m. to 5 p.m., Monday through Friday, with a staff of about 22 full-time-equivalent employees who were Hewlett-Packard Company retirees in part-time positions.
Illinois Department of Revenue	Collects taxes for the state and its local governments, including income and business taxes on individuals and businesses, income and sales taxes, taxes on public utilities, tobacco and liquor, motor fuels and vehicles. The department also administers tax relief programs for the elderly and disabled and provides property assessments among the state's counties.	One call center in Springfield, IL, was staffed by 34 full-time telephone customer service representatives, who were assisted during busy times by cross-trained employees from other areas within the taxpayer assistance division. Toll-free telephone lines were open from 8 a.m. to 5 p.m., Monday through Friday, with extended weekday hours and one Saturday opening during filing season. Automated service was available 24 hours a day, 7 days a week. The call center provided taxpayers with help in completing their returns and answered questions about taxes, returns, bills, and notices that had been filed.
International Business Machines, Inc.[a]	Designer, developer, and manufacturer of information technologies, including computer systems, software, networking systems, storage devices, and microelectronics.	In the Product Sales and Service Division, about 6,900 telephone customer service employees provided information on product sales and service. Call centers operated 24 hours a day, 7 days a week.
Kaiser-Permanente	America's largest not-for-profit health maintenance organization, serving over 8 million members in 17 states and the District of Columbia. An integrated health delivery system, Kaiser Permanente organizes and provides or coordinates members' care, including preventive care, hospital and medical services, and pharmacy services.	Kaiser Permanente had 17 call centers nationwide, with 12 centers located in California, the largest region. Regional call centers operated independently. The California region, where we visited, had 5.9 million members, while other regions had fewer than 1 million members each. The two largest call centers were located in Stockton and Corona, CA. Together, they employed about 475 telephone customer service representatives and about 80 management and support staff. Hours of operation were 7 a.m. to 7 p.m., 7 days a week. The member service call centers provided answers to questions on health plan-related topics, including benefits, copayments, claims, Medicare, eligibility, available services, and physician information.

Organization	Mission	Telephone customer service operation
Social Security Administration	Manages the nation's social insurance program, consisting of retirement, survivors, and disability insurance and supplemental security income benefits for the aged, blind, and disabled. Also assigns Social Security Numbers to U.S. citizens and maintains earnings records for workers under these numbers.	Thirty-six call centers nationwide were staffed by 3,100 full-time, 700 part-time, and up to 60 percent of about 4,100 spike[b] employees who were available to assist at busy times. Toll-free telephone lines were open from 7 a.m. to 7 p.m., Monday through Friday, to answer callers' questions about Social Security benefits and programs.
United Parcel Service	World's largest package distribution company, it transports more than 3 billion parcels and documents annually.	Nine call centers nationwide were staffed by over 6,800 customer service representatives. Eight centers were open from 7 a.m. to 9 p.m., Monday through Friday. One center in San Antonio, TX, operated 24 hours a day, 7 days a week. Seven of the nine call centers were staffed by contract employees. The Newport News, VA, call center, which was a contract facility we visited, had 230 representatives who handled calls related to pick-up, tracking, and claims.
Utah State Tax Commission[a]	Coordinator of Utah taxes and fees, including taxes on income, sales, property, motor vehicles, fuel, beer, and cigarettes.	Three call centers—a main call center, motor vehicle center, and collection center—operated weekdays from 8 a.m. to 5 p.m. with about 35 telephone customer service representatives. The call centers responded to about 15,000 to 20,000 inquiries a month dealing with a range of questions on programs administered by the Commission.

[a]For these organizations, we conducted a telephone interview in which we asked managers of telephone customer service operations several key semistructured interview questions. However, we did not have detailed discussions with officials and employees at various levels of the organizations.

[b]"Spikes" are employees who work in program service centers on specific jobs, such as processing benefit claims, but who are cross-trained to answer telephone inquiries and can be diverted from their regular work to answer telephones when call volumes are high.

Source: GAO compilation of data provided by the organizations visited.

We judgmentally selected the organizations to visit and telephone by reviewing literature on innovations in human capital management and by obtaining opinions from experts on what organizations they thought provided noteworthy or innovative human capital management in their call center operations. We chose telephone customer service operations that dealt with tax questions or specific subjects, such as benefits, investments, and installation and operation of technical equipment, that were comparable in complexity to tax issues addressed by IRS customer service representatives.

Specifically, the director for Workplace Quality at the U.S. Office of Personnel Management identified the SSA telephone customer service operation as a public sector organization that is known for effective human capital management. We visited the Illinois and California State tax agencies and telephoned the Utah State Tax Commission on the basis of recommendations of an official from the Federation of Tax Administrators. The Canada Customs and Revenue Agency was cited in literature as having an internationally recognized reputation for high-quality taxpayer service and had participated—along with IRS and the tax agencies of Australia and Japan, members of the Pacific Association of Tax Administrators, in a benchmarking study of customer service best practices.

Two private sector companies we visited—Kaiser Permanente and Allstate Insurance—were selected in consultation with the executive director of the Private Sector Council. The Council, with membership including about 50 major U.S. corporations, seeks to improve the productivity, management, and efficiency of government through cooperation with the private sector. Members volunteer expertise to government agencies by participating with them in projects that are coordinated through the Council. The other private organization we visited, the United Parcel Service, was selected in follow-up to our participation in a congressional delegation and IRS visit to its Atlanta, GA, headquarters to discuss human capital and telephone customer service issues.

The private call centers we telephoned—General Electric (GE) Answer Center, Hewlett-Packard Company Executive Customer Advocacy Group, and International Business Machines (IBM) Business Product Division, and/or their parent corporations—were cited in best practices literature for their effective human capital management.

Appendix II: Comments From the Internal Revenue Service

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

COMMISSIONER

January 12, 2001

Mr. Michael Brostek
Director, Tax Administration
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Brostek:

Thank you for the opportunity to comment on your draft report, "IRS Telephone Assistance: Opportunities for IRS to Improve Its Human Capital Management."

I agree with your key recommendations, which should improve performance in this critical area. As you report, we have taken steps to improve and will continue these efforts. We can and should do more. I do have specific comments I believe should be included in the report to update our actions and reflect our accomplishments. I also believe we should acknowledge that our efforts reflect the valuable and constructive dialogue with your staff and the recommendations from previous General Accounting Office reports. I have asked our Commissioners, Wage and Investment and Small Business/Self Employed, and our Director, Strategic Human Resources to jointly develop improvement plans that will build on what we have already accomplished and address your recommendations.

The toll-free telephone program is one of the cornerstones of the IRS Customer Service operations, and effective management of our human capital practices and policies is critical to successfully serving our customers throughout the year. We had previously begun several initiatives that address issues raised in the draft report and will highlight these activities and update some that were included in the report.

RECOMMENDATION:
The Commissioner should establish a long-term, desired service level goal based on taxpayers' needs, together with annual goals designed to make progress toward reaching that long-term goal over time, and work with congressional and other stakeholders to obtain their support and the resources needed to reach those goals.

COMMENTS
I recognize the need to strengthen the agency-wide strategic planning process that we began last year. As you know, in March 2000 we instituted an agency-wide strategic planning process that meets the requirements of the Government Performance and Review Act and links the budget and available resources to our strategies and improvement projects. In addition, we have an initiative underway within Customer

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Accounts Services to enhance our focus on customer needs by improving our workload planning to ensure that needs are adequately considered during the planning and budgeting process.

Our FY 2002 Strategic Plan and Budget reflects a 74% Level of Service, with a goal of reaching 85% to 90% by FY 2003. Achieving this goal will be dependent on acquiring sufficient FTEs, and the timely deployment of technology and the Customer Contact Center Optimization project.

In addition, for fiscal year 2001, we established a new set of toll-free telephone performance metrics to supplement the long-standing IRS Level of Service measurement for overall system performance. These new metrics reflect industry standards such as, average speed of answer, service level and abandon rate. We will use them to measure the interactions of taxpayers with both Customer Service Representatives and automated services. We will also continue our transaction-based customer satisfaction survey, which began in late FY 1999, to yield direct customer feedback. This first year we will establish a baseline performance level goal; we can then determine short and long-term objectives.

RECOMMENDATION:
The Commissioner should establish a system for assessing Customer Service Representatives' competency gaps and meeting the refresher training needs identified by the assessments.

COMMENTS
We completed in August 2000 a yearlong effort to improve training provided to Customer Service Representatives. A team developed tools to enable call site managers to assess current employee skills and determine what skills are needed to perform assigned work. An enterprise-wide "skills gap" assessment was conducted of all employees. Based on the analysis of employee skills and anticipated customer demand, training courses were developed to better match curriculum and materials to the tasks to be performed. We organized material into modules that allow us to deliver training that is more focused, shorter in length, and available "just in time" for the needed skill.

We recognized these actions were only a beginning effort to address the broader issues related to the magnitude, complexity and diversity of our toll-free telephone inquiries. In August 2000, I authorized, and the Deputy Commissioner, Wage and Investment Division initiated the Customer Contact Center Optimization (CCCO) project. The project team will realign and "specialize" the type of work performed at each of our call sites. The ultimate goal is to establish "centers of excellence." This multi-staged endeavor will take a minimum of 18 to 24 months to fully implement.

The first phase of the CCCO project was completed December 2000. It delivered a baseline of existing customer contact processes, a new program vision and footprint, and a high-level transition plan. We completed an impact assessment and gap analysis and developed a training proposal. The second phase, which begins February 2001 and will blueprint the operating model, is scheduled for completion by the close of FY 2001. One of the three work streams in this phase will specifically focus on Human Resources, identifying technical competencies, establishing career paths, developing training programs, and identifying task-oriented tools for Customer Service Representatives. The third phase, which will concentrate on site-level implementation, will begin late in calendar year 2001, with completion expected within 18-24 months.

We are also completing an effort focused on institutionalizing competency-based management. As a foundation, we are focusing recruitment and retention efforts around competencies. The IRS has developed a draft competency model that defines the general and technical competencies required for successful job performance for a Customer Service Representative and these competencies will be the foundation for all human resources processes. Human Resource managers, in collaboration with subject matter experts developed the model that defines the competencies, the required level of proficiency associated with each competency, and suggested developmental activities to enhance competency proficiency. Human Resources will deliver a final model in the first quarter of calendar year 2001, which will serve as a road map for employees to manage their customer service careers. The move to competency based human resources practices and specifically using the results of assessment instruments to identify training needs should substantially enhance our training efforts.

The report makes several references to the timing of the refresher training and whether some training material was current. We will not dispute the statements or conclusions. Rather, I would like to share some additional information to illustrate the context of our training endeavors.

A review of our internal tracking data shows that over 18,000 employees, including all customer service employees, received customer service refresher training in FY 2000. This illustrates the scope of our total customer service efforts and training requirements that exceed the bounds of telephone service. In FY 2000, we provided supplemental training material within 48 hours of finalizing technical changes. We have revised training material for more than 17 courses for the current filing season.

RECOMMENDATION:
The Commissioner should develop a system for monitoring call center attrition and identifying its causes and use the information gathered from that system to develop, as appropriate, strategies for dealing with the attrition of Customer Service Representatives.

COMMENTS
While our call center attrition is less than in the private sector, we recognize that it is an important variable for us to consider in our program planning efforts. We have instituted several initiatives to improve the retention of call site employees by addressing compensation and job security. We upgraded the career ladder for Customer Service Representative positions from GS-7 to GS-8, with upgrades for Leads and Managers as

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well. We also obtained time-in-grade waivers to alleviate problems with recruitment for Leads and Managers immediately following the upgrades. We believe that this grade structure, in addition to other employee benefits offered, makes us very competitive with the private sector.

Strategic Human Resources worked with management to develop methods to reduce mandatory furloughs for seasonal employees, such as converting some seasonal employees to permanent status if there was a need for year round work, or detailing employees to other parts of the organization. New positions established in the IRS call sites and field assistance sites, such as Tax Resolution Representative and Tax Compliance Officer, provide career paths for Customer Service Representatives interested in advancing to higher graded positions.

While we are continuing to seek ways of retaining customer service employees, we have also focused many of our efforts on reaching and recruiting new employees. We anticipate that these initiatives will result in attracting employees who have a greater probability of long-term retention.

- We will soon have an IRS Careers web page that will provide in-depth information on all IRS careers including the customer service occupation. This web page will allow us to reach the “computer” generation and increase our applicant pool.

- IRS is also pursuing other innovative recruitment methods such as Interactive Voice Response (IVR). IVR technology will allow applicants to apply via the telephone 24 hours a day, 7 days a week. This method is especially useful in recruiting for our evening shifts.

- Another initiative is locating job kiosks in local areas, such as area malls. We believe this is a huge step in reaching the passive job seeker. We have begun exploring IVR and job kiosk technology and hope to pilot both next hiring season.

- For the past two filing seasons, three of five recruitment offices offering Finder’s Fees programs for submission processing positions extended the program to offer recruitment bonuses to employees who successfully referred Customer Service Representative new hires to the Personnel Recruitment Office. This program continues in the current filing season.

These recruiting efforts help us reach the right people but we also have to align those people to the right skills for customer service positions. To this end, we are considering competency-based selection tools, as well as a realistic job preview, which gives applicants a clear idea of what the job entails. The job preview allows candidates to self-select out of the hiring process if they don’t like the nature of the job. Showing candidates the nature of the job and allowing them to opt out helps future retention rates by eliminating those candidates who wouldn’t have stayed in that position.

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RECOMMENDATION:
The Commissioner should ensure that IRS' evaluations of human capital management practices consider the effects of those practices on its ability to achieve long and short term customer service goals and the interrelationships among human capital practices.

COMMENTS
The IRS has embraced the Human Capital Self-Assessment Checklist for Agency Leaders issued by General Accounting Office (GAO) in September 2000. The Merit Systems Assessment Team in Strategic Human Resources establishes criteria and evaluates programs in all areas of personnel administration and management, labor relations, and training based on the Merit System Principles. The team used the Self-Assessment Checklist as a diagnostic tool in a recent review of the mid- and top-level management realignment process. In FY 2001, the Merit Systems Assessment team will use the checklist to conduct an overview of the status of human capital practices throughout the IRS.

In our response to the recently issued 2000 Tax Filing Season Report, we provided detailed comments on our thoughts regarding comparisons to 1998 performance measures. As you know, many factors have changed our operating environment, e.g., dynamic call routing, enterprise call management, 24 x 7 telephone service, consolidation and standardization of workload, and a reinforced emphasis on resolving customer issues. I feel it is not appropriate to continue using 1998 as a baseline year and instead, recommend giving more credence to recent improvements. We appreciate the consideration you gave to our suggestions during the meeting held last week.

I believe that our efforts reinforce the fact that we are indeed focusing on those critical issues that directly impact our human capital by aggressively seeking improvements. I appreciate the work of the GAO audit team in preparing this report and for giving us the opportunity to comment on your finding. As I stated previously, your staff's input has provided us useful insight and direction for our improvement efforts. If you have any questions or comments, please call me at (202) 622-9511 or Floyd Williams, Director for Legislative Affairs at (202) 622-3720.

Sincerely,

Charles O. Rossotti

Charles O. Rossotti

Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Acknowledgments

In addition to those named above, Robert Arcenia, Ronald Heisterkamp, Mary Jo Lewnard, and Shellee Soliday made key contributions to this report.

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