

**Customer Service at the Taxpayer
Assistance Centers Is Improving
but Is Still Not Meeting Expectations**

December 2004

Reference Number: 2005-40-021

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

December 28, 2004

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

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

SUBJECT: Final Audit Report - Customer Service at the Taxpayer
Assistance Centers Is Improving but Is Still Not Meeting
Expectations (Audit # 200440033)

This report presents the results of our review of customer service at the Internal Revenue Service's (IRS) Taxpayer Assistance Centers (TAC). The overall objective of this review was to assess the progress the IRS has made in improving the quality of customer service provided at the TACs when answering tax law questions. The basis for our assessment is the audit work we conducted during the period January 2002 through April 2004.

The IRS is improving customer service for taxpayers that visit the TACs to ask tax law questions. For example:

- The TACs are easier to locate since the IRS ensures TAC addresses have been accurately posted to the IRS Internet, toll-free telephone numbers, and automated telephone systems.
- IRS employees provide assistance within 30 or fewer minutes and treat taxpayers courteously and professionally.
- The IRS is better at protecting taxpayers' privacy when they visit the TACs for tax law assistance.

However, more improvement is needed for the IRS to provide top-quality customer service at its TACs. The accuracy of responses to tax law questions increased by 24 percent (from 54 to 67 percent) based on the body of work we completed during the

period January 2002 through April 2004.¹ However, the IRS did not meet its 80 percent accuracy goals for Fiscal Years (FY) 2003 and 2004 and experienced nominal improvement in decreasing the number of incorrect responses given. The IRS established the 80 percent accuracy goal for tax law questions for FYs 2003 and 2004 using our Calendar Year 2002 audit results as a baseline to measure improvements.

We believe the IRS will not achieve its accuracy goal if employees continue to answer tax law questions without using the tools provided by IRS management to address taxpayer questions and issues, and if the IRS does not implement an effective quality review program. IRS employees are required to use the Publication Method Guide or obtain the appropriate publication, discuss specific information related to the topic, ask appropriate questions to obtain facts when assisting a taxpayer, and then respond to the taxpayer's issue or question. We found employees did not always use the tools provided or ask questions sufficient to answer the taxpayers' questions correctly. They also answered questions they were not trained to answer.

The IRS also has not had a process in place to effectively measure the progress made to improve customer service. The IRS has taken several actions to implement a quality review program to identify ways to improve the accuracy and quality of services provided at the TACs. In October 2001, the IRS hired an outside contractor to make anonymous visits to the TACs to assess the quality of service being provided. In October 2002, the IRS implemented a Quality Review Program for the TACs using anonymous visits by IRS employees. Neither was able to provide reliable data. Currently, the IRS is implementing a technology-based quality improvement program that is part of an IRS-wide standard approach to improving quality and planning and is designed to clearly link quality measures to both individual and corporate performance.

Since 2002, the IRS has taken numerous corrective actions to improve the accuracy and quality of service at the TACs. However, the IRS still faces significant challenges to provide top-quality customer service, including changing employee behavior, managing the complexity of tax law, funding and implementing a reliable quality review program, providing one-stop service, and obtaining adequate customer service feedback. Until the IRS addresses these challenges, we do not believe it will be able to meet its goals. We made recommendations to address these issues in prior reports; as a result, we are not making any additional recommendations in this report.

Management's Response: While IRS management appreciates our recognition of the improved customer service in the TACs and the IRS' efforts in attaining that improvement, management continues to disagree with our method of reporting referrals to publications and service not provided when computing the accuracy rate. Along with this issue, IRS management does not agree with our conclusion that the IRS did not meet its tax law accuracy goal and will continue to experience problems in doing so unless some changes are made. They point out that the results of visits conducted by IRS quality review staff and management shows that the IRS actually exceeded the 80 percent goal. Although the IRS sample was, like ours, not statistically valid, IRS

¹ Since the TACs visited were selected judgmentally, the results cannot be projected to all TACs.

management believes the IRS results provide a better perspective due to the number of visits compared to those we made in our tests.

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

Office of Audit Comment: We continue to believe that when a taxpayer walks into a TAC and asks a question, he or she expects to receive a correct response from the IRS. While we acknowledge that accuracy has improved, we do not agree that the IRS has achieved its accuracy rate goal of 80 percent. The IRS reported accuracy rates of 86 percent for the quality review visits and 93 percent for the manager visits are based on two different methodologies, which we believe should not be used as a basis for achieving the accuracy goal. While the IRS disagreed with how we calculated our FY 2004 accuracy rate of 67 percent, it did use its own methodology to recalculate an accuracy rate of 75 percent. The IRS used this figure as a baseline for measuring employee improvement in tax law accuracy for FY 2005. We do not believe that the IRS can state that it achieved its accuracy rate goal of 80 percent while using 75 percent as a baseline to measure improvements.

On page 2 of management's response, the IRS disagreed that manager observation of employees for evaluative purposes influences behavior. IRS management stated that the volume of observations being conducted provides a reasonably reliable measure of employee performance. However, the IRS' internal documents providing support for Contact Recording state, "... Currently, an IRS manager randomly monitors "live" taxpayer contacts by physically standing next to the assistor, potentially altering the dynamics..." and "... This physical presence establishes a superficial situation for both the assistor and the customer and inhibits the accurate assessment of performance in day-to-day contacts..." We agree that this bias will be eliminated once Contact Recording is implemented.

The IRS believes its customer satisfaction survey ratings are not intended to measure accuracy of tax law responses. However, we believe accuracy is a key component of the taxpayers' experience when visiting TACs to receive answers to their tax law questions. Furthermore, the IRS' weekly monitoring of office hours posted to IRS.gov or provided through its toll-free telephone system will not identify if TAC hours posted at the TACs are incorrect. During FY 2004, we reported that only 68 percent of the hours posted at the TACs matched the hours made available to taxpayers.

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

**Customer Service at the Taxpayer Assistance Centers
Is Improving but Is Still Not Meeting Expectations**

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Customer Service at the Taxpayer Assistance Centers Is Improving but Is Still Not Meeting Expectations

Background

Providing quality customer service is the Internal Revenue Service's (IRS) first step to achieving taxpayer compliance. One of the Congress' principal objectives in enacting the IRS Restructuring and Reform Act of 1998 (RRA 98)¹ was to mandate that the IRS do a better job of meeting the needs of its customers. In the RRA 98, the Congress directed the IRS to achieve a better balance between its postfiling enforcement efforts and prefilling taxpayer assistance through education and service. To comply with this Congressional mandate, the IRS revised its mission statement to refocus its emphasis on helping taxpayers understand and meet their tax responsibilities.

As defined by the Treasury Inspector General for Tax Administration (TIGTA), providing quality customer service operations remains among the major management challenges the IRS faces in Fiscal Year (FY) 2005. One of the three goals in the IRS Strategic Plan 2005–2009 is to improve customer service. To help achieve this goal, the IRS plans to improve service options, facilitate participation in the tax system by all sectors of the public, and simplify the tax process.

Taxpayers have several options from which to choose when they need assistance from the IRS, including face-to-face assistance at the Taxpayer Assistance Centers (TAC), telephone assistance through the toll-free telephone numbers, and Internet access through the IRS web site, IRS.gov. The complexity of tax law has made it even more important that the IRS ensure these services are available to all taxpayers.

The IRS is committed to providing top-quality service to taxpayers, demonstrated by the IRS Field Assistance (FA)² Office's mission to minimize the burden to customers in satisfying their tax obligations by providing the right services at the right location at the right time. The FA Office has overall responsibility for over 400 TACs in 5 geographical areas throughout the United States (U.S.).

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

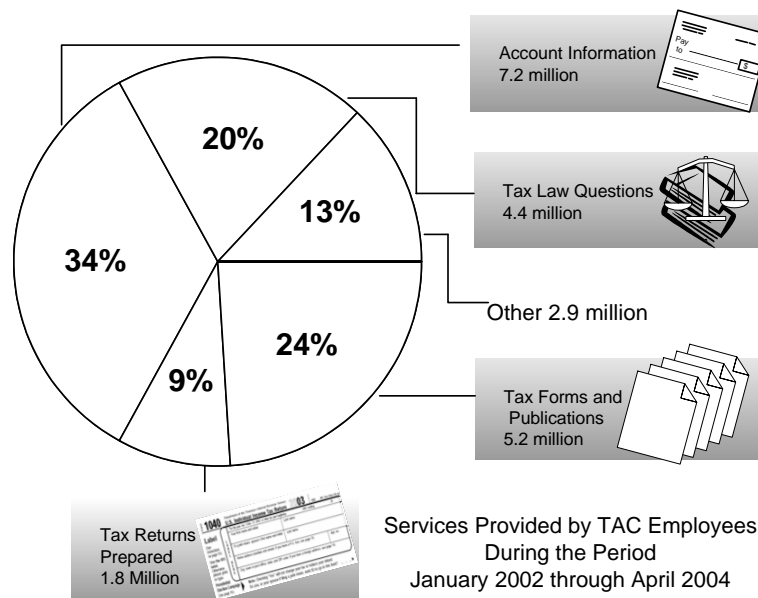
² The FA Office is a business unit within the Wage and Investment Division Customer Assistance, Relationships, and Education function.

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To accomplish its mission, the FA Office provides professional assistance, education, and compliance services to customers that desire face-to-face interaction. IRS employees that work in the TACs assist customers by interpreting tax laws and regulations, preparing certain tax returns, resolving inquiries on taxpayer accounts, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations. Operating guidelines require IRS employees to identify themselves, provide their identification number either verbally or visually to all taxpayers, and assist taxpayers in a professional and courteous manner.

According to the IRS, the TACs served approximately 21.5 million taxpayers for the period January 2002 through April 2004. Approximately 4.4 million of these taxpayers visited the TACs for assistance with the tax laws.³ Figure 1 shows the percentage of taxpayers assisted by employees in the TACs on the various services detailed above.

Figure 1: Percentages of Various Services Provided by IRS Employees at the TACs



Source: The IRS FA Office.

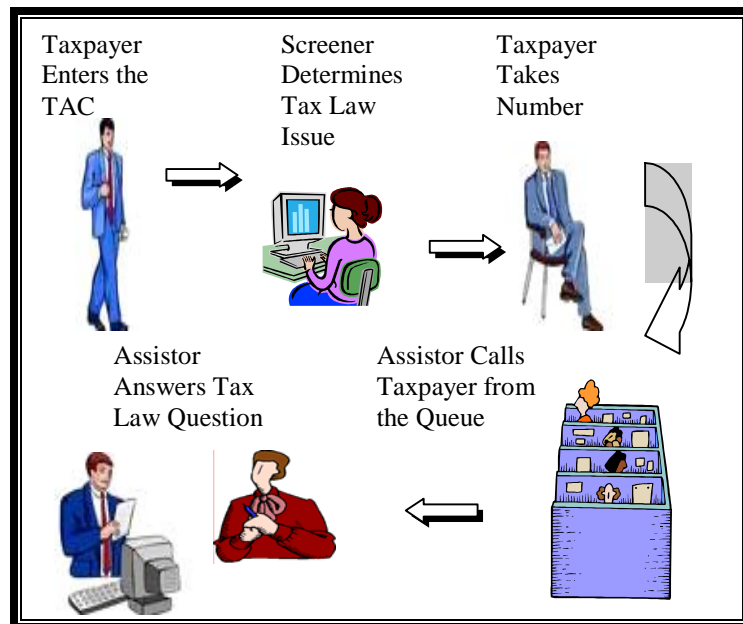
³ The IRS provided the number of taxpayers that visited the TACs for assistance with the tax laws and the percentage of work shown in Figure 1. We did not verify the accuracy of the numbers.

Customer Service at the Taxpayer Assistance Centers Is Improving but Is Still Not Meeting Expectations

Because of the complexity of the tax law and the need to assist millions of taxpayers with tax law questions, TAC employees are not trained to answer all types of tax law questions. Instead, they are trained on specific tax topics and are authorized to answer only those questions within this expertise. These are called in-scope questions; they include specific tax law topics related to lines on the U.S. Individual Income Tax Return (Form 1040), such as income, filing status, exemptions, deductions, and credits.

When a taxpayer walks into a TAC, he or she uses the Q-MATIC⁴ system to select the type of assistance desired (e.g., return preparation, tax law question, account inquiry, payment). In some larger TACs, an IRS employee called a screener determines the reason for a taxpayer's visit and makes the Q-MATIC system choice for the taxpayer. Once a choice is made, the taxpayer is issued a number and waits for assistance until that number is called. Figure 2 shows an example of how this works for a taxpayer asking a tax law question.

Figure 2: Taxpayer Asking a Tax Law Question at a TAC



Source: The IRS FA Office.

⁴ The Q-MATIC system is an automated queuing system used to control the flow of taxpayers waiting for assistance.

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When assisting taxpayers, IRS employees must first determine if the tax law questions are in-scope. If the questions are in-scope, employees are generally required to use tax instructions, forms, and publications or the Publication Method Guide to provide the answers. The Guide is a tool to guide IRS employees through the complex maze of tax laws and computations.

When receiving out-of-scope questions, IRS employees are required to offer to call the appropriate IRS toll-free telephone number on behalf of the taxpayers or to submit the questions in writing to subject-matter experts via IRS.gov (R-mail). Questions submitted via R-mail are assigned to employees, and taxpayers are to receive responses within 15 business days.

Our assessment of the customer service at the TACs includes information derived from TIGTA audit reports issued during the period January 2002 through April 2004. We visited 471 TACs during this period and asked 1,869 in-scope tax law questions. Since we judgmentally selected the TACs, the results cannot be projected to all TACs. Detailed information on our audit objective, scope, and methodology, including a list of previously issued reports, is presented in Appendix I. Each of the audits was conducted in accordance with *Government Auditing Standards*. Major contributors to the report are listed in Appendix II.

Customer Service Is Improving at the Taxpayer Assistance Centers

The IRS has made progress in improving customer service for taxpayers that visit the TACs to ask tax law questions. For example, the IRS is doing a better job ensuring the addresses for the TACs are accurately posted to IRS systems for access by IRS employees and taxpayers. The IRS is working to improve IRS.gov to make it easier for taxpayers to obtain the addresses for the TACs located in their states.⁵ Taxpayers that do not have access to the Internet can call the IRS toll-free telephone numbers or automated telephone messaging system at a TAC to obtain this information.

⁵ *More Could Be Done to Make It Easier for Taxpayers to Locate Taxpayer Assistance Centers* (Reference Number 2004-40-075, dated March 2004).

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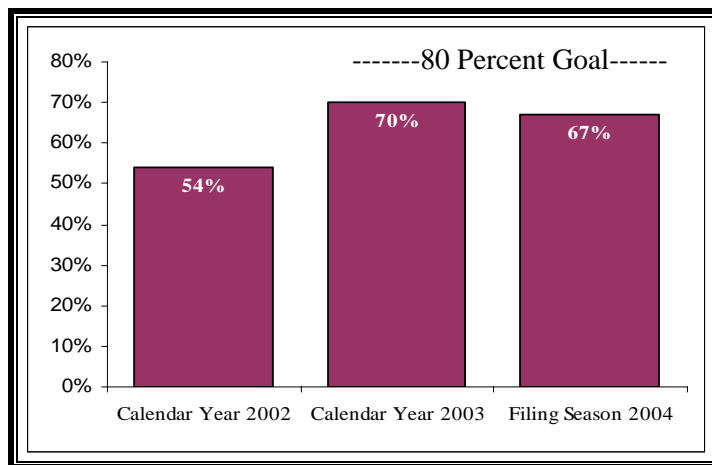
When taxpayers visit the TACs to ask tax law questions, they generally have to wait 30 or fewer minutes before being served. IRS employees identify themselves as required and are courteous and professional when responding to taxpayers' questions.

The IRS has also taken steps to provide taxpayers more privacy when they visit the TACs. Since May 2002, the IRS requires IRS employees to ask taxpayers to write down their Social Security Numbers or Employer Identification Numbers rather than stating the numbers aloud. In addition, the IRS is in the process of redesigning the TACs to provide more privacy for taxpayers. Protecting taxpayer privacy is a very significant issue, and we believe the redesigned TAC layout will further improve taxpayer privacy.

Program Results Did Not Meet Expectations

One of the IRS' goals is to provide top-quality service to its customers. The IRS established an 80 percent accuracy goal for tax law questions for FYs 2003 and 2004, using our Calendar Year (CY) 2002 results as a baseline to measure improvements. Although the accuracy rate has increased, the IRS did not meet its accuracy goals. Figure 3 shows the comparison of the IRS accuracy goals (80 percent for FYs 2003 and 2004) and accuracy rates for CYs 2002 and 2003 and Filing Season 2004.⁶

Figure 3: Comparison of Accuracy Goals and Accuracy Rates



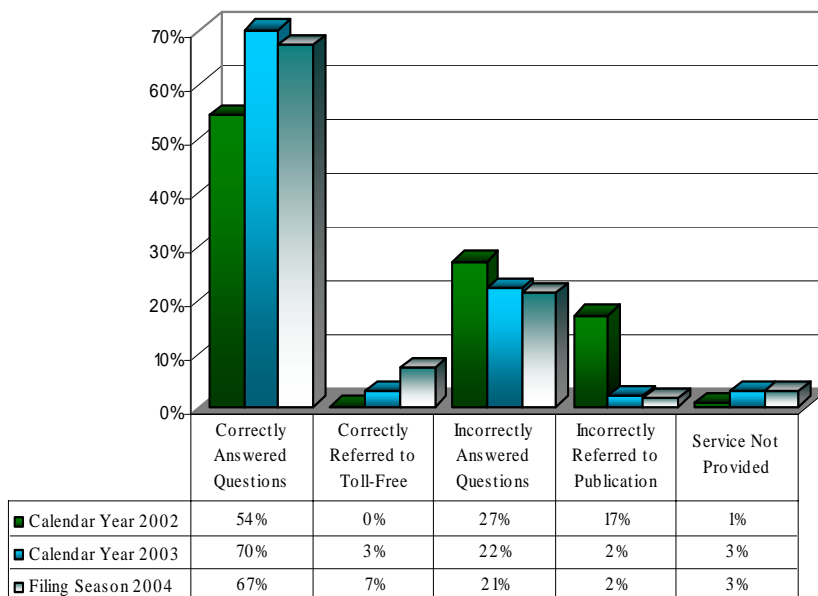
Source: IRS FA Office and TIGTA reviews conducted during the period January 2002 through April 2004.

⁶ The period from January through mid-April when most individual income tax returns are filed.

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Based on the body of work we completed during the period January 2002 through April 2004, the tax law accuracy rate increased by 24 percent (from 54 to 67 percent). Figure 4 compares the detailed results for CYs 2002 and 2003 and Filing Season 2004.

Figure 4: Comparison of Accuracy Rates for CYs 2002 and 2003 and Filing Season 2004⁷



Source: TIGTA reviews conducted during the period January 2002 through April 2004.

With the reduction of Referred to Publication responses, IRS employees provided correct responses to more questions. However, IRS employees experienced nominal improvement in decreasing the number of incorrect responses given.

We believe the IRS will not achieve its accuracy goal if employees continue to answer tax law questions without using the tools provided by IRS management, and if the IRS does not implement an effective quality review program.

⁷ The accuracy rates in the graph represent percentages and include “Correct” and “Correct but Incomplete” responses. Percentages may not add to 100 due to rounding. “Services Not Provided” occurred when the TAC was scheduled to be open but was closed when visited or the IRS employee did not answer the question because he or she was not qualified, did not have enough time since the TAC was closing soon, or was not available to answer the question.

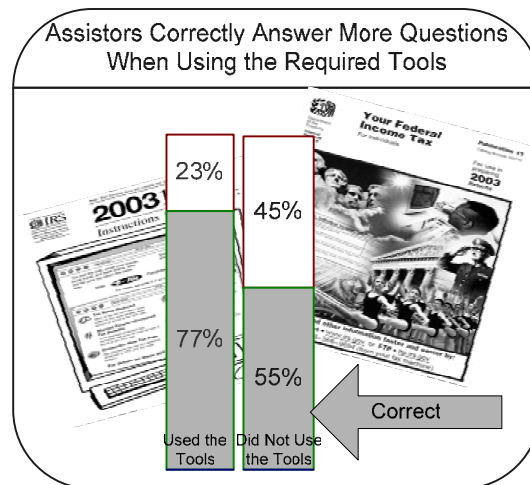
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Employees do not always follow existing procedures when responding to taxpayers' tax law questions

IRS employees are required to use the Publication Method Guide or obtain the appropriate publication, discuss specific information related to the topic, ask appropriate questions to obtain facts, and then respond to the taxpayer's issue or question. During our reviews, IRS employees continued to answer tax law questions without asking all the probing questions outlined in the Publication Method Guide or using the tax instructions or publications. The risk that taxpayers will receive inaccurate answers is increased when IRS employees do not follow required procedures.

Figure 5 shows the accuracy rates for tax law questions when IRS employees did and did not use tax instructions or publications when providing assistance to our auditors.

**Figure 5: Responses to Questions for the Period
January 2002 Through April 2004**



Source: Anonymous visits performed by TIGTA auditors.

The IRS does not want employees in the TACs to answer tax law questions beyond their skill level or for which they have not been trained. This reduces employee assumptions and the risk that taxpayers will receive incorrect answers to their questions. Employees are not expected to be experts in all aspects of tax law. According to FA Office management, experienced employees are more likely to answer out-of-scope questions because they believe they know the correct answers and feel obligated to answer.

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An effective quality review process is needed

The IRS recognizes that it needs to implement an effective quality review process for its TACs. In October 2001, the IRS hired an outside contractor to assess the quality of service being provided in the TACs. Contracted employees anonymously visited the TACs and asked IRS employees two tax law questions. However, we expressed concerns with the contractor's methodology for reporting the accuracy rate for questions asked by its employees. As a result of these concerns, the IRS terminated the contract. This again left the IRS with unreliable data to measure the quality of service being provided in its TACs.

In October 2002, the IRS implemented a Quality Review Program for the TACs. The Quality Review Program was developed to identify ways to improve the accuracy and quality of services provided at the TACs. The Quality Review Program staff replaced contracted employees and completed anonymous visits to the TACs. At the request of the IRS, we reviewed the Program and determined that it did not have a process to provide accurate trending information.

Currently, the IRS is implementing a technology-based quality improvement program called Embedded Quality Business Integration (EQBI). The EQBI is part of an IRS-wide standard approach to improving quality and planning and is designed to clearly link quality measures to both individual and corporate performance. In addition, the EQBI is designed to assist managers by integrating four technologies: Queuing Management, Contact Recording, Embedded Quality, and E-Performance Based Individual Training. IRS management believes the new program will ensure all managers are using the same methods of evaluation to establish baselines and identify root causes of defects in employees' interactions with taxpayers.

The first phase of the EQBI implementation is using manager observations to rate employee performance. The EQBI is designed only to measure employees' face-to-face contacts with taxpayers. To monitor the performance of their employees, managers must be physically present when employees assist taxpayers. This physical presence establishes a superficial situation for both the assistor and the customer and inhibits the accurate assessment of

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performance in day-to-day contacts. The IRS acknowledges this process has biases but believes the number of observations will compensate for these limitations.

However, the next phase of the EQBI includes implementing Contact Recording. Contact Recording takes the guesswork out of quality assessment. This automated system will record the conversation and will capture and synchronize the assistor's computer screen activity, making the entire taxpayer interaction available for review and feedback. The system will also randomly select statistically valid samples of recorded contacts for quality review, which should provide a more accurate and consistent picture of the quality of work performed at the TACs. During FY 2005, we plan to review both the Embedded Quality and Contact Recording System technologies within the EQBI.

Challenges Continue to Confront the Internal Revenue Service in Meeting Program Goals

Since 2002, the IRS has taken numerous corrective actions to improve the accuracy and quality of service provided at the TACs. However, the IRS still faces significant challenges to provide top-quality customer service. For example:

- Changing employee behavior.
- Managing the complexity of the tax law.
- Funding and implementing the EQBI.
- Providing one-stop service.
- Obtaining adequate customer service feedback.

Meeting these challenges is essential for the IRS to successfully deliver quality customer service to taxpayers.

Employee Behavior

Accuracy goals will continue to be a challenge until IRS management is able to change employees' behavior and ensure they follow required procedures when assisting taxpayers. IRS employees continue to answer tax law questions without asking all the required questions or using the Publication Method Guide and tax instructions or publications. This happens because IRS employees in the TACs stated the Guide was too cumbersome and diminished their credibility. Conversely, when the IRS implemented a

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zero tolerance policy for employees referring taxpayers to publications to obtain answers to their tax law questions, the number of referrals to publication responses decreased significantly.

Complexity of the tax law

The scope and the complexity of the U.S. tax code make it virtually certain that taxpayers will face procedural, technical, and bureaucratic challenges in meeting tax obligations. Although the IRS has consistently sought to ease the process for all taxpayers, each filing season brings new problems. In addition to the new tax laws, language barriers, interpretations of the law, and unclear IRS instructions contribute to the complexity issue.

EBQI funding and implementation

A third challenge the IRS faces is obtaining the funding needed to fully implement all four components of the EBQI at the TACs nationwide. The advances in technology will help the IRS capture and analyze interactions with customers, target improvement opportunities, and deliver better service. The IRS believes the integration of the four technology solutions will provide accurate quality measures and better ways of identifying opportunities for improvement. If adequate funding is not available for scheduled deployment of this project, the limitations in the current quality review process will remain. The IRS will not be able to effectively measure the accuracy of the full scope of its products.

One-stop service

The IRS is not able to provide one-stop service at its TACs. One goal of the IRS is to minimize the burden to customers in satisfying their tax obligations by providing the right services at the right location at the right time. IRS.gov states, “IRS Taxpayer Assistance Centers are your one-stop resource for face-to-face tax help and solutions to tax problems, every business day.” However, the IRS is not able to achieve its commitment to provide one-stop service or provide all the services taxpayers may expect.

Because of the complexity of the tax law and the number of taxpayers the IRS serves, not all IRS employees can be

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experts on all tax topics and provide all tax services. However, the IRS has not adequately educated taxpayers on what services are offered at the TACs, creating a burden for those taxpayers that visit a TAC asking questions on tax law topics that are outside the scope of expertise of the IRS employees present.

In addition, based on our body of work, the IRS does not ensure office hours are current on its systems accessed via IRS.gov or the toll-free telephone numbers. This could require taxpayers to make multiple trips.

Customer satisfaction feedback

Obtaining sufficient customer feedback with which to appropriately measure customer satisfaction at the TACs has remained a challenge. The IRS developed Customer Survey Comment Cards to obtain feedback from taxpayers on the quality of service they received at the TACs. IRS employees are required to offer a Comment Card to every taxpayer who is provided face-to-face service.

However, employees do not always follow these procedures. This reduces the effectiveness of the Customer Satisfaction Survey the IRS uses to measure the quality of service at the TACs. TIGTA auditors were offered Comment Cards only 46 percent of the time when making anonymous visits to the TACs during the period July 2002 through April 2004.⁸ In addition, taxpayers completing the Comment Cards generally represented less than 4 percent of the total number of taxpayers that visited the TACs during this same period. While completing the survey is voluntary, IRS employees that do not follow procedures and offer taxpayers Comment Cards limit opportunities for a broader depiction of how satisfied taxpayers are with the quality of service provided at the TACs.

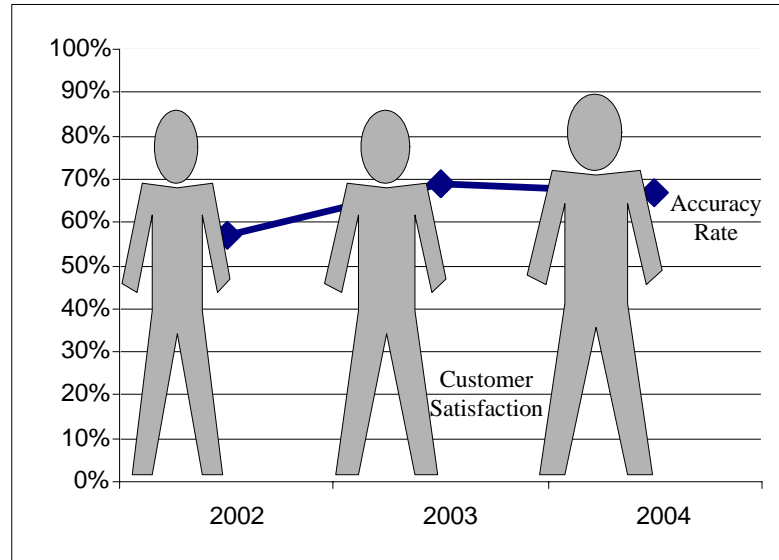
Although the IRS received high ratings from taxpayers on the services provided at its TACs, these ratings do not capture the true perspective of the quality of service provided because taxpayers complete the survey without knowing whether they received accurate answers to their tax

⁸ We did not capture Comment Card information during our visits for the period January through June 2002.

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law questions or issues. Figure 6 shows the comparison of taxpayer satisfaction rates and accuracy results from our anonymous visits for CYs 2002 and 2003 and Filing Season 2004.

Figure 6: Comparison of Taxpayer Satisfaction Rates and Accuracy Rates for CYs 2002 and 2003 and Filing Season 2004



Source: TIGTA reviews and IRS Customer Satisfaction Surveys conducted for the period January 2002 through April 2004.

Conclusion

One of the IRS' FY 2005 major management challenges, as defined by the TIGTA, is to provide quality customer service operations. The IRS recognizes that the tax law accuracy rate is inadequate and continues to take steps to improve the quality and accuracy of the service its TACs provide. The IRS has made progress in these efforts. However, based on the IRS' accuracy rates, we believe there has not been enough improvement to consistently provide accurate answers to taxpayers that visit the TACs. We also believe implementation of the EQBI is a positive step in establishing a standardized process to improve accuracy.

All taxpayers should receive accurate answers and quality service when they visit the TACs. Taxpayers visit the TACs to receive face-to-face service and assistance with the tax laws. However, the burden on taxpayers is increased when they rely on the IRS' assistance to help them comply with the tax law but are not provided correct responses to their tax law questions.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to assess the progress the Internal Revenue Service (IRS) has made in improving the quality of service provided at Taxpayer Assistance Centers (TAC) when answering tax law questions. The basis for our assessment is the audit work we conducted during the period January 2002 through April 2004. To achieve this objective, we:

- I. Determined if the IRS Field Assistance (FA) Office has met Congressional and taxpayer expectations to minimize the burden to taxpayers in satisfying their tax obligations by providing the right services at the right location at the right time.
 - A. Researched the IRS Restructuring and Reform Act of 1998¹ and determined if the FA Office has taken steps to address Congressional concerns related to the quality of customer service provided in the TACs.
 - B. Determined if the establishment of the TACs provides a better balance between the IRS' prefiling taxpayer assistance through education and service and postfiling enforcement efforts.
 - C. Reviewed IRS filing season reports from the Government Accountability Office to identify improvements made at the TACs for Calendar Years 2002 and 2003.
- II. Followed up on the IRS' corrective actions taken based on the results and recommendations made in previously issued bimonthly and semiannual trend reports.
 - A. Determined if corrective actions have been implemented.
 - B. Determined if implemented actions have improved tax law accuracy and the quality of service provided in the TACs. Specifically, we reviewed actions addressing tax law accuracy, accommodations, and IRS employees' adherence to FA Office operating guidelines and procedures.
 - C. Determined the effect or impact from corrective actions not implemented.
- III. Analyzed data gathered from the reviews conducted during the period January 2002 through April 2004 to determine if the IRS has made progress in improving the quality of customer service provided to individual taxpayers that visit the TACs. A list of the prior audit reports follows.

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

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Management Advisory Report: Taxpayers Continue to Receive Incorrect Answers to Some Tax Law Questions (Reference Number 2002-40-086, dated April 2002).

Management Advisory Report: Taxpayers Continue to Receive Incorrect Answers to Some Tax Law Questions (Reference Number 2002-40-113, dated June 2002).

Management Advisory Report: Progress Was Made to Provide Taxpayers With Correct Answers to Tax Law Questions (Reference Number 2002-40-161, dated August 2002).

Trends in Customer Service in the Taxpayer Assistance Centers Show Procedural and Training Causes for Inaccurate Answers to Tax Law Questions (Reference Number 2003-40-023, dated November 2002). (Semiannual Report for January Through June 2002).

Taxpayers That Visited Taxpayer Assistance Centers in July and August 2002 Received Incorrect Answers to Some Tax Law Questions (Reference Number 2003-40-024, dated November 2002).

Taxpayers That Visited Taxpayer Assistance Centers During September and October 2002 Received More Correct Answers to Tax Law Questions Than in Prior Months (Reference Number 2003-40-040, dated December 2002).

Taxpayers That Visited Taxpayer Assistance Centers in November and December 2002 Received Incorrect Answers to Some Tax Law Questions (Reference Number 2003-40-072, dated March 2003).

Trends in Customer Service in the Taxpayer Assistance Centers Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions (Reference Number 2003-40-158, dated August 2003).

Progress Was Made to Provide Taxpayers With Correct Answers to Tax Law Questions, but Improvements Are Needed to Ensure Referral Procedures Are Followed (Reference Number 2003-40-120, dated May 2003). (Semiannual Report for July Through December 2002).

Taxpayer Assistance Center Employees Improved the Accuracy of Answers to Tax Law Questions but Answered Some Questions Beyond Their Level of Training (Reference Number 2003-40-157, dated July 2003).

Taxpayer Assistance Center Employees Continued to Improve the Accuracy of Answers to Tax Law Questions During May and June 2003 (Reference Number 2003-40-198, dated September 2003).

Taxpayer Assistance Center Employees Correctly Answered More Tax Law Questions During July and August 2003 Than Compared to One Year Ago (Reference Number 2004-40-024, dated December 2003).

Taxpayer Assistance Center Employees Correctly Answered More Tax Law Questions During September and October 2003 Than Compared to One Year Ago (Reference Number 2004-40-037, dated January 2004).

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Taxpayer Assistance Center Employees Correctly Answered More Tax Law Questions During November and December 2003 Than Compared to One Year Ago (Reference Number 2004-40-090, dated April 2004).

Taxpayer Experience at the Taxpayer Assistance Centers Could Be Improved (Reference Number 2004-40-152, dated September 2004).

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Appendix II

Major Contributors to This Report

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Sylvia Sloan-Copeland, Auditor

**Customer Service at the Taxpayer Assistance Centers
Is Improving but Is Still Not Meeting Expectations**

Appendix III

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Appendix IV

Management's Response to the Draft Report



COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

RECEIVED
DEC 9 - 2004

December 8, 2004

MEMORANDUM FOR ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

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

SUBJECT: Draft Audit Report – Customer Service at the Taxpayer Assistance Centers Is Improving, but Is Still Not Meeting Expectations (Audit #200440033)

I reviewed your draft report that presents your assessment of the progress we made in improving the quality of customer service provided at Taxpayer Assistance Centers (TAC) from January 2002 through April 2004. I appreciate your recognition that we are improving customer service for taxpayers that visit the TACs to ask tax law questions. Specifically, you acknowledge that the TACs are easier to locate, our employees provide courteous and professional assistance within 30 or fewer minutes, and we are better at protecting the taxpayer's privacy.

I agree challenges remain and more improvements are needed. However, we have made significant progress and are continuing our aggressive actions to improve quality of service in our TACs. For example, as noted in your report, to improve the accuracy of tax law assistance we required and trained all employees to use the Publication Method Guide (PMG). PMG is a technique to "walk" a taxpayer through a publication to cover all appropriate probing questions and to illustrate the correct answer to his/her question. We believe this directly contributed to a significant increase in tax law accuracy. While some employees are still not using the PMG as intended, we will continue our efforts to change these employees' behavior, including verbal and written counseling as well as appropriate disciplinary action, if necessary.

While your report acknowledges our improved tax law accuracy rates, the results reported do not reflect the true measure of our accuracy. When computing the accuracy rate, you continue to use a methodology that includes service not provided, and referrals to Toll-Free and publications. Such failures to provide service negatively affect the quality of customer contacts. As you acknowledge, we have taken effective steps to address this deficiency. However, we do not agree that failure to provide service is the same as providing an incorrect tax law answer.

Customer Service at the Taxpayer Assistance Centers Is Improving but Is Still Not Meeting Expectations

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You also report we did not meet our tax law accuracy goal and will not if employees continue to answer tax law questions without the tools provided by IRS management, and if we do not implement an effective quality review program. It should be clearly noted that the results from visits conducted by IRS quality review staff and managers indicate we exceeded our 80 percent goal. These anonymous visits between October 2003 and April 2004 included 1,283 tax law questions. The accuracy result was 86 percent for the quality review visits and 93 percent for the manager visits. In contrast, your auditors asked 452 tax law questions for the same period. While we acknowledge that neither the IRS reviews nor those of your auditors produced a statistically reliable sample, we believe our results provide a better perspective due to the number of reviews involved.

To ensure we have a quality review program that produces statistically reliable data, we implemented our long-term approach to improving quality, the Embedded Quality Business Integration (EQBI) initiative. EQBI integrates four key components: Queuing Management, Contact Recording, Embedded Quality (EQ), and E-Performance Based Individual Training. I am pleased to report that in April 2004, we implemented EQ, the foundation of EQBI. EQ, which is part of an IRS-wide approach to improving quality, provides a standardized managerial review process to measure individual and organizational performance. EQ also establishes the Embedded Quality Review System (EQRS) database, a centralized quality data collection system.

Your report reflects that IRS acknowledged some biases may be inherent under EQ because employees' awareness that they are being directly observed may influence behavior. However, we believe the volume of observations being conducted provides a reasonably reliable measure of employee performance. Further, these potential biases will be removed with the implementation of Contact Recording, tentatively scheduled for pilot during filing season 2005. The Contact Recording system will capture and store actual customer/employee contacts and select a random, statistically reliable sample for post-contact review. In support of EQBI, we are also establishing a permanent Quality Improvement staff that will work to assure coding consistency, analyze EQRS data, implement quality improvement projects, and develop recommendations to improve the quality of service provided in our TACs.

While I agree that TAC employees cannot be experts on all tax law topics, I disagree that we are unable to provide one-stop service at our TACs. We believe that one-stop service is not the equivalent of one-person service. An effective referral system is in place for those instances when the taxpayers' issues cannot be resolved by TAC employees. To ensure service is provided, TAC employees assume responsibility for the customer's issue until resolved or referred to the appropriate IRS function.

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Our website outlines these services, including Everyday Tax Solutions appointments, specifically designed to engage the IRS employees necessary to provide one-stop account issue resolution. We also continue to conduct weekly monitoring of the office hours posted to IRS.gov or provided through our toll-free telephone system to assure their accuracy.

We are addressing the challenges to obtaining sufficient, relevant customer satisfaction feedback that are noted in your report. We recognize TAC employees do not always distribute the customer satisfaction survey cards. As a result, we included survey card distribution as an attribute on the EQRS to better monitor our employees' behavior. We are also reevaluating our procedures for distributing the survey cards to further improve this process.

Your report also states our customer satisfaction survey ratings do not capture the true perspective of the quality of service provided because taxpayers complete the survey without knowing whether they received accurate answers to their tax law questions or issues. It should be noted that our customer survey cards are only intended to measure our customers' experience by specifically addressing the quality of the services they received, not the accuracy of our tax law responses.

If you have any questions, please call me at (404) 338-7060 or members of your staff may contact Ellen Cimaglia, Director, Field Assistance, W&I Customer Assistance, Relationships, and Education at (404) 338-7141.