

**Trends in Customer Service in the Taxpayer  
Assistance Centers Continue to Show  
Procedural Causes for Inaccurate Answers to  
Tax Law Questions**

**August 2003**

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DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

August 12, 2003

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

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

SUBJECT: Final Audit Report - Trends in Customer Service in the Taxpayer  
Assistance Centers Continue to Show Procedural Causes for  
Inaccurate Answers to Tax Law Questions (Audit # 200340016)

This report presents the results of our review to determine if the Internal Revenue Service (IRS) provided accurate and timely responses to taxpayers' tax law questions. In addition, we assessed whether IRS employees were professional and courteous to our auditors who made anonymous visits to the Taxpayer Assistance Centers (TAC). We also evaluated whether TAC addresses and office hours made available to taxpayers were accurate. We have issued six bi-monthly reports on the results of our visits to the TACs during Calendar Year (CY) 2002.<sup>1</sup> This is our second<sup>2</sup> semiannual trend analysis report. It covers the period July through December 2002 and also includes a summary of the results of all auditor visits to TACs for CY 2002.

We commend the IRS for taking immediate actions on issues identified in our previous audit reports. IRS executives have been actively engaged in the development and implementation of these actions, which were in direct response to the accuracy rates reported throughout the year. For example, the IRS developed a Tax Law Accuracy Action Plan, which includes improving employee tax law knowledge and skills through managers observing employees interacting with taxpayers that visit the TACs.

Also, auditors had some positive experiences when they visited the TACs. We found that IRS employees were professional and courteous in 160 (99 percent) of the

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<sup>1</sup> A list of the six issued bi-monthly reports covering CY 2002 is in Appendix IX.

<sup>2</sup> Our first semiannual report was *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). It covered the period January through June 2002.

162 visits<sup>3</sup> to the TACs. Wait time for service was 1 hour or less for 99 percent of the visits.

However, additional managerial oversight is needed to ensure the TACs are providing top-quality customer service to taxpayers. In particular, taxpayers may receive incorrect answers to their tax law questions. Our auditors received correct answers to only 189 (57 percent) of the 332 questions that were asked. Also, for 40 (12 percent) of the 332 questions asked, the IRS employee referred the auditors to IRS publications and generally advised the auditors to do their own research to find the answers to their questions (in 1 instance, a referral was to the wrong publication). Specific trends which, when addressed, may increase taxpayers' chances of receiving correct answers to their questions and consistent levels of customer service include the following:

- Taxpayers have a higher chance of receiving accurate answers to their questions when IRS employees follow required procedures to use tax instructions and publications to answer the questions. In 69 percent of responses for which auditors documented that the IRS employee used these materials, the questions were answered correctly.
- Taxpayers have a higher chance of receiving accurate answers to their questions when IRS employees ask probing questions to obtain relevant facts from the taxpayers. Accuracy rates were 95 percent when all probing questions were asked and zero percent when no probing questions were asked.
- Taxpayers that visit the TACs in certain geographical locations and at specific times of the day may receive inconsistent levels of customer service. For example, 60 percent of the questions asked during afternoon hours were correctly answered; only 48 percent of the questions asked during morning hours were correctly answered.

TAC office hours and addresses made available to taxpayers were not always accurate. We did not make recommendations to address this issue in our first semiannual report because we believed the IRS' corrective actions were adequate. However, we continued to monitor this issue and found that office hours for 35 (43 percent) of the 82 TACs that had office hours listed on the IRS Internet web site, *The Digital Daily*, did not match the hours posted at the TACs.

In addition to taxpayers receiving incorrect answers and inaccurate office hours, the IRS might not be providing sufficient staffing and program resources at the TACs. From July through December 2002, we did not observe the employees tracking that our auditors visited the TACs (or the purpose of the visits) in 76 (46 percent) of 166 visits. These data are the basis to support staffing, program, and budget decisions to meet the needs of approximately 9.1 million taxpayers that visited the TACs in CY 2002. However, the number of taxpayers could be substantially understated because of the

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<sup>3</sup> Two auditors visited 83 TACs from July to December 2002, for a total of 166 visits. However, for four visits, the TACs were either closed or we were told to come back later.

IRS' use of multiple tracking systems and a manual process of inputting visits into a management information system.

We recommended that the Commissioner, Wage and Investment Division, ensure that IRS employees use tax law instructions and publications to answer taxpayer questions and that a process is in place to ensure address and office hours are accurate and timely updated. Also, the IRS should develop and implement an information system that is based on reliable and accurate data.

Management's Response: Although IRS management did not agree with one of our recommendations, they appreciate our recognition of the immediate actions taken on issues identified in our previous reports. Management's long-term approach to improving quality is implementation of Embedded Quality (EQ) similar to the process the Customer Account Services function has already implemented. EQ is a way of doing business that builds commitment and capability among all individuals to continually improve customer service, employee satisfaction, and business results. Additional steps being taken to improve TAC operations include monitoring employee performance, assessing training needs, and making efforts to eliminate improper handling of out of scope questions or referrals to publications.

The IRS continues to disagree with our method of reporting referrals to publications and service denied when computing the accuracy rate. In addition, IRS management does not concur with our outcome measure of 500,000 taxpayers being at risk of receiving an incorrect answer because they believe our results are not statistically valid. Furthermore, management disagreed with our claim that TAC budget estimates and/or expenditures that total approximately \$132 million dollars for Fiscal Year (FY) 2003 were based on unreliable management information data. Management's complete response to the draft report is included as Appendix XII.

Office of Audit Comment: We agree that the IRS is working diligently to improve the quality and accuracy in the TACs, a fact that is exemplified by IRS management's agreement to take corrective actions in response to two of our three recommendations included in the report.

Our position regarding the unreliability of management information captured relative to taxpayer visits to TACs remains. In fact, despite IRS management's disagreement with our recommendation, information contained in their response seems to support our concerns. Specifically, the IRS captures data relative to taxpayer visits to TACs either via an automated system or manually for those sites without an automated system. The automated tracking system is installed and used in 138 TACs, with the remaining 278 TACs using a manual process. Management acknowledged in their response that because a large percentage of the TACs record management information manually, volumes could be either overstated or understated. This same management information will continue to be used in the development of the FY 2004 work plan and will be the support for resource allocations to the various TACs.

We continue to believe that when any taxpayer walks into a TAC and asks a question, he or she is at risk of receiving an incorrect response, as the results of auditors' visits

proved during July through December 2002. We did, however, adjust our outcome measure to show that 93 taxpayers were potentially at risk of receiving incorrect responses to tax law questions. Using the methodology in our first semi-annual trend report, the outcome measure is based on our specific results that showed 28 percent of the 332 questions asked by our auditors were incorrectly answered.

Copies of this report are also being sent to the IRS managers who are affected by the report findings and recommendations. 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.

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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### Background

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One of the Congress' principal objectives in enacting the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (RRA 98)<sup>1</sup> 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 post-filing enforcement efforts and pre-filing 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.

Despite this increased emphasis on customer service, the Senate Committee on Appropriations was deeply concerned about the findings in a May 2001 Treasury Inspector General for Tax Administration (TIGTA) audit report on the IRS Taxpayer Assistance Centers (TAC).<sup>2</sup> That report showed that our auditors did not receive accurate or sufficient answers to 73 percent of their tax law questions posed during anonymous visits to the TACs during January and February 2001.

Based on the results of this review, Senator Byron Dorgan (Democrat - North Dakota), then Chairman of the Subcommittee on Treasury and General Government, proposed an amendment to the Treasury spending bill<sup>3</sup> for Fiscal Year (FY) 2002. The amendment required the TIGTA to conduct visits to all TACs and report to the Congress on whether taxpayers are provided correct and prompt answers to their tax law questions. Consequently, we are conducting anonymous visits to all TACs over a 2-year period.

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<sup>1</sup> IRS Restructuring and Reform Act of 1998, 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.).

<sup>2</sup> *Letter Report: The Internal Revenue Service Continues to Give Incorrect Tax Law Information in Taxpayer Assistance Centers* (Reference Number 2001-40-077, dated May 2001).

<sup>3</sup> Treasury and General Government Appropriations Act, 2002, Pub. L. No. 107-67, 115 Stat. 514 (2001).



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### TACs

One of the IRS' FY 2002 major management challenges, as defined by the TIGTA, is to provide quality customer service to each and every taxpayer. Taxpayers have several options to choose from when they need assistance from the IRS. These options include walk-in service at TACs, toll-free telephone assistance, and the IRS Internet web site called *The Digital Daily*.

The IRS is committed to providing top-quality service to taxpayers, as shown by the IRS Field Assistance (FA)<sup>4</sup> 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 the TACs, and its services are provided in over 400 TACs organized into 7 geographical areas located throughout the United States.

To accomplish its mission, the FA office provides professional assistance, education, and compliance services to customers that desire face-to-face interaction. The IRS employees<sup>5</sup> who work in the TACs assist customers by interpreting tax laws and regulations, preparing some 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 numbers either verbally or visually to all taxpayers, and assist taxpayers in a professional and courteous manner.

There are currently no statistics on the percentage of time spent by employees in the TACs on the various services detailed above. However, according to the IRS, the TACs served approximately 2.8 million taxpayers between July

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<sup>4</sup> The FA office is a business unit within the Wage and Investment Division's Customer Assistance, Relationships, and Education function.

<sup>5</sup> IRS employees who work in the TACs are called Tax Resolution Representatives.

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and December 2002. Approximately 500,000 of these taxpayers visited the TACs for assistance with tax law.<sup>6</sup>

### **Outside reviews of the TACs**

From January through December 2002, auditors made 399 anonymous visits to 199 TACs located in 50 states and Washington, D.C. (See Appendix V for specific states visited.) During these anonymous visits, TIGTA auditors asked 802 questions related to 22 tax law topics that are within the scope of topics that TAC employees should have been trained to answer. Our questions were designed to cover a wide range of tax law topics to provide an overall assessment of whether taxpayers are receiving correct answers to questions that an individual taxpayer<sup>7</sup> might ask when he or she visits a TAC.

We have issued six bi-monthly reports on the results of our visits to the TACs during Calendar Year (CY) 2002.<sup>8</sup> This is the second semiannual trend report on the results of our visits to the TACs. The review was conducted in the IRS Customer Assistance, Relationships, and Education function in the Wage and Investment (W&I) Division and combines the results of our visits to the TACs from January through December 2002. This review was conducted in accordance with *Government Auditing Standards*.

Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

We commend the IRS for the corrective actions it has taken in response to our previously issued semiannual and bi-monthly reports. IRS executives have been actively engaged in the development and implementation of these actions, which were in direct response to the accuracy rates reported throughout the year. Several of these corrective actions were immediately implemented and others have

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### **Management Has Taken Numerous Corrective Actions to Increase the Accuracy of Answers Provided to Taxpayers That Visit Taxpayer Assistance Centers**

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<sup>6</sup> The IRS provided the number of taxpayers that visited the TACs for assistance with tax law. We did not verify the accuracy of the number.

<sup>7</sup> Individual taxpayers are non-business taxpayers who file United States Individual Income Tax Returns (Forms 1040, 1040A, or 1040EZ).

<sup>8</sup> A list of the six issued bi-monthly reports covering CY 2002 is in Appendix IX.

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been phased in since we began reviews to improve the quality of assistance provided to taxpayers that visit TACs. In addition to taking corrective actions, the IRS is using our CY 2002 results as a baseline to establish standards and other management information. (See Appendices X and XI for CY 2002 and monthly accuracy rates.)

### **Improving tax law accuracy**

The IRS has taken many corrective actions in response to our recommendations in an attempt to meet its accuracy rate goals of 80 percent (FY 2003) and 85 percent (FY 2004). The IRS developed a Tax Law Accuracy Action Plan, which includes:

- Increasing employee tax law knowledge and skills through managers observing employees interacting with taxpayers that visit the TACs, completing self-study learning modules, and taking continuing professional education (CPE) training. The IRS had provided CPE training to 99.5 percent of its employees as of December 31, 2002.<sup>9</sup>
- Mandating that employees use tax forms and publications as reference materials when answering tax law questions.
- Implementing a zero-tolerance policy for referring taxpayers to publications to do their own research.
- Establishing certification and review methods that require employees to successfully pass tests related to specific tax law topics before they can answer taxpayer questions related to those topics.
- Establishing managerial accountability through peer reviews to ensure processes are in place and procedures are followed to monitor and improve tax law accuracy.

### **Ensuring quality assurance**

In October 2002, the IRS FA Quality Review staff began conducting anonymous visits to ask tax law questions within

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<sup>9</sup> The newly hired employees did not attend the CPE training. They were scheduled for a separate training.

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the scope of topics employees have been trained to answer. The quality review process was designed to provide the FA office with feedback on ways to improve the accuracy and quality of its work processes by monitoring, measuring, and identifying areas that need improvement. The results of these reviews will provide each employee’s manager with specific feedback on the quality of service provided in the TAC. We plan to conduct a review of this program and report our results in FY 2004.

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**Taxpayers May Receive Incorrect Answers to Their Tax Law Questions After the End of the Filing Season**

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From July through December 2002, TIGTA auditors visited 83 TACs and asked 332 tax law questions. IRS employees did not provide correct answers to some of these questions. Our auditors received correct answers<sup>10</sup> to 189 (57 percent) of the 332 questions that were asked. Figure 1 shows the breakdown of the accuracy rates for this period.

**Figure 1: Responses to Tax Law Questions (332)**

	Correct	Correct but Incomplete	Incorrect	Ref. to Pub.	Service Denied	Referral
<b>Responses</b>	148	41	92	40	10	1
<b>Percentages</b>	45%	12%	28%	12%	3%	---

*Source: Anonymous visits performed by TIGTA auditors.*

Despite a decrease in the number of taxpayer visits<sup>11</sup> compared to those made during the filing season<sup>12</sup> (the TACs’ busiest time of the year), auditors experienced only a slight improvement in the accuracy rates. For example, from January through June 2002, the auditors received correct answers to 247 (53 percent) of the 470 questions asked.

While numerous corrective actions have been taken in an attempt to improve the quality of taxpayer assistance, the

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<sup>10</sup> The “correct” answers include Correct and Correct but Incomplete answers.

<sup>11</sup> Approximately 1.3 million taxpayers visited the TACs from January through June 2002 to ask tax law questions, compared to 500,000 from July through December 2002.

<sup>12</sup> The filing season is the period from January through mid-April when most individual income tax returns are filed.

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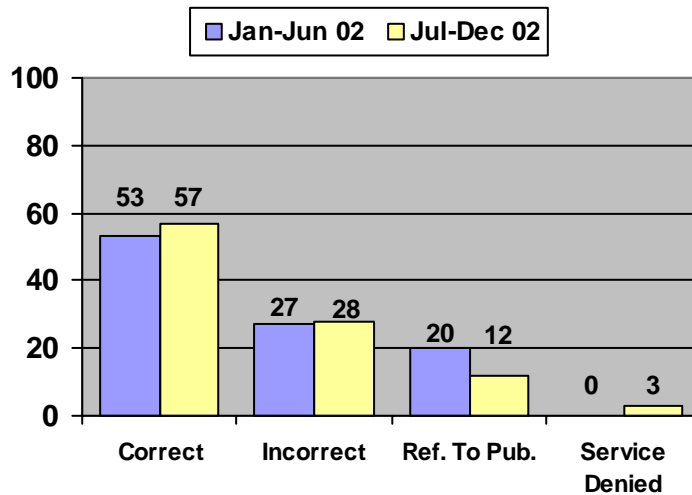
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results indicate that it will take time before the impact of additional training and managerial oversight will be reflected in the accuracy rates. For example, a comparison of the results from January through June to those of July through December shows:

- Increases in the percentage of accurate responses to tax law questions.
- Gradual declines in the number of instances in which IRS employees referred the auditors to IRS publications to do their own research.
- Increases in the number of instances in which service was denied.

Figure 2 shows a comparison of the accuracy rates for the periods January through June 2002 and July through December 2002.

**Figure 2: Comparison of January Through June 2002 and July Through December 2002 Semiannual Accuracy Rates<sup>13</sup>**



*Source: TIGTA reviews conducted during January through June 2002 and July through December 2002.*

Auditors analyzed the responses received to our tax law questions and identified the following trends from July through December 2002 that, when the IRS addresses them

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<sup>13</sup> The accuracy rates in the graph represent percentages and include Correct and Correct but Incomplete responses.

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with its employees, may increase taxpayers' chances of receiving correct answers to their questions and help ensure that the taxpayers receive consistent levels of customer service:

- Taxpayers have a higher chance of receiving accurate answers to their questions when IRS employees follow required procedures to use tax instructions and publications to answer the questions.
- Taxpayers have a higher chance of receiving accurate answers to their questions when IRS employees ask probing questions to obtain relevant facts from the taxpayers.
- Taxpayers that visit the TACs in certain geographical locations and at specific times of the day may receive inconsistent levels of customer service.

Details of these trends can be found below. See Appendix VIII for results by tax law topic.

### **Taxpayers have a higher chance of receiving accurate answers to their questions when IRS employees follow required procedures to use tax instructions and publications to answer the questions**

Accuracy rates decrease when IRS employees do not use available tax instructions or publications to assist them in answering taxpayers' questions. The auditors' documentation of their visits showed that IRS employees used available tax instructions or publications when answering 192 (58 percent) of the 332 questions asked. Analysis of the responses received to these questions showed the accuracy rate was 69 percent. In contrast, the accuracy rate was only 40 percent when tax instructions or publications were not used.<sup>14</sup>

Figure 3 shows the accuracy rates for tax law questions when IRS employees did and did not use instructions or a publication when providing assistance to TIGTA auditors.

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<sup>14</sup> The 69 percent and 40 percent accuracy rates include Correct and Correct but Incomplete responses.

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**Figure 3: Responses to Questions for Which Employee Use of Forms and Publications Was Documented (332)**

	Questions Answered	Correct	Incorrect	Ref. to Pub.	Service Denied	Referral
<b>Form/Pub. Used</b>	192	69%	27%	4%	---	---
<b>Form/Pub. Not Used</b>	140	40%	29%	24%	7%	1%

*Source: Anonymous visits performed by TIGTA auditors.*

During the fall of 2002, IRS employees were trained in and required to use the Publication Method when assisting taxpayers. This Method requires IRS employees to 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.

In compliance with the Publication Method, the IRS employees are to make sure taxpayers receive an answer. However, during seven of our visits IRS employees used the Publication Method, but instructed TIGTA auditors to use the publication to do their own research instead of providing an answer to the question. Auditors also documented that some employees are still choosing to assist taxpayers without using available resources or asking all required questions.

**Taxpayers have a higher chance of receiving accurate answers to their questions when IRS employees ask probing questions to obtain relevant facts from the taxpayers**

The risk that taxpayers will receive an incorrect answer is increased when IRS employees do not ask all questions to obtain relevant facts. IRS employees did not always ask all the probing questions outlined in tax instructions or publications.

Our analysis showed the accuracy rate is significantly affected when IRS employees ask questions to obtain relevant facts from taxpayers. For example:

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- Forty-one (95 percent) of 43 questions for which IRS employees asked all probing questions outlined in the tax law instructions and publications were correctly answered.
- None of 44 questions for which IRS employees did not ask any probing questions were correctly answered.

For each scenario, the TIGTA auditors identified and remembered facts relating to all the potential probes that could be asked by an IRS employee. While all the probes may not have been necessary to provide a correct answer, certain probes provide key information needed to ensure that all relevant facts were obtained from the taxpayer. For example:

- For 86 (81 percent) of 106 Earned Income Tax Credit (EITC) questions, the IRS employee did not ask the auditors if they had a valid Social Security Number (SSN). To claim the EITC, a taxpayer must have a valid SSN.
- For 25 (78 percent) of 32 Education Credit questions, the IRS employee did not ask the auditors the amount of their adjusted gross income. There are limitations on the amount of income a taxpayer can earn when claiming the Education Credit.

By not using available resources to ask all required questions, IRS employees are making assumptions and providing answers without considering facts relevant to ensuring the answer given is correct. For example, during 10 of our visits, IRS employees provided the correct answers but gave the wrong reasons because they may have confused Tax Years 2001 and 2002 tax law.

Use of the Publication Method provides IRS employees with reference material and probing questions that taxpayers should be asked related to tax law issues, and significantly increases the chance that the question will be correctly answered. The Publication Method also provides reference material to walk taxpayers through tax law questions to ensure they understand the answer to the question.



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**Taxpayers that visit the TACs in certain geographical locations and at specific times of the day may receive inconsistent levels of customer service**

TAC location and time of day affect overall accuracy rates. From July through December 2002, we visited TACs in 6 areas that included 25 states. Our analysis of results by area showed the following:

- Fifty-four (60 percent) of the 90 questions asked during the afternoon hours in various areas were correctly answered. In contrast, only 38 (48 percent) of the 80 questions asked during the morning hours were correctly answered.<sup>15</sup>
- Sixty-seven (73 percent) of 92 questions asked in Areas 1 and 2<sup>16</sup> were correctly answered.
- Thirty (54 percent) of 56 questions asked in Area 5<sup>17</sup> were correctly answered.
- Nine (23 percent) of 40 questions asked in Area 6<sup>18</sup> resulted in auditors being referred to a publication.
- Eighteen (45 percent) of the 40 questions for which auditors were referred to publications and advised to do their own research occurred during lunch hours or near the end of the day.<sup>19</sup>

See Appendices VI and VII for accuracy rates by state and geographical area.

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<sup>15</sup> We defined morning hours as 8:00 a.m. to 9:59 a.m. and afternoon hours as 2:00 p.m. to 4:30 p.m.

<sup>16</sup> States visited in Areas 1 and 2 include: Maine, Connecticut, Vermont, Delaware, Pennsylvania, and Virginia.

<sup>17</sup> States visited in Area 5 include: Kansas, Missouri, Oklahoma, and Texas.

<sup>18</sup> States visited in Area 6 include: Alaska, Colorado, Idaho, New Mexico, Utah, and Wyoming.

<sup>19</sup> We defined lunch hours as 11:30 a.m. to 1:00 p.m. and near the end of the day as 3:30 p.m. to 4:30 p.m.

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### *Effect on taxpayers*

The burden on taxpayers is increased when they rely on the IRS' assistance to help them comply with the tax law, but they are not provided correct responses to tax law questions. Approximately 500,000 taxpayers that visited the TACs between July and December 2002 to ask tax law questions were at risk of receiving incorrect responses to their tax law questions.

### **Recommendation**

We recommend that the Commissioner, W&I Division:

1. Reinforce existing procedures to ensure that IRS employees use tax law instructions and publications when assisting taxpayers. This could include providing notification to taxpayers that they should expect the quality of services to include an employee walking them through reference material to ensure they understand the answers to their questions.

Management's Response: The FA office completed a number of actions designed to ensure that IRS employees use tax law instructions and publications when assisting taxpayers and in January 2003 established a zero tolerance for employees referring taxpayers to publications to find answers to their tax law questions. The IRS believes these completed actions are improving its tax law accuracy rates.

In addition, the IRS has developed an "Our Service Commitment" sign that details employee responsibilities for posting in all TACs. The IRS plans to post this Commitment sign in all TACs by October 31, 2003.

IRS management does not concur with our outcome measure of 500,000 taxpayers being at risk of receiving an incorrect answer because they believe our results are not statistically valid.

Office of Audit Comment: We continue to believe that when any taxpayer walks into a TAC and asks a question, he or she is at risk of receiving an incorrect response, as results of auditors' visits proved during July through December 2002. However, we did adjust our outcome

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### **Taxpayers May Not Find Accurate Office Hours and Addresses for the Taxpayer Assistance Centers**

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measure to show that 93 taxpayers were potentially at risk of receiving incorrect responses to tax law questions. Using the methodology in our first semi-annual trend report, the outcome measure is based on our results that showed 28 percent of the 332 questions asked by our auditors were incorrectly answered.

Taxpayers can access the IRS Internet web site and follow the appropriate links to obtain the office hours and addresses of the TACs located in their state. Taxpayers that do not have access to the Internet may call a toll-free number to obtain this information. Auditors used a list of TACs provided by the IRS and conducted research on the Internet to obtain the sites' office hours and addresses. During their visits, the auditors determined if the TAC office hours and addresses obtained from the Internet matched the information at the TACs. The results of the auditors' research were as follows:

- Eighty-two (99 percent) of 83 TACs had office hours listed on the Internet. However, for 35 (43 percent) of the 82 TACs, office hours listed on the Internet did not match the hours posted at the TACs.
- All 83 TACs had addresses listed on the Internet. For 2 (2 percent) of the 83 TACs, the addresses listed on the Internet did not match the addresses of the offices.

In preparing for the 2003 Filing Season, IRS managers were required to certify in December 2002 that all TAC office hours and addresses were correct on the IRS Internet and on automated telephone messages. Although there was a certification requirement, the IRS FA office does not have control over changes made to addresses and office hours on all of the systems that taxpayers can access. Until the IRS FA office obtains control over all of the systems, taxpayers will continue to experience difficulty in finding accurate addresses and office hours. We will continue to monitor this area during the next 6-month reporting period.

#### ***Effect on taxpayers***

When information related to the TAC office hours and addresses made available to taxpayers is not accurate and

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timely updated, taxpayers may find it difficult to seek and obtain face-to-face contact with the IRS.

### **Recommendation**

We recommend that the Commissioner, W&I Division:

2. Ensure the IRS has a process in place to ensure TAC office hours and addresses made available to taxpayers are accurate and timely updated.

Management's Response: The FA office completed several actions designed to ensure office hours and addresses are accurate. These actions included issuing an interim Internal Revenue Manual that provides guidance on publishing and certifying TACs' locations and hours of operation on irs.gov (the IRS Internet site, *The Digital Daily*, accessible to the public) and on the Servicewide Electronic Research Program (the Intranet research tool for employees), and updating office hours on recorded messages on local TAC telephone lines and on TAC signage. The FA office also trained and designated personnel on how to update addresses and office hours on the IRS Internet site and local telephone lines.

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### **Auditors Had Some Positive Experiences When They Visited Taxpayer Assistance Centers**

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During our visits to the TACs, we assessed whether IRS employees were professional and courteous, the wait time for service, and whether employees' names were given or visible. We had some positive experiences. For example:

- IRS employees were professional and courteous in 160 (99 percent) of our 162 visits to the TACs.
- Wait time for service was 1 hour or less for 160 (99 percent) of our 162 visits.
- IRS employee names were given or visible in 95 (59 percent) of our 162 visits.

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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**An Accurate and Reliable  
Management Information System  
Is Needed for the Taxpayer  
Assistance Centers**

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The IRS recognizes that it needs to have timely, accurate reporting of workload information for its TACs. To help measure performance, the FA office extracts daily information from reports generated from three systems in place.<sup>20</sup> They are the automated queuing system called the Queuing Management System (Q-MATIC) and two manual systems using the Field Assistance Contact Card (Form 6148) and the Field Assistance Contact Sheet (Form 6148A). Information from the Q-MATIC and Forms 6148 and 6148A is manually entered into an FA office management information system. According to the IRS, these data are the basis to support staffing, program, and budget decisions to meet the needs of approximately 9.1 million taxpayers that visited the TACs in CY 2002.

From July through December 2002, we did not observe IRS employees tracking our visits to the TACs (or the purpose of the visits) in 76 (46 percent) of 166 visits. Consequently, we believe the IRS' estimation of the number of taxpayers that visited the TACs could be substantially understated due to the inconsistencies in tracking our visits and the IRS' use of multiple tracking systems and a manual process of inputting visits into a management information system.

**The Q-MATIC is available only at selected TACs**

Once taxpayers are in the TAC, they and/or FA office employees use the Q-MATIC to select the type of assistance required. Examples of choices available to taxpayers include return preparation, tax law questions, account inquiries, the EITC, and other issues. Once a choice is made, the taxpayer is issued a number and waits for assistance until the number is called. As of December 2002, 138 (33 percent) of 416 TACs<sup>21</sup> were equipped with the Q-MATIC.

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<sup>20</sup> For a period of time (July through September 2002), all three of the systems were being used. As of October 2002, the IRS stopped using Form 6148.

<sup>21</sup> The number of TACs mentioned in this report varies because of changes being made by the IRS (i.e., closing TACs, opening new TACs, etc.).

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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**Forms 6148 are used when the Q-MATIC is not available**

The TACs that are not equipped with the Q-MATIC are required to use Form 6148 to track taxpayer visits. Once they are in the TAC, taxpayers are provided a Form 6148. The taxpayer gives the Form 6148 to the IRS employee providing assistance. That employee documents the time of arrival and the purpose of the visit.

Beginning in October 2002, IRS employees in TACs without the Q-MATIC were required to use Form 6148A. Form 6148 is no longer provided to a taxpayer; instead, IRS employees document the purpose of the taxpayer's visit on a Form 6148A, once assistance has been provided.

***Effect on managing IRS resources***

IRS management agreed that data captured on its management information system cannot be relied upon for timely, accurate workload performance information due to the manual process of recording taxpayer visits. As a result, IRS management cannot be assured that the management information being used provides accurate, valid, and relevant financial and operational data with which to plan, monitor, and report on those activities that are incurred with the \$132 million in FY 2003 budgeted dollars. In FY 2004, IRS management plans to use these data to develop workplans that allocate workload resources and provide services to meet the anticipated needs of taxpayers that visit the TACs. However, without an effective process in place to ensure IRS employees timely and accurately track taxpayer visits to the TACs, the IRS cannot ensure that the right services at the right times will be provided to taxpayers. We plan to continue our monitoring in this area over the next 6-month reporting period.

**Recommendation**

We recommend that the Commissioner, W&I Division:

3. Develop an accurate and reliable process in all TACs to track taxpayer visits to ensure that decisions being made

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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to budget and manage workload resources are based on accurate and reliable data.

Management's Response: The IRS disagreed with this recommendation because the FA office has already developed a plan to track taxpayer visits in all TACs. Specifically, the IRS plans to install the Q-MATIC in all TACs. The Q-MATIC will allow the IRS to more accurately track taxpayer visits by providing a networked system that captures data on customer volumes and the types of service requested by taxpayers. The planned completion date for installing the Q-MATIC in all TACs is October 2004.

IRS management also disagreed with our claim that TAC budget estimates and/or expenditures totaling approximately \$132 million dollars for FY 2003 were based on unreliable management information data.

Office of Audit Comment: Our position regarding the unreliability of management information captured relative to taxpayer visits to TACs remains. In fact, despite IRS management's disagreement with our recommendation, information contained in their response seems to support our concerns. Specifically, the IRS captures data relative to taxpayer visits to TACs either via an automated system or manually for those sites without an automated system. The automated tracking system is installed and used in 138 TACs, with the remaining 278 TACs using a manual process. Management acknowledged in their response that because a large percentage of the TACs record management information manually, volumes could be either overstated or understated. This same management information will continue to be used in the development of the FY 2004 work plan and will be the support for resource allocations to the various TACs.

### **Detailed Objective, Scope, and Methodology**

The overall objective of the review was to determine if the Internal Revenue Service (IRS) provided accurate and timely responses to taxpayers' tax law questions. In addition, we assessed whether IRS employees in the Taxpayer Assistance Centers (TAC) were professional and courteous to our auditors who made anonymous visits to the TACs. We also evaluated whether TAC addresses and office hours made available to taxpayers were accurate.

To achieve these objectives, we performed the following tests:

- I. Determined if the IRS provided quality service and accurate responses to tax law inquiries at the 83 TACs visited from July through December 2002. This included evaluating the results of our visits to identify trends. We asked 332 tax law questions that an individual taxpayer<sup>1</sup> might ask. The questions were based on the training provided to Tax Resolution Representatives (TRR) during the fall of 2001 and the scope of services for tax law assistance prescribed in the Fiscal Year 2002 Field Assistance Operating Procedures.
- II. Determined the quality of service provided by the TRRs.
- III. Determined if accommodations in the TACs visited were suitable to provide quality customer service.
- IV. Determined if the IRS could accurately account for all taxpayer visits and knew the reasons why taxpayers visit its TACs.

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<sup>1</sup> Individual taxpayers are non-business taxpayers who file United States Individual Income Tax Returns (Forms 1040, 1040A, or 1040EZ).



**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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**Appendix II**

**Major Contributors to This Report**

Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs)  
Kerry Kilpatrick, Director  
Deborah Glover, Audit Manager  
Russell Martin, Audit Manager  
Frank Jones, Acting Audit Manger  
Tanya Boone, Senior Auditor  
Pamela DeSimone, Senior Auditor  
Deborah Drain, Senior Auditor  
Robert Howes, Senior Auditor  
Edith Lemire, Senior Auditor  
Julia Tai, Senior Auditor  
Grace Terranova, Senior Auditor  
Robert Baker, Auditor  
Lena Dietles, Auditor  
Roberta Fuller, Auditor  
Andrea Hayes, Auditor  
Kathy Henderson, Auditor  
Mary Keyes, Auditor

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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**Appendix III**

**Report Distribution List**

Commissioner N:C  
Deputy Commissioner for Services and Enforcement N:SE  
Deputy Commissioner, Wage and Investment Division W  
Director, Customer Assistance, Relationships, and Education W:CAR  
Director, Strategy and Finance W:S  
Director, Field Assistance W:CAR:FA  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O  
Office of Management Controls N:CFO:AR:M  
Audit Liaison: GAO/TIGTA Liaison, Wage and Investment Division W:S:PA

### **Outcome Measures**

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

Type and Value of Outcome Measure:

- Taxpayer Burden – Potential; 93 taxpayers (see page 5).

Methodology Used to Measure the Reported Benefit:

If the accuracy results for the 332 questions asked between July and December 2002 are indicative of the actual responses taxpayers receive when they visit a Taxpayer Assistance Center, we estimate that 93 taxpayers could have received incorrect responses to tax law questions.

Type and Value of Outcome Measure:

- Reliability of Information – Value of Entity; Potential; \$132 million (see page 13).

Methodology Used to Measure the Reported Benefit:

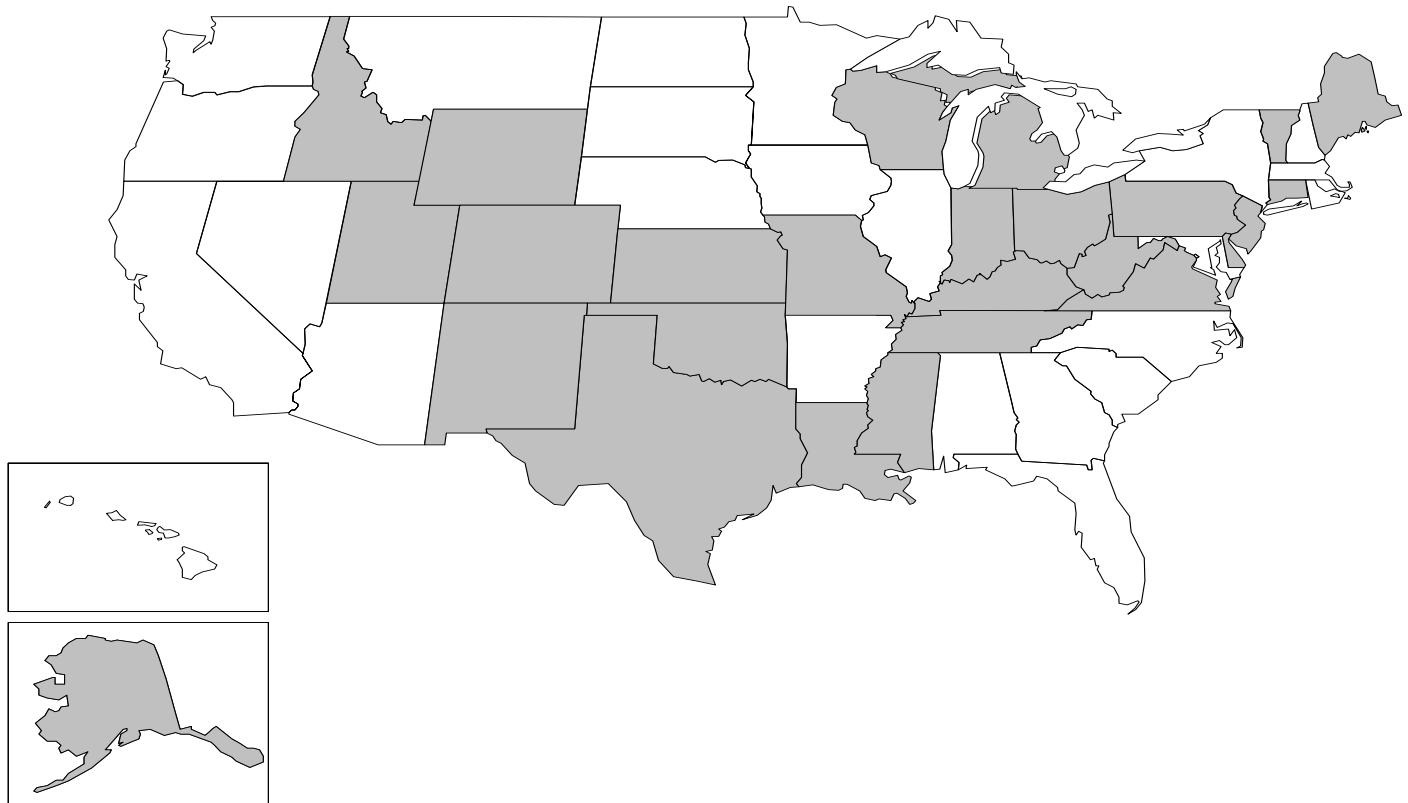
According to IRS management, the Field Assistance office received \$142 million to manage its operation in Fiscal Year (FY) 2003. Of the \$142 million, \$132 million was related to labor cost. IRS management agreed that data captured on its management information system cannot be relied upon for timely, accurate workload performance information due to the manual process of recording taxpayer visits. As a result, IRS management cannot be assured that the management information being used provides accurate, valid, and relevant financial and operational data with which to plan, monitor, and report on those activities that are incurred with the \$132 million in FY 2003 budgeted dollars.

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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**Appendix V**

**States<sup>1</sup> Visited During July Through December 2002**



We visited 25 states, including: Alaska, Colorado, Connecticut, Delaware, Idaho, Indiana, Kansas, Kentucky, Louisiana, Maine, Michigan, Missouri, Mississippi, New Mexico, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Virginia, Vermont, West Virginia, Wisconsin, and Wyoming.

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<sup>1</sup> Unshaded states were visited in January through June 2002.

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

**Appendix VI**

**Accuracy Rates by State -  
January Through June 2002**

States Visited	Accuracy Rates <sup>1</sup>
ALABAMA	50 %
ARIZONA	45 %
ARKANSAS	38 %
CALIFORNIA	61 %
DISTRICT OF COLUMBIA	33 %
FLORIDA	44 %
GEORGIA	46 %
HAWAII	38 %
ILLINOIS	72 %
IOWA	100 %
MARYLAND	13 %
MASSACHUSETTS	28 %
MINNESOTA	50 %
MONTANA	44 %
NEBRASKA	100 %
NEVADA	75 %
NEW HAMPSHIRE	83 %
NEW JERSEY	44 %
NEW YORK	60 %
NORTH CAROLINA	46 %
NORTH DAKOTA	100 %
OREGON	58 %
RHODE ISLAND	75 %
SOUTH CAROLINA	19 %
SOUTH DAKOTA	50 %
WASHINGTON	64 %
<b>OVERALL<sup>2</sup></b>	<b>53 %</b>

*Source: Anonymous visits performed by Treasury Inspector General for Tax Administration (TIGTA) auditors.*

<sup>1</sup> Accuracy rates include Correct and Correct but Incomplete answers to tax law questions. For Correct but Incomplete answers, the correct answer was given, but the Internal Revenue Service (IRS) employee did not ask all required probing questions.

<sup>2</sup> Overall accuracy rate is the result of 470 questions asked at 116 Taxpayer Assistance Centers (TAC) from January through June 2002.

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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**Accuracy Rates by State -  
July Through December 2002**

States Visited	Accuracy Rates <sup>3</sup>
ALASKA	25 %
COLORADO	58 %
CONNECTICUT	81 %
DELAWARE	50 %
IDAHO	0 %
INDIANA	63 %
KANSAS	75 %
KENTUCKY	50 %
LOUISIANA	38 %
MAINE	58 %
MICHIGAN	60 %
MISSOURI	55 %
MISSISSIPPI	50 %
NEW MEXICO	50 %
OHIO	25 %
OKLAHOMA	63 %
PENNSYLVANIA	80 %
TENNESSEE	56 %
TEXAS	46 %
UTAH	38 %
VIRGINIA	50 %
VERMONT	88 %
WEST VIRGINIA	25 %
WISCONSIN	67 %
WYOMING	100 %
<b>OVERALL<sup>4</sup></b>	<b>57 %</b>

*Source: Anonymous visits performed by TIGTA auditors.*

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<sup>3</sup> Accuracy rates include Correct and Correct but Incomplete answers to tax law questions. For Correct but Incomplete answers, the correct answer was given, but the IRS employee did not ask all required probing questions.

<sup>4</sup> Overall accuracy rate is the result of 332 questions asked at 83 TACs from July through December 2002.

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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**Appendix VII**

**Accuracy Rates by Geographical Area  
July Through December 2002<sup>1</sup>**

<b>Area</b>	<b>Correct</b>	<b>%</b>	<b>Correct but Incomplete</b>	<b>%</b>	<b>Incorrect</b>	<b>%</b>	<b>Referred to Publication</b>	<b>%</b>	<b>Service Denied</b>	<b>%</b>	<b>Referrals</b>	<b>%</b>	<b>Questions Asked</b>
<b>1<sup>2</sup></b>	20	56	7	19	7	19	1	3	0	-	1	3	<b>36</b>
<b>2<sup>3</sup></b>	31	55	9	16	9	16	7	13	0	-	0	-	<b>56</b>
<b>3<sup>4</sup></b>	15	42	3	8	11	31	5	14	2	6	0	-	<b>36</b>
<b>4<sup>5</sup></b>	50	46	5	5	32	30	13	12	8	7	0	-	<b>108</b>
<b>5<sup>6</sup></b>	19	34	11	20	21	38	5	9	0	-	0	-	<b>56</b>
<b>6<sup>7</sup></b>	13	33	6	15	12	30	9	23	0	-	0	-	<b>40</b>
<b>Totals</b>	<b>148</b>	<b>45</b>	<b>41</b>	<b>12</b>	<b>92</b>	<b>28</b>	<b>40</b>	<b>12</b>	<b>10</b>	<b>3</b>	<b>1</b>	<b>-</b>	<b>332</b>

*Source: Anonymous visits performed by Treasury Inspector General for Tax Administration auditors.*

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<sup>1</sup> Percentages do not add up to 100 due to rounding.

<sup>2</sup> Area 1 states visited were: Connecticut, Maine, and Vermont.

<sup>3</sup> Area 2 states visited were: Delaware, Pennsylvania, and Virginia.

<sup>4</sup> Area 3 states visited were: Louisiana, Mississippi, and Tennessee.

<sup>5</sup> Area 4 states visited were: Indiana, Kentucky, Michigan, Ohio, Wisconsin, and West Virginia.

<sup>6</sup> Area 5 states visited were: Kansas, Missouri, Oklahoma, and Texas.

<sup>7</sup> Area 6 states visited were: Alaska, Colorado, Idaho, New Mexico, Utah, and Wyoming.

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

**Appendix VIII**

**Results by Tax Law Topic<sup>1</sup>  
July Through December 2002**

<b>Tax Law Topics</b>	<b>Questions Asked</b>	<b>Correct</b>	<b>Correct but Incomplete</b>	<b>Incorrect</b>	<b>Referred to Pub.</b>	<b>Service<sup>2</sup> Denied</b>	<b>Referrals</b>
Alimony	6	3 (50%)	1 (17%)	1 (17%)	---	1 (17%)	---
Amended Return	17	3 (18%)	5 (29%)	7 (41%)	1 (6%)	1 (6%)	---
Charitable Contributions	4	1 (25%)	3 (75%)	---	---	---	---
Child Care Credit	1	---	---	1 (100%)	---	---	---
Child Support	17	6 (35%)	11 (65%)	---	---	---	---
Child Tax Credit	2	2 (100%)	---	---	---	---	---
Dependents	73	36 (49%)	3 (4%)	28 (38%)	5 (7%)	1 (1%)	---
Earned Income Tax Credit	106	47 (44%)	11 (10%)	29 (27%)	13 (12%)	5 (5%)	1 (1%)
Education Credit	32	6 (19%)	4 (13%)	15 (47%)	7 (22%)	---	---
Filing Status	16	11 (69%)	2 (13%)	2 (13%)	1 (6%)	---	---
Gambling	1	1 (100%)	---	---	---	---	---
Innocent Spouse	1	---	---	1 (100%)	---	---	---
Interest Expense (Refinance)	2			1 (50%)	1 (50%)		
Medical Expenses	8	5 (63%)	---	2 (25%)	1 (13%)	---	---
Miscellaneous Expenses	3	2 (67%)		1 (33%)			
Rate Reduction Credit	1	---	---	---	1 (100%)	---	---
Retirement/Individual Retirement Arrangement Withdrawal	1	---	---	1 (100%)	---	---	---
Scholarship	3	---	---	3 (100%)	---	---	---
Social Security Income	35	24 (69%)	---	---	9 (26%)	2 (6%)	---
Student Loan Interest	3	1 (33%)	1 (33%)	---	1 (33%)	---	---

*Source: Anonymous visits performed by Treasury Inspector General for Tax Administration auditors.*

<sup>1</sup> Percentages do not add up to 100 due to rounding. Also, although we asked questions related to 22 tax law topics for Calendar Year 2002, for July through December 2002 we asked questions related to only 20 tax law topics.

<sup>2</sup> The Internal Revenue Service (IRS) employee neither answered the question nor referred the auditor to a publication or another IRS employee for assistance.



**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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**Appendix IX**

**Listing of Reports Issued From Calendar Year 2002 Audits**

*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**

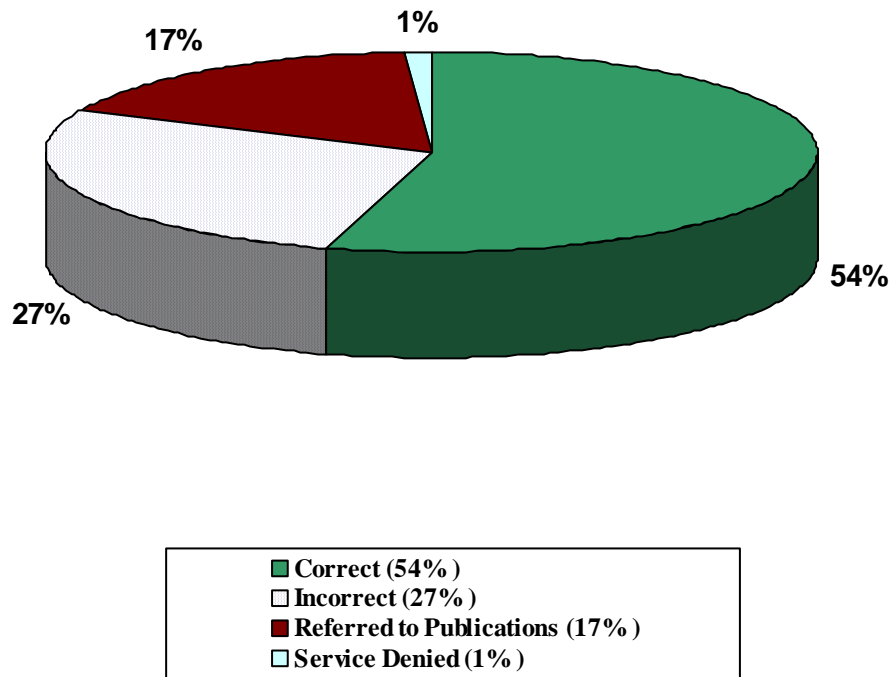
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**Appendix X**

**Calendar Year 2002 Accuracy Rates**

During Calendar Year 2002, the Treasury Inspector General for Tax Administration (TIGTA) auditors asked 802 tax law questions. The chart below shows the accuracy rates for those questions.

**Accuracy Rates<sup>1</sup>  
January Through December 2002<sup>2</sup>**



*Source: Anonymous visits performed by TIGTA auditors.*

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<sup>1</sup> **Correct includes Correct but Incomplete:** The correct answer was given, but the Internal Revenue Service (IRS) employee did not ask all required probing questions.

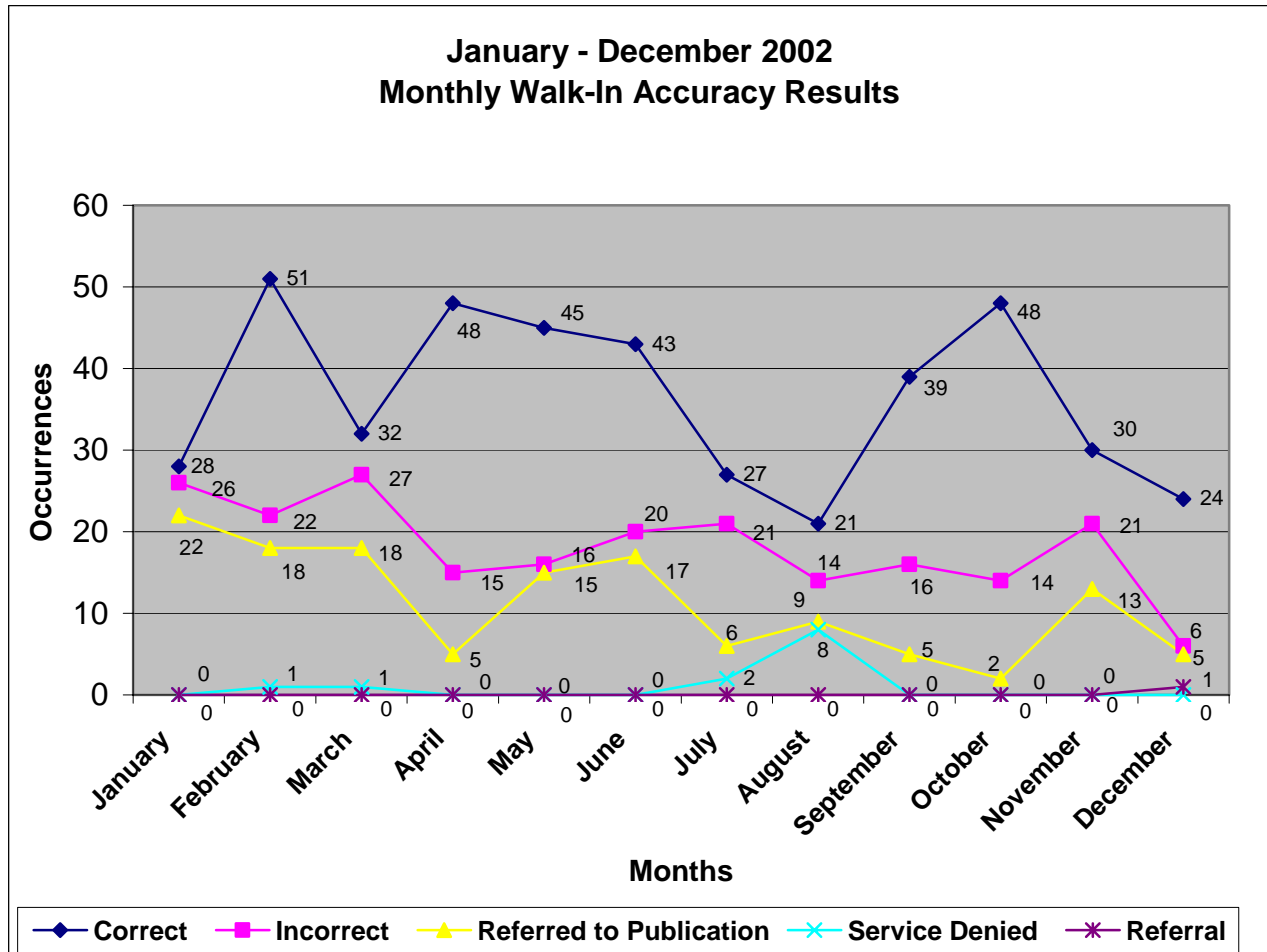
**Referred to Publications:** The IRS employee did not answer the question but instead referred the auditor to a publication and advised the auditor to do his or her own research to find the answer to the question.

<sup>2</sup> Percentages do not add up to 100 due to rounding.

Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions

Appendix XI

Calendar Year 2002 Accuracy Rates by Month



Source: Anonymous visits performed by Treasury Inspector General for Tax Administration auditors.

**Trends in Customer Service in the Taxpayer Assistance Centers  
Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

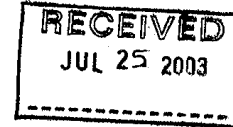
**Appendix XII**

**Management's Response to the Draft Report**




DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

July 25, 2003



MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX  
ADMINISTRATION

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

SUBJECT: Draft Audit Report – Trends in Customer Service in  
the Taxpayer Assistance Centers Continue to Show Procedural  
Causes for Inaccurate Answers to Tax Law Questions  
(Audit #200340016)

I reviewed your draft report that consolidates the results of visits for July through December 2002. I appreciate your recognition of the immediate actions we took on issues identified in your previously issued audit reports. We are working diligently to improve quality and accuracy in our Taxpayer Assistance Centers (TAC).

As I stated in my response to your report covering accuracy results for March and April 2003, our long-term approach to improving quality is implementation of Embedded Quality (EQ), similar to the process Customer Account Services has already implemented. For Customer Account Services, EQ provides a consistent quality measurement tool in all the campuses with statistically valid data. EQ is a way of doing business that builds commitment and capability among all individuals to continually improve customer service, employee satisfaction, and business results. The EQ approach focuses on standardized measures, employee monitoring, and employee feedback methods at the group level. This will involve adding information technology to support manager and quality staff reviews of employee and organizational performance. We will also restructure our quality staff to conform to this new model. We plan to implement EQ beginning in fiscal year (FY) 2004.

I do not feel the 57 percent accuracy rate is a true measure of our accuracy. I continue to disagree with including referrals to publications and service denied when computing the accuracy rate. I also disagree that making a referral to a publication is the same as providing an incorrect answer. When recomputed to reflect only answers to tax law questions that were technically correct or incorrect, our accuracy rate is 67 percent for the 6-month period.

## Trends in Customer Service in the Taxpayer Assistance Centers Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions

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We recognize that an accuracy rate of 67 percent for tax law service is inadequate. As a result, we are continuing to take aggressive steps to improve quality and accuracy in our TACs. Some of the steps we have taken include:

- Trained frontline employees through Continuing Professional Education (CPE) with emphasis on the Publication Method. The Publication Method 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.
- Developed training modules for directed learning (one hour per week) that target tax law topics with the lowest accuracy rates and/or highest demand.
- Provided more time for employees to prepare for the day by opening 30 minutes later every day. Employees can use this time to complete training on directed learning modules and training on other tax law topics.
- Required managers to conduct shopping (i.e., review) visits at TACs other than their own.
- Implemented the employee certification process for managers to use in determining employees’ skills in answering questions on tax law topics.
- Administered the Training Assessment Battery to all TAC employees and front line managers to identify skill levels and training needs.
- Provided immediate feedback to managers and employees from Headquarters Quality Review Staff and managers shopping visits.

We do not concur with your outcome measure, which states that all 500,000 taxpayers who visited our TACs between July and December 2002 were at risk of receiving incorrect responses to their tax law questions. In your prior trend report, which covered January through June 2002, you claimed an outcome measure of 126 taxpayers that were at risk of receiving incorrect responses to their tax law questions. The methodology used to compute the 126 taxpayers was the total number of questions you asked (470) times the percent of incorrect responses (27 percent) you received to the questions.

Because your results are not statistically valid, we believe the method you used in your prior report more reasonably estimates the number of taxpayers who were at risk of receiving incorrect responses to their tax law questions. Using the methodology in your last report, the number of taxpayers who were potentially burdened based on your accuracy results for July through December 2002 would be 93 (332 questions times 28 percent [percent of incorrect responses]) instead of 500,000.

## Trends in Customer Service in the Taxpayer Assistance Centers Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions

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We also do not concur with your outcome measure of \$132 million in labor costs related to the reliability of our management information system. Your report states auditors did not observe IRS employees tracking the reason for their visits in 46 percent of the visits. Consequently, you believe the number of taxpayers that visited the TACs could be substantially understated. However, as we discussed with the audit team, IRS employees do not always write down the reason for the visit while the taxpayer is in the office. Many employees write down the reason for the taxpayers visit and other information after the visit is completed. Because of this manual process, the number of visits could be overstated or understated.

We do not feel you can assess the reliability of our management information systems by observation alone. Although your observations indicate potential problems with our system, they alone cannot determine whether the number of taxpayer visits is understated or overstated. As we discussed with your audit team, we are aware of the limitations of our management information system and are working toward installing a networked system (Q-Matic) to track taxpayer visits in all TACs.

The networked system will also be in keeping with a recommendation in a prior TIGTA report issued in May 2002 (Management Advisory Report # 2000-40-067 – Improved Project Management is Needed in Modernizing the Internal Revenue Service's Walk-in Program Management Information System). The report identified concerns with our management information system in our TACs. In response to the report, we stated that we would consider the need to provide Q-Matic in all TACs as part of the modernization reorganization. Q-Matic captures and stores a variety of statistical data such as the number of taxpayers who visited the TACs, taxpayer wait times and serving times. The system captures data that can be reported for any period (daily, weekly, monthly, etc.) by employee and service category (return preparation, tax questions, forms, payments, etc.). Q-Matic also has a scheduling tool to help managers optimize their staffing resources.

Our corrective actions are detailed in the attachment. If you need additional information, please let me know or contact Jerry Heschel, Director, Field Assistance, W&I CARE at (404) 338-7141.

Attachment

## **Trends in Customer Service in the Taxpayer Assistance Centers Continue to Show Procedural Causes for Inaccurate Answers to Tax Law Questions**

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Attachment

### **RECOMMENDATION 1**

Reinforce existing procedures to ensure that IRS employees use tax law instructions and publications when assisting taxpayers. This could include providing notifications to taxpayers that they should expect the quality of services to include an employee walking them through reference material to ensure they understand the answer to their question.

### **CORRECTIVE ACTIONS**

Field Assistance completed a number of actions designed to ensure that IRS employees use tax law instructions and publications when assisting taxpayers. In January 2003, we established a zero tolerance for employees referring taxpayers to publications to find answers to their tax law questions. We delivered a lesson on the Publication Method to all employees during the FY 2003 CPE classes. We presented CPE tax law topics using the Publication Method. The Publication Method 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 reinforced use of the Publication Method through directed learning (one hour per week) and requiring managers to observe employee contacts with taxpayers to ensure employees used the Publication Method.

In January 2003, we provided job aids to employees on various tax law topics to guide them through a proper application of the Publication Method. Field Assistance and NTEU signed a Letter of Understanding on May 13, 2003, mandating that all IRS employees use the Publication Method.

Field Assistance employees are counseled when we identify an improper referral to a publication. We follow up with education and role-playing to demonstrate proper use of the Publication Method. A team, consisting of Field Assistance Territory Managers, Group Managers, and Headquarters personnel, conducts peer reviews at the TACs to ensure TAC managers follow procedures to monitor and improve tax law accuracy.

Field Assistance issued an interim Internal Revenue Manual (IRM) that includes new procedures to address TIGTA and our in-house tax law accuracy results. The procedures outline actions that Field Assistance Headquarters, Area, Territory, and Group Managers should take over a four-day period after receiving in-house and TIGTA accuracy results. Some of the actions managers take include determining the possible causes of the results and specific actions taken to improve the undesirable results, celebrate the desirable results, meeting face to face with front-line employees to discuss the results, and determining if any practices associated with the desirable results should be accepted as best practices and implemented within the respective

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Areas. We designed these procedures to help TACs achieve an average accuracy rate of 80 percent or greater. These completed actions are improving our tax law accuracy rates. For example, during March and April 2003, TIGTA reported that our employees correctly answered 25 percent more questions and referred 91 percent fewer taxpayers to publications than in March and April 2002.

We developed an "Our Service Commitment" sign for posting in all TACs. This commitment states that employees in the TACs will:

- Provide courteous service and accurate answers to taxpayers' tax law questions,
- Show taxpayers the answers to their tax law questions in IRS printed publications, and
- Give taxpayers the publications for their reference after answering their tax law questions.

Our commitment also states if the employee cannot assist the taxpayer, the employee will refer the issue to the appropriate IRS office for assistance. We plan to post this commitment sign in all TACs by October 31, 2003.

### **IMPLEMENTATION DATE**

PROPOSED: October 31, 2003

### **RESPONSIBLE OFFICIAL**

Director, Field Assistance, Wage and Investment Division

### **CORRECTIVE ACTION MONITORING PLAN**

The Field Assistance Quality Review Staff will continue to measure TAC employees' use of the Publication Method during shopping visits. Operational reviews will assess whether employees are adhering to procedures requiring them to use the Publication Method when assisting taxpayers and whether the TACs have the "Our Service Commitment" signs posted. Also, we will use EQ, when implemented, to assess employee and organizational performance.

### **RECOMMENDATION 2**

Ensure the IRS has a process in place to ensure TAC office hours and addresses made available to taxpayers are accurate and timely updated.



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### **CORRECTIVE ACTIONS**

Field Assistance completed several actions designed to ensure office hours and addresses are accurate. We issued an interim IRM that provides guidance on publishing and certifying Taxpayer Assistance Centers' (TACs) locations and hours of operation on *irs.gov* (our Internet site accessible to the public) and on the Servicewide Electronic Research Program ([SERP] our Intranet research tool for employees). In addition, we update office hours on recorded messages on local TAC telephone lines and on TAC signage. In March 2003, personnel in the Area offices completed Content Management Application training to learn how to update addresses and office hours on *irs.gov*. All seven Areas have a designated employee who is responsible for updating addresses and office hours on *irs.gov*. In addition, each Territory designated a primary and backup employee to be responsible for recording announcements on local telephone lines.

### **IMPLEMENTATION DATE**

COMPLETED: June 2003

### **RESPONSIBLE OFFICIAL**

Director, Field Assistance, Wage and Investment Division

### **CORRECTIVE ACTION MONITORING PLAN**

In January 2003, the Customer Assistance, Relationships and Education (CARE) Program and Process Assurance unit began conducting weekly reviews of the accuracy of TAC addresses and office hours. Field Assistance Headquarters staff began conducting similar reviews in April 2003. As of May 2003, both reviews showed accuracy rates over 90 percent. In addition, Area Directors are monitoring TAC addresses and hours of operation and documenting the reviews. The Area Directors must certify quarterly that the addresses and office hours on the various systems are correct. The certification must explain any non-compliance and describe what corrective actions necessary to achieve full compliance.

### **RECOMMENDATION 3**

Develop and place in all TACs a process to track taxpayer visits to the TACs to ensure decisions being made to budget and manage workload resources are based on accurate and reliable data.

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**CORRECTIVE ACTIONS**

We disagree with this recommendation because Field Assistance has already developed a plan to track taxpayer visits in all TACs. A prior TIGTA audit report issued in May 2000 (Management Advisory Report # 2000-40-067 – Improved Project Management is Needed in Modernizing the Internal Revenue Service's Walk-In Program Management Information System) identified concerns with the management information system in our TACs. Since that report, we decided to install Q-Matic in all TACs. Q-Matic will allow us to more accurately track taxpayer visits to our TACs by providing a networked system that captures data on customer volumes and the type of service requested by taxpayers (return preparation, tax questions, forms, payments, notices, etc.). Q-Matic also has a scheduling tool to help managers optimize their staffing resources. As of June 30, 2003, approximately 140 TACs had Q-Matic. Our planned completion date for installing Q-Matic in all TACs is October 2004.

We are providing bi-monthly updates on the status of our Q-matic installation to CARE Program Management.

**IMPLEMENTATION DATE**

Not Applicable

**RESPONSIBLE OFFICIAL**

Not Applicable

**CORRECTIVE ACTION MONITORING PLAN**

Not Applicable