

**Improvements to the Tax Exempt and
Government Entities Division's Telephone
Operation Would Enhance Customer Service**

June 2000

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

June 12, 2000

MEMORANDUM FOR COMMISSIONER ROSSOTTI

A handwritten signature in cursive script that reads "Pamela J. Gardiner".

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Improvements to the Tax Exempt and Government Entities Division's Telephone Operation Would Enhance Customer Service

This report presents the results of our review of the Tax Exempt and Government Entities Division's (TE/GE) telephone operation, which evaluated whether the TE/GE Division's telephone operation was effectively implemented.

In summary, we concluded that the TE/GE Division had made significant progress in implementing the centralized telephone operation and had demonstrated that it is responsive to customer inquiries. We also concluded that since the necessary technology and support processes are not in place, the TE/GE Division will not be able to provide the highest quality service in a timely and efficient manner.

Our recommendation to improve the infrastructure for the telephone operation will increase assurances that the TE/GE Division will be able to meet expected demand for its telephone services in the most efficient and cost effective manner. Our recommendations regarding the need for performance goals and measures and the need to improve the Quality Assurance process will increase assurances that customers are provided timely and quality customer service.

TE/GE Division management agreed with our recommendations, and their comments are included in this report where appropriate. The full text of their comments is included as an appendix.

Copies of this report are also being sent to the Internal Revenue Service managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions, or your staff may call Maurice S. Moody, Associate Inspector

General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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Improvements to the Tax Exempt and Government Entities Division's Telephone Operation Would Enhance Customer Service

Executive Summary

The newly created Tax Exempt and Government Entities (TE/GE) Division is committed to providing its customers with the highest quality service possible in a timely, efficient and courteous manner. Our objective for this audit was to evaluate whether the TE/GE Division effectively implemented a telephone operation that provided quality customer service. To meet this commitment, the TE/GE Division established a centralized customer service site in the Ohio Key District Office (OKDO). The implementation of the TE/GE Division's centralized telephone operation should improve the quality and timeliness of service provided to its customers by assisting them in understanding and complying with applicable tax laws.

Results

The Internal Revenue Service (IRS) has made significant progress in implementing the centralized telephone operation for the TE/GE Division and has demonstrated that it is responsive to inquiries being made by customers. During Fiscal Year (FY) 1999, the TE/GE Division's centralized customer service call site reported that it received 185,521 telephone calls, of which 156,447 callers spoke to a Customer Service Representative (CSR). In addition, the TE/GE Division implemented review processes to determine whether CSRs are properly responding to customers' inquiries.

While the TE/GE Division has made considerable progress in implementing its telephone operation, additional enhancements are needed to provide customers with the highest quality service in a timely, efficient, and courteous manner. Specifically, the IRS needs to ensure that TE/GE Division employees have the technology and resources not only to manage the current call volume but also to meet future growth. Also, goals and performance measures are needed to determine whether the IRS is meeting customer and stakeholder expectations. In addition, the TE/GE Division needs to enhance its guidelines for CSRs and management reviews and improve its quality assurance process so that inefficiencies and other areas needing improvement can be identified.

Infrastructure Improvements Are Needed to Provide the Highest Quality Service

The TE/GE Division's centralized customer service site is not able to use the latest telephone technology, which inhibits its ability to provide timely and effective service to its customers. The current infrastructure:

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- Does not have the capacity to expand.
- Cannot redirect misrouted telephone calls.
- Does not always permit managers to monitor calls on a real-time basis.
- Does not permit reports to be generated automatically.
- Has limited call routing capabilities.
- Has insufficient voice messaging capabilities.
- Does not have the capability to let customers use the Automated Self-Service Applications.

Improvements to the infrastructure at the TE/GE Division's centralized customer service site are necessary to provide organizations with high-quality customer service. The lack of a dedicated toll-free routing system leads to inefficiencies for organizations to access the IRS' resources. The TE/GE Division's centralized customer service site also lacks the tools to effectively monitor and quickly make adjustments to telephone service requirements.

Program Goals Are Needed to Effectively Measure the Centralized Telephone Operation

The IRS has not established specific program goals to measure the effectiveness or efficiency of the centralized telephone operation. Specific goals are needed to effectively measure the success of the TE/GE Division's centralized customer service call site and assess whether it is meeting customer and stakeholder expectations. Without program goals, priorities of the TE/GE Division cannot be effectively communicated to provide the necessary guidance for monitoring the performance of the telephone operation. The Commissioner, TE/GE Division, advised us that a team has been established to formulate the program goals for the customer service operation.

The Tax Exempt and Government Entities Division Needs to Enhance Its Quality Assurance Processes and Complete Customer Service Representative Guidelines

The TE/GE Division does not have processes in place to track and analyze the reasons customers are making inquiries and whether these inquiries are resolved on initial contact. The Quality Assurance process could be used by the TE/GE Division to determine the reasons for the inquiries and identify opportunities to improve the responses provided to customers. This process can also be used to capture information on areas where inquiries could be managed through automation.

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The TE/GE Division also does not have sufficient guidelines in place to assist CSRs in responding to customer inquiries. On 1 day, we monitored 16 telephone calls and observed that some CSRs experienced difficulties in readily identifying materials that would answer the customer's inquiry.

A Comprehensive Business Resumption Plan Needs to Be Established in the Event the Centralized Telephone Operation Is Disrupted

The TE/GE Division's centralized customer service call site has not developed a comprehensive business resumption plan in the event that its operation is disrupted. While the OKDO had drafted a disaster plan in the event that the Federal Office Building was destroyed, the TE/GE Division still needs to develop a plan for other short-term disruptions. Since its inception in February 1999, the TE/GE Division's centralized customer service call site has experienced one significant disruption when the IRS was unable to answer questions. The lack of a business resumption plan increases taxpayer burden because customers must re-contact the IRS to get their questions resolved in the event the IRS or the TE/GE Division's call sites experience a major disruption in the telephone operation.

Summary of Recommendations

The IRS needs to ensure that the TE/GE Division's centralized customer service call site receives sufficient technology to manage future growth, provide its employees with the tools to effectively monitor the operation, and make the necessary adjustments that will improve the overall effectiveness of the telephone operation. This technology should also give TE/GE Division customers the ability to use automated self-service applications for immediate access to selected information without waiting for a CSR.

The Commissioner, TE/GE Division, should ensure that goals are established for measuring the effectiveness, efficiency, and timeliness of the customer service call site. In addition, the Commissioner, TE/GE Division, needs to enhance CSR guidelines and improve the Quality Assurance process of the telephone operation by tracking the reasons organizations are calling and ensuring appropriate actions are taken to improve service either through automation or taxpayer education. The Commissioner, TE/GE Division, should also have a comprehensive business resumption plan in place in the event the telephone operation is disrupted.

Management's Response: TE/GE Division management will look for ways to improve its telephone system to manage future growth and effectively monitor the telephone operation. The TE/GE Division's Phase III Design Team is developing program goals for the centralized customer service telephone operation.

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The Quality Assurance staff will improve the desk guide and develop job aids similar to those used at other IRS Customer Service sites. The Quality Assurance function will also improve its processes by tracking the reasons organizations are calling and ensuring appropriate actions are taken to improve service either through automation or taxpayer education. In addition, the TE/GE Division will analyze the steps needed to minimize the effects of a business disruption on the telephone operation, including the costs and benefits of implementing these steps.

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

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Objective and Scope

We evaluated the effectiveness of the implementation of the TE/GE Division's telephone operation.

The overall objective of this audit was to evaluate whether the Tax Exempt/Government Entities (TE/GE) Division effectively implemented a telephone operation that provides quality customer service. This audit was initiated to improve the customer service operation by identifying areas needing improvement.

Specifically, we:

- Determined whether the TE/GE Division established program goals and objectives for providing accurate and timely customer service through the centralized telephone operation.
- Evaluated the feasibility and impact of sharing the Aspect¹ telephone system with another Business Unit.

Since the audit concluded that the TE/GE Division had not established program goals for the telephone operation, some of the tests that were planned to determine whether the TE/GE Division met the goals were not conducted.

We conducted our audit in the TE/GE Division Ohio Key District Office (OKDO) and the National Office between August and December 1999. Except for the scope limitation mentioned above, this audit was performed in accordance with *Government Auditing Standards*.

Details of our audit objective, scope, and methodology are presented in Appendix I. Major contributors to this report are listed in Appendix II.

¹ Aspect is the telephone call center that enables numerous customer service representatives to respond to incoming telephone calls.

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Background

The mission of the Internal Revenue Service (IRS) is to provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. To ultimately achieve its mission, the IRS formulated three strategic goals: service to each taxpayer, service to all taxpayers, and productivity through a quality work environment.

The EP/EO established a centralized customer service call site in the OKDO.

To support the IRS' mission of providing quality service, the Assistant Commissioner (Employee Plans/Exempt Organizations) and the Acting Assistant Commissioner (Taxpayer Service) announced on January 8, 1998, the OKDO would be the centralized customer service call site for Employee Plans/Exempt Organizations (EP/EO). The decision to locate the EP/EO customer service site in the OKDO was made because the OKDO had trained taxpayer service specialists available at a Taxpayer Service call site that was being discontinued. Because of their prior experience, these employees could be easily re-trained on EP/EO issues. Also, trained determination specialists in Cincinnati, Ohio, were available to provide back-up support for the centralized customer service call site.

Originally, the EP/EO customer service call site received calls on a Rockwell telephone system available from the Taxpayer Service Division. However, since October 1998, the TE/GE Division's centralized customer service call site has shared the Aspect telephone system with the Customer Service call site in Covington, Kentucky.

In early 1998, the IRS Commissioner outlined a program to modernize the IRS along taxpayer lines to provide more efficient work processes and better service to American taxpayers. Later in 1998, the IRS Restructuring and Reform Act of 1998 (RRA 98)²

² Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, 112 Stat. 685.

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mandated the IRS align itself around groups of taxpayers with similar needs to improve the service provided to taxpayers. The new IRS consists of four operating divisions. One of the four new operating divisions is the TE/GE Division. To implement this division, the IRS Commissioner established a team to design and oversee the implementation of the new operating division.

The EP/EO function transitioned into the new TE/GE Division on December 5, 1999.

Effective December 5, 1999, the former EP/EO function transitioned into the new TE/GE Division. The new TE/GE Division is committed to providing the highest quality service possible to its customers in a timely, efficient, and courteous manner. In this regard, one of the TE/GE Division's major goals is the centralization of its telephone operation.

Results

In FY 1999, TE/GE Division's CSRs spoke to 156,447 customers.

The IRS has implemented a telephone operation in the TE/GE Division that is responsive to customer inquiries. During Fiscal Year (FY) 1999, the TE/GE Division's centralized customer service call site reported that it received 185,521 telephone calls and that 156,447 callers spoke to a Customer Service Representative (CSR). In addition, the TE/GE Division has implemented managerial and quality review processes to determine whether CSRs are properly responding to customer inquiries.

While the TE/GE Division has made considerable progress in implementing its telephone operation, additional enhancements are needed to provide its customers with the highest quality service possible in a timely, efficient, and courteous manner. Specifically, the IRS needs to:

- Implement a telephone operation that provides the latest technology to significantly improve the effectiveness and efficiency of the telephone operation.

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- Establish specific program goals and measurements to provide an objective assessment on the accuracy, responsiveness, and timeliness of its customer service operation.
- Improve the Quality Review function by tracking and analyzing the reasons customers are making inquiries and whether the inquiries are resolved on initial contact.
- Establish a comprehensive business resumption plan in the event that the centralized customer service site is disrupted.

Infrastructure Improvements Are Needed to Provide the Highest Quality Service

The TE/GE Division's centralized customer service call site is not able to use the latest telephone technology, which inhibits its ability to effectively and efficiently provide quality customer service. Currently, the TE/GE Division is sharing an Aspect telephone system with another Business Unit through a remote connection. This means that all calls are received directly from the telephone provider (AT&T) at the other Business Unit, and the calls are routed to the TE/GE Division's centralized customer service call site through high-speed telephone lines. This arrangement significantly reduces the effectiveness and efficiency of the telephone operation because the TE/GE Division has to share the capabilities and limitations of the equipment at the other call site.

Sharing the Aspect telephone system with another Business Unit limits the capabilities of the TE/GE Division's telephone operation.

As currently configured, the other Business Unit customer service call site has no additional capacity to expand the TE/GE Division's centralized customer service call site. This capacity limitation has significantly reduced the TE/GE Division's telephone operation capabilities for using features of the Aspect telephone system.

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For example, the TE/GE Division cannot expand the number of scripts on the Voice Response Unit (VRU). As a result, the specialty applications, which enable customers to direct themselves to CSRs with the appropriate skills to answer their questions, cannot be implemented for tax-exempt bonds, Indian tribes, and government entities. The limited number of scripts also does not allow the TE/GE Division to use the Automated Self-Service Applications of the Telephone Routing Interactive System (TRIS).³

In addition, misrouted calls cannot be redirected to other IRS customer service call sites, Management Information System (MIS) reports have to be manually generated from the Aspect telephone system, and the TE/GE Division's centralized customer service site cannot use the messaging feature of the Aspect telephone system. Also, some TE/GE Division managers and the TE/GE Division Quality Assurance staff do not always have the necessary equipment available to perform their duties. As a result, TE/GE Division managers cannot always monitor the telephone operation on a real-time basis, respond quickly to optimize service, minimize queue time, or effectively use staffing and equipment.

The IRS depends on technology to provide customers with quality service. Significant improvements to the infrastructure at the TE/GE Division's centralized customer service call site are necessary to provide customers with high-quality service. The lack of a dedicated toll-free routing system leads to inefficiencies for customers to access IRS resources. Also, the TE/GE Division's centralized customer service call site lacks sufficient equipment and information to effectively monitor and quickly make adjustments to telephone service requirements.

³ The TRIS is used by customer service organizations to provide customers with information without human intervention.

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The IRS needs to finalize its CONOPS for the TE/GE Division's centralized customer service call site so that design specifications can be developed.

At the request of the Office of the Assistant Commissioner (EP/EO), local managers in the OKDO prepared a Concept of Operation (CONOPS) which describes the operational concepts of the TE/GE Division's telephone operation. The document is intended to provide the basic reference point from which design specifications may be developed. This document was submitted to the Customer Service function in the National Office on August 31, 1999, for review and comment. Between November 1999 and February 2000, we had several contacts with Customer Service employees who indicated that their review had not been completed. Customer Service advised that it completed its review and forwarded the CONOPS without comment to an approval board on February 28, 2000. For the CONOPS to be implemented, sufficient lead-time will be needed to ensure the necessary equipment and services can be procured.

For example, the IRS will need almost 1 year of lead-time to develop, test, and implement any Automated Self-Service Applications on the TRIS. Thus, if the IRS intends to bring about any changes to the current telephone configuration, it needs to take action immediately to have it in operation before the next tax year.

The IRS estimated that the TE/GE Division's centralized customer service site would receive approximately 281,952 calls during FY 2000. Based on this volume, there should be sufficient system telephone capacity for the TE/GE Division's centralized customer service call site to manage the projected telephone demand for FY 2000.

Our estimates projected that the TE/GE Division's centralized customer service call site could manage approximately 369,500⁴ telephone calls during FY 2000.

⁴ 369,500 telephone calls were calculated by multiplying the following factors – the number of CSRs by the length of the disruption times the percentage of time CSRs answered telephone calls when signed on the system, by the number of business days in a year.

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Based on information included in MIS reports received from the TE/GE Division's centralized customer service call site, we made the following assumptions when calculating this projection:

1. An average of 53 CSRs assigned daily to work on the telephones.
2. CSRs signed on the telephone system for 4 hours per day.
3. Telephone calls averaging 6 minutes and 17 seconds in length.
4. CSRs using 73 percent of their time answering calls when signed on the telephone system.

However, the IRS' projected call volume of 281,952 for FY 2000 was based on the monthly increase of call volume in October 1999 compared to the October 1998 call volume. This percentage increase was applied to the FY 1999 call volume of 185,521. Therefore, the estimate for FY 2000 did not consider the work that will be performed by the Government Entities portion of the division. The IRS advised that the Government Entities portion of the division was not considered in the estimate because no call volume information was available. In addition, the estimate may not have included all of the customers that are being serviced by Midstates and Western Key District Offices (KDOs) because no information was available. The Western Region did not provide customers with the option of toll-free service, and Midstates customers could not be counted since most of the calls were initiated through the regular IRS toll-free number.

The current configuration probably will not be sufficient to manage future telephone demand.

While the current configuration of sharing an Aspect telephone system should be sufficient for FY 2000, it probably cannot manage future telephone demand. For example, the IRS design team recommended that the toll-free telephone number for the TE/GE Division's centralized customer service call site be placed on the Request For Information About Tax Return (Form CP-411) math error notices for the Return of Organization Exempt from Income Tax (Form 990),

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Under the existing telephone configuration, plans to place the TE/GE Division's toll-free number on selected notices could have a detrimental impact on the quality and timeliness of service.

starting in FY 2001. Currently, a special IRS toll-free number is listed on the notices and customers can be serviced by any of the 10 IRS toll-free Customer Service sites.

If the TE/GE Division's toll-free telephone number is placed on these notices, all calls will be directed to the TE/GE Division's centralized customer service call site. The Ogden Service Center estimated as many as 100,000 calls could be received, with up to 35 percent of the call volume coming in June after the posting of the Form 990 returns. This potential call volume could have a detrimental impact on the TE/GE Division's centralized customer service call site's ability to provide quality and timely customer service.

The arrangement of sharing the existing equipment with another IRS function inhibits the ability of TE/GE's centralized customer service site to operate and manage the site through automation and will not accommodate the expected growth.

Recommendation

1. The Commissioner, TE/GE Division, should develop a design of, and justification for, funding a telephone system for the TE/GE Division's centralized customer service call site that provides quality service and contains features that include:
 - Sufficient capacity to handle future call volume growth.
 - Sufficient number of scripts to ensure full use of specialty applications and provide the ability to track and trend call volume by type of inquiry.
 - Customers having the ability to use Automated Self-Service Applications for immediate access to public information without waiting for a CSR.
 - The ability to re-direct misrouted calls to other IRS functions at any time or any place.
 - The automatic generation of MIS reports.

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- Voice messaging capabilities for callers to leave incoming messages at any time.
- Adequate system capabilities and sufficient equipment available for managers and the Quality Review function to perform their assigned duties without limitations.

Management's Response: The IRS will look for ways to improve its telephone system for the TE/GE Division's centralized customer service call site for the purposes outlined in the recommendation and to allow for future growth in call volume. As methods are identified, the TE/GE Division will develop designs of and justifications for funding the improvements.

Program Goals Are Needed to Effectively Measure the Centralized Telephone Operation

National TE/GE Division management has not developed specific program goals to measure the effectiveness or efficiency of the centralized customer service call site. Without specific program goals, organizational priorities cannot be effectively communicated to provide the necessary guidance for monitoring the performance of the operation. In addition, specific goals are needed so the telephone operation can effectively measure its success and assess whether it is meeting customer and stakeholder expectations.

The TE/GE Division needs program goals to effectively measure its customer service call site.

Program goals should serve as indicators of progress that the IRS is making in achieving the mission of the TE/GE Division's centralized customer service call site. Program goals should also be used to assess and refine the actions taken to improve the operation.

National TE/GE Division management has not established a sufficient oversight process to ensure program goals were developed during the implementation of the centralized telephone operation.

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The IRS established a team to develop program goals for the TE/GE Division's centralized customer service call site.

For example, national TE/GE Division management has not developed or communicated specific program goals to local management at the centralized customer service call site. Without the specific program goals, the IRS cannot effectively assess the performance of the telephone operation. In addition, local managers at the call site are not required to submit any MIS reports to the National Office.

When we brought this problem to their attention, national TE/GE Division managers advised us that the Chief, TE/GE Division Customer Accounts Services, will be responsible for developing the specific goals for the Customer Service operation. We were also advised that the TE/GE Division has established a team to formulate the program goals for the customer service operation.

Although no national requirements were established, local managers at the centralized customer service call site have implemented performance measures to objectively assess the telephone operation and use MIS reports to capture some information. While national goals are being developed, we believe the TE/GE Division's centralized customer service site should continue to capture this data which can serve as baselines for the telephone operation.

The Government Performance and Results Act of 1993 (GPRA)⁵ requires agencies to clarify their missions, set strategic and annual performance goals, and measure and report on their performance towards those goals.

Recommendation

2. The Commissioner, TE/GE Division, should ensure specific program goals for the centralized customer service telephone operation are established. Included in these goals should be measures to determine whether:

⁵ Government Performance and Results Act of 1993, Pub. L. No. 103-62, 107 Stat. 285.

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- Customers are reaching CSRs at the telephone operation.
- Customers are receiving accurate answers to their questions.
- Customers are receiving timely service upon gaining access to the telephone system.
- The TE/GE Division's telephone operation is timely resolving customers' questions on the initial contact.

Management's Response: The TE/GE Division's Phase III design team will develop program goals for the centralized customer service telephone operation.

The Tax Exempt and Government Entities Division Needs to Enhance Its Quality Assurance Processes and Complete Customer Service Representative Guidelines

The OKDO has established a Quality Assurance function for the TE/GE Division's centralized customer service site. The Group Manager was selected in October 1999, and the TE/GE Division is in the process of hiring additional staff. The Quality Assurance function monitors telephone calls to observe trends and identify training needs. CSRs in the TE/GE Division are monitored monthly, and additional monitoring may be performed if a special request is received from a CSR or manager for assistance in improving a particular skill.

These results are shared with individual CSRs through their managers. Quality Assurance monitoring is non-evaluative and will be used for trends and training needs. While this function is still in its infancy stage, the Quality Assurance function has not used statistical sampling techniques when selecting calls to be monitored. In addition, the manager of the Quality Assurance function indicated that the group has not yet

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monitored a sufficient number of calls to identify any trends.

Quality Assurance results are primarily designed to assess whether CSRs in the TE/GE Division have sufficient communication skills and whether the CSRs are correctly responding to inquiries. During FY 1999, quality reviewers monitored 174 telephone calls and reported only 11 instances where the responses were incorrect. This equates to an accuracy rate of approximately 94 percent.

Both the Quality Assurance function and TE/GE Division's managers monitor CSR responses provided to customers.

In addition to the Quality Assurance reviews, the managers at the TE/GE Division's centralized customer service call site also review the CSRs by monitoring telephone calls. These reviews are performed to evaluate the employees. During FY 1999, managers monitored 583 telephone calls and reported 20 instances where the responses were incorrect. This equates to an accuracy rate of approximately 97 percent.

Specific guidelines need to be developed to define what constitutes a correct response.

The manager of the Quality Assurance group expressed concerns regarding the consistency between the two review processes. Quality Assurance believes that the telephone operation managers and the Quality Assurance reviewers are not consistent in determining whether CSRs are accurately responding to questions being asked by customers. The Quality Assurance function has only been operational since October 1999, which could account for many of the inconsistencies. Eventually, the Quality Assurance function will need to develop specific review guidelines to define what constitutes a correct response.

In addition, the TE/GE Division does not have sufficient guidelines to assist CSRs in responding to customer inquiries. On 1 day, we monitored 16 telephone calls and observed that some CSRs experienced difficulties in readily identifying materials that would answer the customer's inquiry. The Customer Service branch chief in the OKDO advised us that the TE/GE Division will develop guidelines similar to the job aids used by other IRS Customer Service sites.

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Currently, the Quality Assurance function does not have a process in place to track and analyze the reasons customers are making inquiries. The Quality Assurance Group Manager advised us that the information had not been captured primarily because the call site was in the early stages of implementation and was not fully staffed. In addition, program goals that would have required them to capture this type of information had not been established.

Once the Quality Assurance function is fully operational, results should be used for determining whether customers' questions are being resolved on the initial contact and whether the calls are being routed to CSRs who are trained to answer the questions. In addition, these results should be used to identify applications that could be automated or whether additional applications are needed. The trended results should also be used to educate customers through outreach programs, which would reduce the demand for telephone services.

Without an effective Quality Assurance process, the IRS cannot assure itself that the TE/GE Division's telephone operation is effective. In addition, the IRS does not have sufficient data to identify areas needing improvement or opportunities for automated voice responses in lieu of CSRs, which would reduce the cost of the telephone operation.

Significant cost savings could be realized by servicing customers with an automated response unit.

Responding to inquiries by having customers talk to a CSR is very costly when compared to automated service. Research shows that it is much more cost effective to have a VRU respond to the questions asked by customers. For example, a systems analyst at a large investment company advised us that it costs their company approximately \$12 per telephone call for a person to answer a customer's question versus 79 cents for the VRU. In another audit being performed by the Treasury Inspector General for Tax Administration, the auditors determined that it costs the IRS toll-free customer service site \$8.88 for a CSR to answer a taxpayer's question versus 15 cents for the Teletax VRU. The TE/GE Division could improve the overall

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Quality Assurance results can be used to improve the overall efficiency of the TE/GE Division's customer service call site.

efficiency of the centralized customer service site by migrating assistance provided to customers from CSRs to a VRU.

The Quality Assurance process is used by telephone call sites both within and outside the IRS to analyze the reasons customers are making inquiries. This information is needed to identify methods and develop strategies for improving the service provided to customers and for improving the overall efficiency of the telephone operation.

Recommendations

3. The Commissioner, TE/GE Division, can improve the quality of customer service by completing guidelines for CSRs to use when responding to customers.
4. The Commissioner, TE/GE Division, can improve the quality of customer service by having the Quality Assurance function:
 - Use statistically valid sample sizes based on either estimated telephone demand or prior historical telephone volume for telephone monitoring.
 - Develop guidelines for the Quality Assurance program and the telephone call site managers to ensure consistency between their review processes.
 - Capture information to determine whether customer inquiries are resolved on the initial contact.
 - Capture issues for tracking and trending the reasons for customers' inquiries to identify opportunities to educate customers through outreach programs and identify applications that may be automated, which would improve the overall efficiency of the centralized customer service site.

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Management's Response: The Quality Assurance staff for the TE/GE Division's centralized customer service site will improve the desk guide and develop guidelines and other job aids similar to those used at other IRS Customer Service sites. The Quality Assurance function will also use statistically valid sample sizes, develop guidelines to improve the consistency of review processes, capture the information necessary to determine whether customer inquiries are resolved on the initial contact, and capture issues for tracking and trending the reasons for customers' inquiries.

A Comprehensive Business Resumption Plan Needs to Be Established in the Event the Centralized Telephone Operation Is Disrupted

The TE/GE Division's centralized customer service call site experienced 1 significant disruption in service that lasted for nearly 6 hours.

The TE/GE Division's centralized customer service call site does not have a comprehensive business resumption plan in place in the event the operation is disrupted. Since the inception of the centralized customer service call site in February 1999, it has experienced 1 significant disruption that lasted for nearly 6 hours. As a result, we estimate that approximately 550 customers could not access the TE/GE Division's centralized customer service call site. During the disruption, customers were advised the call site was experiencing technical problems with the telephone system and they needed to call back later.

This condition occurred because TE/GE Division management did not give business resumption planning priority consideration during the implementation of its telephone operation.

In May 1998, the OKDO drafted a disaster plan in the event that the Federal Office Building was destroyed. The plan shows that the calls would be routed to the service center until such time that a new call distributor could be installed and adequate furniture and equipment could be made available at a new site. While the plan covers a major disaster, the TE/GE Division still needs

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IRS procedures require business resumption plans for end users of information technology applications.

to develop a plan for other types of disruptions. The plan should outline specific roles and responsibilities and should be understood by all affected parties.

The lack of a comprehensive business resumption plan may increase taxpayer burden in those instances where customers have to contact the IRS multiple times to get their questions resolved. This issue becomes more critical to the TE/GE Division as the number of customers using the call site increases.

The Internal Revenue Manual 2.1.10.6 requires the IRS to develop plans that will enable processing systems to continue functioning following an emergency. Appropriate business resumption plans are required to be developed and maintained by end users of information technology applications to ensure that users can continue to perform essential functions in the event their information technology support is interrupted.

Recommendation

5. The Commissioner, TE/GE Division, needs to establish a comprehensive business resumption plan in the event that the telephone operation is disrupted. The TE/GE Division needs to fully test the business resumption plan prior to implementation and ensure that sufficient resources are available at the alternative call site. This includes ensuring employees have the required training, research capabilities, and authorization levels to manage all re-directed inquiries.

Management's Response: The TE/GE Division will analyze the steps needed to minimize the effects of a business disruption on the telephone operation and will analyze the costs and benefits of implementing these steps. If appropriate, the TE/GE Division will draft an implementation plan and train the staff.

Improvements to the Tax Exempt and Government Entities Division's Telephone Operation Would Enhance Customer Service

Conclusion

The TE/GE Division's centralized customer service call site needs to provide its customers with high-quality service in a timely, efficient, and courteous manner. To accomplish this, the TE/GE Division must ensure its employees have the latest technology and sufficient resources to manage the current call volume, as well as the expected growth in the future. In addition, National TE/GE Division management has not established specific program goals to objectively measure the telephone program and determine whether it is meeting customer and stakeholder expectations.

Managers at the TE/GE Division's centralized customer service call site need to improve the Quality Assurance process so inefficiencies and areas needing improvements are identified and actions are implemented to make the operation more efficient. In addition, a comprehensive business resumption plan needs to be implemented in the event the TE/GE Division's centralized customer service call site experiences a major disruption with the telephone operation.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to evaluate whether the Tax Exempt and Government Entities (TE/GE) Division effectively implemented a telephone program that provided quality customer service. Specifically, we addressed whether management met program objectives and provided accurate and timely customer service through the TE/GE Division telephone operation. We conducted the following audit tests to accomplish the objective.

- I. To determine whether the TE/GE Division's Customer Service call site established program goals and objectives of providing accurate and timely customer service through a centralized telephone operation, we:
 - A. Determined whether local and national program goals for the TE/GE Division's Customer Service call site had been established.
 1. Identified local and national program goals for the TE/GE Division's centralized customer service call site (i.e., calls answered, level of access, accuracy rates, etc.) and determined whether these program goals were complementary.
 2. Determined the extent that local and national customer service program goals were being met.
 3. Identified the process used to monitor and re-evaluate local and national program goals to ensure that required adjustments were made.
 4. Determined whether the transition to the new Internal Revenue Service (IRS) TE/GE Division impacted the program goals.
 5. Determined whether the IRS developed a Business Case for the centralization of the Employee Plans/Exempt Organizations (EP/EO) Customer Service operation and reviewed the justification for its decision.
 - B. Determined whether contingency plans were adequate to route calls to a back-up call site in the event that the telephone operation at the TE/GE Division's customer service call site was disrupted.
 1. Assessed whether contingency plans were developed and tested.
 2. Identified the basis used to develop the contingency plans and determined whether hypotheses used for testing the contingency plans were adequate.

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3. Evaluated the results of the contingency plans to ensure they were adequate to meet the volume of customer calls and provided accurate responses to customer inquiries.
- C. Determined whether the TE/GE Division's centralized customer service call site timely answered and processed incoming telephone calls.
1. Identified the staffing needs based upon workload capacity.
 2. Identified any budgetary constraints that limited its ability to adjust staffing (i.e., How much flexibility did it have to bring in temporary/seasonal help to answer and process telephone calls? Does it account for or calculate costs associated with additional staffing within its budget?).
 3. Evaluated the adequacy of the training provided to employees.
 4. Identified any equipment limitations and automated data processing support deficiencies that may have adversely affected the answering and processing of telephone inquiries.
 5. Determined whether a contingency plan was developed in the event that new full-time equivalents (FTEs) were not hired at the expected levels, or if the workload exceeded expectations.
- D. Determined whether the IRS adequately planned for the required staffing and other resources needed to provide accurate and timely customer service when the Midstates and Western Key District Office telephone operations were centralized in the Ohio Key District Office (OKDO) Customer Service call site.
- E. Conducted walk-throughs at the centralized call site and a non-government telephone operation and compared telephone operations and identified best business practices and potential weaknesses with the telephone operation in the OKDO TE/GE Division's centralized customer service call site.
- II. To determine whether the TE/GE Division's centralized customer service call site met local and national program goals, we:
- A. Evaluated the accessibility of the customer service site to taxpayers and:
1. Interviewed management and determined how the quality of the customer service site was measured and assessed its adequacy as a measurement tool.
 2. Interviewed management and evaluated how the estimated volume of calls were projected and determined whether these projections were an effective method for measuring demand.
 3. Analyzed the number of FTEs allocated to the toll-free sites and assessed their impact on accessibility.

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4. Reviewed Management Information Systems (MIS) reports and determined whether program goals were achieved.
 5. Interviewed management and the systems analyst and determined what actions they took to meet their program goals.
 6. Evaluated the impact on accessibility because of the actions taken by management and the systems analyst to meet program goals.
 7. Interviewed managers and determined their level of satisfaction with the program goals. Evaluated whether they tracked and analyzed the causes of taxpayer inquiries and determined whether the actions taken effectively addressed these issues.
- B. Evaluated the effectiveness of the MIS used to measure productivity.
1. Determined whether these systems provided adequate feedback on key business plan objectives.
 2. Evaluated the efficiency of the MISs used to measure productivity.
- C. Interviewed management and determined whether any studies had been conducted that measured customer satisfaction.
- D. Determined whether a Voice Response Unit (VRU) was implemented and evaluated whether the scripts were modified to increase accessibility.
1. Analyzed the disparity in average queue time by gates/applications for the first week of the prior 3 months.
 2. Evaluated the number of calls transferred between gates/applications for the first week of the prior 3 months.
 3. Evaluated the number of abandons by gates/applications for the first week of the prior 3 months.
 4. Compared call volumes by gates/applications for the first week of the prior 3 months.
 5. Interviewed call site management and determined whether problems identified with VRUs were adequately resolved.
- E. Determined what adjusted demand was used for, how it was calculated, and whether the TE/GE Division's centralized customer service call site accurately projected adjusted demand.
- F. Determined whether the reorganization to the TE/GE Division impacted the level of customer service provided by the TE/GE Division's Customer Service telephone operation.

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- G. Determined whether the expanded hours of operations scheduled to begin October 1999 were adequate to service the customer call volume from callers outside the Eastern Time Zone and whether staffing problems were anticipated.
- III. To evaluate the feasibility of sharing the Aspect telephone system with another call site and determine whether it has impacted the TE/GE Division's Customer Service operation, we:
 - A. Assessed the capacity limitations of the overall Aspect telephone system.
 - B. Determined whether all of the features present on the Aspect telephone system were available to the TE/GE Division's centralized customer service call site.
 - C. Determined whether a formal Memorandum of Understanding was reached and whether it identified the agreed conditions between the TE/GE Division's centralized customer service call site and the IRS customer service call site concerning the sharing of the Aspect telephone system.
 - D. Reviewed Aspect reports and determined whether sharing the Aspect telephone system had affected the: use of the system's capabilities by the TE/GE Division, taxpayer accessibility to the TE/GE Division's centralized customer service call site, call volume, system's capacity limitations, and program's ability to achieve program goals.
 - E. Determined whether the Aspect telephone system was capable of handling the additional call volume when the Midstates and Western Key District Office Customer Service operations were centralized in the OKDO.
 - F. Determined the effects when the Aspect telephone system can no longer be shared.
 - G. Interviewed the Aspect system administrator.
 - 1. Determined what were the agreed upon conditions for sharing the Aspect telephone system with the IRS customer service call site.
 - 2. Identified the process used to implement system changes (i.e., Can system capabilities of the TE/GE Division's centralized customer service call site be changed without the TE/GE Division's knowledge or consent? Can system changes be implemented to accommodate future expansion due to higher than expected call volumes? etc.).
 - 3. Determined whether adjustments were made to the TE/GE Division's centralized customer service call site's system capabilities to accommodate the centralization of the Midstates and Western Key District Office's Customer Service operations.

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- H. Evaluated how calls were routed to the TE/GE Division's centralized customer service call site and determined whether all calls intended for the call site were received.
- I. Determined whether a contingency plan was in place in the event that the TE/GE Division's centralized customer service call site operation was disrupted.

**Improvements to the Tax Exempt and Government Entities Division's Telephone
Operation Would Enhance Customer Service**

Appendix II

Major Contributors to This Report

Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)

Joseph Edwards, Director

James V. Westcott, Audit Manager

Edward Gorman, Senior Auditor

John W. Baxter, Auditor

**Improvements to the Tax Exempt and Government Entities Division's Telephone
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Appendix III

Report Distribution List

Deputy Commissioner Operations C:DO
Commissioner, Tax Exempt and Government Entities Division T
Deputy Commissioner, Tax Exempt and Government Entities Division T
Director, Customer Account Services T
Director, Office of Program Evaluation and Risk Analysis M:O
National Director for Legislative Affairs CL:LA
Office of the Chief Counsel CC
Office of Management Controls M:CFO:A:M
Office of the National Taxpayer Advocate C:TA

Improvements to the Tax Exempt and Government Entities Division's Telephone Operation Would Enhance Customer Service

Appendix IV

Outcome Measures

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

Finding and recommendation:

The Tax Exempt and Government Entities (TE/GE) Division's centralized customer service site is not able to use the latest technology because it is sharing an Aspect telephone system with another Business Unit. Sharing an Aspect telephone system significantly reduces the effectiveness and efficiency of the operation since limitations are placed on certain features while sharing the capacity limitation of the system. The Commissioner, TE/GE Division, should implement a telephone system that provides quality customer service and has the capacity to expand for additional telephone demand and appropriate gating. It should also have the capability to: generate Management Information System (MIS) reports automatically, voice message, re-direct mis-routed calls, and allow customers to use Automated Self-Service Applications for immediate access to information.

Type of Outcome Measure:

Taxpayer Burden – Potential

Value of the Benefit:

Number of customers serviced by the TE/GE Division's customer service call site.

Methodology Used to Measure the Reported Benefit:

Quality Assurance and MIS reports could be used to measure the accuracy, timeliness, and completeness of the responses for the 281,952 customers estimated by the Internal Revenue Service to call the TE/GE Division's centralized customer service call site during Fiscal Year (FY) 2000.

Finding and recommendation:

The TE/GE Division has not developed specific program goals to measure the effectiveness or efficiency of the centralized customer service call site. The Commissioner, TE/GE Division, should ensure that specific program goals for measuring performance are established. These goals should be measures to determine whether customers are reaching customer service representatives and that the customers are provided timely, accurate, and complete answers to their questions.

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Type of Outcome Measure:

Taxpayer Burden - Potential

Value of the Benefit:

Number of customers serviced by the TE/GE Division's centralized customer service call site.

Methodology Used to Measure the Reported Benefit:

Quality Assurance and MIS reports could be used to measure the accuracy, timeliness, and completeness of the responses of the TE/GE Division's centralized customer service call site estimate of 281,952 customer calls for FY 2000.

Finding and recommendation:

Tracking and analyzing the reasons that customers are making inquiries and whether the inquiries are resolved on the initial contact can improve the service provided to the TE/GE Division's customers. The Quality Assurance process could be improved by using statistical samples to identify trends for educating taxpayers and identifying applications that may be automated. This would improve the overall efficiency and effectiveness of the telephone operation.

Type of Outcome Measure:

Taxpayer Burden - Potential

Value of the Benefit:

Number of customers assisted on their initial contact with the TE/GE Division's centralized customer service call site.

Methodology Used to Measure the Reported Benefit:

Quality Assurance and MIS reports could be used to measure the TE/GE Division's estimate of 281,952 customers in FY 2000 whose questions are expected to be resolved on their initial contact with the TE/GE Division's centralized customer service call site.

Finding and recommendation:

The TE/GE Division's centralized customer service call site does not have a comprehensive business resumption plan in place in the event the telephone operation is disrupted. Since the inception of the centralized telephone operation in February 1999, the call site has experienced 1 significant disruption that lasted for nearly 6 hours. During the disruption, customers were advised the call site was experiencing technical problems with the telephone system and they needed to call back later. The Commissioner, TE/GE Division, needs to establish a business resumption plan in the

Improvements to the Tax Exempt and Government Entities Division's Telephone Operation Would Enhance Customer Service

event that the telephone operation is disrupted. TE/GE Division management also needs to ensure that the plan is fully tested prior to implementation and ensure that sufficient resources are available at the alternate call site.

Type of Outcome Measure:
Taxpayer Burden - Potential

Value of the Benefit:
Number of TE/GE Division customers serviced during a major disruption.

Methodology Used to Measure the Reported Benefit:
The benefit would be measured by determining the number of times the telephone operation was disrupted and the number of customers impacted.¹

¹ Use the annual estimated call volume divided by 250 days. Divide the total by number of hours open to determine the hourly call average. To identify the number of customers impacted, the hourly call average should be multiplied with the number of hours the telephone operation is disrupted.

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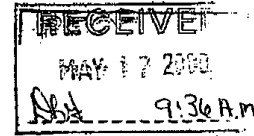
Management's Response to the Draft Report Appendix V



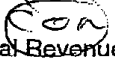
COMMISSIONER

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

May 17, 2000



MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Charles O. Rossotti 
Commissioner of Internal Revenue

SUBJECT: Response to Draft Audit Report – Improvements to the Tax Exempt/Government Entities Telephone Operation Would Enhance Customer Service – Urmern 4/14/00

Thank you for the opportunity to respond to your draft report entitled "Improvements to the Tax Exempt/Government Entities Telephone Operation Would Enhance Customer Service."

We appreciate your observations that we have made significant progress in implementing the centralized telephone operation for the TE/GE Division and that the operation is responsive to our customers' inquiries. Since establishing the TE/GE centralized customer call site in 1999, we have responded to 299,386 telephone inquiries at a level of service of 81.17%. We also appreciate your recommendations for steps we can take to further improve service to our customers.

Our comments on the specific recommendations in the report are as follows:

IDENTITY OF RECOMMENDATION #1

Develop a design of, and justification for, funding a telephone system for the TE/GE centralized customer call site that provides quality service and contains features that include:

- sufficient capacity to handle future call volume growth
- sufficient number of scripts to ensure full use of specialty applications and provide the ability to track and trend call volume by type of inquiry
- customers having the ability to use automated self-service applications for immediate access to public information without waiting for a CSR
- the ability to re-direct misrouted calls to other IRS functions at any time or any place
- the automatic generation of MIS reports
- voice messaging capabilities for callers to leave incoming messages at any time

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- adequate system capabilities and sufficient equipment available for managers and the Quality Review function to perform their assigned duties without limitations

ASSESSMENT OF CAUSE(S)

The TE/GE centralized customer service call site shares an Aspect telephone system with another Business Unit through a remote connection. As your report noted, the other Business Unit has no additional capacity to expand the TE/GE centralized customer service call site, and this limitation reduces the ability of the TE/GE Division's telephone operation to use certain features of the Aspect telephone system.

CORRECTIVE ACTIONS

The IRS will look for ways to improve its telephone system for the TE/GE centralized customer service call site for the purposes outlined in the recommendation and to allow for growth in call volume. As we identify methods, TE/GE will develop designs of and justifications for funding the improvements.

IMPLEMENTATION DATE:

PROPOSED – January 31, 2001

RESPONSIBLE OFFICIAL(S)

Commissioner, TE/GE and Director, TE/GE Customer Account Services

CORRECTIVE ACTION(S) MONITORING PLAN

Designs and justifications for funding improvements will be delivered to the Commissioner, TE/GE.

IDENTITY OF RECOMMENDATION # 2

The Commissioner, TE/GE, should ensure specific program goals for the centralized customer service telephone operation are established. Included in these goals should be measures to determine whether:

- Customers are reaching CSRs at the telephone operation
- Customers are receiving accurate answers to their questions
- Customers are receiving timely service upon gaining access to the telephone system
- The TE/GE telephone operation is timely resolving customer' questions on the initial contact.

ASSESSMENT OF CAUSE(S)

The immediate task of the team working on the customer service telephone operation was to establish a functioning service for customers. We outlined informal program goals and adjusted as the program unfolded and as demand for the new service grew. We deferred establishing formal program goals until the service was operational and the level of demand was clearer.

Improvements to the Tax Exempt and Government Entities Division's Telephone Operation Would Enhance Customer Service

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CORRECTIVE ACTIONS

The TE/GE Phase III Design Team has begun developing program goals for the centralized customer service telephone operation. The newly appointed Director, TE/GE Customer Account Services, is responsible for developing goals for the Customer Service operation.

IMPLEMENTATION DATE:

PROPOSED – October 1, 2000

RESPONSIBLE OFFICIAL(S)

Commissioner, TE/GE, and the Director, TE/GE Customer Account Services

CORRECTIVE ACTION(S) MONITORING PLAN

The program goals will be provided to the Commissioner, TE/GE.

IDENTITY OF RECOMMENDATION #3

Improve the quality of customer service by completing guidelines for Customer Service Representatives (CSRs) to use when responding to customers.

ASSESSMENT OF CAUSE(S)

CSRs have a desk guide, but it is not as complete as similar job aids available in other IRS Customer Service sites.

CORRECTIVE ACTIONS

The Quality Assurance staff will improve the desk guide and develop guidelines and other job aids similar to those used at other IRS Customer Service sites. We must update and continually revise desk guides and similar job aids to meet changes in the law and additional customer needs.

IMPLEMENTATION DATE

PROPOSED – October 31, 2001

RESPONSIBLE OFFICIAL(S)

Commissioner, TE/GE and Director, TE/GE Customer Account Services

CORRECTIVE ACTION(S) MONITORING PLAN

The Manager, Customer Service will report quarterly to the Director, TE/GE Customer Account Services, on the development of the job aids.

IDENTITY OF RECOMMENDATION #4

TE/GE can improve the quality of Customer Service by having the Quality Assurance function:

Improvements to the Tax Exempt and Government Entities Division's Telephone Operation Would Enhance Customer Service

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- use statistically valid sample sizes based on either estimated telephone demand or prior historical telephone volume for telephone monitoring
- develop guidelines for the Quality Assurance program and the telephone call site managers to ensure consistency between their review processes
- capture information to determine whether customer inquiries are resolved on the initial contact
- capture issues for tracking and trending the reasons for customers' inquiries to identify opportunities to educate customers through outreach programs and identify applications that may be automated, which would improve the overall efficiency of the centralized customer service site.

ASSESSMENT OF CAUSE(S)

The Quality Assurance function for the TE/GE centralized customer service site is being assembled and has not yet addressed the issues raised. As your report noted, a Group Manager was selected in October 1999, and additional staff is being hired.

CORRECTIVE ACTIONS

The Quality Assurance function for the TE/GE centralized customer service site will implement this recommendation.

IMPLEMENTATION DATE

PROPOSED – January 31, 2001

RESPONSIBLE OFFICIAL(S)

Commissioner, TE/GE and Director, TE/GE Customer Account Services

CORRECTIVE ACTION MONITORING PLAN

The Quality Assurance function will report to the Director, TE/GE Customer Service Accounts on its progress in implementing the elements of this recommendation.

IDENTITY OF RECOMMENDATION #5

Establish a comprehensive business resumption plan in the event that the telephone operation is disrupted. The TE/GE Division needs to fully test the business resumption plan prior to implementation and ensure that sufficient resources are available at the alternative call site. This includes ensuring employees have the required training, research capabilities, and authorization levels to manage all re-directed inquiries.

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ASSESSMENT OF CAUSE(S)

In May 1998, the Ohio Key District Office drafted a disaster plan that covers major disasters. A business resumption plan covering a more limited disruption has not been drafted.

CORRECTIVE ACTIONS

TE/GE will analyze the steps needed to minimize the effects of a business disruption on the telephone operation, and will analyze the costs and benefits of implementing these steps. If appropriate, we will draft an implementation plan and train staff. TE/GE has conducted several meetings looking into whether a back-up site for the telephone operation could be established at the Ogden Service Center.

IMPLEMENTATION DATE:

PROPOSED -- January 31, 2001

RESPONSIBLE OFFICIAL(S)

Commissioner, TE/GE, and Director, TE/GE Customer Service Accounts

CORRECTIVE ACTION(S) MONITORING PLAN

The business resumption plan will be delivered to the Commissioner, TE/GE

If you have any questions or need additional information, please call me, or a member of your staff may contact Steve Pyrek at 622-2590.