TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Field Assistance Office Management Information Systems Have Improved, but Enhancements Could Improve Taxpayer Service

May 6, 2009

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MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: Michael R. Phillips
                    Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Field Assistance Office Management Information
                    Systems Have Improved, but Enhancements Could Improve
                    Taxpayer Service (Audit # 200840017)

This report presents the results of our review to assess the Internal Revenue Service (IRS) Field
Assistance Office's corrective actions to improve its management information systems. This
audit was conducted as part of our Fiscal Year 2008 Annual Audit Plan.

Impact on the Taxpayer

Millions of taxpayers visit local IRS offices called Taxpayer Assistance Centers (TAC or Center)
to obtain face-to-face assistance in interpreting tax laws and regulations, preparing certain tax
returns, and resolving inquiries on taxpayer accounts. Management information is essential to
effectively oversee the TACs. Knowing what services are provided at each TAC would allow
the IRS to determine where to focus its resources, better plan for consistently delivering
high-quality services to taxpayers, and enhance overall Field Assistance Office operations.
Expanding the use of current technology to adopt industry best practices would also improve
customer service and taxpayer experience.

Synopsis

Over the last 3 years, the Treasury Inspector General for Tax Administration (TIGTA) has
reported on the IRS' inability to compile and maintain accurate and complete management
information to oversee and measure the effectiveness of its TAC Program.[1] In response, the IRS
developed and implemented three different information systems that 1) capture the number of

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[1] See Appendix V for a complete list of audit reports.

taxpayers and the primary service provided to those taxpayers when they visit the TACs, 2) automate the manual transfer of information from another system with a systemic interface, and 3) generate management information reports. Although the Field Assistance Office has improved its management information systems, thereby increasing the availability of program data, these systems do not capture all services provided to taxpayers.

However, Contact Recording, a fourth system implemented by the IRS that captures the audio portion and screen activity during assistor/customer interactions for quality review, could provide the number of services provided to taxpayers. Quality reviewers listen to a statistical sample of recordings, the results of which could be used to project the number of services provided by all TACs.

Additional management information system reports could also provide insight on the reasons why taxpayers visit the TACs but leave without receiving services. During Fiscal Year 2008, more than 400,000 taxpayers, 6 percent of all walk-in taxpayers, left without receiving services. IRS systems capture the reasons why taxpayers visit the TACs. However, the reasons that taxpayers leave without receiving services are not currently available for analysis. Analysis of these data would provide the IRS with opportunities, for example, to reduce wait times and better allocate resources during peak times.

System controls are in place to ensure the accuracy of data entered into the systems, but more oversight is needed to ensure the accuracy of system data. TAC management needs to review the system reports before approving data for transmission. When assistors do not accurately record taxpayer visits, the number of contacts and services provided by the Centers are understated.

Finally, the IRS should adopt the following best practices to help educate taxpayers and reduce taxpayer wait times, taxpayer burden, and operating costs.

- Provide taxpayers with wait times on IRS.gov, the IRS public web site, and on-screen monitors located at each Center. Taxpayers do not have a way to find out before visiting a Center how long they will have to wait at a particular office to receive services or how long they must wait before they receive assistance once at the Centers. Screen monitors at each Center could provide a way to educate and inform taxpayers during their visits, reducing the need to publish and update costly printed documents currently in use. Providing taxpayers with all the information needed to select the best service option for them is part of providing top-quality service.

- Provide online appointment scheduling for taxpayers seeking tax return preparation services. Current IRS guidelines require that taxpayers visit the TACs to schedule appointments to receive this service. Some taxpayers are able to receive same day appointments, but most are required to return for appointments to prepare their tax returns.

Recommendations

The Commissioner, Wage and Investment Division, should 1) use Centralized Quality Review System staff and data to identify multiple services provided to taxpayers while quality reviewers listen to contact recordings, 2) use existing system data to identify opportunities for improving taxpayer services, 3) ensure internal controls are reinforced to ensure management information systems data are entered accurately and reviewed, and 4) expand the use of current technology to adopt industry best practices.

Response

IRS management agreed with two recommendations and disagreed with two recommendations. The IRS agreed to use existing system data to identify opportunities for improving taxpayer services. The IRS also agreed to ensure internal controls are reinforced to ensure management information systems data are entered accurately and reviewed.

Management disagreed with our recommendation to identify and capture multiple services provided to taxpayers, contending that a new quality review system to identify services provided would not significantly enhance data already available. IRS management also disagreed with our recommendation to expand the use of current technology to adopt industry best practices, stating that current system capacity is limited and will not support expansion to electronic options for taxpayers.

IRS management did not agree with our outcome measure of reduced taxpayer burden because management believes that implementation of an online appointment system would be cost prohibitive and would add a new component to the system that is outdated by technology standards. Management's complete response to the draft report is included as Appendix VI.

Office of Audit Comment

Regarding the first recommendation, we believe using Centralized Quality Review System staff and data to identify multiple services provided to taxpayers who visit the TACs would provide meaningful data needed to make management decisions. In response to a prior TIGTA report, the Field Assistance Office agreed to count services but did not successfully implement a methodology to capture the needed data. As a result, the current process of only capturing one service per taxpayer visit continues to significantly understate the value the TACs provide taxpayers who prefer face-to-face assistance.

Limited tests at 2 TACs during this review showed that the current methodology understated the number of services provided by 73 percent. Field Assistance Office management again agreed that capturing all services would enhance data already used to manage the Centers. Because quality reviews are based on a statistical sample, the results could be used to project the number of services at all Centers. In addition, the IRS Statistics of Income function agreed that services

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captured from the statistical sample of reviewed recordings could be used to project the volume of services provided by all Centers.

In view of the fact that management previously agreed to count multiple services and acknowledged the benefits of increased data, it is not clear why the IRS disagrees with using Contact Recording to count all services provided to taxpayers at Centers. Further, the understatement of services provided has a direct impact on factors the IRS should consider in its 5-year strategic plan to improve taxpayer service.

Regarding the fourth recommendation, the IRS agreed that an online appointment process would reduce taxpayer burden. However, the IRS stated that implementation of this process was not feasible because the capability of the current system is limited and will not support expansion to an electronic appointment process. During this review, auditors provided the IRS data on the cost to implement a web-based system that would provide wait-time estimates to taxpayers planning to visit a TAC. The cost data were based on information obtained from a commercial vendor. Based on this information, it appears the function could be added at a moderate cost. The IRS combined the cost to implement an online appointment process with the estimated cost to provide web-based wait times. However, the appointment process is not part of the function to provide wait times. We believe these costs should be considered separately.

Management's response further stated that a web-based appointment process would require enhancements to the current system. During the audit, we informed the IRS that there are several off-the-shelf software programs that are available and could be considered to provide this service.

Concerning the outcome measure related to this recommendation, the information we obtained from vendors indicated that the costs to add a new component to the current system for an online appointment would be moderate. The IRS did not provide a cost/benefit analyses or any documents to show that the costs would make it impracticable to implement this feature.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services), at (202) 622-5916.

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Abbreviations

CQRS	Centralized Quality Review System
FAMIS	Field Assistance Office Management Information System
IRS	Internal Revenue Service
TAC	Taxpayer Assistance Centers
TIGTA	Treasury Inspector General for Tax Administration

Background

Most taxpayers interact with the Internal Revenue Service (IRS) only during the filing season, the period from January through mid-April when most taxpayers file their annual tax returns. During these months, millions of taxpayers seek assistance to comply with tax laws by walking into local IRS offices called Taxpayer Assistance Centers (TAC or Center). The Field Assistance Office is responsible for overseeing the TACs and its mission is to provide quality face-to-face assistance and self-assisted services that resolve tax issues and educate the taxpaying public. To help meet this mission, the Field Assistance Office has 401 TACs in 5 geographical areas throughout the United States. Figure 1 shows the volume of and reasons why taxpayers visited the TACs for Fiscal Years 2005 through 2008.

> *TAC assistors help taxpayers by:*
> − *Interpreting tax laws and regulations.*
> − *Preparing certain tax returns.*
> − *Resolving inquiries on taxpayer accounts.*
> − *Providing various other services.*

Figure 1: TAC Contacts for Fiscal Years 2005 - 2008 (in millions)

Contacts/Product Lines	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007[1]	Fiscal Year 2008
Accounts Contacts	2.5	2.7	3.1	3.2
Forms Contacts	1.6	1.4	1.3	1.0
Other Contacts[2]	1.4	1.3	1.4	1.5
Tax Law Contacts	1.2	.7	.8	.6
Tax Returns Prepared	.4	.4	.5	.6
Totals	**7.1**	**6.5**	**7.1**	**6.9**

Source: IRS management information reports.

During Fiscal Years 2005 through 2008, the Treasury Inspector General for Tax Administration (TIGTA) issued audit reports that addressed the IRS' inability to compile and maintain accurate

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[1] Fiscal Year 2007 data should not be compared to prior year data. In Fiscal Year 2007, the IRS changed its methodology of counting TAC contacts by capturing "services provided" rather than, as in prior years, capturing the number of taxpayers assisted. Beginning in Fiscal Year 2008, the IRS reverted to capturing the number of taxpayers assisted.

[2] Examples of "Other Contacts" include assisting taxpayers with the U.S. Departing Alien Income Tax Statement (Form 2063), date stamping tax returns brought in by taxpayers, and helping taxpayers with general information such as addresses and directions to other IRS offices or other Federal Government agencies.

and complete management information to oversee and measure the effectiveness of its TAC Program.[3] Figure 2 provides examples of the concerns reported.

Figure 2: Examples of Findings From Prior TIGTA Audit Reports

July 2005	Management information is not sufficient to determine the effectiveness of the TAC Program. The lack of accurate and complete management information hinders the IRS' ability to make appropriate decisions when determining the locations and services it provides taxpayers seeking face-to-face assistance. Improved management information is needed to help the Field Assistance Office move toward its future goals.
March 2006	The Field Assistance Office management information system does not provide timely, accurate workload performance information. In addition, the Field Assistance Office current management information system does not collect the total number of services provided to taxpayers; it captures only the most significant service provided to each taxpayer.
May 2008	Key management information used to make decisions and support Program changes continues to be either absent or based on inaccurate/incomplete data. This hinders the IRS' ability to make appropriate decisions when determining TAC locations and the services they provide taxpayers seeking face-to-face assistance and has delayed the IRS in making any decisions on the TAC Geographic Footprint, which is an important initiative within the Taxpayer Assistance Blueprint.

Source: TIGTA audit reports.

Because of the problems with its management information systems, there was no effective way to test the data to ensure they were accurate and consistent. In response, the IRS agreed to implement 15 corrective actions that would involve a multi-tiered effort to improve the Field Assistance Office management information systems and oversight to ensure accurate data.

This review was performed at the Wage and Investment Division Headquarters in Atlanta, Georgia, during the period June 2008 through January 2009. We also visited the TACs in the States of Georgia, Louisiana, and North Carolina. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

[3] See Appendix V for a complete list of audit reports.

Results of Review

The Field Assistance Office Has Improved Its Management Information Systems, Increasing the Availability of Program Data

Over the last 3 years, the TIGTA has reported on the IRS' inability to compile and maintain accurate and complete management information needed to oversee and measure the effectiveness of its TAC Program. In response, the IRS used a phased approach to implement three different management information systems. The systems have unique functions and interface with each other to systemically capture the number of taxpayer visits to Centers, the primary service provided, and the time assistors spend completing day-to-day duties. The systems also have analytical tools to generate management information reports. In addition, the systems capture data as entered by TAC assistors and the data transmitted between the systems are valid.

Newly implemented management information systems provide program data needed to make numerous management decisions

The core of the new management information system is the Q-MATIC system. The Q-MATIC system is an automated queuing system used to control the flow of taxpayers waiting for assistance and its implementation was the first phase in developing the Field Assistance Office's new management information system.[4] Based on closing codes[5] entered by TAC assistors, the Q-MATIC system captures the number of taxpayers, the main reasons why taxpayers visit, their wait times, and the duration of the taxpayers' contacts in each of the 401 TACs. The availability of data from all Centers provides the Field Assistance Office the ability to identify trends, manage resources, and benchmark performance.

Q-Matic Ticket Printer
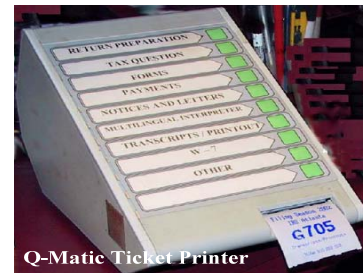
The second phase involved the nationwide roll out of the Field Assistance Office Management Information System (FAMIS). As of October 1, 2007, the FAMIS became the system of record for capturing the number of taxpayer visits and the five primary services - Forms and Publications, Tax Accounts, Tax Law, Tax Return Preparation, and Other. A key component of the FAMIS is its interface with the Q-MATIC system. Prior to the FAMIS, daily employee work

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[4] There are currently three types of Q-MATIC system installations: Full Q-MATIC, Q-LITE, and Q-Hybrid. Full Q-MATIC provides full traffic management capabilities (i.e., collecting traffic volume and wait time data). Q-LITE and Q-Hybrid are installed at the TACs with three employees or less and are limited to collecting traffic volume.
[5] Closing codes are input by assistors to record the type of taxpayer contacts. The assistors enter one code per taxpayer contact–the code relating to the service in which the assistor spends the most time.

captured in the Q-MATIC system had to be manually input into a form, the Field Assistance Activity Report (Form 5311). In effect, the FAMIS automated this manual process.

The third phase of development included the implementation of the Business Objects system reports platform. The Business Objects system is a commercial software package that allows Field Assistance Office management to compile data and generate reports that can be used to conduct comprehensive analysis and trends from the corporate level down to individual Centers. Data from the FAMIS are validated weekly and imported into the Business Objects system.

In addition to these three systems, the IRS has continued to make significant progress with the roll out of a fourth system, Contact Recording. Contact Recording captures the audio portion of the assistor/customer interaction and synchronizes it with computer screen activity for replay and quality review. It is used to assess employee performance to improve accuracy and identify trends. As of December 31, 2008, 327 (82 percent) of the 401 TACs are equipped with Contact Recording.

These systems have increased the availability of data needed to make management decisions, train employees, and reduce taxpayer burden. For example, by using these systems, the Field Assistance Office is able to:

- Review and monitor taxpayer service activities and program conditions by each management level in the organization.

- Monitor TAC activity on a real-time basis that provides the capability to gate taxpayers and reduce the wait time for services that can be accelerated.

- Analyze elements of taxpayers' service experiences from the voice and data captured through contact recording.

Federal Government management control standards require that agencies ensure that appropriate authority, responsibility, and accountability are defined and delegated to accomplish the mission of the organization. The standards also require that an appropriate organizational structure be established to effectively carry out program responsibilities.

To address this requirement, the Field Assistance Office has initiated plans to establish a technology group. Management stated that the technology group will consolidate the operations and maintenance efforts for Field Assistance Office information systems under one group to provide the technical support needed to keep the systems operational.

The new management information systems address many of TIGTA's recommendations from prior reports

The Field Assistance Office has successfully implemented 14 (93 percent) of 15 corrective actions in response to prior recommendations. Prior recommendations concerning the Field Assistance Office's management information systems and the problems with inaccurate and unreliable data included:

1. Developing and implementing an information system that is based on reliable and accurate data.

2. Capturing the number of taxpayers served, the numbers and types of services provided, and the related resources (costs).

3. Developing a process that includes routine assessments of TAC operations to ensure that they are optimally located and the services provided at the Centers are the most effective and cost efficient.

4. Ensuring that data used in any decision-making tool are accurate, reliable, and validated before using the data to make decisions regarding the TAC Program.

The IRS agreed to all recommendations and is continuing to work on three corrective actions. However, it has determined that it is not feasible to use the Q-MATIC system to count all services provided to taxpayers.

Contact recordings would provide the Field Assistance Office with the number of services provided to taxpayers

For Fiscal Year 2008, the IRS reported that 6.9 million taxpayers were assisted at its Centers. However, the IRS cannot accurately report how many services taxpayers received. Current guidelines require assistors to count one service for each taxpayer assisted – the one in which the assistor spends the most time. The remaining services are not captured. The IRS acknowledges that most taxpayers who visit the TACs are provided more than one service.

In response to our recommendation to count multiple services, the Field Assistance Office implemented a corrective action effective January 1, 2007, that required assistors to count all services provided for each taxpayer visit. However, a review of Q-MATIC system functionality and correspondence issued to employees showed that this directive was unclear and unsuccessful.

For example, the version of the Q-MATIC system used by the IRS is designed to capture only one service per taxpayer visit. However, the Field Assistance Office believed that the system had the capability to capture multiple services. The decision to capture services prevented assistors from also capturing the number of taxpayer visits. Further, managers and assistors interviewed during visits to two Centers only recalled getting the announcement via email. They did not recall receiving any other formal guidance or training to address this change. IRS

management stated that formal guidance was provided to field managers and assistors, mainly through the IRS Intranet. However, IRS management was unable to provide this guidance to us.

This created confusion among employees. Some assistors counted services while others continued to just count visits. As a result, Fiscal Year 2007 data were inconsistent (i.e., both taxpayer services and visits were recorded) and could not be compared to data from previous years. Therefore, beginning in Fiscal Year 2008, the Field Assistance Office reversed this decision to count all services citing system limitations and variances in the data collected.

In a Fiscal Year 2008 report, we again recommended that the IRS capture all services provided to taxpayers. However, the IRS concluded that information from the Contact Recording System, along with the Q-MATIC system and the FAMIS, was sufficient to identify taxpayer needs and services provided.

Contact recordings can be used to capture all services provided to taxpayers at the TACs

The Field Assistance Office currently uses the IRS Customer Account Services function and the Centralized Quality Review System (CQRS) to measure quality. This process requires reviewers to listen to a statistical sample of contact recordings to evaluate employee performance. During this process, reviewers could also document all services assistors provide to taxpayers.

During visits to 2 Centers, auditors listened to 30 contact recordings and determined that it was feasible to use the recordings selected for quality assurance as a tool to capture all the services assistors provide to taxpayers. By listening to the contact recordings, auditors determined that for the 30 taxpayer contacts, 52 services were provided. Figure 3 shows the number of services reported by the Field Assistance Office compared to the results recorded by our auditors.

Figure 3: Number of Services[6] Provided for 30 Contacts

Type of Taxpayer Service	Total Contacts per Q-MATIC System	Total Services per TIGTA's Review	Additional Services per TIGTA's Review	
Accounts	12	17	1	Forms
			1	Accounts
			2	Other Contacts
			1	Tax Law Questions
Forms	6	13	0	Forms
			3	Accounts
			4	Other Contacts
			0	Tax Law Questions
Other Contacts	7	10	0	Forms
			2	Accounts
			1	Other Contacts
			0	Tax Law Questions
Tax Law Questions	5	12	2	Forms
			1	Accounts
			1	Other Contacts
			1	Tax Law Questions
			2	Return Preparation
Total	**30**	**52**	**22**	

Source: TIGTA auditors review of contact recordings.

Field Assistance Office management agreed that capturing all services would enhance data already used to manage the Centers. Because CQRS reviews are based on a statistical sample, the results could be used to project the number of services at all Centers. Representatives from the CQRS and the IRS Statistics of Income function agreed that services captured from the statistical sample of reviewed recordings could be used to project the volume of services provided by all Centers.

Knowing what services are provided at each TAC and for the TAC Program will allow the IRS to determine where to focus its resources so that it can better plan to consistently deliver high-quality services to taxpayers, thereby enhancing the overall Field Assistance Office operations.

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[6] Taxpayer Services may include multiple closing actions per service category. For example, the Accounts category has 14 different services including payments, notices, and refund inquiry actions.

System reports could provide insight on why taxpayers visit but leave the TACs without receiving services

The Field Assistance Office defines taxpayers who select a Q-MATIC system ticket but leave without receiving service from an assistor as a "No Show." During Fiscal Year 2008, more than 400,000, or 6 percent, of all walk-in taxpayers were categorized as a No Show.

The Q-MATIC system captures the reasons why taxpayers are visiting the Centers. However, once taxpayers are classified as No Shows, the reasons for their visits are not currently available for analysis. When asked, the Business Objects system analyst stated that the data for the initial service requested at the time the Q-MATIC ticket was issued were accessible from the Business Objects system but it requires the development of a report.

The Field Assistance Office needs additional trend analyses to identify and evaluate the initial services requested by taxpayers who leave before receiving those services. The data analysis would provide Field Assistance Office management with opportunities to reduce wait time, better allocate resources during peak times, improve gate management, improve targeting staff levels and training, and develop additional self-help options.

The Social Security Administration uses No Show data collected by its in-house queuing system for trend analysis. The Social Security Administration's queuing system provides a management report containing the average number and percentage of visitors who leave without service per day.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Use CQRS reviewers and data to identify multiple services provided to taxpayers while listening to contact recordings.

> ***Management's Response:*** Management disagreed with this recommendation. Management stated that they believe a new CQRS to identify services provided would not significantly enhance data already available.

> ***Office of Audit Comment:*** We continue to believe using CQRS staff and data to identify multiple services provided to taxpayers who visit Centers would provide meaningful data needed to make management decisions. In response to a prior TIGTA report, the Field Assistance Office agreed to count services but did not successfully implement a methodology to capture the needed data. As a result, the current process to only capture one service per taxpayer visit continues to significantly understate the true value Centers provide taxpayers who prefer face-to-face assistance.

> Limited tests at two Centers during this review showed that the current methodology understated the number of services provided by 73 percent. Field Assistance Office

management again agreed that capturing all services would enhance data already used to manage the Centers. Because quality reviews are based on a statistical sample, the results could be used to project the number of services at all Centers. In addition, the IRS Statistics of Income function agreed that services captured from the statistical sample of reviewed recordings could be used to project the volume of services provided by all Centers.

In view of the fact that management previously agreed to count multiple services and acknowledged the benefits of increased data, it is not clear why the IRS disagrees with using Contact Recording to count all services provided to taxpayers at Centers. Further, the understatement of services provided has a direct impact on factors the IRS should consider in its 5-year strategic plan to improve taxpayer service.

Recommendation 2: Use existing system data, such as No Show data, to identify opportunities for improving taxpayer services.

> **_Management's Response_:** Management agreed with this recommendation and will review No Show data to identify opportunities for improving taxpayer services.

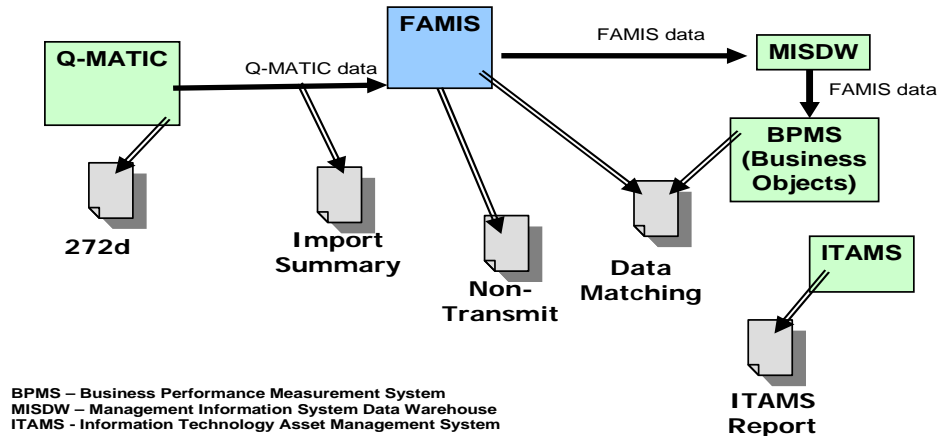## More Oversight Is Needed to Ensure the Accuracy of System Data

The Field Assistance Office has implemented internal controls to validate its management information systems data. This is accomplished through system validity checks and system reports. However, testing showed that Field Assistance Office assistors and managers do not always ensure data entered into the system are accurate.

Figure 4 shows how data input by assistors flow through the Field Assistance Office management information systems (i.e., data transfer from the Q-MATIC system through the FAMIS to the Business Objects system) and the data validation's internal controls process.

Figure 4: Field Assistance Office Monitoring System Performance Process[7]

BPMS – Business Performance Measurement System
MISDW – Management Information System Data Warehouse
ITAMS - Information Technology Asset Management System

Source: Excerpt from the Field Assistance Office Presentation, "Queuing Management–Release 2 Field Assistance Management Information System Executive Briefing," dated August 31, 2007.

The Q-MATIC system accurately captures the data as entered by TAC assistors. In addition, the data generated by the FAMIS and transmitted to the Business Objects system are valid. However, Field Assistance Office assistors are not always correctly inputting all taxpayer contacts.

Auditors reviewed the Q-MATIC system and FAMIS reports from 12 Centers to evaluate the controls used to ensure the accuracy of Center data. Although not all the data were inaccurate and some reports may have had only 1 error, reports from 8 (67 percent) of the 12 Centers contained inaccuracies - 16 (29 percent) of the 55 reports reviewed contained inaccurate data. That is, the systems accurately captured the data as entered by TAC assistors, but Field Assistance Office assistors and managers did not ensure all data entered into the systems were accurate. For example:

- Taxpayer contacts are not always being manually recorded when the Q-MATIC system is temporarily offline and not operating. When the Q-MATIC system goes offline, assistors are required to manually record taxpayer contacts before the end of the day using the Field Assistance Contact Sheet (Form 6148A). These contacts are then to be manually entered into the FAMIS to ensure that all taxpayer contacts are recorded.

  For the period October 2007 through August 2008, 127 helpdesk tickets reported issues with Q-MATIC system hardware indicating that the Q-MATIC system could be offline and the manual process should be followed. During discussions with six TAC managers, four stated

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[7] The Management Information System Data Warehouse is the authoritative repository and reporting tool of management information system data. The Information Technology Assets Management System is the tool the IRS uses for reporting helpdesk issues and problem management.

that they did not follow procedures to manually record taxpayer visits and services provided when the Q-MATIC system was not available. TAC managers, including acting managers, stated that this happened because they were unaware of or unfamiliar with the procedures or did not follow the manual procedures to record taxpayer visits and services when the Q-MATIC system is out of service.

- Taxpayer contacts are not always being manually recorded after TAC assistors close for the day but continue to assist taxpayers. This happens, for example, when TAC assistors close their workstations at the end of the day but, for various reasons, they continue to assist taxpayers and neglect to adjust their contacts on the forms used to update the FAMIS.

- Manual adjustments of taxpayer contacts are not always accurately recorded. Taxpayer contacts were charged to erroneous categories and not properly corrected. Taxpayer contacts were transferred to other assistors but the transfers were improperly completed. These manual adjustments were not identified during TAC manager reviews of system reports before the FAMIS data were approved and transmitted.

When assistors do not accurately record taxpayer visits, the number of contacts and services provided by the TACs are understated. Managers at all levels are required to ensure accurate assistor reporting and timely submission of data. Analysts monitor system performance and data transmissions. Managers need to review the system reports prior to approving them for transmission.

Recommendation

Recommendation 3: The Commissioner, Wage and Investment Division, should ensure Field Assistance Office controls are reinforced to ensure that data are entered accurately into management information systems and reviewed.

> **Management's Response:** Management agreed with this recommendation and stated that they currently have multi-tiered operational reviews in place to ensure that data are entered accurately into management information systems and reviewed.

Adopting Industry Best Practices Could Improve the Customer Service Experience at Taxpayer Assistance Centers

The IRS is committed to providing top-quality service to taxpayers. This includes giving taxpayers the option, before visiting a TAC, of knowing service wait times and/or scheduling appointments for tax return preparation. The Field Assistance Office identified taxpayer return preparation and minimizing wait times among the top three priorities for Fiscal Year 2009. One of its planned strategies is to identify and promote less-costly methods of service delivery, such as automation, to reduce customer dependence on traditional methods of delivery and improve quality and utilize resources more efficiently.

Taxpayer experience could be improved by providing taxpayers with estimated wait times before they visit a TAC

During Fiscal Year 2008, approximately 18 percent of taxpayers waited more than 30 minutes for assistance at the Centers. Taxpayers have several options from which to choose when they need assistance from the IRS, including face-to-face assistance at the Centers, telephone assistance through the toll-free telephone numbers, and IRS.gov, the IRS public web site. Choosing which option best suits a taxpayer is dependent on many factors, including taxpayers' individual preferences to the complexity of their tax issues. However, the elements of time and convenience are usually foremost.

Providing taxpayers with all the information they need to choose which service option is best for them is part of providing top-quality service. The IRS currently does not have the capability of providing taxpayers with the wait time at the Centers. However, the wait time feature is available on the Q-MATIC system.

The State of Massachusetts, using the Q-MATIC system and its web site, provides taxpayers with wait times at 35 Registry of Motor Vehicle Offices. Through the State web site, an individual can click on the name of an office and find out how long he or she will have to wait at a particular office to receive service. Figure 5 shows the screen taxpayers in Massachusetts see when they click on the hyperlinks to the field offices.

Figure 5: State of Massachusetts Registry of Motor Vehicles

Source: Massachusetts Department of Motor Vehicles web site.

State of Massachusetts Department of Motor Vehicles managers stated that the ability of its customers to monitor site activity in real time has been very effective in reducing wait time and controlling customer traffic.

Updating the IRS web site with this feature could help reduce wait time in the Centers. For example, taxpayers can check the IRS web site to determine the wait time at Centers in their vicinity.[8]

Providing estimated wait times and educating taxpayers while they wait could improve their experience

Currently, while visiting a TAC, taxpayers do not know how long they must wait before they receive assistance. However, the Q-MATIC system has the functionality to provide taxpayers with wait times. In addition, while waiting, the IRS could use the time to educate and inform taxpayers.

The Q-MATIC system utilizes Liquid Crystal Display monitors [9] to provide customers with wait times and information that could educate or inform them. The Q-MATIC system Liquid Crystal Display monitor is a presentation solution for all types of stand-alone screens. It gives customer service offices the ability to provide information targeted at waiting customers such as announcements, presentations, webpages, and office information like operating hours and telephone numbers.

The monitors currently in place at IRS Centers display the last customer number called and the assigned counter number. During visits to the TACs, we observed that these displays can be confusing to taxpayers. Further, the primary tools used to educate and inform taxpayers are multiple flyers, posters, and leaflets. The use of monitors to educate and inform taxpayers would reduce the need to publish and update costly printed documents–thus further reducing operating costs.
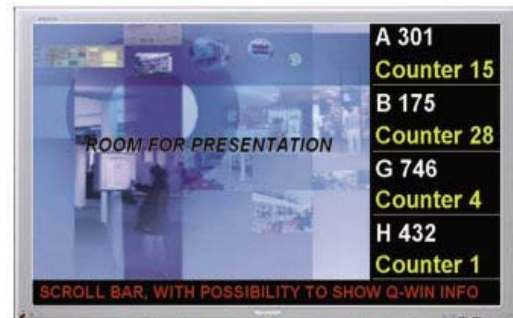
We visited a Georgia State Department of Motor Vehicles office that has implemented this feature with Liquid Crystal Display monitors. The office manager reported that by informing as well as entertaining their customers, it makes their waiting times seem shorter and more pleasant.

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[8] This solution would be feasible only at sites with full Q-Matic systems. Q-LITE rolls up and monitors traffic volume from remote sites but does not provide traffic management at the TACs.
[9] Liquid Crystal Displays are flat screen displays often used for television and computer monitors.

Providing online appointment scheduling could reduce taxpayer burden at the TACs

For Fiscal Year 2008, approximately 500,000 individual taxpayers visited the TACs to obtain tax return preparation assistance. Current Field Assistance Office guidelines require that taxpayers visit the TACs to schedule appointments for this service. The IRS provides taxpayers, through IRS.gov, with the criteria to qualify for tax return preparation assistance.

However, appointments cannot be made by telephone[10] or through IRS.gov because employees are required to screen taxpayers to ensure that they qualify for assistance before an appointment is scheduled. This process also ensures that taxpayers clearly understand the scope of services IRS assistors can provide and all the necessary documents the taxpayer is required to provide in order to have a tax return prepared. Some taxpayers are able to receive same day appointments, but most are required to return for appointments to prepare their tax returns.

The IRS is evaluating the return preparation appointment process this fiscal year. The Field Assistance Office will be piloting 3 variations of non-appointment return preparation procedures at 15 TACs from March 1 through May 31, 2009.

Self-help tax law assistants are currently available on IRS.gov

The IRS has self-help tax law assistants for the Earned Income Tax Credit and Alternative Minimum Tax that walk taxpayers through a series of questions that will help them determine their eligibility for certain credits and deductions. A self-help application similar to these could be used to determine eligibility for tax return preparation assistance.

An electronic option for taxpayers to determine their eligibility and also schedule appointments for tax return preparation assistance would eliminate the need for taxpayers to come into a TAC more than once to have their tax returns prepared. We estimated that taxpayer burden can be reduced for 1.1 million taxpayers for a 5-year period by eliminating the need for taxpayers to first visit the TACs in order to be screened for tax return preparation assistance.

In addition, the functionality should be available to allow taxpayers, after they determine that they are eligible, to schedule appointments for tax return preparation through IRS.gov. The Louisiana State Department of Revenue has implemented a web-based customer appointment solution to help reduce customer wait time.

Recommendation

Recommendation 4: The Commissioner, Wage and Investment Division, should expand the use of current technology to adopt industry best practices to reduce burden and improve the customer service experience at the TACs.

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[10] IRS guidelines exempt taxpayers with disabilities, allowing the scheduling of appointments over the telephone.

Management's Response: Management disagreed with this recommendation stating that the current system's capability is limited and will not support expansion to an electronic option for taxpayers to determine their eligibility, schedule online appointments, or for providing estimated wait times. Additional core system upgrades, security, testing, development of software, maintenance contracts, and training costs for multiple business divisions would require business systems planning. The Q-MATIC system requires basic standardization of equipment in all TACs prior to purchasing additional enhancements.

Further, they believe the recommended expansion into a web-based appointment system is premature. The age of the Q-MATIC system software and hardware will not support a web-based appointment system. Senior management analyzes and recommends annually the most needed maintenance items for the Q-MATIC system.

Office of Audit Comment: Although the IRS agreed that an online appointment process would reduce burden, it stated that implementation of this process was not feasible since the current system capability is limited and will not support expansion to an electronic appointment process. During this review, auditors provided the IRS data on the cost to implement a web-based system that would provide wait-time estimates to taxpayers planning to visit a TAC. The cost data were based on information obtained from a commercial vendor. Based on this information, it appears the function could be added at a moderate cost. The IRS combined the cost to implement an online appointment process with the estimated cost to provide web-based wait times. However, the appointment process is not part of the function to provide wait times. We believe these costs should be considered separately.

Management's response further stated that a web-based appointment process would require enhancements to the current system. During the audit, we informed the IRS that there are several off-the-shelf software programs that are available and could be considered to provide this service.

Concerning the outcome measure related to this recommendation, the IRS stated that adding a new component to the current system for an online appointment process would be cost prohibitive and, therefore, it did not agree with the outcome measure. The information we obtained from vendors indicated that the costs would be moderate. The IRS did not provide a cost/benefit analyses or any documents to show that the costs would make it impracticable to implement this feature.

Detailed Objective, Scope, and Methodology

The overall objective of the audit was to assess the IRS Field Assistance Office's corrective actions to improve its management information systems. To accomplish the objective, we:

I. Evaluated Field Assistance Office management's implementation of corrective actions.

II. Determined whether the Field Assistance Office management information systems met management's objectives by discussing with Field Assistance Office management the systems' objectives, how the data are used, and whether there are plans for future system enhancements.

III. Contacted system stakeholders and determined whether the Field Assistance Office's management information systems capture services provided to taxpayers.

   A. Contacted officials from external organizations to identify potential best practices in customer service technologies and processes to manage customer traffic and capture services provided. We contacted internal officials to identify the uses of systems data.

   B. Evaluated the feasibility of using CQRS quality reviewers and data to identify multiple services provided to taxpayers while listening to a judgmental sample of 30 of 195 contact recordings. We chose a judgmental sample because we were not going to project our results.

IV. Evaluated the reliability of data captured for the following Field Assistance Office management information systems: FAMIS, Q-MATIC system, and Business Objects system. This included the effectiveness of internal controls designed to ensure the validity, accuracy, and completeness of the data.

   A. Selected a judgmental sample of 6 of 401 TACs to visit in the States of Georgia, Louisiana, and North Carolina. The TACs were selected based on their proximity to auditors' geographic locations. We chose a judgmental sample because we were not going to project our results. We conducted visits to the selected Centers and interviewed selected officials to evaluate the processes in place to validate data entered into the management information systems.

   B. Reviewed system reports from 12 of 401 TACs to verify the implementation of data validation controls at each level of responsibility (i.e., employee, manager, analyst, and system programmer).

Major Contributors to This Report

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Outcome Measure

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

Type and Value of Outcome Measure:

- Taxpayer Burden – Potential; 1,075,764 taxpayer accounts affected (see page 11).

Methodology Used to Measure the Reported Benefit:

In Fiscal Year 2008, 457,772 individual taxpayers visited the TAC to obtain tax return preparation assistance. The IRS estimates that 215,000 (47 percent) of the 457,772 taxpayers were screened for eligibility for tax return preparation and received appointments for assistance. An electronic option for taxpayers to self-screen and schedule appointments for tax preparation assistance would reduce taxpayer burden by eliminating the need for taxpayers to visit the TACs more than once to have their tax returns prepared.

We computed the 5-year potential reduction in taxpayer burden by taking the number of taxpayers who had their returns prepared in Fiscal Year 2008 and multiplying it by the IRS estimated percentage of taxpayers who were given appointments for return preparation and then multiplying it by 5 years.

(457,772 x 0.47 x 5 years) = 1,075,764

Prior Treasury Inspector General for Tax Administration Audit Reports

Customer Service at the Taxpayer Assistance Centers Is Improving but Is Still Not Meeting Expectations (Reference Number 2005-40-021, dated December 28, 2004).

The Effectiveness of the Taxpayer Assistance Center Program Cannot Be Measured (Reference Number 2005-40-110, dated July 22, 2005).

Customer Accuracy at Taxpayer Assistance Centers Showed Little Improvement During the 2005 Filing Season (Reference Number 2005-40-146, dated September 8, 2005).

Improved Internal Controls and Contact Recording Are Needed to Ensure the Accuracy and Reliability of the Taxpayer Assistance Centers Quality Measurement System (Reference Number 2006-40-022, dated December 6, 2005).

Taxpayer Service Is Improving, but Challenges Continue in Meeting Expectations (Reference Number 2006-40-052, dated February 17, 2006).

The Taxpayer Assistance Center Closure Plan Was Based on Inaccurate Data (Reference Number 2006-40-061, dated March 22, 2006).

The Field Assistance Office Has Taken Appropriate Actions to Plan for the 2006 Filing Season, but Challenges Remain for the Taxpayer Assistance Center Program (Reference Number 2006-40-067, dated March 31, 2006).

Taxpayers That Call Local Taxpayer Assistance Center Telephone Numbers Are Unable to Schedule Appointments to Resolve Tax Account Issues (Reference Number 2006-40-165, dated September 21, 2006).

System Updates and Control Improvements Are Needed to Ensure Contact Recording Will Provide an Accurate Assessment of Taxpayer Assistance Quality (Reference Number 2007-40-115, dated July 9, 2007).

Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint (Reference Number 2008-40-118, dated May 16, 2008).
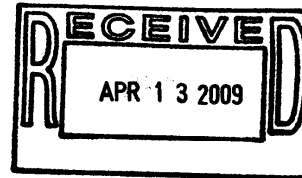
Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

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COMMISSIONER
WAGE AND INVESTMENT DIVISION

APR 0 2 2009

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Richard Byrd, Jr.
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Field Assistance Office Management Information Systems Have Improved, but Enhancements Could Improve Taxpayer Service (Audit # 200840017)

I reviewed your subject draft report and the findings and recommendations. I appreciate your acknowledgement of the progress made in capturing management information. As your report indicates, management information is essential to effectively oversee the Taxpayer Assistance Centers (TACs). I am pleased the results of this review show Field Assistance, which is responsible for the TAC program, has improved its management information systems, thereby increasing the availability of program data.

I appreciate your acknowledgment that the IRS developed and implemented four different information systems (Q-matic, Field Assistance Management Information System (FAMIS), Business Objects, and Contact Recording) that function together to provide accurate and valid program data needed to make numerous management decisions. These accomplishments are significant breakthroughs in our ongoing effort to strengthen management oversight, ensure data integrity, and deliver a time tracking, queuing management, and quality review system. As noted in your report, these systems have increased availability of data needed to make management decisions, train employees, and reduce taxpayer burden.

We agree the core of the new management information system is the Q-matic system, an automated queuing system used to control the flow of more than six million taxpayers that visit our 401 TACs on a yearly basis. The Q-matic system, implemented from the early 1990s to 2005, is a vital resource in the collection of organizational data. The FAMIS, an automated networked solution that accurately determines taxpayer traffic by capturing time, service, and contact data from Q-matic, was deployed in 2007 and is fully functional in all TACs. Business Objects, a commercial off-the-shelf computer application that generates reports based on data captured in Q-matic and

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validated in FAMIS, enables management to track, manage, and understand workload volumes and staff hour expenditures on a single business platform.

In addition, Field Assistance Contact Recording (FACR) was deployed in 2006 and is currently implemented in over 300 TACs. The FACR is an automated system that captures the audio portion of an employee-customer contact, synchronizes it with the computer screen activity of the employee who provided the service, and stores the encrypted file in a database for later managerial review. The system delivers a statistical sample of the recorded contacts to managers, who then review the entire customer interaction. Managers review contacts to assess employees' accuracy, timeliness, and professionalism, ultimately helping employees develop their job skills, and improving service to customers.

Through deployment of these systems and significant management controls, we have made remarkable advances, implementing over a short two-year period an integrated management information system that reports customer data, time management information, and quality review processes.

Finally, your auditors determined that the reports from 8 of the 12 centers were inaccurate. While we generally agree with your findings, we do not believe this finding is a true representation of our accuracy. Your report defines a FAMIS report as defective if it contains one error. The report includes approximately 20 business days per month and in some cases over 400 taxpayers served. Since one transaction represents one taxpayer, the error rate is more accurately reflected by transactions. We believe reporting an individual defect on the reports is a better representation because the report still contains a large percentage of useful data.

In regard to your outcome measures, we acknowledge that an online appointment system would prove beneficial. However, implementation would be cost prohibitive and would add a new component to the Q-matic system that is outdated by technology standards. Therefore, we do not agree with the outcome measures.

Our specific comments to your recommendations are attached. If you have any questions, please call me at (404) 338-7060, or members of your staff may contact Leslye Baronich, Director, Field Assistance, Wage and Investment Division at (404) 338-7141.

Attachment

Attachment

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1
Use CQRS reviewers and data to identify multiple services provided to taxpayers while listening to contact recordings.

CORRECTIVE ACTION
We will continue to use Centralized Quality Review System (CQRS) reviewers to identify Earned Income Tax Credit (EITC) taxpayers to validate services provided. We will also continue to use CQRS data for targeted reviews, such as the development of an EITC issues baseline. However, we do not agree that it is necessary to identify and capture multiple services provided for every contact recording. We will continue capturing current Q-Matic, Field Assistance Management Information System (FAMIS), and Business Objects data which is sufficient to identify taxpayer needs and services provided by our Taxpayer Assistance Centers (TACs). A new CQRS based system to identify services provided would not significantly enhance data already available.

IMPLEMENTATION DATE
N/A

RESPONSIBLE OFFICIAL
N/A

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 2
Use existing system data, such as No Show data, to identify opportunities for improving taxpayer services.

CORRECTIVE ACTION
We agree with this recommendation. We will review No Show data to identify opportunities for improving taxpayer services.

IMPLEMENTATION DATE
October 15, 2009

RESPONSIBLE OFFICIAL
Director, Field Assistance, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control process.

RECOMMENDATION 3
The Commissioner, Wage and Investment Division, should ensure Field Assistance

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CORRECTIVE ACTION

We agree with this recommendation. We currently have multi-tiered operational reviews in place to ensure that data is entered accurately into management information systems and reviewed. The multi-tiered operational review process consists of (1) Headquarters' review of the Area, (2) Areas' review of the Territory, (3) Territories' review of the Group, and (4) Group managers' review of the individuals in the group.

IMPLEMENTATION DATE
N/A

RESPONSIBLE OFFICIAL
Director, Field Assistance, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 4
The Commissioner, Wage and Investment Division, should expand the use of current technology to adopt industry best practices to reduce burden and improve the customer service experience at the TACs.

CORRECTIVE ACTION
We disagree with this recommendation. Current system capability is limited and will not support expansion to an electronic option for taxpayers to determine their eligibility, schedule online appointments, or for providing estimated wait times. Additional core system upgrades, security, testing, development of software, maintenance contracts, and training costs for multiple business operating divisions would require business systems planning. The Q-matic system requires basic standardization of equipment in all TACs prior to purchasing additional enhancements.

Further, we believe the recommended expansion into a web-based appointment system is premature. The age of the Q-matic software and hardware will not support a web-based appointment system. Senior management analyzes and recommends annually the most needed maintenance items for Q-matic.

IMPLEMENTATION DATE
N/A

RESPONSIBLE OFFICIAL
N/A

CORRECTIVE ACTION MONITORING PLAN
N/A