

**Toll-Free Account Assistance to Taxpayers
Is Professional and Timely, and the Quality of
Information Provided Has Improved**

December 2004

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



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY

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MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

Gordon C. Milbourn III

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

SUBJECT: Final Audit Report - Toll-Free Account Assistance to Taxpayers
Is Professional and Timely, and the Quality of Information
Provided Has Improved (Audit # 200440036)

This report presents the results of our review of the Internal Revenue Service's (IRS) toll-free telephone assistance program for account questions. The overall objective of this review was to determine whether taxpayers received quality service when calling the IRS Toll-Free Customer Service telephone number (1-800-829-1040) to ask an account-related question during the 2004 Filing Season.¹ Specifically, we determined the quality of the service (taxpayer experiences) and the responses taxpayers received when asking an account-related question.

Each year, millions of taxpayers contact the IRS seeking assistance in understanding the tax law and meeting their tax obligations by either calling the various toll-free telephone assistance lines, accessing the IRS Internet web site, or visiting an IRS Tax Assistance Center. During the 2004 Filing Season, IRS Customer Service Representatives (CSR) answered over 3.3 million calls for taxpayers with questions about their accounts. An account inquiry is a contact relating to a taxpayer's tax account which deals with entity information, the processing of tax returns, or corrections of subsequent errors.

The quality of service provided to taxpayers remained among the major management challenges the IRS faced in Fiscal Year (FY) 2004. One of the IRS' major strategies for FY 2004 was to reduce taxpayer burden by improving the quality and efficiency of service delivery. The aim was to provide prompt and courteous responses to all requests for assistance. The IRS' goal was to make its toll-free telephone operation a

¹ The period from January through mid-April when most individual income tax returns are filed.

“world-class customer service organization” that provided taxpayers with accessible and accurate tax assistance.

From a judgmental sample of 264 calls monitored during the period April 12 through May 3, 2004, we determined that CSRs treated taxpayers professionally 99 percent of the time and provided timely service 94 percent of the time. In addition, 86 percent of taxpayers (226 of 264 monitored calls) received accurate answers to their tax account questions. Using a statistical sample during the same period reviewed, the IRS reported 100² and 97 percent, respectively, for Professionalism and Timeliness, and 90 percent for Customer Accuracy. The IRS defines Customer Accuracy as giving the correct answer with the correct resolution.

In our sample, CSRs did not always follow IRS procedures, and this prevented 38 (14 percent) of 264 taxpayers from receiving the correct answer or resolution. We identified (scored) the response as inaccurate if the response provided was either incorrect or incomplete.

We also identified an additional 14 (5 percent) of the 264 calls for which the CSR did not ask the caller all 5 required authentication probe questions. IRS guidelines require the CSR to fully authenticate the caller (with five required identification probe questions) as authorized to receive the information before providing an answer to the taxpayer's question. In addition, IRS guidelines currently allow CSRs discretion in asking additional authentication probes if the address or date of birth does not match the information on the IRS' systems. Therefore, the taxpayer must respond correctly to four of five required probes without the CSR asking any additional probe questions.

We recommended the Commissioner, Wage and Investment Division, issue a Servicewide Electronic Research Program alert to all users of Internal Revenue Manual (IRM) 21.1.3.2, reminding them of the revised IRM guidelines concerning taxpayer authentication and the need for caution when authenticating taxpayers. We also recommended training be provided to the CSRs on taxpayer authentication, with particular emphasis on high-risk authentication, during annual Continuing Professional Education.

Management's Response: IRS management agreed with the two recommendations in the report and has already initiated appropriate corrective actions. IRS management also agreed with our comment that some IRS improvement can be attributed to the additional training the IRS conducted as a result of our report last year. The IRS noted that although the IRS and the Treasury Inspector General for Tax Administration used two different approaches to sampling calls, the results of the reviews were very close. However, the IRS continues to disagree with our position on reporting the defects resulting from missed or inadequate verification questions and quoted the response to the prior year's report.³ Accordingly, the IRS disagreed with our Reliability of

² This percentage is rounded up from the 99.9 percent the IRS reported.

³ *Toll-Free Account Assistance to Taxpayers Is Professional and Timely, but Improvement Is Needed in the Information Provided* (Reference Number 2004-40-057, dated February 2004).

Information outcome measure related to 14 taxpayer accounts. Management's complete response to the draft report is included as Appendix VII.

Office of Audit Comment: The IRS does not consider not adequately authenticating the taxpayer as an error that directly affects the taxpayer. However, we continue to believe providing information to an individual without fully authenticating him or her increases the risk that a taxpayer's confidential information could be disclosed to an unauthorized individual. This could have a direct impact on the taxpayer. Therefore, we believe these errors should be reported in Customer Accuracy. We also believe not including this information in the reported accuracy rate may affect external stakeholders' assessment of the IRS' performance. As a result, we believe our outcome measure addressing Reliability of Information is appropriate.

In addition, we believe requiring the use of the high-risk questions is warranted to reduce the risk of disclosing confidential information. We continue to be concerned with this item because of the Wage and Investment Division's 69 percent accuracy rate for high-risk authentication. The necessity of the additional questions can be explained to the taxpayer and the additional questions would not be considered a burden considering the consequences of unauthorized disclosure.

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 R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 927-0597.

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Background

Each year, millions of taxpayers contact the Internal Revenue Service (IRS) seeking assistance in understanding the tax law and meeting their tax obligations by either calling the various toll-free telephone assistance lines, accessing the IRS Internet web site, or visiting an IRS Tax Assistance Center. Although accessing the IRS web site is the single most frequent means of contact with the IRS for taxpayers, the second most frequent means is calling the toll-free telephone assistance lines.

During the 2004 Filing Season,¹ IRS Customer Service Representatives (CSR) answered over 3.3 million calls for taxpayers with questions about their accounts when calling the IRS Toll-Free Customer Service telephone number (1-800-829-1040). An account inquiry is a contact relating to a taxpayer's tax account which deals with entity information, the processing of tax returns, or corrections of subsequent errors.

According to the 2004 IRS Oversight Board Annual Report, 91 percent of Americans surveyed viewed the IRS service of providing a toll-free telephone number to answer their questions as either very or somewhat important to them. The Board stated that the IRS has made considerable strides in improving customer service, but cautioned that it would be highly imprudent to suggest that IRS customer service has reached an acceptable level and advised the IRS to constantly work to improve customer service by measuring its progress, recognizing emerging trends, and taking advantage of new technology. Stakeholders interviewed by the Board acknowledged the complexity of the Federal tax code and urged the IRS to seek ways to simplify administrative and regulatory processes to make them work more efficiently.

The quality of service provided to taxpayers remained among the major management challenges the IRS faced in Fiscal Year (FY) 2004. One of the IRS' major strategies for FY 2004 was to reduce taxpayer burden by improving the quality and efficiency of service delivery. The aim was to provide prompt and courteous responses to all requests for

¹ The period from January through mid-April when most individual income tax returns are filed.

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assistance. The IRS' goal was to make its toll-free telephone operation a "world-class customer service organization" that provided taxpayers with accessible and accurate tax assistance.

When calling the toll-free telephone number with a tax account-related question(s), the taxpayer uses an automated menu. The taxpayer is provided, in English, four touchtone main menu options with secondary options:

1. Preparing or filing individual income tax returns. This option provides the taxpayer with a second automated menu from which to choose the following options:² (1) ordering tax forms or publications, (2) finding addresses to mail payments or a tax return to the IRS, (3) finding the amount of his or her Advanced Child Tax Credit, or (4) getting help with other tax questions.
2. Requesting information on a tax refund or personal tax account. This option provides the taxpayer with a second automated menu from which to choose the following options: (1) requesting refund information, or (2) getting answers to personal account questions.
3. Using the business and specialty tax line or obtaining the address for the IRS Internet web site.
4. Repeating the above options.

If the taxpayer does not select an option or is calling from a rotary telephone and is unable to select a touchtone option, the same script is repeated providing voice response options. If the taxpayer selects an invalid option, he or she is transferred to an IRS employee (screener), who screens and transfers the call to the appropriate CSR to answer the taxpayer's question.

CSRs answer tax account inquiries and are responsible for providing taxpayers with information on the status of their returns/refunds and for resolving the majority of issues and questions to settle their accounts. The IRS defines an account call as any call:

² Outside the filing season, the automated menu provides fewer options.

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- Relating to a taxpayer account, both individual and business accounts.
- Regarding entity information (i.e., taxpayer's or spouse's name, address, Social Security Number, filing status, and tax year), the processing of a tax return, corrections of errors found during processing, and corrections resulting from adjustments or examination assessments.
- Regarding procedural issues (e.g., where to file a return, when and where to make payments).
- Relating to any other questions on refunds or procedures.

To ensure quality service, the IRS groups or categorizes calls by topics called Applications and by Wage and Investment (W&I) Division taxpayers and Small Business/Self-Employed (SB/SE) Division taxpayers.³ There are a total of nine Applications for the General Account Calls Product Line. This review focused only on the 4 W&I Division Applications at the 16 W&I Division toll-free call sites. (See Appendix VI for the Applications we monitored.)

CSRs are trained and certified for each current filing season on specific Applications. For example, if an individual taxpayer calls to find out where to mail a tax return, the call would be routed to a CSR that has been trained to handle IRS procedural issues for the W&I Division. If a business taxpayer calls to find out the taxes due on a business account, the call would be routed to a CSR that handles balance-due questions for the SB/SE Division.

To measure its customer service, the IRS uses a quality measurement system called Embedded Quality (EQ), which links employee performance to organizational results related to the quality of customer service. To accomplish this, IRS management listens to a statistical sample of live taxpayer calls from among the Applications and identifies (scores)

³ The W&I Division serves taxpayers who earn wages and have investment income. The SB/SE Division serves self-employed taxpayers and small businesses, including corporations and partnerships with assets of \$10 million or less.

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the calls using 93 attributes⁴ that are divided into 5 quality measures:

- Customer Accuracy.
- Regulatory Accuracy.
- Procedural Accuracy.
- Professionalism.
- Timeliness.

The Customer Accuracy, Professionalism, and Timeliness measures are reported to the IRS Commissioner as part of the IRS' balanced measures.⁵ The Regulatory Accuracy and Procedural Accuracy measures are reported internally to IRS management to identify trends and training opportunities.

The Customer Accuracy measure is also reported externally to IRS stakeholders, e.g., the Congress and the Government Accountability Office, and as part of the reporting requirement of the Government Performance and Results Act of 1993 (GPRA).⁶ The GPRA requires that all Federal agencies have appropriate quantitative performance measures. (See Appendix V for details of the EQ.)

This report presents the results of our second review of the IRS' toll-free tax account assistance to taxpayers. In the prior review,⁷ we evaluated tax account assistance by monitoring a judgmental sample of 191 tax account telephone calls from April 21 through May 16, 2003. We reported that CSRs treated taxpayers professionally for 99 percent of the calls and provided timely service for 83 percent of the calls. In addition, 78 percent of taxpayers (149 of 191 monitored calls) received accurate answers to their account questions. Using a statistical sample during

⁴ Attributes identify specific aspects of a call that need to be considered when measuring the quality of customer service.

⁵ Three measures (employee satisfaction, customer satisfaction, and business results) the IRS uses to measure organizational and employee performance.

⁶ Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

⁷ *Toll-Free Account Assistance to Taxpayers Is Professional and Timely, but Improvement Is Needed in the Information Provided* (Reference Number 2004-40-057, dated February 2004).

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the same period we reviewed, the IRS reported rates of 100 and 97 percent, respectively, for Professionalism and Timeliness, and 88 percent for Customer Accuracy. In our sample, CSRs did not always follow IRS procedures. This prevented 22 percent of the taxpayers (42 of 191) from receiving the correct answer or resolution. We also identified an additional 12 of the 191 calls in which the CSR did not ask the caller all 5 required identification probe questions.

IRS management partially agreed to our recommendations. They agreed that most account errors negatively affecting Customer Accuracy are caused by the incomplete research or inaccurate interpretation of account reference materials. They also agreed that the Internal Revenue Manual (IRM) and Account Resolution Guide could be improved to make it easier for the CSRs to understand and comply with authentication procedures. IRS management developed Continuing Professional Education (CPE) training for FY 2004 that addressed effective and complete use of IRM procedures and guidelines.

However, IRS management did not agree with our position regarding the reporting of defects related to the authentication process, indicating that the IRS' classification of this type of defect as a Regulatory Accuracy defect does not impact the importance that IRS management attaches to taking the proper steps during the authentication process. IRS management disagreed with our assumption that a defect in the authentication process has a direct impact on the taxpayer and should be classified as if an unauthorized disclosure occurred. IRS management also disagreed with requiring the use of the high-risk questions.

For the current audit, we reviewed tax account assistance by monitoring a judgmental sample of 264 tax account telephone calls from April 12 through May 3, 2004. This review was performed at the Atlanta Accounts Management Center in Atlanta, Georgia, and the Centralized Quality Review Site in Philadelphia, Pennsylvania. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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Customer Service on the Toll-Free Telephone Lines for Callers With Account Questions Has Improved

IRS employees are courteous and respectful, and spend an appropriate amount of time with taxpayers when answering their tax account questions. Using a judgmental sample of 264 monitored calls⁸ and the IRS' EQ attributes to rate the calls, we determined employees provided professional and timely service. In addition, CSRs provided taxpayers with accurate answers to their tax account questions for 86 percent (226 of 264) of the calls monitored. The IRS achieved this level of accuracy, for the most part, because CSRs are thoroughly and completely researching IRS computer systems to answer taxpayer tax account questions. (See Appendix VI for a comparison of the calls monitored by the Treasury Inspector General for Tax Administration [TIGTA] and the IRS by Application for the same time period, April 12 through May 3, 2004.)

CSRs were professional when responding to taxpayers

Using the IRS EQ attributes to rate the monitored CSR calls on professionalism, we determined CSRs provided professional service for 99 percent (1,378 of 1,387) of applicable opportunities.⁹ The IRS defines professional service as promoting a positive image of the IRS by using effective communication techniques.

For the calls monitored, the employees provided a professional greeting, communicated with clear and appropriate language, used courteous and respectful tones, listened to the taxpayers in an effective manner to maximize understanding, and apologized for IRS errors when appropriate. In addition, when appropriate, they provided taxpayers with an explanation of why a series of questions are required. For the same time period, the IRS reported that CSRs followed procedures for providing professional service for 100 percent¹⁰ (4,147 of 4,153) of the opportunities. The IRS' Professionalism goal for CSRs was 99 percent for FY 2004.

⁸ CSRs answered taxpayers' tax account-related questions for 264 of the 290 CSR calls monitored. The remaining 26 calls consisted of 14 tax law calls and 12 transfers. We were unable to follow the taxpayers through transfers and did not include tax law accuracy results.

⁹ Each call is rated for various attributes, known as opportunities. Not every attribute is applicable to every call.

¹⁰ This percentage is rounded up from the 99.9 percent the IRS reported.

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CSRs were timely when responding to taxpayers

Using the IRS EQ attributes to rate the monitored CSR calls on timeliness, we determined the CSRs were timely for 94 percent (419 of 445) of the opportunities. The IRS defines timeliness as resolving an issue in the most efficient manner through the use of proper workload management and time use techniques. Timeliness is measured by factors or actions that are controllable by the CSRs, including whether the employee controlled unrelated or unnecessary dialogue initiated by the taxpayer and restrained from initiating extraneous dialogue with the taxpayer. An additional timeliness attribute measures whether the employee placed the taxpayer on hold for research purposes for an appropriate length of time based on the complexity of the issue.

For the same time period, the IRS reported that its CSRs followed procedures for providing timely service for 97 percent (1,397 of 1,434) of the opportunities. The IRS' Timeliness goal for CSRs was 98 percent for FY 2004.

We could not determine how long it took taxpayers to get answers to all their questions, i.e., from the time they were connected to the IRS to the time the call ended. The IRS toll-free telephone systems have the ability to trace one call from the time the IRS' telephone service provider delivers the call to the IRS to the time the call is terminated, but the IRS does not do so because of the large volume of calls it receives. The IRS does, however, monitor key segments in the "life" of a call (e.g., the segment from the time a CSR is connected to the taxpayer to the time the taxpayer was transferred or the call ended).

We could determine whether CSRs provided timely service to each taxpayer on the segments of the calls we monitored, including hold times. During our monitoring, 156 (59 percent) of the 264 callers were placed on hold during the course of the conversation. In most cases, the hold time was warranted and lasted less than 10 minutes.

The IRS' approach to hold time is that CSRs should use hold time commensurate with the complexity of the issue being resolved. Taxpayers are encouraged to hold while the CSR conducts research and performs account adjustments

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as an assurance that their issue is fully resolved. This is done to minimize the potential of a taxpayer needing to call back at another time to achieve final resolution.

The IRS evaluates the CSRs on the appropriate use of hold time as part of the quality review process. For the calls monitored, the taxpayers were on hold as follows:

- Seventy-eight callers were on hold for more than 25 percent but less than or equal to 50 percent of the total call time. For example, 1 taxpayer's total call time was 18 minutes from the time the CSR answered the call to the time the taxpayer hung up. During this 18 minute call segment, the taxpayer was placed on hold for 9 minutes. This call was rated appropriate for hold time.
- Forty-four callers were on hold less than or equal to 25 percent of the total call time. For example, 1 taxpayer in this group was on the phone for 14 minutes. Of this 14 minute call, the taxpayer was placed on hold for 3 minutes. This call was rated appropriate for hold time.
- Thirty callers were on hold for more than 50 percent but less than or equal to 75 percent of the total call time. For example, 1 taxpayer's total call time was 32 minutes. During this 32 minute call, the taxpayer was placed on hold for 22 minutes (2 hold times of 11 minutes each). This call was rated not appropriate for hold time because the CSR did not periodically advise the taxpayer that research was continuing during the hold periods.
- Four callers were on hold for greater than 75 percent of the total call time. In this group, 1 taxpayer was on the phone for 6 minutes with the CSR. Of these 6 minutes, the taxpayer was on hold for 5 minutes. This call was rated appropriate for hold time.

CSRs provided accurate answers to 86 percent of tax account questions¹¹

¹¹ Only calls in which the CSR provides an answer to the taxpayer's question are rated for accuracy.

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Using IRS EQ attributes to rate the monitored CSR calls on accuracy, we determined the CSRs provided complete and correct answers to 86 percent (226 of 264) of the monitored calls. The IRS considers a response “complete and correct” when the CSR obtains sufficient information to answer the question *and* gives a correct and complete answer. The IRS’ definition of accuracy does not take into consideration any additional issues or procedures that do not directly affect the taxpayer. The IRS’ results from a sample of 804 account calls monitored during the same time period and for the same account Applications indicated a Customer Accuracy rate of 90 percent (723 of 804) of the calls. The IRS’ account Customer Accuracy goal for CSRs was 90 percent for FY 2004.

During our prior review, we recommended that CSRs receive additional training on the effective and complete use of the IRM procedures and guidelines to ensure that taxpayers are provided complete and correct answers to tax account questions. The IRS agreed to provide this training during its FY 2004 CPE, so we are making no additional recommendations at this time.

Taxpayer Authentication Needs Improvement

The IRS does not consider it a direct impact to the taxpayer when the CSR does not ask all the required identification probe questions or does not correctly complete the taxpayer authentication probe. Therefore, the IRS does not include this as an error in the calculation of Customer Accuracy and when reporting Customer Accuracy externally to stakeholders. We reported this in our last audit of account quality, and the IRS disagreed with our recommendation to report these as Customer Accuracy errors. Again, we believe the IRS should consider not fully authenticating a taxpayer’s identity to be a Customer Accuracy error.

The IRM provides guidelines to ensure the CSR fully authenticates the caller as authorized to receive the information.¹² The CSR must probe (question) the caller regarding each taxpayer’s:

- (1) Taxpayer Identification Number.¹³

¹² The CSR must follow certain procedures to authenticate a third-party designee.

¹³ A nine-digit number assigned to taxpayers for identification purposes.

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- (2) Name.
- (3) Address.
- (4) Date of birth.
- (5) Filing status.

The IRS clarified its IRM in March 2004 to state that if the taxpayer's identification number and name do not match IRS records,¹⁴ the CSR must not provide taxpayer information to the caller and should advise the caller to call back with accurate information. If the caller's responses to either address or date of birth do not match the IRS' information, the CSR *may* ask additional questions (referred to as high-risk questions) to help authenticate the caller; however, the CSR is not required to ask additional questions. If the caller cannot provide the correct filing status used to file the return in question, the CSR *must* ask two or more additional questions to authenticate the caller as someone eligible to receive information about the account.

Not asking one of the five required probes for a caller is considered a disclosure attribute not met and is scored as a Regulatory error. This Regulatory error is reported internally, but it is not considered in the calculation for Customer Accuracy. The IRS does not consider this error as directly affecting the taxpayer since the taxpayer received a correct answer with the correct resolution.

For an additional 15 (6 percent) of the 264 calls monitored, the CSR did not follow guidelines and did not ask the caller the minimum required probes. However, 14 of the 15 calls were rated correct for Customer Accuracy, even though the CSR did not properly ask all the required probes. For the 14 calls, the following are the results of the authentication probes:

- Five callers were not asked their date of birth.
- Four callers were not asked their filing status.

¹⁴ The CSR accesses and verifies taxpayer data via the Integrated Data Retrieval System (IDRS). The IDRS is the IRS computer system capable of retrieving or updating stored information; it works in conjunction with a taxpayer's account records.

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- Three callers were not asked additional authentication probes when necessary, such as the spouse's date of birth, the amount of income reported on the last return, or the tax due on the last return.
- Two callers were not asked multiple required probes (one caller was not asked for name, address, date of birth, and filing status; the other caller was not asked address, date of birth, and filing status).

In all instances, the CSR disclosed information to the caller about the account. Including these errors as Customer Accuracy errors would reduce the Customer Accuracy reported above from 86 percent (226 of 264) to 80 percent (212 of 264) of the calls monitored.

During the same period as our review, the IRS monitored 804 calls and reported 90 percent (723 of 804 opportunities) Customer Accuracy. Had the IRS considered disclosure to affect its Customer Accuracy, the IRS' Customer Accuracy would have been reduced from 90 percent to 85 percent (687 of 804 opportunities) for the calls sampled between April 12 and May 3, 2004.¹⁵ This would have provided a more accurate portrayal of the IRS' level of customer service.

In addition, the W&I Division's accuracy rate for high-risk authentication is only 69 percent for the period January through June 2004, while other attributes related to disclosure for the same time period are in the 83 to 100 percent range. This attribute measures if the CSR followed the high-risk criteria per the IRM guidelines before providing confidential tax information. For those cases where additional authentication is warranted, the CSR must verify two or more additional items from the taxpayer's account or tax return, such as the number of exemptions claimed on the last return or the return in question or children's dates of birth. No alerts have been issued advising CSRs of any concerns on this attribute. Annual CPE refresher training also did not specifically address high-risk authentication.

¹⁵ This reduction is the result of reducing the number of correct calls (723) by the number of calls (36) which the IRS reported as regulatory errors with respect to taxpayer authentication (723 - 36 = 687).

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CSRs are responsible for knowing with whom they are speaking and the purpose of the call/contact. They must authenticate each caller as someone entitled to receive information about a tax return or tax account. Only after authenticating the taxpayer or third-party designee should the CSR disclose information about the account to the caller.

Providing information to an individual without fully authenticating him or her increases the risk that a taxpayer's confidential information has been disclosed to an unauthorized individual. This could have a direct impact on the taxpayer. It is the responsibility of all IRS employees to protect confidential taxpayer information and to understand what is and what is not an authorized disclosure under the provisions of the law.

We believe that not adequately authenticating the caller prior to providing tax information should be an error considered to affect the taxpayer and reported in Customer Accuracy. Not adequately authenticating the taxpayer may be viewed by a court as either carelessness or a failure to exercise due care. The burden is on the IRS employee to ensure that the disclosure is authorized. Therefore, under such circumstances, a court could find that the employee made an unauthorized disclosure of a tax return(s) or return information.

We understand that the IRS believes that Customer Accuracy should reflect only the accuracy rate of the answers to the account questions and that EQ was designed to accomplish this. We believe not including authentication error information in the reported accuracy rate may affect stakeholders' assessment of the IRS' performance. If the IRS chooses not to include this error in its Customer Accuracy when reporting results externally, it should qualify the results by stating that errors made when authenticating the taxpayer are not included in Customer Accuracy.

In addition, we continue to believe that if any information provided by the taxpayer during the identification probes does not match the information the IRS has in its records (the first four probes), the IRS employee should be required

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to go to high-risk questions. The IRM and the Account Resolution Guide currently allow the CSR discretion in asking additional authentication probes when either the address or date of birth does not match the information on the IRS' systems. The IRS believes that asking a taxpayer more questions might cause additional taxpayer burden. However, we believe the taxpayer would understand the necessity of additional questions if it were clearly explained that the IRS is doing its utmost to ensure the confidentiality of the taxpayer's information.

During our prior review, we recommended strengthening the IRM and Account Resolution Guide to ensure that all required probes are asked and verified and that the CSRs are required to go to the high-risk questions when information in the IRS systems does not match a caller's information. Although the IRS disagreed with our position to require CSRs to go to the high-risk questions, we are not making a recommendation regarding mandatory use of high-risk questions since our recommendation was included in our prior audit of account quality.

Recommendations

The Commissioner, W&I Division, should:

1. Issue a Servicewide Electronic Research Program quality alert to all users of IRM 21.1.3.2, reminding them of the revised IRM guidelines concerning taxpayer authentication and the need for caution when authenticating taxpayers.

Management's Response: IRS management issued a Servicewide Electronic Research Program quality alert to remind all users of IRM 21.1.3.2 of the revised guidelines on September 27, 2004.

2. Provide training to CSRs on taxpayer authentication, with emphasis on high-risk authentication, during annual CPE.

Management's Response: IRS management incorporated a mandatory training module in the annual CPE and all CSRs will be required to receive this module. However, the IRS

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continues to disagree with our position on the reporting of the defects resulting from missed or inadequate verification questions and quoted the response to the prior year's report. Accordingly, the IRS disagreed with our Reliability of Information outcome measure involving 14 taxpayer accounts, which is described in more detail in Appendix IV.

Office of Audit Comment: The IRS does not consider not adequately authenticating the taxpayer as an error that directly affects the taxpayer. However, we still believe providing information to an individual without fully authenticating him or her increases the risk that a taxpayer's confidential information could be disclosed to an unauthorized individual. This could have a direct impact on the taxpayer. Therefore, we believe these errors should be reported in Customer Accuracy. We also believe not including this information in the reported Customer Accuracy rate may affect external stakeholders' assessment of the IRS' performance. As a result, we believe our outcome measure addressing Reliability of Information is appropriate.

In addition, we continue to believe requiring the use of the high-risk questions is warranted to reduce the risk of disclosing confidential information. We continue to be concerned with this item because of the W&I Division's 69 percent accuracy rate for high-risk authentication. The necessity of the additional questions can be explained to the taxpayer and the additional questions would not be considered a burden considering the consequences of unauthorized disclosure.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether taxpayers received quality service when calling the Internal Revenue Service (IRS) Toll-Free Customer Service telephone number (1-800-829-1040) to ask an account-related question during the 2004 Filing Season.¹

Specifically, we determined the quality of the service (taxpayer experience) and the responses taxpayers received when asking an account-related question. To accomplish our objective, we:

- I. Identified the program's goals and measures for providing quality service for Fiscal Year 2004 and any concerns raised by the 16 Wage and Investment Division toll-free call sites in preparation for the 2004 Filing Season.
- II. Determined the procedures used by the Centralized Quality Review Site and the local call sites for incorporating any identified error trends in the current year's training.
- III. Determined the accuracy and quality of the IRS' toll-free telephone assistance responses.
 - A. Selected a judgmental sample of 290 calls from an estimated population of approximately 822,000 toll-free account services provided² by the IRS for the period April 12 through May 3, 2004. We selected a judgmental sample due to limited staff resources while using a monitoring schedule that was representative of the IRS' hours of operation at call sites for answering toll-free account questions. Only 264 of 290 calls were used to report our results because 14 were tax law calls and 12 were transferred outside of the monitored Applications. We were unable to follow the taxpayers through transfers and did not include tax law accuracy results.
 - B. Captured the conversation between the Customer Service Representative (CSR) and the caller on the call transcription form and evaluated the CSR's response by researching the Internal Revenue Manual for procedures and regulations and IRS computer systems for the taxpayer account information. We input the results onto the electronic data input form for each call.
 - C. Computed the critical measures for the 264 calls monitored.
- IV. Analyzed the monitored calls to determine the service taxpayers received when calling to get answers to tax account questions.
- V. Compared the results to the rates the IRS reported for the same measures during the same reporting period.

¹ The period from January through mid-April when most individual income tax returns are filed.

² The assistor provides an answer and that is one service provided. If there is another question, then the caller is transferred to another assistor and an answer is provided; that makes two services provided for the one call.

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Appendix II

Major Contributors to This Report

Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs)

Augusta R. Cook, Director

Paula W. Johnson, Audit Manager

Jackie E. Forbus, Lead Auditor

Grace Terranova, Senior Auditor

Jerry G. Douglas, Auditor

Patricia A. Jackson, Auditor

Andrea R. McDuffie, Auditor

Geraldine S. Vaughn, Auditor

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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Wage and Investment Division SE:W
Director, Customer Account Services, Wage and Investment Division SE:W:CAS
Director, Strategy and Finance, Wage and Investment Division SE:W:S
Director, Accounts Management, Wage and Investment Division SE:W:CAS:AM
Director, Joint Operations Center, Wage and Investment Division SE:W:CAS:JOC
Chief Counsel CC
Chief, Performance Improvement, Wage and Investment Division SE:W:S:PI
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Management Controls OS:CFO:AR:M
Audit Liaison: Senior Operations Advisor, Wage and Investment Division SE:W:S

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Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions in this report and the recommended corrective actions from our Fiscal Year 2003 audit report¹ will continue to have on tax administration. These benefits will be incorporated into our Semiannual Report to the Congress.

Type and Value of Outcome Measure:

- Taxpayer Burden – Actual; 38 taxpayer accounts affected (see page 6).

Methodology Used to Measure the Reported Benefit:

For 38 of the 264 calls monitored, the Customer Service Representative (CSR) did not always follow Internal Revenue Service (IRS) procedures and this prevented the taxpayer from receiving the correct answer or resolution. We considered the CSR as answering a taxpayer's question correctly if the taxpayer received a correct response or the CSR took the appropriate action or disposition leading to a correct resolution.

Type and Value of Outcome Measure:

- Taxpayer Privacy and Security – Potential; 14 taxpayer accounts affected (see page 9).

Methodology Used to Measure the Reported Benefit:

For an additional 15 of the 264 calls monitored, the CSR did not ask the caller the minimum required probes or the information the taxpayer provided did not match the information on IRS data systems. For 14 of the 15 calls, Customer Accuracy was rated as correct. In all instances, the CSR disclosed information to the caller about the account. For the 14 calls, the CSR did not ask the taxpayer's date of birth during 5 calls, did not ask additional authentication probes as necessary during 3 calls, did not ask the taxpayer's filing status during 4 calls, and did not ask multiple probes during 2 calls (1 caller was not asked his/her name, address, date of birth, and filing status; the other caller was not asked address, date of birth, and filing status). Including these errors in our results would reduce Customer Accuracy from 86 percent (226 of 264 opportunities) to 80 percent (212 of 264 opportunities) of the calls monitored.

Type and Value of Outcome Measure:

Reliability of Information – Actual; 14 taxpayer accounts affected (see page 9).

¹ *Toll-Free Account Assistance to Taxpayers Is Professional and Timely, but Improvement Is Needed in the Information Provided* (Reference Number 2004-40-057, dated February 2004).

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Methodology Used to Measure the Reported Benefit:

For an additional 15 of the 264 calls monitored, the CSR did not ask the minimum required probes or the information the taxpayer provided did not match the information on IRS data systems. For 14 of the 15 calls, Customer Accuracy was rated as correct. In all instances, the CSR disclosed information to the caller about the account. For the 14 calls, the CSR did not ask the taxpayer's date of birth during 5 calls, did not ask necessary additional authentication probes during 3 calls, did not ask the taxpayer's filing status during 4 calls, and did not ask multiple probes during 2 calls (1 caller was not asked his/her name, address, date of birth, and filing status; the other caller was not asked address, date of birth, and filing status). Including these errors in our results would reduce Customer Accuracy from 86 percent (226 of 264 opportunities) to 80 percent (212 of 264 opportunities) of the calls monitored.

These 14 potential disclosure errors would not be included in the IRS' reported Customer Accuracy. The IRS believes that Customer Accuracy should reflect only the accuracy rate of the answers to the account questions. Including these disclosure errors would reduce Customer Accuracy. Not including these errors affects the reliability of the information the IRS reports externally to stakeholders and could affect their assessment of the IRS' program.

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Appendix V

Embedded Quality

On October 1, 2002, the Internal Revenue Service (IRS) implemented a revised system for measuring the quality of taxpayer assistance which links employee performance to organizational results related to the quality of customer service. The Embedded Quality (EQ) system replaced the previous “pass/fail” method and uses instead a “defect-per-opportunity” method. This method was designed to distinguish between wrong answers and procedural defects that do not affect the accuracy of the answer.

The comprehensive measures include Timeliness, Professionalism, and Accuracy (comprised of Customer, Regulatory, and Procedural Accuracy). Customer Accuracy reflects whether the Customer Service Representative (CSR) gave a correct and complete response/resolution to the taxpayer’s issue. This measurement system was used on the toll-free telephone operations beginning with the 2003 Filing Season.¹

The IRS Centralized Quality Review Site measures the service provided by toll-free telephone operations’ CSRs by listening to a statistically valid sample of live taxpayer calls from among the various Applications² and rating the calls using the EQ system.

In the EQ measurement and calculation process, the measures are calculated using the percentage correct based on the number of opportunities for defect within each of five “buckets.” The “buckets” are divided into Timeliness, Professionalism, and Accuracy; the Accuracy “bucket” is further subdivided into Customer Accuracy, Regulatory Accuracy, and Procedural Accuracy “buckets.” They are defined as follows:

- **Customer Accuracy:** Giving the correct answer with the correct resolution. “Correct” is measured based upon the taxpayer receiving a correct response or resolution to his or her case or issue and, if appropriate, the CSR taking the necessary case actions or case disposition to provide this response or resolution. For the purpose of coding, reviewers do not take into consideration any additional IRS issues or procedures that do not directly affect the taxpayer’s issue or case. This measurement system was baselined on the toll-free telephone operations during the 2003 Filing Season. For Fiscal Year 2004, the IRS’ goal for Customer Accuracy was 90 percent.
- **Regulatory Accuracy:** Adhering to statutory/regulatory process requirements when making determinations on taxpayer accounts.
- **Procedural Accuracy:** Adhering to nonstatutory/nonregulatory internal process requirements.

¹ The period from January through mid-April when most individual income tax returns are filed.

² The four Applications (categories) monitored by the Treasury Inspector General for Tax Administration are shown in Appendix VI.

**Toll-Free Account Assistance to Taxpayers Is Professional and Timely,
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- **Professionalism:** Promoting a positive image of the IRS by using effective communication techniques.
- **Timeliness:** Resolving an issue in the most efficient manner through the use of proper workload management and time use techniques.

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Appendix VI

**Comparison of Treasury Inspector General for Tax Administration and
Internal Revenue Service Results of Monitored Calls in
Wage and Investment Division Applications for Account Calls Product Lines**

<u>APPLICATIONS</u>	<u>TIGTA¹ CALLS MONITORED</u>	<u>TIGTA CORRECT ANSWERS</u>	<u>TIGTA CUSTOMER ACCURACY RATE</u>	<u>IRS² CUSTOMER ACCURACY RATE</u>
Wage & Investment Procedural	12	11	92%	93%
Wage & Investment Individual Master File ³ Balance Due	20	17	85%	85%
Wage & Investment Non-Streamlined Installment Agreement ⁴	2	0	0%	75%
Individual Master File Account	230	198	86%	90%
Total/Overall Accuracy	264	226	86%	90%

Source: Results of the TIGTA and IRS independent reviews of four toll-free accounts category/Application calls monitored during the period April 12 through May 3, 2004, during the hours of 8:30 a.m. to 5:00 p.m. Central Standard Time, excluding weekends.

Appendix VII

¹ Treasury Inspector General for Tax Administration.

² Internal Revenue Service.

³ The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

⁴ An installment agreement is an arrangement set up between taxpayers and the IRS, whereby taxpayers make partial payments until their balance of debt is paid in full. A non-streamlined installment agreement may be secured where the total tax, penalties, and interest exceeds \$25,000, may be paid off outside a 60-month period, and requires in-depth financial verification.

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Management's Response to the Draft Report



COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

RECEIVED

NOV 30 2004

NOV 30 2004

MEMORANDUM FOR GORDON C. MILBOURN III
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

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

SUBJECT: Draft Audit Report – Toll-Free Account Assistance to Taxpayers
Is Professional and Timely, and the Quality of Information
Provided Has Improved (Audit No. 200440036)

I am pleased your review recognizes the gains that have been made in delivering account service to our customers. Account service is one of the telephone channels IRS provides that enables customers to obtain tax information or resolve tax issues. For fiscal year (FY) 2004, we came very close to improving our telephone customers' experience in every area. We answered 35.5 million calls, up 440,000 from last year. Customer Service Representative (CSR) Level of Service rose to 87.3 percent, up from 80.1 percent. Average Speed of Answer was 158 seconds, an improvement of 23 percent. Customer Account Accuracy was 89.8 percent, up from 88.7 percent. Tax Law Customer Accuracy was 80 percent, compared to 81.8 percent. And, 33.8 million additional callers received service through IRS' automated, self-help services.

During FY 2004, IRS answered 20.3 million calls from customers with questions about an IRS notice, their balance due, the status of their refund, or another post return filing issue with their account. IRS has made a concerted effort to ensure our responses to these questions are professional, timely and accurate. Your past observations have been beneficial to us as we followed your suggestion and clarified our guidance in the Internal Revenue Manual (IRM).

I agree with your comment that some of our improvement can be attributed to the additional training we conducted as a result of your report last year. I also think it is important to note that although we used two different approaches to sampling calls, the results of our reviews were very close. While we are pleased with our progress to improve Customer Accuracy, we still recognize opportunities for additional improvement. I agree with the two recommendations made in your report on reminding users of our Servicewide Electronic Research Program (SERP) of the revised IRM guidelines on taxpayer authentication and providing training on the subject during our

Toll-Free Account Assistance to Taxpayers Is Professional and Timely, and the Quality of Information Provided Has Improved

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annual Continuing Professional Education. We have already initiated the appropriate corrective actions.

I continue to disagree with your position on reporting of the defects resulting from missed or inadequate verification questions. As I stated in my February 12, 2004 response to your report, *Toll-Free Account Assistance to Taxpayers is Professional and Timely, but Improvement Is Needed in the Information Provided*, several important facts were not recognized in the report. Your current report also does not acknowledge these facts. As I stated in my prior response:

- "Unauthorized disclosures (the release of confidential information to an unauthorized party) detected during quality review of calls are indeed reported as Customer Accuracy defects. If the cause of the unauthorized disclosure is due to incomplete or inadequate use of the disclosure authentication process, a Regulatory Accuracy defect is also recorded. Customer Accuracy is one of our Balanced Measures; therefore, unauthorized disclosures are reflected in our reporting to stakeholders. This was not mentioned in your report."
- "Incomplete or inadequate use of the disclosure authentication probes is reported as a Regulatory Accuracy defect. As discussed with your staff on several occasions, incomplete or inadequate use of the disclosure authentication probes increases the risk of unauthorized disclosure, but does not constitute unauthorized disclosure."
- "All defects identified during managerial review using the Embedded Quality Review System (EQRS), whether classified as Customer Accuracy, Regulatory Accuracy, or Procedural Accuracy, are reported and documented. Employees receive counseling from their manager when any defect is noted during managerial monitoring using the EQRS review process. Your report does not mention this corrective process."

Last year after thorough consideration of your position, I stated in my response, "Our reporting is consistent with our guidelines for our Strategy and Program Plan and IRS measures. It is consistent with the way Regulatory Accuracy and Procedural Accuracy non-disclosure related defects are classified and reported. We see no need to change our reporting or to advise stakeholders that our Customer Accuracy reporting does not include defects that are, by definition, reported as either Regulatory or Procedural Accuracy." My confidence in that position remains unchanged.

I also maintain my position concerning your prior recommendation that CSRs be required to use additional authentication questions (high-risk) if any of the information provided by the customer during the identification probes does not match the information on our records. The procedures in place allow a CSR to waive the additional authentication questions only if the customer's response to either the address

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or date of birth question does not match our records, all of their other answers are correct, and the CSR, based on the total information given by the caller, has no doubt about the identity of the customer. This flexibility was established because we recognized our internal systems would not always match the information a caller may provide to us at the time of their call. We recognize customers may move frequently and our date of birth information is not always accurate. To allow our CSR's this limited flexibility in these situations is reasonable and reduces customer burden. As I have previously stated, "Our authentication process provides appropriate and reasonable safeguards when properly used by our employees." We will continue our efforts to ensure our employees understand and properly use this process.

I agree with two of the three outcome measures in Appendix IV of your report, Taxpayer Burden-Actual and Taxpayer Privacy and Security-Potential. I do not agree with the outcome measure of Reliability of Information-Actual. Our reporting is an accurate reflection of the results of our quality review process.

Our 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 David L. Medeck, Director, Customer Account Services, at (404) 338-8110.

Attachment

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Attachment

RECOMMENDATION 1

Issue a Servicewide Electronic Research Program (SERP) quality alert to all users of IRM 21.1.3.2, reminding them of the revised IRM guidelines concerning taxpayer authentication and the need for caution when authenticating taxpayers.

CORRECTIVE ACTION

We agree with this recommendation. We issued a SERP quality alert to remind IRM 21.1.3.2 users of the revised guidelines on September 27, 2004.

IMPLEMENTATION DATE

Completed - September 27, 2004

RESPONSIBLE OFFICIAL

N/A

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 2

Provide training to CSRs on taxpayer authentication, with emphasis on high-risk authentication, during annual Continuing Professional Education.

CORRECTIVE ACTION

We have incorporated a mandatory training module in the annual CPE. All CSRs attending CPE will receive this module.

IMPLEMENTATION DATE

February 15, 2005

RESPONSIBLE OFFICIAL

Director, Accounts Management, W&I CAS

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.