The Accounts Management Program Has Annual Performance Goals but Should Develop Long-Term Performance Goals

May 2005

Reference Number: 2005-40-079

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

May 6, 2005

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - The Accounts Management Program Has Annual Performance Goals but Should Develop Long-Term Performance Goals (Audit # 200440037)

This report presents the results of our review of the Accounts Management Program. The overall objective of this review was to determine whether management policies and the purpose, strategies, and plans of the Accounts Management Program were effectively designed to ensure the Program meets the Internal Revenue Service's (IRS) goal of improving customer service. We also determined whether the Accounts Management Program is effectively designed to ensure it meets the requirements of the Government Performance and Results Act (GPRA) of 1993.[1] This review is included in our Fiscal Year (FY) 2004 Annual Audit Plan under the title *Toll-Free Program Measures and Goals.*

The IRS' mission is to "provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all." In line with this mission, employees in the Accounts Management Program help taxpayers by responding to customer inquiries via electronic media, telephone, and correspondence. As part of the Wage and Investment (W&I) Division's strategic planning process, the Accounts Management Program has a comprehensive annual strategic planning process to help ensure it manages resources and meets its annual performance goals. The Accounts Management Program adequately coordinates with other components in the W&I Division and with other business units[2] as

[1] 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.).
[2] The IRS is organized into four major operating units, aligned by types of taxpayers: individual taxpayers; businesses and self-employed taxpayers; corporations with assets greater than $10 million; and employee benefit plans, tax-exempt organizations (such as charities and social welfare groups), and governmental entities.

appropriate. In addition, the Accounts Management Program has filtered its mission down to the front-line staff so the employees recognize the importance of their jobs in relation to the IRS' overall goal of helping taxpayers understand and meet their tax obligations.

Although the Accounts Management Program has a comprehensive strategic planning process, it does not currently report long-term performance goals that reflect the Program's ability to provide top-quality customer service when responding to individual taxpayer inquiries electronically through the Internet (via the IRS web site, IRS.gov), by telephone, and through correspondence. Instead, the Accounts Management Program has developed multiple annual goals and workload indicators that provide a sense of how the Program is working. In addition, the Accounts Management Program has developed a Concept of Operations that outlines internal goals for the organization. However, these internal goals are not provided to outside stakeholders for use in evaluating whether the Program is operating effectively and efficiently. We recommended the Commissioner, W&I Division, develop long-term goals that define the level of performance with set time periods to be achieved by the Accounts Management Program.

Management's Response: IRS management agrees in concept with our recommendation; however, they state that the W&I Division Accounts Management Program is not a budget-level program as defined and is, therefore, not required to establish long-term goals. The Accounts Management Program is represented by the Assistance budget activity.

However, the W&I Division is working with the Chief Financial Officer to establish appropriate long-term goals for the Assistance budget activity. Included for the Accounts Management Program are targets for achievement in both Level of Service and Accuracy of Tax Law and Accounts inquiries.

The long-term goals to be used beginning in FY 2006 will be reflected in the IRS' FY 2007 budget submission scheduled for delivery to the Department of the Treasury in June 2005. Management's complete response to the draft report is included as Appendix VI.

Office of Audit Comment: We are pleased that IRS management agrees in concept with our recommendation and the W&I Division is partnering with the Chief Financial Officer in establishing meaningful long-term goals aligned with budget activities. We believe the Accounts Management Program is a major function and operation of the IRS as defined by the GPRA. As such, it is responsible for achieving performance goals and objectives in providing key taxpayer services and should be accountable for establishing long-term goals.

Copies of this report are also being sent to the IRS managers affected by the report recommendation. 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.

Table of Contents

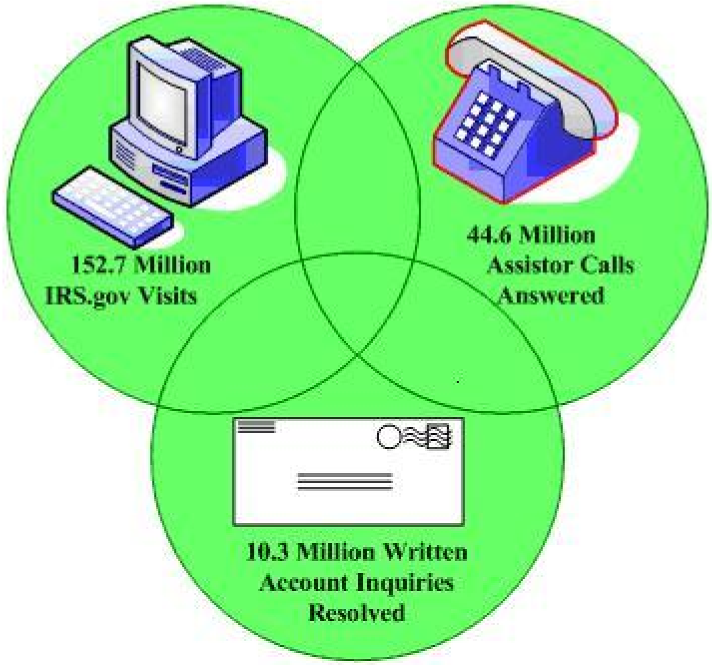
Background

Taxpayers are responsible for filing tax returns that report the full amount of taxes owed and for paying any taxes due. The Internal Revenue Service's (IRS) mission is to "provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all."

The IRS accomplishes this, for example, by responding to taxpayers' questions through electronic media, telephone, and correspondence. Taxpayers can access the IRS web site, IRS.gov, to review information about tax law and determine if they qualify for certain deductions or credits. They can call the IRS toll-free telephone numbers to ask IRS employees tax law questions or ask how or where to file their tax returns. When trying to resolve account-related issues, taxpayers can call the IRS toll-free telephone numbers or write to the IRS. When taxpayers understand their tax obligations and are given tools that make it easier to meet their obligations, they are more likely to file their taxes and comply with the law.

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 IRS toll-free telephone assistance numbers. For Fiscal Year (FY) 2004, IRS.gov received 152.7 million visits and assistors answered over 44.6 million toll-free telephone calls. In addition, the IRS responded to and resolved 10.3 million taxpayer written account inquiries. Figure 1 shows the number of services provided by the IRS through its various assistance channels.

Figure 1: Services Provided by the IRS in FY 2004



Source: IRS management reports.

The IRS Wage and Investment (W&I) Division is responsible for serving over 120 million individual taxpayers.[1] W&I Division employees in the Accounts Management Program of the Customer Account Services (CAS) organization are responsible for responding to individual taxpayer inquiries through IRS.gov, by telephone, and through correspondence. Accounts Management Program employees are located in 17 sites[2] across the nation. FY 2004 resource levels for the Program were $459.7 million, including approximately 6,861 permanent employees and 3,048 seasonal employees.

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[1] Individual taxpayers filing a U.S. Individual Income Tax Return (Form 1040) whose income is from wages and investments, such as interest, dividends, or capital gains.

[2] The Accounts Management Program has 17 call sites staffed with permanent and seasonal employees. Employees at five of the call sites are co-located with campuses and currently answer telephone calls and process written account inquiries. The remaining employees are located at 12 call sites and mostly answer telephone calls. Campuses are the data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.

For FY 2005, resource levels are estimated at $477.5 million. See Appendix IV for an organization chart of the Accounts Management Program.

The Government Performance and Results Act of 1993 (GPRA)[3] was established to improve the confidence of the American people in the capability of the Federal Government by holding Federal agencies accountable for achieving program results. This involved the initiation of program performance reform by setting program goals, measuring program performance against those goals, and reporting publicly on the progress. In addition, the Act promotes a focus on results, service quality, and customer satisfaction and requires Federal Government managers to plan for meeting program objectives and providing information about program results and service quality. In essence, the GPRA required Federal Government agencies to establish a mission, goals, and performance measures and link goals to results.

The GPRA requires executive agencies to prepare multiyear strategic plans, annual performance plans, and annual performance reports on prior year accomplishments. Together, these elements create a recurring cycle of reporting, planning, and execution. Strategic plans have six basic requirements and are the starting point for setting goals and measuring progress toward achieving them. This review focused on the first two requirements as they relate to the W&I Division Accounts Management Program. Specifically, the strategic plan must contain:

- A comprehensive mission statement covering the major functions and operations of the agency.
- General goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the agency.

The GPRA also has six basic requirements for annual performance plans. For this review, we focused on the first two requirements as they relate to the

[3] 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.).

W&I Division Accounts Management Program. Specifically, the performance plan must:

- Establish performance goals to define the level of performance to be achieved by a program activity.
- Express such goals in an objective, quantifiable, and measurable form.

The President's Management Agenda (PMA),[4] announced in August 2001, was issued to build on the GPRA by providing for a systematic approach to accounting for performance when making budget decisions. The PMA is a strategy for improving the management and performance of the Federal Government and stresses the need to provide a greater focus on performance management. It is focused on performance-based budgeting, which means money is allocated based on results rather than perceived needs. The PMA set five Government-wide initiatives. Two initiatives that relate to this report are Improve Financial Performance and Budget and Performance Integration.

The Office of Management and Budget (OMB) assists the President in the development and implementation of budget, program, management, and regulatory policies. The OMB provides guidance to Federal Government agencies in meeting the GPRA and PMA requirements. Program performance guidance includes descriptions, overviews, and definitions of strategic plans, annual program performance reports, and performance budgets. The OMB provides the following definitions that pertain specifically to this review:

- Performance Goals – the target levels of performance expressed as a measurable objective, against which actual achievement can be compared. To be complete, performance goals should incorporate targets and time periods into performance measures.
- Performance Budget – a budget presentation that clearly links performance goals with costs for achieving a target level of performance. It links

[4] Executive Office of the President, Office of Management and Budget, *The President's Management Agenda, Fiscal Year 2002.*

strategic goals with related long-term and annual performance goals with the costs of specific activities to influence the outcomes about which budget decisions are made.

This review was performed at the W&I Division Headquarters in Atlanta, Georgia, and the Accounts Management Program offices in Atlanta, Georgia, and Dallas, Texas, during the period August through December 2004. 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.

The Accounts Management Program's Annual Strategic Planning Process Has Established Annual Performance Goals

As part of the W&I Division strategic planning process, the Accounts Management Program has a comprehensive annual strategic planning process to help ensure it manages resources and meets its annual performance goals. The Accounts Management Program's mission, to provide top-quality customer service by responding to taxpayers' questions and helping them understand and meet their tax responsibilities, supports the IRS and W&I Division missions and appropriately covers the major functions and operations of the Program. In addition, the Accounts Management Program has established annual goals and objectives to ensure planning and management of the Program are focused.

The CAS organization's strategy and planning includes the Accounts Management Program and is rolled into the W&I Division's strategy and program plan. The Account Management Program's mission appropriately focuses on this strategy. Recent priorities have appropriately included strategies to reduce W&I Division taxpayer burden by improving quality and efficiency. Operational priorities included:

- Providing corporate workload management for paper correspondence to increase timeliness and quality of responses through planned correspondence imaging technology.
- Identifying less-costly methods of service delivery to reduce customer dependence on traditional methods of

delivery, improving quality, and using resources more efficiently.

- Developing and implementing improved tools for more efficient and accurate delivery of customer services.

To help ensure its strategic planning efforts are successful, the Accounts Management Program adequately coordinates with other organizations in the W&I Division and with other IRS business units[5] as appropriate. It also collaborates extensively with the Joint Operations Center (JOC)[6] function to ensure resources are available and efficiently used. Yearly meetings are held with all managers to discuss the performance goals.

Program management has filtered its mission down to the front-line staff so the employees recognize the importance of their jobs in relation to the Accounts Management Program's mission and the IRS' overall goal of helping taxpayers understand and meet their tax obligations. For example, interviews with staff at one site showed that all employees interviewed could verbalize (paraphrase) the mission of the Accounts Management Program and explain how the work they do fits into that mission.

As part of the strategic planning process, CAS organization management has established short-term (annual) performance measures that gauge the Accounts Management Program's activities and productivity. To monitor activity and production, the CAS organization and Accounts Management Program management analyze information related to volumes and quality of responses in the telephone operations and paper programs. For example:

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[5] The IRS is organized into four major operating units, aligned by types of taxpayers: individual taxpayers; businesses and self-employed taxpayers; corporations with assets greater than $10 million; and employee benefit plans, tax-exempt organizations (such as charities and social welfare groups), and governmental entities.

[6] The JOC is another function within the CAS organization; it provides the technology for electronic media, telephone, and written correspondence received from taxpayers and captures management information.

- The volume of toll-free automated calls answered, assistor calls answered, and assistor services provided.
- The percentage of correct responses provided by assistors to account-related and tax law telephone inquiries.
- The volume of customer accounts resolved, as well as the percentage of those accurately resolved.
- The volume of CAS organization web services provided.

These are valid indicators or measures to help management set goals and determine whether resources are used properly or to gauge the activity or productivity (the output) of the Accounts Management Program. They are also intended to ensure consistency throughout the W&I Division. The measures ensure data are available to provide a basis for measuring and improving work products by identifying sources of error, identifying and analyzing trends, recommending and implementing corrective actions, and following up with reviews to ensure the corrective actions were effective.

In addition, specific performance goals are set for each Accounts Management Program call site based on these strategic planning efforts. For example, based on factors such as the number of employees and employee experience, 1 call site has a tax law customer accuracy goal of 83.6 percent, while another has a tax law customer accuracy rate of 81.8 percent. One campus/call site has an adjustments closure goal of 2,103 per Full-Time Equivalent (FTE)[7], whereas another campus/call site's goal is to close 2,694 adjustments per FTE.

In FY 2005, the W&I and Small Business/Self-Employed Divisions CAS organizations were consolidated. Although the FY 2005 measures will remain separate for the two organizations, W&I Division CAS management has already

[7] An FTE is a measure of labor hours in which 1 FTE is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. For FY 2004, 1 FTE was equal to 2,096 staff hours. For FY 2005, 1 FTE is equal to 2,088 hours.

reviewed, combined, and updated the consolidated FY 2006 Accounts Management Program performance goals and measures.

The annual comprehensive and coordinated planning and monitoring efforts used by the W&I Division, CAS organization, and Accounts Management Program office ensure the Program addresses customer and employee needs, focuses on improving its overall operations, and prioritizes its limited resources.

Long-Term Performance Goals Are Needed

The Accounts Management Program does not currently report long-term performance goals that reflect the Program's ability to provide top-quality customer service when responding to individual taxpayer inquiries electronically through IRS.gov, by telephone, and through correspondence. Instead, the Accounts Management Program has developed multiple annual goals and workload indicators that provide a sense of how the Program is working. In addition, the Accounts Management Program has developed a Concept of Operations (CONOPS) that outlines internal goals for the organization. However, these internal goals are not provided to outside stakeholders for use in evaluating whether the Program is operating effectively and efficiently.

The Accounts Management Program has established annual measures and goals that are used for GPRA reporting purposes. These performance measures have included:

- Toll-Free Level of Service Rate.
- Assistor Calls Answered.
- Customer Accuracy Rates.
  - Toll-Free Tax Law.
  - Toll-Free Accounts.
- Customer Satisfaction Rates.
  - Toll-Free.
  - Customer Accounts Correspondence.

In FY 2004, the Accounts Management Program developed the outcome measure, Volume of Accounts Management Customer Contacts per Staff Year. This measure, once baselined, will provide the IRS an efficiency measure to determine if the Program's activities achieve results without wasted resources, time, effort, or money. See Appendix V for details on these measures. In addition, as part of the IRS' Balanced Measures, the Accounts Management Program measures and reports the Employee Satisfaction Rate. Data for this measure are obtained through surveys.

In 2002, the Government Accountability Office (GAO) reported the IRS does not report cost of service measures information.[8] The IRS agreed and is in the process of developing a mechanism that will provide cost information for performance activities.

However, the Accounts Management Program is currently not reporting long-term goals externally. The Program uses long-term goals to project to FY 2010, adjusting the goals based on mathematical algorithms rather than on a determination or analysis of actions the Accounts Management Programs has taken or plans to take to provide top-quality service. However, the goals used for GPRA reporting purposes in its annual Performance and Accountability Report include only actual results for the 3 preceding fiscal years, planned and actual results for the current year being reported, and the following year's planned target for the measure.

The OMB states that long-term performance measures should include two or three specific, easily understood outcome measures that directly and meaningfully support a program's purpose over a long period of time, usually 5 to 10 years. The Accounts Management Program recognizes the need for long-term goals and measures. In the past, it has focused on annual goals and measures while working toward developing long-term measures and goals through its CONOPS.

The CONOPS outlines the desired future state of the Accounts Management Program and contains specific long-term performance measures that focus on outcomes and reflect the purpose of the Program. Many of the

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[8] *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures* (Reference Number GAO-03-143, dated November 2002).

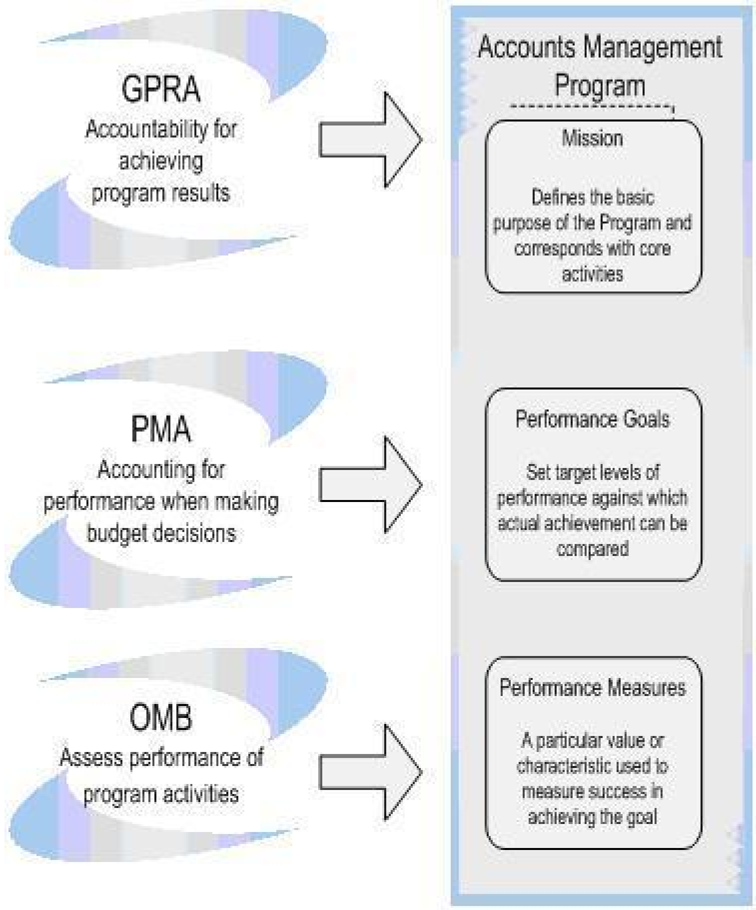
CONOPS measures and goals are dependent on new technology and processes being implemented timely, including implementing new computer systems as part of the IRS' overall modernization efforts. In addition, the CONOPS does not provide a link between the annual goals reported for GPRA purposes and long-term goals established in its vision.

Federal Government agencies are expected to identify high-quality outcome measures and accurately monitor performance of programs. The GPRA and related OMB circulars require Federal Government agencies, as part of the strategic planning process, to develop general goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the agency. Agencies must develop goals and objectives that define the level of performance with set time periods to be achieved by a program activity. Those goals should be quantifiable and measurable unless authorized to be in an alternative form.

The IRS will not be able to meet the PMA goals for improving financial performance and integrating budgeting and performance. The PMA contains five Government-wide and nine agency-specific goals to improve Federal Government management and deliver results that matter to the American people.

As a part of the PMA, the OMB assesses performance of program activities, focusing on their contribution to an agency's achievement of its strategic and program performance goals. The assessments help link performance and budget decisions. In the case of shared measures, each program should be able to demonstrate how it contributes to the outcome or output measured. Figure 2 shows the relationship of the GPRA, the PMA, and the OMB to the Accounts Management Program.

Figure 2: Relationship of the GPRA, the PMA, and the OMB to the Accounts Management Program



Source: GPRA, PMA, OMB Memorandum #M-02-02, dated October 2001, Office of Management and Budget Circular A-11, IRS Performance Measures Workshop.

Yet the IRS has not established long-term goals to reflect when the Program will achieve top-quality customer service and at what level the Program is deemed successful. Not reporting long-term goals impairs management's and the Congress' ability to make informed decisions related to the W&I Division's Accounts Management Program resource levels.

Recommendation

The Commissioner, W&I Division, should:

1. Develop long-term goals that define the level of performance with set time periods to be achieved by the Accounts Management Program.

Management's Response: IRS management agrees in concept with our recommendation; however, they state that the W&I Division Accounts Management Program is not a budget-level program as defined and is, therefore, not required to establish long-term goals. The Accounts Management Program is represented by the Assistance budget activity.

The W&I Division is working with the Chief Financial Officer to establish appropriate long-term goals for the Assistance budget activity. Included for the Accounts Management Program are targets for achievement in both Level of Service and Accuracy of Tax Law and Accounts inquiries.

The long-term goals to be used beginning in FY 2006 will be reflected in the IRS' FY 2007 budget submission scheduled for delivery to the Department of the Treasury in June 2005.

Office of Audit Comment: We are pleased that IRS management agrees in concept with our recommendation and the W&I Division is partnering in the efforts led by the Chief Financial Officer in establishing meaningful long-term goals aligned with budget activities. We believe the Accounts Management Program is a major function and operation of the IRS as defined by the GPRA. As such, it is responsible for achieving performance goals and objectives in providing key taxpayer services and should be accountable for establishing long-term goals.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to determine whether management policies and the purpose, strategies, and plans of the Accounts Management Program were effectively designed to ensure the Program meets the Internal Revenue Service's (IRS) strategic goal of improving customer service. We also determined whether the Accounts Management Program is effectively designed to ensure it meets the requirements of the Government Performance and Results Act of 1993.[1]

This review followed the Office of Management and Budget's Performance Assessment Rating Tool, Sections 1 and 2, which provide the information necessary to determine whether a Federal Government program has laid a solid foundation to be successful in achieving its goals and addressing its mission. To accomplish our objective, we:

I. Determined whether the design and purpose for the Accounts Management Program was clear and properly aligned with the mission of the Wage and Investment (W&I) Division and the IRS.

   A. Contacted the IRS National Headquarters Office of Research and the W&I Division Research Office to identify current and planned research being done that would affect the goals of the Accounts Management Program.

   B. Determined whether the Accounts Management Program's purpose was clear and addressed a specific interest, problem, or need.

      1. Researched the IRS Internet web site; the W&I Division, Customer Account Services (CAS) organization, and Accounts Management Program Intranet web sites; and the Internal Revenue Manual to identify the Program's mission.

      2. Interviewed the W&I Division Directors for the CAS organization and the Accounts Management Program and the appropriate Program managers to determine their interpretations of the Program's purpose and mission.

      3. Interviewed selected Atlanta Campus Accounts Management Program management, Customer Service Representatives, and Tax Examiner Technicians to determine whether the Program mission had been communicated to the front-line staff and obtained their interpretations of the Program's purpose and mission.

   C. Evaluated whether the Accounts Management Program's mission was logical.

[1] 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.).

II. Determined whether Accounts Management Program management had set valid annual and long-term goals that focus on outcomes and reflect the Program's purpose.

A. Reviewed annual and long-term strategic plans for the Accounts Management Program to identify its goals.

B. Evaluated long-term goals to determine whether they had the following elements:

- Outcomes that focus on the mission and the likelihood of the mission to yield intended outcomes (increased customer service).
- Established baselines.
- Clear time periods.
- Clear targets.
- Efficiency goals.

C. Determined when and how short-term goals were established and how often these goals were adjusted/revised.

D. Evaluated short-term goals to determine whether they demonstrate progress toward achieving the long-term goals and the impact of the adjustment/revision on achieving long-term goals.

E. Conducted a walk-through of the Atlanta Campus Accounts Management Program to identify how telephone and correspondence responses to customer inquiries were processed and how these processes relate to the overall Program mission.

F. Obtained Accounts Management Program documentation to identify and quantify workload inventory volumes and the resources (budget) used to run the various Program activities.

G. Determined whether Accounts Management Program management collaborated and coordinated effectively with related programs (partners) that shared similar goals and objectives by interviewing the appropriate officials.

H. Determined how each related program's (partner's) individual measurable goals were consolidated to produce IRS (Enterprise) measurable goals.

I. Determined whether the Accounts Management Program worked with outside stakeholders in identifying its long-term goals.

J. Determined whether the Accounts Management Program had taken steps to address any strategic long-term planning deficiencies.

Appendix II

Major Contributors to This Report

Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs)
Augusta R. Cook, Director
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Appendix III

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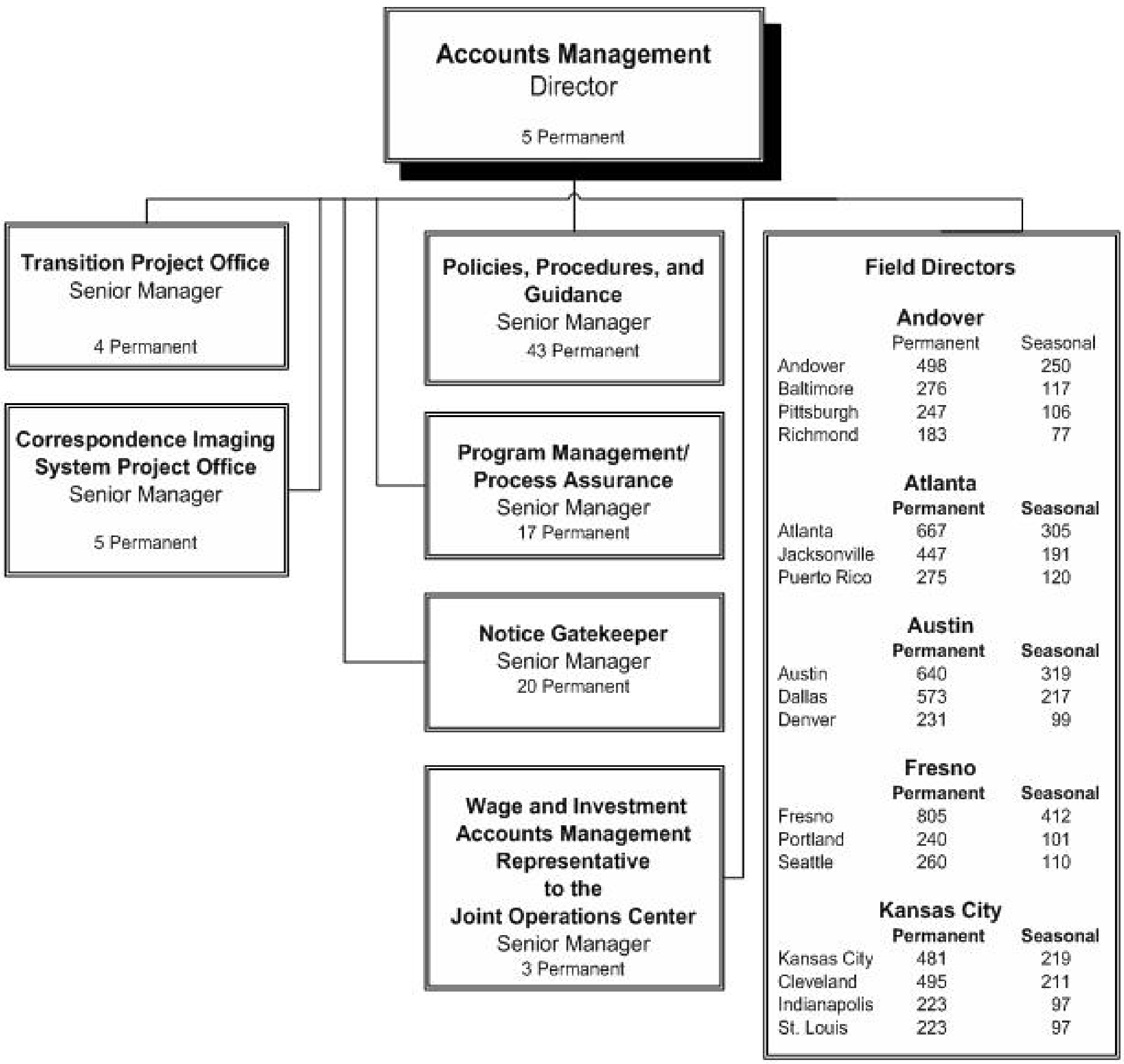
Acting Senior Operations Advisor, Wage and Investment Division SE:W:S

Appendix IV

Accounts Management Program
Organization Chart
Fiscal Year 2004



Appendix V

Accounts Management Program Performance Measures

The following narrative explains the types of performance measures used by the Internal Revenue Service (IRS) to evaluate program activities and examples of Fiscal Year (FY) 2005 Accounts Management Program performance measures.

Outcome measures define the intended result, effect, or consequence that will occur from carrying out a program or activity. With respect to programs, an outcome is an event or condition that is external to the program or activity and is of direct importance to the intended beneficiaries and/or the public. Outcome measures may be long- or short-term.

- Customer Service Representative Level of Service Rate.
- Customer Accuracy Rates.
  - Toll-Free Tax Law.
  - Toll-Free Accounts.
  - Customer Accounts Resolved (Adjustments).

Critical measures define a single set of measures that the IRS will use with external reviewers. The IRS includes critical measures in the annual budget request; they are short-term measures.

- Customer Satisfaction and Dissatisfaction Rates.
  - Toll-Free.
  - Customer Accounts Resolved (Adjustments).
- Volume of Toll-Free Assistor Calls Answered.
- Volume of Customer Accounts Resolved.

Efficiency measures define the ratio of the outcome or output to the input of any program. They are a description of the level at which programs are executed or activities are implemented to achieve results while avoiding wasted resources, effort, time, and money. Efficiency measures may be long- or short-term. This is a new performance measure for FY 2005.

- Volume of Accounts Management Customer Contacts per Staff Year.
  Contacts are Automated and Assistor Calls; Adjustments, Taxpayer Relations, and Employer Identification Number Paper; web service such as Internet Refund Fact of Filing; and other electronic services such as Electronic Tax Law Administration, Internet-Employer Identification Number Disclosure Authorization, and Preparer Taxpayer Identification Number.

Balanced Program measures are used by the IRS to assess organizational performance at both the strategic and operational levels. They include business results, customer satisfaction, and employee satisfaction and may be long- or short-term.

- Volume of Customer Account Services Web Services.
- Volume of Toll-Free Assistor Services Provided.
- Average Speed of Answer Rate.

Appendix VI

Management's Response to the Draft Report

RECEIVED

APR 2 0 2005

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

COMMISSIONER
WAGE AND INVESTMENT DIVISION

APR 1 9 2005

MEMORANDUM FOR PAMELA J. GARDINER
DEPUTY INSPECTOR GENERAL FOR AUDIT

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

SUBJECT: Draft Audit Report – The Accounts Management Program Has Annual Performance Goals, But Should Develop Long-Term Performance Goals (Audit No. 200440037)

I appreciate your in-depth review of Accounts Management to ensure that policies, plans and strategies are aligned with our goal of improving customer service and conform to the Government Performance and Results Act of 1993 (GPRA). I agree with your conclusion that our policies and strategies are properly focused on delivering top quality service to the taxpaying public. I am particularly pleased with your recognition that managers and employees recognize their critical role in meeting our customers' expectations. Our Customer Account Services management team has made a concerted effort to ensure that each person understands their responsibility to provide the best customer service possible. We will continue to reinforce this message since it is a cornerstone to improving customer service.

I agree with your observation that there is a need to establish long-term goals. The Wage and Investment (W&I) Division is a partner in efforts led by the Chief, Financial Officer (CFO) to establish meaningful long-term goals aligned with budget activities. The Office of Management and Budget conducts systematic assessments of performance for program activities across the Federal government through its Program Assessment Rating Tool (PART) and provides guidance on defining programs for assessment purposes. The Accounts Management function is not defined as a program under IRS' formal budget structure. It is represented by the Assistance budget activity. The Accounts Management activities covered under the proposed Long-Term Goal(s) for Assistance includes targets for achievement in both Level of Service and Accuracy of Tax Law and Accounts inquiries. The IRS' long-term goals for the Assistance budget activity, to be used beginning in Fiscal Year (FY) 2006, will be reflected in the IRS' FY 2007 Budget request scheduled for delivery to Treasury in June 2005.

Attached are our comments addressing your recommendation. 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) 338-8910.

Attachment

Attachment

RECOMMENDATION

The Commissioner, Wage and Investment Division, should:
Develop long-term goals that define the level of performance with set time periods to be achieved by the Accounts Management Program.

CORRECTIVE ACTION

We agree in concept with this recommendation; however, W&I Accounts Management is not a budget level program as defined and under PART is not required to establish long-term goals. The W&I Division is working with the CFO to establish appropriate long-term goals for the Assistance budget activity. The long-term goals to be used beginning in FY 2006, will be reflected in IRS' FY 2007 budget submission.

IMPLEMENTATION DATE

October 15, 2005

RESPONSIBLE OFFICIAL

Director, W&I Customer Account Services

CORRECTIVE ACTION MONITORING PLAN

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