



*Improved Toll-Free Telephone Services  
Should Make It Easier for Taxpayers  
to Obtain Assistance During  
a Correspondence Audit*

**August 17, 2012**

**Reference Number: 2012-30-093**

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.

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## HIGHLIGHTS

### **IMPROVED TOLL-FREE TELEPHONE SERVICES SHOULD MAKE IT EASIER FOR TAXPAYERS TO OBTAIN ASSISTANCE DURING A CORRESPONDENCE AUDIT**

## Highlights

**Final Report issued on August 17, 2012**

Highlights of Reference Number: 2012-30-093 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

### **IMPACT ON TAXPAYERS**

The Intelligent Contact Management System is a toll-free call routing system that the Small Business/Self-Employed (SB/SE) Division incorporated into its correspondence audit process to make it more responsive and less burdensome from the taxpayer's point of view. However, the SB/SE Division is not consistently returning telephone calls to taxpayers and needs to take action to increase the likelihood of achieving the expected benefits of the new telephone system.

### **WHY TIGTA DID THE AUDIT**

This audit was initiated at the suggestion of the IRS to determine the progress that the SB/SE Division is making to take advantage of the opportunities offered by the Intelligent Contact Management System. Under the old telephone system, the IRS reported finding that 70 percent of the calls to examiners were answered by voicemail, and 39 percent of these calls were not promptly returned. Moreover, 62 percent of the taxpayers were repeat callers. Also, the customer satisfaction survey results suggested that the IRS needs to make it easier to get through to the IRS on the telephone for assistance.

### **WHAT TIGTA FOUND**

The numerous benefits the Intelligent Contact Management System offers represent a substantial change from the prior capabilities that the old toll-free call system provided to taxpayers involved in a correspondence audit.

For example, one major change was replacing the geographically based routing system with a nationwide skill-based routing network that distributes calls to the next available IRS telephone assistor. This change makes it easier for taxpayers to reach examiners and receive needed information on their first call.

TIGTA also found that examiners are trained and monitored to ensure they provide accurate information to taxpayers, but they do not consistently return calls when requested by or promised to taxpayers. TIGTA identified 20 calls during which the taxpayer either requested a return call or was promised one from a statistical sample of calls the SB/SE Division received from October 31 through December 9, 2011. For 14 of the 20 calls, there was no evidence that the call was returned.

### **WHAT TIGTA RECOMMENDED**

TIGTA recommended that the IRS modify quality review procedures to include a requirement that quality reviewers and first-line managers evaluate if examiners are returning calls. In addition, the IRS should ensure quality reviewers and first-line managers are knowledgeable of how the Correspondence Examination Automation Support System can be used for evaluating whether examiners are returning calls.

The IRS agreed with both recommendations and stated it has completed implementation of the necessary corrective actions to address the problems TIGTA identified.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

August 17, 2012

**MEMORANDUM FOR** COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED  
DIVISION

**FROM:** Michael E. McKenney  
Acting Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Improved Toll-Free Telephone Services  
Should Make It Easier for Taxpayers to Obtain Assistance During  
a Correspondence Audit (Audit # 201130052)

This report presents the results of our review to determine the progress the Small Business/Self-Employed Division is making to take advantage of the opportunities that the Intelligent Contact Management System offers for enhancing the correspondence audit process. This review was conducted in response to a suggestion by the Commissioner, Internal Revenue Service. The review is part of our Fiscal Year 2012 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

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

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 Frank Dunleavy, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations), at (213) 894-4470 (Ext. 128).



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## *Abbreviations*

EQRS	Embedded Quality Review System
FY	Fiscal Year
ICMS	Intelligent Contact Management System
IRS	Internal Revenue Service
JOC	Joint Operations Center
LOS	Level of Service
NQRS	National Quality Review System
SB/SE	Small Business/Self-Employed



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## *Background*

The Intelligent Contact Management System (ICMS) is a toll-free call routing system that supports the Internal Revenue Service's (IRS) vision to make it easier for taxpayers to meet their responsibility to pay taxes by providing them with quality service, taking steps to better understand issues from the taxpayer perspective, and reducing taxpayer burden. The ICMS takes advantage of modern technologies by linking multiple IRS call centers<sup>1</sup> into a single "virtual" call center that is accessed through one toll-free number. It is also part of a much larger suite of toll-free telephone assistance lines that millions of individuals, businesses, and tax practitioners access annually when seeking help in understanding tax laws and meeting their tax obligations.

Incorporated into the Small Business/Self-Employed (SB/SE) Division Correspondence Examination Program in Fiscal Year (FY) 2010, the ICMS is a component in an overall effort to make the IRS correspondence audit process more responsive and less burdensome for taxpayers. The SB/SE Division staffs the Correspondence Examination Program with about 880 examiners who are trained to answer incoming calls<sup>2</sup> for a portion of their workday. The IRS anticipates taxpayers and tax practitioners alike will find the ICMS is an improvement over the Program's old toll-free system. Under its old telephone system, the IRS determined that:

- 70 percent of the calls to examiners were answered by voicemail, and 39 percent of these calls were not returned within 24 hours.
- 62 percent of the taxpayers were repeat callers. In addition, 28 percent of the repeat callers wanted to know if the information they mailed was received, and 26 percent wanted to know what information was needed or if the documentation they provided was sufficient.
- 13 percent of the taxpayers called more than eight times before their tax issues were resolved.

To monitor the impact that improvement efforts are having on the correspondence audit process, the IRS contracted with the Pacific Consulting Group to compile and report the results from surveying a national sample of taxpayers audited through correspondence. Issued in July 2011, the survey<sup>3</sup> showed that approximately 48 percent of taxpayers were satisfied with the service they received during their correspondence audit, giving an overall satisfaction rating of

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<sup>1</sup> See Appendix VIII for a glossary of terms.

<sup>2</sup> To provide clarity in this report and differentiate between the examiner's roles as examiner and telephone assistor, we will refer to them as telephone assistors when their duties are primarily concerned with the ICMS.

<sup>3</sup> IRS, *Internal Revenue Service Customer Satisfaction Survey, Correspondence Exam (CCE) SB/SE National Report, Covering January through March 2011, with Annual Results* (Jul. 2011).



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somewhat satisfied or very satisfied. While taxpayers indicated that they were most satisfied with the courtesy and professionalism of IRS employees, the survey results suggested that, among other things, the IRS needs to make it easier to get through to the IRS on the telephone for assistance and also to reduce the overall length of the audit (from start to finish).

A correspondence audit is largely handled through the mail and typically begins with the IRS mailing a computer-generated letter to the taxpayer that outlines the audit process, identifies one or more items on the tax return being questioned, and requests supporting information to resolve the questionable items.

Once returned, examiners review the information to assess whether it resolves the questions. If the questions can be sufficiently answered by the information provided, the audit is generally closed without any tax changes. If not, the taxpayer is sent a letter requesting more information or proposing a tax change. At this point, the taxpayer can agree with the examiner, provide the examiner with clarifying information, or appeal the proposed tax change to the IRS's Office of Appeals. In instances where the taxpayer does not respond to the IRS's letters, the examiner's proposed tax changes are assessed by default, and the taxpayer will generally have to petition the court system to contest the assessment.

This review was performed at the IRS Joint Operations Center (JOC) in Chamblee, Georgia, and the SB/SE Division Examination function in New Carrollton, Maryland, during the period November 2011 through April 2012. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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## *Results of Review*

Incorporating the ICMS into the correspondence audit process was a noteworthy IRS action that offers benefits intended to help make the process more responsive and less burdensome for taxpayers. The IRS provided training and monitored telephone assistors to ensure they provided accurate information to taxpayers. However, examiners do not consistently return calls that are requested by, or promised to, taxpayers.

In considering the significance of incorporating the ICMS into the correspondence audit process, it is important to recognize that the ICMS was implemented primarily to make it easier for taxpayers to receive needed information on their first call. It is equally important to recognize that the ICMS will likely have little, if any, substantial impact on the length of the audit process. Taxpayers, tax practitioners, and the IRS have all expressed concerns about the amount of time it takes to complete a correspondence audit.

### ***The Intelligent Contact Management System Is Intended to Help Make Audits More Responsive and Less Burdensome***

The numerous benefits<sup>4</sup> the ICMS offers represent a substantial change from the prior capabilities that the old IRS toll-free system provided to taxpayers involved in a correspondence audit. For example, one major change was replacing the geographically based routing system with a nationwide skill-based routing network that distributes calls to the next available IRS telephone assistor trained to handle the question identified based on the taxpayer's response to the telephone prompts. This change eliminates the need to leave a voice message, which the IRS admitted was problematic, and could result in fewer repeat calls.

Providing taxpayers with the ability to speak with a telephone assistor during an audit is a particularly important benefit, given the survey results that showed taxpayers complained about the difficulty they had getting through to the IRS on the telephone. It also enhances the IRS's ability to deliver on its customer service policy of providing one-stop service, which it defines as the resolution of issues during the taxpayer's initial call or as a direct result of that contact. Moreover, the IRS is auditing far more taxpayers through the mail than in previous years, which further highlights the need to ensure taxpayers can quickly and easily obtain assistance through the telephone because it is their principal human contact point with the IRS during the audit. Examination function statistics for FY 2011 showed that the IRS examined approximately 1.2 million correspondence audits of individual returns and, in the process, identified approximately \$8.7 billion of additional taxes that may be owed. These statistics represent

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<sup>4</sup> See Appendix V for a summary of expected benefits from the ICMS.





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75 percent of all audits of individual returns and 59 percent of the additional taxes recommended from those audits that the IRS closed in FY 2011. By comparison, the IRS closed approximately 538,000 correspondence audits of individual returns in FY 2001 and recommended approximately \$1.4 billion in additional taxes from these audits.

After taxpayers access the correspondence exam toll-free number, the ICMS immediately provides a recorded menu prompt to direct them to identify a language preference of English or Spanish. This feature supports the IRS's policy and commitment to provide quality service to each taxpayer, including those who lack a full command of the English language. Once a language preference is selected, a digitized voice menu is offered and the system responds to the taxpayer's touch-tone response. The taxpayer's selection can initiate options that include access to a menu of automated services or to speak with a telephone assistor. As shown in Figure 1, the major automated services available to taxpayers include an option to rate the service received<sup>5</sup> from the IRS by participating in an automated survey over the telephone. Although the responses from the survey<sup>6</sup> are captured at the end of the call, the results were not available for us to evaluate as the data collected by the contractor were under IRS management review and not yet available for dissemination. However, the responses will be a key source of feedback for the IRS to use in determining the impact the ICMS is having on making the correspondence audit process more responsive and less burdensome for taxpayers.

**Figure 1: Major Automated Services the ICMS Provides to Taxpayers**

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Provides IRS addresses and fax numbers.

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Answers questions about the information individuals receive from the IRS.

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Advises on IRS privacy and disclosure rules.

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Provides information about the Earned Income Tax Credit and other items pertaining to individual returns.

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Informs taxpayers how they can obtain representation.

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Explains IRS time periods and the process for handling and responding to the correspondence it receives.

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Provides the opportunity to rate the service received from the IRS.

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*Source: Treasury Inspector General for Tax Administration analysis of the IRS's call system flowchart.*

The ICMS assistance line is divided into categories called "applications," each of which is staffed with a group of telephone assistors who received specialized training to assist taxpayers with specific tax issues. When a taxpayer indicates a preference for live assistance, the network determines the optimum destination for the call by reviewing factors such as telephone assistor

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<sup>5</sup> A sample of callers are offered the opportunity to take the customer satisfaction survey.

<sup>6</sup> The customer satisfaction telephone survey questions are shown in Appendix VII.



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availability, the issue involved, and the minimum expected delay. If all telephone assistors are busy, calls are placed in a queue until a telephone assistor becomes available. While in the queue, the network provides instructions on a variety of tax topics through a series of educational scripts. The network continually tracks the status of each call until the taxpayer disconnects.

In the first full fiscal year (FY 2011) of using the ICMS, the IRS received about 961,000 calls and, in the process, met its Level of Service (LOS) goal of enabling 71.6 percent of the calls to be answered by a telephone assistor or informational message. As shown in Figure 2, the IRS is on track to meet or exceed its FY 2012 LOS performance goal.

**Figure 2: ICMS Performance Statistics and Measures  
for FY 2011 and FY 2012 (October Through December 2011)**

<b>Performance Statistics</b>	<b>FY 2011</b>	<b>FY 2012 (1<sup>st</sup> Quarter only)</b>	
<b>Total Calls Received</b>	<b>960,882</b>	<b>167,132</b>	
Calls Received but Not Allowed Into the ICMS <sup>7</sup>	22,020	3,389	
<b>Total Calls Allowed Into the ICMS</b>	<b>938,862</b>	<b>163,743</b>	
Calls Abandoned During the Informational Message Phase	134,237	26,291	
Calls Abandoned While in the Queue Waiting for a Telephone Assistor	213,122	36,385	
<b>Total Calls Answered</b>	<b>591,503</b>	<b>101,067</b>	
Telephone Assistor Calls Answered	527,050	90,244	
Automated Calls Completed	64,453	10,823	

  

<b>Performance Measure</b>	<b>Actual</b>	<b>Goal</b>	<b>Actual</b>	<b>Goal</b>
LOS (percentage)	71.6	70	71.8	72

Source: SB/SE Division's JOC.

Despite achieving its goal in FY 2011, the LOS realized by the SB/SE Division's Correspondence Examination Program under its old toll-free system was higher. However, according to IRS officials, this occurred because the old system allowed callers to leave

<sup>7</sup> This consists of calls received outside of the 7 a.m. to 7 p.m. telephone service operation, or calls affected by telephone network problems, or emergency closure of the telephone system.



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messages, and these messages were included as completed calls when calculating the LOS. Therefore, reliable comparisons between the two systems are very difficult, if not impossible.

***Examiners Are Trained and Monitored to Ensure They Provide Accurate Information to Taxpayers, but They Do Not Consistently Return Calls***

The basic training curriculum for correspondence examiners spans an average of 5½ weeks of formal in-classroom training that teaches examiners about the tax laws, examination procedures, and researching IRS systems. As part of basic training, examiners also learn how to serve as telephone assistors by listening to live calls to observe how experienced telephone assistors handle and answer calls and by participating in mock telephone calls and role play activities.

After completing the basic training curriculum, examiners receive on-the-job training for about 3½ weeks. During this time, examiners are assigned a coach as a mentor who also oversees their development and transition to a full-time examiner. The coach quality reviews 100 percent of the examiner's case work and listens to live telephone calls while the examiner is assisting on the telephone. A coach typically works with three trainees and is responsible for reviewing their audit work and providing performance feedback and assistance, as needed. The coach notifies the manager when the new hire is ready to work independently. However, if at any time the manager determines that additional on-the-job training is needed for the telephones, the manager can provide more training time.

After completing on-the-job training, examiners continue to receive training in a number of ways. For example, IRS officials state that staff meetings and conference calls are used as forums to provide examiners information on emerging tax issues, implementation of new compliance projects, and changes in operating procedures.

***Calls and audit case files are monitored for quality at both the local and national level***

As reflected in the IRS's local and national quality measurement systems, the IRS defines quality telephone service through five standards: 1) Timeliness, 2) Professionalism, 3) Customer Accuracy, 4) Regulatory/Statutory Accuracy, and 5) Procedural Accuracy. Each quality standard also has several key elements that elaborate on the overall standard.<sup>8</sup>

At the local level, the standards have been incorporated into the Embedded Quality Review System (EQRS) that first-line managers use when listening to live or recorded calls handled by the telephone assistors they supervise. Results from this type of monitoring are documented in the EQRS, where they can be shared with the individual telephone assistor and used to point out

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<sup>8</sup> See Appendix VI for more details on the quality standards and their associated elements.



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the positive aspects of the individual's performance as well as potential opportunities for improvement. At the national level, the standards are included in the National Quality Review System (NQRS) that SB/SE Division quality reviewers use as a mechanism for measuring how well telephone assistors in each of the five IRS campuses handle calls. This type of monitoring involves a national sample of recorded calls and is designed for identifying and communicating areas of concern to top management so corrective actions can be taken, if needed.

In addition to monitoring and evaluating the quality of service during phone calls, the correspondence audit case files are evaluated locally and nationally as part of the NQRS and EQRS processes. During these evaluations, NQRS reviewers and first-line managers use the quality standards to assess elements such as timeliness of actions, procedural accuracy, and professionalism reflected in the audit case file documentation.

**A mechanism is needed to provide adequate assurance that calls are returned when requested by, or promised to, taxpayers**

We reviewed a statistically valid stratified random sample of 150 of 33,672 calls that the IRS recorded from October 31 through December 9, 2011.<sup>9</sup> The sample included 75 calls each from telephone Applications 861 and 865.<sup>10</sup> Using the IRS's telephone national quality standards, we analyzed the calls for timeliness, professionalism, customer accuracy, regulatory/statutory accuracy, and procedural accuracy.

Overall, our results were in line with the following percentages reported by the NQRS quality reviewers for the first quarter of FY 2012. IRS reported that telephone assistors:

- Properly identified themselves at the start of calls by name and badge number (99 percent of the time).
- Were courteous to the taxpayers during the calls (94 percent of the time).
- Provided a correct and complete response or resolution to the taxpayer (95 percent of the time).

While NQRS quality reviewers are doing a good job of applying the quality standards to the calls they evaluate, none of the quality review processes at either the local or national level specifically require assessing whether examiners are returning telephone calls when requested by, or promised to, taxpayers. Of the 150 calls in our sample, we identified 20 calls during which the taxpayer either requested a return call from the examiner or was promised one from the assistor. For 14 of these calls, there was no evidence that a return call was ever made.

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<sup>9</sup> Nine of the 150 calls reviewed were inaudible due to technical recording problems but were included in the sample so our results would reflect a more conservative estimate.

<sup>10</sup> The population for Applications 861 and 865 during this time period was 21,680 and 11,992, respectively. We selected these two applications because, during FY 2011, they accounted for about 75 percent of the total SB/SE Division correspondence examination calls answered.



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- For seven calls, the telephone assistor created an “action note” in the Correspondence Examination Automation Support system. The action note initiates a systemic notification to the assigned examiner and his or her immediate manager that the taxpayer is expecting a return call.
- For five calls, the telephone assistor did not create an action note as required. Therefore, no examiner or manager would know a return call was requested.
- For two calls, the telephone assistor specifically told the taxpayer that he or she would call them back directly, but there was no evidence showing a return call was made.

The SB/SE Division concurred with the facts in all 14 cases. As discussed in Appendix IV, based on our sample results, we estimate that 3,272 taxpayers who called the IRS from October 31 through December 9, 2011, did not receive a requested return call. Assuming the same error rate is applied to all calls during FY 2012, we forecast<sup>11</sup> that potentially 35,591 telephone calls will not be returned by the SB/SE Division’s Correspondence Examination Program.

## ***Recommendations***

The Director, Campus Compliance Services, SB/SE Division, should:

**Recommendation 1:** Modify procedures in the quality review measurement systems to include a requirement that reviewers and first-line managers evaluate whether examiners are returning calls when requested by, or promised to, taxpayers.

**Management’s Response:** IRS management agreed with this recommendation and stated that the IRS has updated guidance in the quality review measurement systems to ensure that reviewers address whether requested return calls have been made.

**Recommendation 2:** Ensure that all reviewers, including first-line managers, are knowledgeable of the Correspondence Examination Automation Support system and how its information can be used to evaluate how well examiners are returning calls when requested by, or promised to, taxpayers.

**Management’s Response:** IRS management agreed with this recommendation and stated that the IRS has issued multiple reminders to all functions and quality reviewers emphasizing that examiners must complete a taxpayer’s request for a call back within

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<sup>11</sup> A forecast is a best guess of future occurrences. It is weaker than a statistical estimate based upon a probability sample because it must make assumptions about future trends. Our forecast assumed that the call volume for the last six months of FY 2012 would be at the same level as the first six months of FY 2012 and that the statistically valid sample error rate from a 40-day service period is representative over the entire FY 2012.



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three business days. In addition, the message advised that all action notes in the Correspondence Examination Automation Support system must be acted upon.



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## **Appendix I**

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

The overall objective of this review was to determine the progress the SB/SE Division is making to take advantage of the opportunities that the ICMS offers for enhancing the correspondence audit process. Unless otherwise noted, our limited tests of the reliability of recorded calls obtained from the JOC<sup>1</sup> did not identify any errors. We tested the reliability of the data by scanning the data received and reconciled the count to the call volume.<sup>2</sup> In addition, we listened to a judgmental sample<sup>3</sup> of recorded telephone calls and researched the Correspondence Examination Automation Support system to verify the existence of the calls. To accomplish the objective, we:

- I. Interviewed SB/SE Division Examination function management and JOC management to identify the specific benefits the SB/SE Division Correspondence Examination Program is trying to achieve by implementing the ICMS and the goals and measures that have been established to measure success. Additionally, we obtained information on the ICMS call routing and the call data for FY 2011 and the first quarter of FY 2012.
- II. Obtained information on the SB/SE Division training curriculum for correspondence examiners.
- III. Obtained and analyzed the results from the IRS's NQRS and EQRS telephone service review results from FY 2011 and the first quarter of FY 2012.
- IV. Validated the data extract of calls answered by IRS telephone assistors assigned to Applications 861 and 865 from October 31 through December 9, 2011, by comparing the record count to the JOC's call volume data.
- V. Consulted the Treasury Inspector General for Tax Administration's contracted independent statistician on the sample selection plan of calls answered by IRS telephone assistors assigned to Applications 861 and 865 from October 31 through December 9, 2011. The call populations were 21,680 and 11,992 for Applications 861 and 865, respectively. Based on the statistician's advice, we selected a stratified random sample of 150 recorded telephone calls (75 from each Application). A random sample was used because we intended to project the results of our review to the call populations. For projecting the results to the population, a 95 percent confidence level was used along

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<sup>1</sup> See Appendix VIII for a glossary of terms.

<sup>2</sup> JOC management advised us that due to configuration and other technical problems not all calls are recorded. To ensure statistical validity for quality reviews, the IRS requires at least 90.1 percent of the total calls be recorded.

<sup>3</sup> A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.



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with observed sample error rates of 10.6667 percent for Application 861 and 8 percent for Application 865.

- VI. Evaluated the quality of the Correspondence Examination function telephone service by listening to the 150 recorded sample calls and evaluated the quality using the NQRS standards. Nine of the 150 calls reviewed were inaudible due to technical recording problems but were included in the sample so our results would reflect a more conservative estimate. Additionally, we researched the Correspondence Examination Automation Support system for the case histories as needed.

**Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the SB/SE Division quality review practices for evaluating the quality of the telephone services. We evaluated these controls by interviewing management personnel, reviewing a stratified random sample of recorded calls, and evaluating NQRS/EQRS review results.





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**Appendix II**

*Major Contributors to This Report*

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Frank Dunleavy, Director

Alan Lund, Audit Manager

Julia Tai, Lead Auditor

David Hartman, Senior Auditor

Joseph L. Katz, Ph.D., Contractor, Statistical Sampling Consultant



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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, Small Business/Self-Employed Division SE:S  
Director, Campus Compliance Services, Small Business/Self-Employed Division SE:S:CCS  
Director, Examination, Small Business/Self-Employed Division SE:S:E  
Director, Campus Reporting Compliance, Small Business/Self-Employed Division  
SE:S:CCS:CRC  
Director, Exam Policy, Small Business/Self-Employed Division SE:S:E:EP  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaison: Commissioner, Small Business/Self-Employed Division SE:S



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## Appendix IV

### *Outcome Measure*

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

#### **Type and Value of Outcome Measure:**

- Taxpayer Burden – Potential; 35,591 telephone calls will not be returned in FY 2012 (see page 6). Our calculation assumes the same error rate of 9.717 percent for all calls in FY 2012 and that the call volume for the second half of FY 2012 will be the same as the first six months of FY 2012.

#### **Methodology Used to Measure the Reported Benefit:**

- We reviewed a statistically valid stratified random sample of 150 of 33,672 calls that the IRS recorded from October 31 through December 9, 2011. The sample included 75 calls each from telephone Applications 861 and 865. The populations were 21,680 and 11,992 (total 33,672) calls for Applications 861 and 865, respectively. Nine of the 150 calls reviewed were inaudible due to technical recording problems but were included in the sample so our results would reflect a more conservative estimate.
- We identified 14 calls (eight and six calls from Applications 861 and 865, respectively) where there was no evidence that a return call was made to the taxpayer even though the taxpayer either requested a return call or was promised one from a telephone assistor. This resulted in an error rate of 10.6667 percent (8/75) for Application 861 and 8 percent (6/75) for Application 865. The average sample error rate is 9.717 percent with a confidence level of 95 percent.
- Based upon our average sample error rate of 9.717 percent, we estimate that examiners did not return 3,272 (9.717 percent x 33,672) calls requested by, or promised to, taxpayers in Applications 861 and 865 from October 31 through December 9, 2011. We are 95 percent confident that the actual number of calls not returned falls between 1,580 and 4,964.
- From October 1, 2011, through March 31, 2012, IRS telephone assistors for Applications 861 and 865 answered 124,115 and 56,954 calls, respectively. Assuming the same call volume for the second half of FY 2012, we estimate the call volumes for FY 2012 to be 248,230 and 113,908 for Applications 861 and 865, respectively.



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- To forecast the potential number of telephone calls the IRS will not return in FY 2012, we multiplied the error rate by the estimated annual call volume for each Application then totaled the two applications to arrive at 35,591.

Application 861: 248,230 calls x 10.6667 percent = 26,478 calls

Application 865: 113,908 calls x 8 percent = 9,113 calls



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**Appendix V**

*Summary of Expected Benefits From  
the Intelligent Contact Management System*

This appendix provides a summary of the benefits that the SB/SE Division Correspondence Examination Program anticipates from implementing the ICMS. As outlined in Figure 1, the intended benefits are focused largely on making it easier and faster for taxpayers to obtain information and assistance from the IRS. Callers to the Correspondence Examination function toll-free number may choose to use a self-service menu of automated services or to speak with a telephone assistor. During FYs 2011 and 2012,<sup>1</sup> the ICMS answered<sup>2</sup> about 832,000 calls and is the principal contact point for individual taxpayers involved in a correspondence examination.

**Figure 1: ICMS Benefits**

<i>Intended Benefit</i>	<i>Description</i>
Provide greater economies of scale to provide one-stop service.	Calls are routed to any one of five call sites where telephone assistors can access taxpayers' electronic case files to help answer more of their questions on the first call.
Provide the capability to quickly shift resources to meet demand.	The JOC monitors and manages call traffic and telephone assistor availability in real-time to help ensure consistent delivery of services.
Standardize hours of operations, regardless of taxpayers location.	Telephone schedules are set up at call sites to ensure taxpayers have access from 7:00 a.m. to 7:00 p.m. in their local time zone.
Generate "action notes" so calls are timely returned.	Action notes should be created in the system when return calls are requested by, or promised to, taxpayers. Examiners are expected to act on the notes within three business days.
Use telephone scripts to educate taxpayers.	Informational scripts for taxpayers include topics such as entering into an installment agreement and obtaining representation.
Enable call transfer capabilities to and from other IRS operations.	The system can transfer incoming calls to multiple telephone systems within the IRS if the taxpayer is involved in other matters with the IRS, such as making tax payments.

<sup>1</sup> These data are through March 2012.

<sup>2</sup> Consists of calls answered by telephone assistors and informational messages.



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<i>Intended Benefit</i>	<i>Description</i>
Automated services to handle routine requests for information.	For taxpayer convenience and to help reduce the number of calls telephone assistors must handle, callers may access automated services at any time in English or Spanish to obtain such information as IRS mailing addresses and fax numbers.
Improve service to Spanish-speaking taxpayers through corporate utilization of bilingual resources.	Calls are routed to the first available Spanish-speaking telephone assistor. When taxpayers wait for an extended period on the Spanish line, calls are routed to the English line and the telephone assistor would use the Over the Phone Interpreter Service.
Improve business measures.	SB/SE Division Examination function believes the LOS, customer satisfaction, and quality of telephone service will improve.
Provide a consistent level of service to taxpayers.	The JOC's real-time monitoring of telephone traffic volume and wait time enables the SB/SE Division to adjust telephone staffing to achieve the IRS's LOS goal.

*Source: SB/SE Division Examination function management.*



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**Appendix VI**

*Overview of the Customer Service  
Quality Measurement System*

The Office of Quality Performance Measurement within the SB/SE Division Campus Compliance Service function has responsibility for monitoring the statistical validity of the sample for quality review and providing guidance to reviewers and managers. The SB/SE Division evaluates the quality of telephone service to taxpayers against five standards. Each standard has several key elements that elaborate on the overall standard. Figure 1 summarizes the standards and associated key elements.

**Figure 1: Summary of the SB/SE Division’s  
Quality Measurement System on Telephone Service**

No.	Standard	Key Elements	Overview
1	Timeliness	<ul style="list-style-type: none"> <li>• Handle the call talk time efficiently.</li> <li>• Take timely actions to resolve the case or issue.</li> <li>• Ensure length of hold time, if any, was appropriate based on complexity of the issues involved.</li> </ul>	This standard evaluates whether the time spent on the telephone was productive in terms of understanding and resolving the taxpayer’s issues. It also assesses whether the amount of time, if any, the taxpayer was placed on hold was appropriate.
2	Professionalism	<ul style="list-style-type: none"> <li>• Open the call in a professional manner.</li> <li>• Provide courteous service to the taxpayer. Listen to the taxpayer in an effective manner.</li> <li>• Close the contact with the taxpayer appropriately.</li> </ul>	Telephone assistants are expected to provide quality assistance in every call by identifying the issue and resolving it to the extent possible, maintaining professional courtesy, and making sure at the end of the call that the taxpayer knows what he or she needs to do next.
3	Customer Accuracy	<ul style="list-style-type: none"> <li>• Provide the taxpayer with the correct response or resolution to the case or issue.</li> </ul>	Every attempt should be made to satisfy the taxpayer’s questions in an accurate and complete manner. This includes accessing and thoroughly researching available databases to provide the best resolution possible.



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No.	Standard	Key Elements	Overview
4	Regulatory/Statutory Accuracy	<ul style="list-style-type: none"> <li>• Provide employee identification.</li> <li>• Follow disclosure rules.</li> <li>• Avoid unauthorized disclosure to third party, if applicable.</li> <li>• Interpret and apply tax law correctly.</li> </ul>	<p>Among other things, this standard evaluates whether telephone assistors are following the IRS's taxpayer authentication procedures. This generally includes securing and verifying the name, Social Security Number, current address, filing status, and date of birth.</p>
5	Procedural Accuracy	<ul style="list-style-type: none"> <li>• Identify and address all of the taxpayer's issues.</li> <li>• Explain the expected IRS time periods and deadlines and their relation to the taxpayer inquiry.</li> <li>• Transfer call as appropriate.</li> </ul>	<p>There are times when telephone assistors need to transfer calls to another area for resolution. This standard evaluates if the guidelines for call transfers were followed. It also assesses if the call was properly summarized, including reiterating any actions items that need to be completed.</p>

*Source: SB/SE Division Examination function management.*





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**Appendix VII**

*Customer Satisfaction Telephone Survey Questions*

**Figure 1: Survey Questions Asked of Taxpayers**

Rate your overall satisfaction with the service you received during this call.
Rate your satisfaction with the courtesy of the representative who handled your call.
Rate your satisfaction with the professionalism of the representative who handled your call.
Rate your satisfaction with the representative's willingness to help you with your issue.
Rate your satisfaction with the knowledge of the representative.
Rate your satisfaction with how clearly the IRS representative explained your issue.
Rate your satisfaction with how well the IRS representative listened to your concerns.
Rate your satisfaction with how clearly the IRS representative explained the next steps in resolving your discrepancy.
Rate your satisfaction with the length of time it took to complete your call from when you first reached a representative.
Did you feel the call time you spent on the telephone with the representative was too long, too short, or about right?
What was the reason you called today?
What could the IRS do to make the letter or notice you called about clearer?
Including today, how many times have you called and discussed the particular issue raised in your notice or letter with an IRS representative?
How many minutes did you spend on this call today, including any time on hold but not including the time spent answering this survey?
Did the IRS representative answer all your questions today?
What information did you need that the IRS representative did not provide?
Will the information you received today eliminate the need for further calls on this issue?
Overall, how well did the IRS meet your expectations during your call today?
Please share how the IRS can improve so that it would have better met your expectations during your call today.

Source: SB/SE Division Examination function management.



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## Appendix VIII

### *Glossary of Terms*

**Application 861** – This is an English-speaking line that handles questions on examinations, including Earned Income Tax Credit audits.

**Application 865** – This is an English-speaking line that handles individual tax account questions.

**Call Center** – A physical place where customer and other telephone calls are handled by an organization.

**Campus** – 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.

**Correspondence Examination Automation Support** – This system is a suite of web-based applications developed to enhance the correspondence examination process. The system provides a centralized database of documents such as examiner notes from conversations with the taxpayer, procedures used by the examiner, and other data the examiner obtained and used during the audit to support his or her conclusion about whether to assess additional tax.

**Embedded Quality Review System** – A system designed to assist managers in measuring employees' individual performance as it relates to case activities. Employee performance is evaluated against attributes that are designed to identify actions that move cases toward closure through appropriate and timely case activity.

**Joint Operations Center** – The IRS office that serves as the central control organization for all of the IRS's toll-free telephone routing. It monitors call volume and traffic, and adjusts the telephone staffing level as needed to meet the SB/SE Division's LOS goal.

**Level of Service** – This rate is the quotient of the total calls answered divided by the net of total calls received less calls abandoned during the informational message phase.

**National Quality Review System** – A system used by national quality reviewers to capture national program review data obtained through case reviews to report official organizational business quality results. National quality reviewers use the same attributes as done for EQRS reviews.



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**Appendix IX**

*Management's Response to the Draft Report*



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



JUL 26 2012

MEMORANDUM FOR MICHAEL E. MCKINNEY  
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Faris R. Fink *Faris R. Fink*  
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Audit Report –Improved Toll-Free Telephone Services  
Should Make It Easier for Taxpayers to Obtain Assistance  
During a Correspondence Audit (Audit #201130052)

Thank you for the opportunity to review your draft report titled "Improved Toll-Free Telephone Services Should Make It Easier for Taxpayers to Obtain Assistance During a Correspondence Audit (Audit # 201130052)." We appreciate your acknowledgement of the numerous benefits the Intelligent Contact Management (ICM) system offers, representing a substantial change from prior capabilities the old Toll Free system provided to taxpayers involved in a correspondence audit.

Our existing procedures in the quality review measurement systems require reviewers and first line managers to evaluate if tax examiners are returning calls to taxpayers when requested or when promised. However, we appreciate and agree with the recommendations included in your report. We have taken actions to address the problems you identified. We also concur with the outcome measure described in the report.

Attached is a detailed response outlining our corrective actions we have taken to address the problems detailed in the report.

If you have any questions, please contact me, or a member of your staff may contact Denice Vaughan, Director, Campus Compliance Services, Small Business/Self-Employed Division at 404-338-9116.

Attachment



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**Attachment**

**RECOMMENDATION 1:**

Modify procedures in the quality review measurement systems to include a requirement that reviewers and first-line managers evaluate if examiners are returning calls when requested by, or promised to, taxpayers.

**CORRECTIVE ACTION:**

Our existing procedures in the quality review measurement systems require reviewers and first-line managers to evaluate if Tax Examiners are returning calls to taxpayers when requested or when promised. IRM 4.19.19.3.2 indicates that employees must act on all Correspondence Examination Automation Support (CEAS) notes that indicate a return call is requested by the taxpayer, even if the employee is closing the case. If the employee is not available, the manager/lead will ensure the call is returned. National Quality Review System and Embedded Quality Review System (EQRS) reviewers will code whether the employee made the required call back under Attribute 202 Telephone Contact Attempted.

The Master Attribute Job Aid (MAJA) definition was updated for clarification.

- The MAJA Definition is explained as follows: Code to identify if the employee called the taxpayer before responding by mail and/or returned the call as requested by the taxpayer through correspondence, CEAS notes, Form 4442, etc.

**IMPLEMENTATION DATE:**

Completed

**RESPONSIBLE OFFICIAL(S):**

Director, Campus Compliance Services

**CORRECTIVE ACTION MONITORING PLAN:**

Not Applicable

**RECOMMENDATION 2:**

Ensure that all reviewers, including first-line managers, are knowledgeable of the Correspondence Examination Automation Support system and how its information can be used to evaluate how well examiners are returning calls when requested by, or promised to, taxpayers.

**CORRECTIVE ACTION:**

Campus Reporting Compliance, Exam Policy, issued a message reminder to all Operations supporting IRM requirement 4.19.19.3.2 to complete a taxpayer's request for a call back within 3 business days. The reminder also advised that all Action Notes



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must be acted upon and that a call back is required whenever there is a CEAS Action Note requesting one, even if the tax examiner is closing the case. Operation Managers have indicated they are closely monitoring Alert Messages for callbacks and are also emphasizing the IRM requirement and the importance of good customer service during meetings.

The Master Attribute Job Aid (MAJA) definition was updated on June 20, 2012. Also on that date, Quality Performance Management (QPM) issued a Campus Compliance Services Quality Gram to Quality Employees, Exam Planning & Analysis, and Exam Operations reemphasizing this requirement. The Quality Gram was also posted to the Embedded Quality Website.

**IMPLEMENTATION DATE:**

Completed

**RESPONSIBLE OFFICIAL(S):**

Director, Campus Compliance Services

**CORRECTIVE ACTION MONITORING PLAN:**

Not applicable