United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Oversight, Committee on Ways and Means, House of Representatives

April 2001

IRS TELEPHONE ASSISTANCE

Quality of Service Mixed in the 2000 Filing Season and Below IRS' Long-Term Goal

GAO

Accountability * Integrity * Reliability

GAO-01-189

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Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

April 6, 2001

The Honorable Amo Houghton
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

IRS receives tens of millions of telephone calls each year from taxpayers needing assistance in understanding and meeting their tax obligations. Taxpayers call with a variety of issues, including questions about filing returns, tax law, refunds, and notices IRS sends when it detects errors on returns. Taxpayers often have been unable to reach IRS, especially during the filing season when demand for assistance is greatest. Moreover, when taxpayers reached IRS, they may have received inaccurate information. IRS has pledged to take steps to make its telephone operation a "world-class customer service organization" that would provide taxpayer assistance that is comparable to the best practices in the private and public sectors.

Because of your interest in the quality of IRS' telephone service, you asked us to address various aspects of IRS' telephone assistance program and other telephone customer service organizations. This is our third report in response to your request. Our first report, issued in August 2000, presented information on the human capital management practices of selected public and private call centers.[1] Our second report, issued in January 2001, evaluated IRS' human capital management practices in identifying human capital needs, implementing human capital practices to achieve IRS' goals, and evaluating those practices to continuously improve.[2] This report discusses the performance of IRS' telephone assistance in the 2000 filing season and how IRS identified lessons learned to improve performance. More specifically, our objectives were to (1) assess IRS' performance in the 2000 filing season using three telephone program performance

[1]*Customer Service: Human Capital Management at Selected Public and Private Call Centers* (GAO/GGD-00-161, Aug. 22, 2000).

[2]*IRS Telephone Assistance: Opportunities to Improve Human Capital Management* (GAO-01-144, Jan. 30, 2001).

measures: level of service, tax law accuracy, and account accuracy;[3] (2) identify the key factors and describe how they affected performance; and (3) assess IRS' process for analyzing its performance in the 1999 and 2000 filing seasons in order to make improvements. In the course of our audit work, we learned that IRS restricted supervisors from using productivity data to evaluate assistors' performance. Some IRS officials we talked to were uncertain about the basis for the restriction, for example, some thought that it was mandated by the Internal Revenue Service Restructuring and Reform Act of 1998.[4] After discussion with your staff, we agreed to determine IRS' basis for this restriction, as a fourth objective.

Results in Brief

IRS telephone assistance showed mixed results in the 2000 filing season. IRS answered 59 percent of calls to the toll-free taxpayer assistance lines in 2000, better than in the 50 percent achieved in 1999, but below the 69 percent level of service achieved in the 1998 filing season. For tax law and account questions, IRS estimated it provided accurate answers 73 percent and 59 percent of the time, respectively.[5] Tax law accuracy was comparable to 1999 performance, but lower than the 2000 target of 80 percent. Account accuracy was slightly lower than the 2000 target of 63 percent. Although IRS had not defined world-class service in terms of specific measures and goals, IRS officials acknowledged performance fell short of its long-term goal of providing assistance comparable to that provided by leading public and private telephone customer service organizations.

A number of interrelated factors influenced IRS' performance in providing telephone assistance, such as the demand for assistance, number of staff IRS devoted to providing assistance, assistors' productivity, and their skill level. IRS did not have complete information on how these and other factors affected level of service and accuracy in the 2000 filing season. However, according to IRS officials,

[3]Level of service is the rate at which taxpayers who called IRS actually got through and received service. Tax law and account accuracy rates are the percentages of a sample of calls in which telephone assistors provided accurate answers and fully adhered to IRS guidance for assisting taxpayers with those types of questions.

[4]P.L. 105-206, July 22, 1998.

[5]The sample of tax law and account calls IRS monitored allowed IRS to be 90 percent confident that the telephone assistors' true accuracy rate was between 72 and 74 percent in responding to tax law questions, and between 58 and 60 in responding to account questions.

- the increase in level of service was due primarily to a 25-percent decrease in demand, partly because IRS sent taxpayers fewer notices and processed returns more quickly;
- the level of service might have been higher had IRS not reduced staffing of telephone assistance by 8 percent compared to 1999 in an effort to better balance overall workload and staffing among customer service programs;
- assistor productivity, in terms of the average length of a call, declined about 17 percent, partly because assistors received a greater percentage of the types of calls that took longer to answer; and
- the level of productivity continued to be affected by policy changes IRS made before the 1999 filing season, such as discontinuing the automatic routing of another call to assistors immediately upon their completion of a call.

In addition, according to IRS officials, gaps between the skills that assistors had and those IRS needed negatively affected the accuracy of IRS' responses to taxpayer inquiries. Also, flaws in the guidance assistors used and frequent changes to it caused inaccurate responses to taxpayers' account questions.

IRS' analysis of its telephone assistance performance in the 1999 and 2000 filing seasons was incomplete. Although IRS collected various data and conducted several analyses of performance, the approach either did not assess or assessed incompletely some of the key management decisions and other factors that affected performance. As a consequence, IRS management did not have some significant information that could have been used to make decisions intended to improve future performance. For example, in its studies of productivity, IRS did not study all the segments of assistors' time that would affect overall productivity.

Because IRS' analysis of performance in recent filing seasons was incomplete, we recommend that the IRS Commissioner ensure that IRS analyzes all the key management decisions and other key factors affecting telephone performance each filing season to determine their impact on the quality of service and to make improvements. The Commissioner agreed with our assessment of IRS' telephone performance during the 2000 filing season and with our recommendation.

IRS' "balanced measures" performance management system, and not the IRS Restructuring and Reform Act of 1998, was the basis for restricting the use of productivity data to evaluate employee performance.[6] When designing and implementing the balanced measures system, IRS management decided to prohibit telephone assistance supervisors from using productivity data when evaluating all assistors. The prohibition was intended to promote a more balanced focus by assistors on efficiency, quality, and service.

Background

IRS' telephone assistors are located at 25 call sites around the country. In the 1999 filing season, IRS made major changes to its telephone customer service program. For example, IRS extended its hours of service to 24 hours a day, 7 days a week. IRS officials said they believed around-the-clock assistance would improve the level of service by distributing demand more evenly and support IRS' efforts to provide world-class service by making assistance available anytime.

Also in 1999, IRS began managing its telephone operations centrally at the Customer Service Operations Center in Atlanta by using new call-routing technology. IRS' call router was designed to improve the overall level of service, as well as lessen disparities in the level of service across sites by sending each call to the first available assistor nationwide who had the necessary skills to answer the taxpayer's question. As part of this centralized management, IRS developed its first national call schedule that projected the volume of calls, for each half-hour, at each of IRS' 25 call sites, and the staff resources necessary to handle that volume.

As in previous years, in the 2000 filing season, IRS had three toll-free telephone numbers taxpayers could call with questions about tax law, taxpayer accounts, and refunds. The three primary measures IRS used to evaluate its telephone performance were level of service, tax law accuracy, and account accuracy.

IRS measures its level of service by determining the rate at which taxpayers that call IRS actually get through and receive assistance. Level of service is calculated by dividing the number of calls answered by the total call attempts. Calls answered is defined as calls that received service,

[6] IRS' balanced measure system is its approach to evaluating employee and organizational performance; it is designed to balance customer satisfaction, employee satisfaction, and business results.

either from assistors or telephone interactive applications.[7] Total call attempts includes repeat calls and is the sum of calls answered, calls abandoned by the caller before receiving assistance, and calls that received a busy signal. IRS' tax law accuracy and account accuracy rates are based on a sample of nationwide calls that quality assurance staff listen in on and score for accuracy. Using IRS' Centralized Quality Review System, staff in Philadelphia listen to sample calls from beginning to end and determine whether the assistors provide accurate answers, follow procedural guidance to ensure a complete response, and are courteous to the taxpayers. If the assistors fail to adhere to any part of the guidance, or are not courteous to the taxpayers, the calls are counted as inaccurate. IRS began centrally monitoring calls to measure tax law accuracy in fiscal year1999 and account accuracy in fiscal year 2000.

Scope, and Methodology

To address our objectives, we examined documents and interviewed IRS officials. Specifically:

- to assess IRS' performance in the three main telephone assistance toll-free numbers, we compared its 2000 filing season level of service, tax law accuracy, and account accuracy with its performance in the 1998 and 1999 filing seasons and its performance targets, and discussed with IRS officials how its performance compared with world-class customer service;[8]
- to identify the key factors and describe how they affected performance in the 1999 and 2000 filing seasons we interviewed IRS officials, including executives, division chiefs, and first-line supervisors in Customer Service

[7]Interactive applications are designed to allow taxpayers with certain questions to obtain the information or service they need without speaking to an assistor, such as determining the status of their refunds.

[8]According to IRS officials, the filing season generally begins January 1 and ends around July 15 each year. In previous years, GAO's review of telephone performance generally covered the period January 1 through the April 15 filing deadline. However, demand for telephone assistance continues past the deadline because taxpayers call about such issues as the status of refunds or notices IRS sends to taxpayers related to returns they filed. Level of service rates are based on comparable data for weeks beginning January 1 and ending around July 15. Tax law and accounts accuracy rates are based on data for the months of January through June, except for tax law accuracy in 1999, which was based on data for January through April due to database limitations. According to IRS, account accuracy in the 2000 filing season should not be compared to accuracy rates in previous years, nor should tax law accuracy in the 1999 or 2000 filing season be compared to the accuracy rate in 1998, because IRS changed the way accuracy was measured. Instead of conducting test calls that measured limited adherence to guidance, IRS monitored actual calls and more strictly measured assistors' adherence to guidance.

Field Operations and at call sites; and analyzed documents, including various reports that described and analyzed the factors that affected IRS' performance;

- to assess IRS' process for analyzing its performance in the 1999 and 2000 filing seasons in order to make improvements, we interviewed IRS officials, including National Office and Customer Service Field Operations officials responsible for collecting and analyzing data on IRS performance; and analyzed documents, including various reports related to the process, such as the 1999 National Office business review and statistical analyses of 2000 filing season performance; and
- to determine the basis for restricting supervisors from using productivity data to evaluate or discuss telephone assistor performance, we interviewed IRS officials, including officials in the Organizational Performance Division and Customer Service Field Operations; and analyzed documents related to the restriction, including the Internal Revenue Manual and materials used to train supervisors on the use of statistics.

We performed our work at IRS' National Office in Washington, D.C.; Office of the Chief, Customer Service Field Operations, and Customer Service Operations Center in Atlanta; and the telephone assistance call sites in Atlanta, Dallas, and Kansas City, KS. We chose these three sites in order to include sites of various sizes, hours of operation, and work. We did not independently assess the accuracy of IRS' performance data, however, we verified that IRS had procedures in place intended to ensure data reliability. We did our work from January 2000 through February 2001 in accordance with generally accepted government auditing standards.

We obtained written comments on a draft of this report from the Commissioner of Internal Revenue in a letter dated April 2, 2001. The comments are discussed at the end of this report and reprinted in appendix I.

Telephone Assistance Results Were Mixed and Fell Short of World-Class Service

IRS telephone assistance showed mixed results in the 2000 filing season. Performance improved somewhat in the 2000 filing season as compared with 1999, but according to IRS officials, fell short of IRS' long-term goal to provide world-class customer service. While IRS had not established specific measures and goals for world-class service, it was considering adopting some of those used by leading telephone customer service organizations.

In the 2000 filing season, IRS answered 36.1 million of the 61 million calls taxpayers made, resulting in a 59-percent level of service—better than the 50 percent IRS achieved in the 1999 filing season and its target of 58 percent, but short of the 69 percent IRS achieved in the 1998 filing season. IRS provided accurate responses in 73 percent of the tax law calls it answered—unchanged from 1999 and lower than its 2000 target of 80 percent. Account accuracy in the 2000 filing season was slightly lower than IRS' target of 63 percent. Table 1 shows IRS' performance during the 1998-2000 filing seasons.

Table 1: IRS Filing Season Telephone Assistance Performance

	1998	1999	2000	
Measure	Actual	Actual	Target	Actual
Level of service	69%	50%	58%	59%
Tax law accuracy	[a]	73%[b]	80%	73%[b]
Accounts accuracy	[a]	[a]	63%	59%[b]

[a]Comparable data does not exist.

[b]Actual values are estimates, with 90 percent confidence that the true value is never more than plus or minus 2 percentage points.

Source: IRS data.

IRS officials in National Office and Customer Service Field Operations recognized that telephone performance in the 2000 filing season fell short of its long-term goal of providing world-class customer service--assistance comparable to that provided by leading public and private telephone customer service organizations. IRS has not defined world-class service in terms of specific measures and goals.[9] However, IRS officials have acknowledged the need to change their performance measures to be more consistent with leading telephone customer service organizations. IRS' level of service measures the percentage of call attempts that receive assistance, with no consideration of how long callers wait for it. Some leading organizations measure service level as the percentage of calls answered within a specified period of time, such as answering 90 percent of calls within 30 seconds.[10] IRS was considering adopting a similar measure and goal. However, IRS' performance in fiscal year 2000 fell

[9]In responding to our earlier report (GAO-01-144, January 30, 2001), the Commissioner said that IRS' short-term level-of-service goal for fiscal year 2002 would be 74 percent, with a goal of reaching 85 to 90 percent by fiscal year 2003.

[10]GAO/GGD-00-161, August 22, 2000.

substantially short of this level, with only 31 percent of calls being answered within 30 seconds.

Interrelated Factors Influenced IRS' Telephone Performance

A number of interrelated factors influenced IRS' telephone assistance performance in the 2000 filing season. According to IRS, some of the key factors were the demand for assistance, staffing levels, assistor productivity, assistor skills, and IRS' guidance for assistors. Additionally, many of the factors were interrelated—changes in one factor could cause changes in others.

Demand

According to an analysis by Customer Service Field Operations officials, IRS was able to answer a greater percentage of calls in the 2000 filing season compared with 1999 because demand for service substantially decreased. IRS measured demand in two ways: total call attempts and unique telephone number attempts. Total call attempts includes repeat calls and is the sum of calls answered, calls abandoned by the caller before receiving assistance, and calls that received a busy signal. The unique telephone number measure is designed to count the number of taxpayers who called, rather than the number of calls. It measures the number of calls from identifiable telephone numbers, and counts all call attempts from each telephone number as one call until it reaches IRS and is served, or until a 1-week window expires. Total call attempts decreased from 83.5 million in 1999 to 62.8 million, a 25-percent decrease, while unique number attempts decreased from 33.2 million to 25.9 million, a 22-percent decrease.[11] According to IRS, demand declined partly because IRS issued 1.8 million fewer notices to taxpayers asking them to call IRS about such issues as math errors IRS detected while processing returns. Also, fewer taxpayers called about the status of their refunds because IRS processed returns more quickly.

Additionally, timing of notices IRS sends taxpayers influences demand for assistance. For example, as we previously reported, in the 2000 filing season, because of contract delays, a contractor mailed the bulk of over 1 million notices to taxpayers over a 2-week period, rather than over a 7-

[11]Total call attempts are based on data from October 1, 1999, through April 22, 2000, for all of IRS' toll-free lines, which include, among others, IRS telephone lines for collecting taxes and taking criminal investigation calls. Unique call attempts are based on data from October 1, 1999, through April 8, 2000, for the three assistance toll-free lines.

week period as intended.[12] When taxpayers called about the notices, IRS was unprepared to answer the unexpected increase in the number of telephone calls, which caused level of service to decline during this period.

Staffing Level

According to IRS officials, a factor that may have prevented the level of service from being higher in the 2000 filing season was IRS' decision to reduce the staff dedicated to telephone assistance as compared with 1999. Specifically, in the 2000 filing season, IRS dedicated 4,912 staff years to telephone assistance as compared to 5,339 staff years in 1999, an 8-percent decline.[13] According to IRS officials, IRS dedicated fewer resources to telephone assistance to increase staffing in other programs, including the telephone collection system, adjustments, and service center compliance. IRS managers were concerned that in 1999, when IRS redirected resources from these other programs to telephone assistance, the backlog in these programs increased to unacceptable levels, causing uneven service and a decline in collection revenues.

Productivity

Assistor productivity is another factor that affects the level of service taxpayers receive from IRS. According to IRS officials, the level of service would have been higher had assistor productivity not declined in the 2000 filing season. This decline was in addition to a productivity decline that occurred in the 1999 filing season.

According to analysts and officials in Customer Service Field Operations, a key indicator of productivity is the average time for an assistor to handle a call. Handle time is the total of the time

- an assistor spends talking to the taxpayer,
- the taxpayer is on hold, and

[12] *Tax Administration: IRS' 2000 Tax Filing Season and 2001 Budget Request* (GAO/T-GGD/AIMD-00-133, Mar. 28, 2000).

[13] A staff year is equivalent to one full-time employee, also known as a full-time equivalent. It includes direct and overhead time (both regular and overtime) expended by permanent and seasonal Customer Service and Compliance employees related to answering telephone calls on the three assistance lines, Criminal Investigation, and Problem Resolution Program toll-free telephone lines. In October 2000, IRS had 9,865 customer service representatives, with about 40 percent of them being seasonal employees who worked less than 12 months per year.

- the assistor spends in “wrap status”, which is the time between hanging up at the end of a call and indicating readiness to receive another call.

An IRS analysis showed that the average handle time increased from 318.5 seconds in the 1999 filing season to 371.5 seconds in the 2000 filing season, or about a 17-percent decline in productivity.

According to a Treasury Inspector General for Tax Administration report, an increase in the number of calls an assistor handles has a profound effect on level of service. For example, if assistors had handled one more call per hour, IRS would have answered more than 8.5 million additional calls during the first 6 months of fiscal year 1999.[14]

While IRS had not determined all the causes of the decline in productivity since 1998, according to a July 2000 IRS study, approximately 58 percent of the productivity decline from 1999 to 2000 was due to assistors’ receiving a greater percentage of calls that took longer to handle. For example, screening calls, in which the assistor talked with the taxpayer for only a short time to determine the taxpayer’s question and where the call should be routed, decreased from 35 percent of the calls assistors handled in 1999 to 21 percent in 2000. The study concluded that assistors likely handled fewer of these calls because IRS changed its telephone message to discourage callers from posing as rotary dialers without a touch-tone telephone, allowing them to bypass the menu system and go directly to an assistor. This study did not identify what caused the remaining 42-percent decline in productivity in 2000.

According to IRS officials, four policy changes that lowered productivity in the 1999 filing season continued to adversely affect productivity in the 2000 filing season. Specifically, in 1999, IRS

- discontinued automatically routing another call to an assistor immediately upon completion of a call;
- increased restrictions on using productivity data when evaluating assistors’ performance;

[14]Treasury Inspector General for Tax Administration, *Toll-Free Telephone Service Levels Declined in 1999, Despite Costly Efforts to Achieve World-Class Performance* (Ref. No. 2000-30-062, March 2000), p. 29.

- disproportionately diverted staff from the peak demand shifts to shifts when fewer taxpayers call when it implemented its 24-hour-a-day, 7-day-a-week assistance; and
- discontinued measuring productivity of individual call sites.

First, as part of its November 1998 agreement with the National Treasury Employees Union, IRS discontinued using a call management tool—"auto-available"—that automatically routed another telephone call to an assistor as soon as a call was completed. Instead, assistors were placed in "wrap status" after each call and were unavailable until they pressed a keyboard button that made them available. Wrap status was designed to allow assistors time to document the results of a call or to allow them to take a momentary break after a stressful call. According to IRS officials, allowing assistors to determine when they were ready to take another call added time to each call, causing other callers to wait longer for service. With longer wait times, many taxpayers hung up before reaching an assistor, thereby reducing level of service. According to IRS statistics, for its tax law, account, and refund assistance lines, the average wrap times increased 94, 204, and 176 percent, respectively, from 1998 to 1999.

Second, 1999 was the first filing season with increased restrictions on supervisors using productivity data to evaluate assistors' performance or discuss their performance. Some IRS studies of the 1999 filing season concluded that the restrictions negatively affected productivity. For example, one IRS study found that many site managers were concerned about their inability to properly manage assistors' use of wrap time without using productivity data. Five of the seven supervisors we spoke to about the 2000 filing season said they were dissatisfied with the restrictions. They said assistors know supervisors are restricted from using productivity data to evaluate employees' performance and that supervisors do not have adequate time to devote to monitoring and physical observation. Therefore, they said assistors are free to spend more time than necessary in wrap status.

Our conversations with IRS officials, including supervisors at call sites and officials in the Organizational Performance Division, and review of related documents indicated officials were uncertain about the basis for the restriction, and some thought that it was mandated by the IRS Restructuring and Reform Act. We discuss this issue near the end of this report.

Third, increasing the hours of telephone assistance to 24 hours a day, 7 days a week for the 1999 filing season may have decreased overall productivity because IRS disproportionately shifted staffing away from the hours when most taxpayers call. According to an IRS review, the diversion of staff away from hours when most taxpayers called resulted in a lower level of service because taxpayers waited longer for assistance, more taxpayers hung up while waiting, and demand increased because taxpayers redialed more. Limited data from a week in the 2000 filing season indicated that IRS continued to overstaff the night shift when compared to the other shifts. For example, for the week of April 2, 2000, through April 8, 2000, assistors working the night shift spent, on average, 44 percent of their time waiting to receive a call, whereas assistors working the day and evening shift spent 15 percent of their time waiting to receive a call.

An IRS Customer Service Field Operations official responsible for scheduling staff said assistors spent more time waiting for calls at night because, when compared with the demand for assistance, IRS scheduled disproportionately more assistors during the night shift than other shifts. Assistors working nights generally had fewer skills, which required a disproportionate level of staffing to ensure that all needed skills were available. According to the official, IRS' attempts to attract more skilled assistors to work off-peak hours were unsuccessful. To counter the negative effects of staffing the extended hours, for fiscal year 2000, IRS limited its staffing of tax law assistance to 16 hours a day, 6 days a week after the filing deadline, when fewer taxpayers call with tax law questions.

Fourth, beginning in 1999, IRS no longer had a performance measure that held sites accountable for productivity. Instead of measuring level of service as it had in the past, IRS measured a site's performance on the number of assistors assigned to answer telephone calls each half-hour as compared to the number of assistors specified in the site's half-hour work schedule. IRS made this change, in part, because the sites were no longer responsible for predicting and meeting demand. According to an IRS assessment of the 1999 filing season, replacing the site level of service measure with the measure of assistor presence diminished the focus on productivity and the extent to which sites sought opportunities to improve productivity.

IRS Customer Service Field Operations officials added that, despite the decline in productivity, taxpayers might have received better service overall if assistors took the time needed to fully resolve each taxpayer's call, rather than being concerned about the number of calls answered. However, IRS had not determined if the decline in productivity had improved the quality of service.

Assistors' Skills

According to IRS officials, including the Commissioner, Customer Service Field Operations officials, and supervisors at call sites, the accuracy rates IRS achieved in the 2000 filing season continued to be adversely affected by assistor skill gaps—the difference between the skills assistors had and the skills needed by IRS. Skill gaps were caused, in part, when IRS implemented its new call router in 1999.

With the call router, individual assistors were required to answer calls on a broader range of topics, often without adequate training or experience. Before the 1999 filing season, each call site decided how it would group topics for routing and assistor specialization. According to a cognizant official, the number of topic groups at sites ranged from 40 to 125, which allowed assistors to typically specialize in only one or two topics. Because the new call router could not handle differences in topic groups among call sites, nor efficiently route calls to that many groups, the topic groups had to be standardized and were reduced to 31. This increased the number of topics in each group, which typically required an assistor to answer calls on five or more tax law topics, creating a skill gap. IRS officials recognized that assistors had struggled with the amount of information they were required to know in 1999, so for the 2000 filing season IRS increased the number of topic groups to 46, which decreased the number of topics in each group. However, according to IRS officials, the loss of specialization continued to affect accuracy in the 2000 filing season.

IRS officials said they were aware of how skill gaps had negatively affected the accuracy of the assistance taxpayers received in 1999 and, in August 1999, IRS began to revise its training materials to better prepare assistors to answer questions in their assigned topic groups. However, according to IRS officials, much of the new training material was not developed in time for the 2000 filing season. Furthermore, a cognizant IRS official said the first attempt to revise the training did not separate each topic into a self-contained course. For the 2001 filing season, IRS revised its training material so that each course contained only one topic, enabling IRS to provide assistors with just-in-time training on the specific topics they were assigned to work.

IRS officials said organizational changes are needed to further reduce the number of topics assistors are expected to know. In a May 2000 memo, the Commissioner cited low accuracy scores and employee survey comments as evidence that IRS was expecting its assistors and managers to have knowledge in areas that are far too broad and that IRS was "attempting the impossible" by trying to fill skill gaps solely with training. IRS officials said IRS' reorganization would allow specialization by taxpayer group, but that even greater levels of specialization were needed. Accordingly, as part of its restructuring efforts, in June 2000, IRS began long-term planning efforts to create greater specialization at both the call site and assistor levels.

Assistors' Guidance

The quality of the guidance assistors used also affected whether they provided accurate assistance. IRS officials at National Office and call sites said the guidance assistors used in the 2000 filing season to respond to account questions was confusing and difficult to use, causing assistors to make mistakes, thereby lowering the accuracy rate.

IRS officials said that over the years, the Internal Revenue Manual—the assistors' guide for account questions—had grown from a collection of handbooks to a large, unwieldy document with duplicative and erroneous information. According to IRS officials, errors in the Manual had long been a problem for which sites had developed local "workaround" procedures. IRS established a task force to correct these problems, and issued a new draft version at the end of the 1999 filing season. While the draft Manual was smaller and contained less duplicative and erroneous information, it was missing some needed information and cross-references. However, IRS did not realize the extent of the problems with the Manual until October 1999, when it began holding assistors accountable for strictly adhering to the Manual as part of its central monitoring of account accuracy. As a result, the draft was recalled, and the task force continued to make corrections to the Manual throughout the filing season. The task force issued two new versions in February 2000 and May 2000. According to IRS officials, the frequent changes in the Manual made it difficult for assistors to know which version to use, sometimes leading to inaccurate answers.

According to IRS officials responsible for Manual revision, as October 1, 2000, the task force had corrected problems with the Manual and related training material in time for the 2001 filing season. Additionally, IRS officials said they implemented a new guide in October 2000 to make it easier for assistors to follow the proper steps and provide accurate assistance to taxpayers with account questions.

Interrelationships Make Identifying Key Factors Difficult

Determining how each factor affects level of service and accuracy is made even more difficult because many of the factors are interrelated; changes in one can affect another. For example, the demand for assistance, or the number of call attempts, is influenced by the level of productivity. Fewer incoming calls make it easier for a given number of assistors to answer a greater percentage of incoming calls. Answering a greater percentage of incoming calls—a higher productivity level—reduces the number of repeat calls, which reduces the number of calls overall. Similarly, the quality of guidance assistors use affects not only accuracy, but also demand. While step-by-step guidance on how to respond to questions would likely improve accuracy levels and service for some taxpayers, it could also cause assistors to take more time answering the call, lower productivity, and increase the number of taxpayers who are unable to get through, causing them to redial, and thereby increase demand.

IRS' Analysis of Its Performance Was Incomplete

IRS' analysis of its telephone assistance performance in the 1999 and 2000 filing seasons was incomplete. Although IRS collected various data and conducted several analyses of performance, the approach either did not assess or assessed incompletely some of the key management decisions and other factors that affected performance. As a consequence, IRS management had less information than it could have on which to make decisions intended to improve future performance.

IRS undertook many efforts in 1999 and 2000 intended to identify factors that affected performance. For example, IRS

- conducted a best practices productivity study in 1999 to identify best practices among IRS call sites and why productivity varied among them;
- reviewed its implementation of 24-hour–a-day, 7-day-a-week assistance to determine its effects on such things as costs and quality of assistance;
- conducted local and centralized monitoring of telephone calls to determine what errors assistors made and why;
- conducted a study in 2000 to determine why productivity had declined;
- established a filing season critique program in 2000 to solicit information from field staff about their problems and successes during the filing season; and
- conducted a 1999 fiscal year business review that addressed many of the factors that affected telephone performance.

In some of its efforts, IRS began analyzing the data made available through management information systems at its Customer Service Operations Center, which opened in December 1998. For example, as a part of the 2000 productivity study noted above, IRS used statistical analysis to assess how productivity was affected by such factors as the complexity of calls handled and assistor experience and education. In a similar analysis, IRS assessed how call demand was affected by such factors as returns filed, notices issued, refunds issued, refund cycle times, and electronic filing return rates. Although IRS now has better quantitative data to assess its performance and make decisions about ways to improve performance, IRS officials said much work still needs to be done to understand the factors that affect performance.

Other leading telephone customer service organizations we studied see the importance of continuous evaluation and incorporating evaluation results to make improvements.[15] As we said in a recent report on management reform, "an organization cannot improve performance and customer satisfaction if it does not know what it does that causes current levels of performance and customer satisfaction."[16]

IRS' efforts to evaluate the factors affecting telephone assistance were incomplete and failed to provide IRS management with some significant information that could have been used to improve performance. For example, while IRS did several studies of productivity, the studies relied on handle time as the measure of productivity. Other segments of assistors' time that would affect overall productivity, including time spent waiting to receive a call, time spent away from the telephone (in meetings, breaks, and training), and time assistors were not assigned to answer calls, were not studied. In another example, the most extensive single review of the factors that affected performance—the 1999 National Office business review—did not assess how extending the hours of service to 24 hours, 7 days a week affected level of service. Earlier, we described how IRS' disproportionate move of assistors to the night shift created differentials between shifts in the time spent waiting for a call. Furthermore, while the National Office review examined the effects of demand on service, it did not examine why demand increased in 1999. Also, IRS did not evaluate the effectiveness of its management decision not to automatically route calls to assistors as soon as they completed a call, or the several other policy changes noted above, even though they were intended to significantly improve overall performance.

The gaps in IRS' information about the factors affecting past performance impaired IRS' efforts to improve performance. An important example is the decline in productivity, as measured by handle time. As discussed earlier, some IRS officials believe that taxpayers may have received better

[15] GAO/GGD-00-161, August 22, 2000.

[16] *Management Reform: Using the Results Act in Quality Management to Improve Federal Performance* (GGD/T-99-151, July 29, 1999).

service overall if assistors took the time needed to fully resolve taxpayers' calls. However, IRS had not determined whether overall service improved as a result of increased handle time. Also discussed earlier was the quality of guidance provided assistors. IRS did not realize until October 1999 the extent of problems in the Internal Revenue Manual, too late for fixes to be made for the 2000 filing season and sometimes leading to inaccurate answers for taxpayers.

IRS' Performance Management System Restricts the Use of Productivity Data

IRS' "balanced measures" performance management system and not the IRS Restructuring and Reform Act of 1998 was the basis for IRS restricting the use of productivity data to evaluate employee performance.[17] The Act, and subsequent regulation, prohibited supervisors from using records of tax enforcement results, or other quantity measures, to impose production quotas on or evaluate employees that make judgments about the enforcement of tax laws.[18] When designing and implementing the balanced measures system, IRS management decided to prohibit telephone assistance supervisors from using productivity data when evaluating all assistors, even those that do not make tax enforcement judgments. The prohibition was intended to promote a more balanced focus by assistors on efficiency, quality, and service.

According to Organizational Performance Division officials, the balanced measures system does not prohibit supervisors from using productivity data to monitor employee performance. However, it requires supervisors to "get behind the numbers" and base discussions and evaluations of employee performance solely on the direct review of employees' work. Officials said IRS' design of the balanced measures system was heavily influenced by IRS' environment in 1997 and 1998, during which IRS was under intense pressure from Congress, the administration, and stakeholders to improve service to taxpayers. The National Performance Review Customer Service Task Force and National Commission on Restructuring the IRS had found that IRS' overall environment and performance measurement focused on productivity to the detriment of

[17]IRS' balanced measure system is its approach to evaluating employee and organizational performance; it is designed to balance customer satisfaction, employee satisfaction, and business results.

[18]Records of tax enforcement results include such things as number of dollars collected or number of seizures conducted, while quantity measures are outcome-neutral and include such things as number of cases closed, time spent assisting taxpayers, or time spent per case.

service to taxpayers, making employees strive to meet short-term performance and efficiency goals rather than have a balanced focus on efficiency, quality, and taxpayer service. IRS officials said the overemphasis on level of service and other productivity measures had resulted in employees perceiving that productivity was more important than quality, so assistors hurried through telephone calls and served taxpayers poorly, rather than taking the time necessary to give the taxpayer full, quality service. Also, officials said supervisors tended to consider measures as ends in themselves, rather than determining the causes behind employee performance and taking action to improve performance.

Conclusion

IRS must significantly improve telephone assistance if it is to meet its long-term goal of providing world-class customer service to the tens of millions of taxpayers that call. While IRS has undertaken efforts to analyze its performance and identify ways to improve, these efforts have been incomplete. IRS' analyses did not cover all of the key management decisions and other key factors that affect telephone performance. Designing and conducting a comprehensive analysis of the key management decisions and other key factors that affect telephone performance in each filing season will be a difficult task because the factors that affect performance are multiple and interrelated. However, without a more comprehensive analysis of the factors that affect performance, IRS management lacks the information it needs to make decisions to improve performance.

Recommendation for Executive Action

We recommend that the IRS Commissioner ensure, as part of its analysis of telephone assistance performance each filing season, that IRS take into account all key management decisions and other key factors that can affect performance, such as implementing 24-hour, 7-day assistance and the decline in assistor productivity, to determine their impact on the quality of service and to make improvements.

Agency Comments and Our Evaluation

The Commissioner of Internal Revenue provided written comments on a draft of this report in an April 2, 2001, letter, which is reprinted in appendix I. The Commissioner agreed with our assessment of IRS' telephone performance during the 2000 filing season and with our recommendation. The Commissioner stated that the assessment of key management decisions and direction should be fully integrated into both the planning process and performance review. He recognized that IRS needed to improve its performance analysis to take into account all key management decisions and other factors that can affect performance. He stated that this would be done as a part of IRS' annual filing season evaluation.

The Commissioner again expressed concern with our comparison of IRS' performance in the 2000 filing season with its performance in the 1998 filing season, commenting that "comparisons to 1998 are not valid due to the changes made to accommodate our technological advance to a national networked system." As stated in our evaluation of the Commissioner's comments on our earlier report,[19] we believe it is appropriate to compare IRS' performance before and after such operational changes. The changes made after 1998 were intended to improve IRS' telephone service. The only way to tell if service improved is to compare performance levels before and after the changes.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to Representative William J. Coyne, Ranking Minority Member of the Subcommittee; Representative William Thomas, Chairman, and Representative Charles B. Rangel, Ranking Minority Member, Committee on Ways and Means; the Honorable Paul H. O'Neill, Secretary of the Treasury; the Honorable Charles O. Rossotti, Commissioner of Internal Revenue; and the Honorable Mitchell E. Daniels, Jr., Director, Office of Management and Budget. We will also make copies available to others upon request.

[19] *Tax Administration: Assessment of IRS' 2000 Tax Filing Season* (GAO-01-158, Dec. 22, 2000).

If you have any questions or would like additional information, please call James R. White at (202) 512-9110 or Carl Harris at (404) 679-1900. Key contributors to this report are Ronald W. Jones, Julie Schneiberg, and Sally Gilley.

Sincerely yours,

James R. White
Director, Tax Issues

Appendix I: Comments From the Internal Revenue Service

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

COMMISSIONER

April 2, 2001

Mr. James R. White
Director, Tax Issues
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. White:

Thank you for the opportunity to comment on your draft report titled "IRS Telephone Assistance: Quality of Service Mixed in the 2000 Filing Season and Below IRS' Long-Term Goal." I agree with your assessment of our performance during the 2000 Filing Season. The report recognizes our accomplishments and provides constructive insights. Achieving world class service will be the culmination of years of sustained effort. You can expect further progress at the end of the 2001 review.

This report is the next logical step of our development process. The assessment of key management decisions and direction should be integrated into the planning process and our performance review. The report accurately captures the complex interrelationships of the enterprise telephone-operating environment. We agree additional efforts are needed to better organize and analyze this data, and to measure the cause and effect relationships for short- and long-term decision making. We employed a contractor to develop the IRS Call Center Model. This 2-year effort has resulted in a sophisticated modeling tool that will allow us to conduct simulations and assess the impact of decisions on service delivery. We plan to integrate this modeling technology into our planning process and our daily operations in Fiscal Year 2002. In addition, our strategic planning process sets specific program goals for telephone service. The multiple phases of this process allow us to continuously monitor planning, performance, review, assessment, and strategic decision making.

The following actions address observations made in your report:

Strategic Planning
We initiated an agency-wide multiyear strategic planning process in March 2000. The comprehensive plan meets the requirements of the Government Performance and Results Act and outlines specific goals for our telephone service objectives. Customer Account Services is developing a division level strategic plan specific to its mission. This plan will apply a multiyear discipline to our planning for the complex and varied workload handled by Customer Account Services. A contractor has been assisting us in the formulation of an integrated plan that incorporates our internal partners' interests,

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as well as all facets of workload, staffing, measures, and goals. The Joint Operations Center will be the central point for integrating plans that address service delivery to its customer operating divisions.

Improved Measures
We are continuing to refine our measures to reflect telecommunications industry standards. The measures will address average speed of answer, abandon rates, and Customer Service Representative level of service. The corporate measures will be adapted to clearly articulate the call site's responsibility for supporting enterprise goals. Our new measures will set standards for our performance and clearly represent our customers' service experience.

Staffing Levels and Skill Alignment
We are redesigning the Accounts Management Work Planning and Scheduling process to reflect the new strategic planning cycle and provide an embedded structured approach to planning. This includes a modeling system which allows us to construct scenarios to evaluate the impact of decisions or policy changes on the work planning assumptions. In addition, we are continuing to reassign our workload to the appropriate operating units and to specialize to the employee level to improve our quality, increase our expertise, and meet our customers' needs. This is being accomplished through on-going efforts of the Customer Contact Center Optimization and the Service Center Transition Teams.

As part of an ongoing effort to align staffing with customer needs for service, we have recently completed an evaluation of our 24-hour, 7-day assistance. Based on our analysis, we have concluded that reductions to this schedule are appropriate. We anticipate final coordination of this decision to be completed soon.

Productivity
Detailed telephone data from the network and associated equipment reports allows us to examine specific productivity indicators. We focused on "getting behind the numbers" to evaluate our telephone performance. We trained our managers to help them analyze and use information to promote quality service. Specific issues, such as Handle Time on Accounts, have been targeted and discussed with our partner, the National Treasury Employees Union. Their support is important to maintaining our balanced measures approach to performance.

In my response to your report titled "Tax Administration: Assessment of IRS' 2000 Filing Season," I noted comparisons to 1998 are invalid because we made changes to accommodate our technological advance to a national networked system. I reiterated this concern again in my response to your report titled "IRS Telephone Assistance: Opportunities to Improve Human Capital Management." This report refers to the many changes implemented since 1998. However, it also uses our 1998 performance as a

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benchmark for comparison. Again, I believe using 1998 as a baseline is inappropriate when we have made so many major changes in technology, operational priorities, and organization between 1999 and 2001. Comparisons must reflect those changes. Continued comparison with 1998 information assumes performance was better for our customers during that time. We know our enhancements and changes since 1998 have improved service to our customers.

Listed below is the recommendation and our response.

Recommendation

We recommend that the IRS Commissioner ensure that, as part of its performance analysis each filing season, the IRS take into account all key management decisions and other key factors that can affect performance, such as implementing 24-hour, 7-day assistance and the decline in assistor productivity, to determine their impact on the quality of service and to make improvements.

Response

We agree we need to better organize and analyze data and measure the cause and effect relationships for short- and long-term decision making. We are taking steps to improve our performance analysis to consider all key management and other factors that affect performance. This performance analysis will be covered as part of our annual filing season evaluation. We will use our new Strategic Plan process, the Call Center Model, and improved Work Planning and Scheduling process to ensure that the analysis is comprehensive.

If you have questions or comments about this letter, please call Floyd Williams, Director, Legislative Affairs, at (202) 622-3720.

Sincerely,

Charles O. Rossotti

Charles O. Rossotti

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