

**Substantial Efforts Were Made to Manage the
Increased Telephone Call Demand, but
Additional Actions Are Needed to Address
Continued Increases**

September 2003

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DEPARTMENT OF THE TREASURY
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INSPECTOR GENERAL
for TAX
ADMINISTRATION

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MEMORANDUM FOR COMMISSIONER, TAX EXEMPT AND GOVERNMENT
ENTITIES DIVISION

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FROM: Gordon C. Milbourn III
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Corporate Programs)

SUBJECT: Final Audit Report – Substantial Efforts Were Made to Manage
the Increased Telephone Call Demand, but Additional Actions
Are Needed to Address Continued Increases
(Audit # 200210046)

This report presents the results of our review of the Tax Exempt and Government Entities (TE/GE) Division's increased telephone call demand. The overall objective of this review was to determine whether TE/GE Division management effectively managed the increased telephone call demand so that it did not adversely impact achieving the goals of the TE/GE Division's Customer Account Services (CAS) function.

The mission of the TE/GE Division is to provide its customers top quality service by helping them to understand and comply with applicable tax laws. The CAS function is designed to support the TE/GE Division's mission by providing accurate and timely responses to its customers' telephone and written inquiries.¹ The TE/GE Division's Fiscal Year (FY) 2002-2003 Strategic Assessment identified the continued growth in telephone call demand for better information and services as a high-priority trend, issue, and problem that can prevent the Division from achieving its mission.

In summary, the TE/GE Division's CAS management met most of their FYs 2002 and 2003 program goals in the face of continued increases in telephone call demand. In FY 2002, the CAS function met a 33 percent increase in telephone call demand without much of a corresponding decrease in performance towards achieving its other program

¹ TE/GE Division customers' telephone and written inquiries involve tax issues related to Employee Plans, Exempt Organizations, and Government Entities.

goals. However, a further increase in telephone call demand, along with a reduction of resources in FY 2003, resulted in a significant drop in the Level of Service² provided to customers of the telephone program. The actions that allowed the CAS function to meet the increased telephone call demand in FY 2002 were no longer adequate for FY 2003.

We also identified three areas where TE/GE Division management should reevaluate their approach for developing program goals to ensure they are accurately developed and measured. Specifically, after learning of their FY 2003 projected resources, TE/GE Division management reduced their telephone call demand projection based on meeting a Level of Service program goal and not on the number of telephone calls they expected to receive. Also, TE/GE Division management changed the methodology for calculating total telephone call demand without making an adjustment to the Level of Service program goal. Instituting a process of consistently evaluating performance will enable the TE/GE Division to make better resource allocation decisions and establish accountability for performance of the CAS function.

An October 2001 enhancement to the Aspect telephone system³ that allowed other Internal Revenue Service (IRS) call sites⁴ to transfer telephone calls to the TE/GE Division's CAS function call site affected the Division's ability to meet program goals and service customers. This system enhancement was intended to provide quicker service to TE/GE Division customers because they could be transferred to the correct number on the same telephone call. However, CAS management advised us that many of the transferred calls involve tax questions that are not within the TE/GE Division's organizational responsibility because the questions relate to either individual income or small business and self-employed tax issues. Also, the enhancement did not provide the TE/GE Division's CAS function call site with the same capability to transfer telephone calls to the other IRS call sites.

We recommended TE/GE Division management reevaluate their approach for projecting telephone call demand and developing program goals. Specifically, TE/GE Division management should project the expected telephone call demand independent of resource limitations, use this projection to establish realistic program goals, and adjust the program goals when the methods for calculating program measures are changed to ensure that evaluations of performance are consistent. We also recommended the Director, CAS function, assess the impact that misdirected calls are having on the function.

² The Level of Service is a program measure used to determine the percentage of callers who receive assistance. This measure is determined by dividing the total telephone calls answered by assistors by the total telephone call demand.

³ Aspect is the name of the telephone system used by the TE/GE Division's CAS function call site and is operated by the Small Business/Self-Employed (SB/SE) Division at the Cincinnati Campus located in Covington, Kentucky. The Aspect system automatically records the number of taxpayers calling the TE/GE Division's CAS function call site. It also tracks the call from the time it comes into the system until the taxpayer hangs up.

⁴ The other IRS call sites are the 26 calls sites from the Wage and Investment (W&I) and the SB/SE Divisions. The W&I Division call sites handle customer questions relating to individual income tax issues. The SB/SE Division call sites handle customer tax questions relating to small business and self-employed entities.

Management's Response: TE/GE Division management agreed with the findings and recommendations in the report. Specifically, TE/GE Division management has projected its FY 2004 expected telephone call demand independent of resource limitations; established FY 2004 program goals based on prior year results, available resources, consideration of productivity improvements, and a reasonable increase in telephone call demand; and will calculate the Level of Service program goal consistently from year to year by using the Joint Operations Center⁵ formula. In addition, the TE/GE Division's CAS function call site is scheduled to obtain the capability to transfer misdirected calls to the appropriate business line before the end of this calendar year. Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

⁵ The Joint Operations Center functions as the enterprise-wide network operations center for all the IRS call sites.

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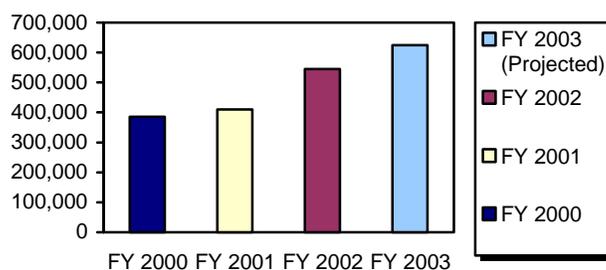
Background

The Tax Exempt and Government Entities (TE/GE) Division's mission is to provide customers top quality service by helping them to understand and comply with applicable tax laws. The TE/GE Division's Customer Account Services (CAS) function is designed to support the TE/GE Division's mission by providing accurate and timely responses to customers' telephone and written inquiries. The CAS function assists customers on Employee Plans (EP), Exempt Organizations (EO), and Government Entities (GE) inquiries.

The TE/GE Division has a separate toll-free number from the general Internal Revenue Service (IRS) toll-free customer service number so TE/GE Division customers can receive direct assistance. This is important because many TE/GE Division customers have little experience or knowledge of the tax laws or IRS procedures and their inquiries may involve complex, technical tax law issues. The CAS function employees handling the calls include some higher-graded technical employees who have experience working with EP and EO tax law issues, as well as specialists within the three TE/GE Division customer groups (EP, EO, and GE).

Total telephone call demand at the CAS function call site has steadily grown since it began operating as a centralized call site in February 1999. In the 8 months of operation in Fiscal Year (FY) 1999, the call site received almost 195,000 calls. The chart below shows the continued increases in telephone call demand from FYs 2000 to 2002 and the projected demand for FY 2003.

Increased Telephone Call Demand



Source: TE/GE Division Telephone Data Reports.

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The TE/GE Division's FY 2002-2003 Strategic Assessment identified growing telephone call demand for better information and services as a high-priority trend, issue, and problem. To meet the growing telephone call demand and achieve the CAS program goals, TE/GE Division management must effectively manage the CAS function's call site. Effective management of the CAS function's call site is also needed to ensure that TE/GE Division customers are provided top quality service by helping them understand and comply with the tax laws and reducing taxpayer burden.

The primary CAS program goals include:

Telephone

- Level of Service – measures the percentage of callers who receive assistance. This measure is determined by dividing the total telephone calls answered by assistors by the total telephone call demand.
- Quality of Responses – measures the accuracy, quality, and timeliness of responses provided to customers.
- Productivity Norm – measures the number of telephone calls answered per hour by assistors when they are assigned to the telephones.
- Secondary Abandoned Calls – measures the calls that reach the assistors' queue but the customers hang up before talking to an assistor. This is distinguished from primary abandoned calls, which measures the number of customers gaining access to the telephone system but that hang up prior to being directed to the assistors' queue.

Correspondence

- Overage Correspondence – the CAS function considers correspondence to be overage when it is not closed within 30 days from the date that it is received by the IRS.

The CAS function call site is located in Cincinnati, Ohio, and operates as a remote location of the Small

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Business/Self-Employed (SB/SE) Division's Cincinnati Campus¹ Aspect system, located in Covington, Kentucky. The Aspect telephone system automatically records the number of taxpayers calling the CAS function call site. It also tracks the call from the time it comes into the system until the taxpayer hangs up. TE/GE Division analysts use information from the Aspect system to measure program performance.

In June 2000, we issued a report² that recommended the CAS function establish program goals and measure the effectiveness, efficiency, and timeliness of its call site. In addition, the report recommended that the TE/GE Division enhance the telephone assistor guidelines and improve the Quality Assurance process by tracking the reasons taxpayers are calling and ensuring that appropriate actions are taken to improve customer service. The CAS function also needed a comprehensive business resumption plan to maintain operations in the event of an emergency so that customer service is not disrupted at the CAS function call site.

The audit was performed at the TE/GE Division's CAS function call site in Cincinnati, Ohio, between November 2002 and March 2003. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information of our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Declining Resources Along With an Increase in Telephone Demand Caused a Significant Drop in the Level of Service Provided to Customers in Fiscal Year 2003

Although CAS function management faced several challenges in FYs 2002 and 2003, they have been able to meet most of their program goals, except one. In FY 2002, the CAS function met a 33 percent increase in telephone call demand without much of a corresponding decrease in performance towards achieving its other program goals. However, a further increase in telephone call demand, along with a reduction of resources in FY 2003, resulted in a

¹ The campuses are the data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the computing centers for analysis and posting to taxpayer accounts.

² *Improvements to the TE/GE Telephone Operation Would Enhance Customer Service* (Reference No. 2000-10-091, dated June 2000).

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significant drop in the Level of Service provided to customers.

Several factors were instrumental in mitigating the impact of an increased telephone call demand in FY 2002. These factors included:

- Increasing the productivity of assistors in answering telephone calls.
- Diverting resources from the CAS function correspondence program to answer telephone calls.
- Using overtime hours to answer correspondence.

As a result of these efforts, the CAS function met its key program goals for the telephone program, while only slightly missing the correspondence goal in FY 2002. The table below depicts the CAS function call site's FY 2002 performance in relation to its overall program goals.

Table 1. Comparison of Fiscal Year 2002 Performance to Program Goals

<u>Program Measure</u>	<u>FY 2002 Program Goal</u>	<u>FY 2002 Performance</u>
Level of Service	80.0% Minimum	85.4%
Quality of Responses – Telephone	88.0% Minimum	96.7%
Secondary Abandoned Calls	5.0% Maximum	4.0%
Overage Correspondence	20.0% Maximum	21.0%

Sources: TE/GE Division Balanced Measures Goals and Telephone Reports.

Most of the 33 percent increase in FY 2002 telephone call demand was met through increased productivity by CAS function call site assistors. In FY 2002, CAS function call site assistors increased their productivity by answering 20 percent more telephone calls per staff hour than the prior year. Assistors answered 5.5 telephone calls per staff hour in FY 2001 compared to 6.6 telephone calls in FY 2002.

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The increase in productivity did not impact the CAS function call site's ability to meet its quality goal, as assistors correctly answered nearly 97 percent of the telephone calls (well above the 88 percent goal). The CAS function measures its program with a quality review process that captures information to measure the accuracy, quality, and timeliness of responses. The results of the quality reviews are captured on the Quality Review Database (QRDb), which the CAS function started using in FY 2002. The QRDb is an on-line database that can be accessed through the IRS Intranet and is the same quality review database used by the other IRS business units.

Telephone assistors in the CAS function improved their productivity rate in FY 2002 partially through increased training and an overall increase in the experience level of assistors. However, the improvement was also a result of misdirected telephone calls received from other IRS call sites³ after they obtained the capability to transfer telephone calls to the TE/GE Division's CAS function call site. Because these misdirected calls can be quickly closed, they can enable the assistors to answer more calls per hour. While the increased training and overall increase in the experience level of assistors provide a foundation for improved productivity and increased service to customers, the misdirected telephone calls do not because customers are not immediately receiving answers to their questions.⁴ This issue is presented in more detail later in the report.

³ The other IRS call sites are the 26 calls sites from the Wage and Investment (W&I) and SB/SE Divisions. The W&I Division call sites handle customer questions relating to individual income tax issues. The SB/SE Division call sites handle customer tax questions relating to small business and self-employed entities.

⁴ Information is not available to determine how much the increases in training and the experience level of TE/GE Division assistors had on the improved productivity because the volume of misdirected calls is not tracked. However, even if all the telephone calls transferred by the other IRS call sites were misdirected, increases in training and experience would account for at least 32 percent of the increased productivity. Depending on the number of misdirected telephone calls, a portion of the remaining 68 percent increase in productivity would have been affected by the transferred telephone calls.

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CAS function management also diverted resources from the correspondence program to assist them in meeting their telephone program goals for FY 2002. Although this diversion caused an increase in overage correspondence, overtime hours were used to keep the overage inventory close to the FY 2002 correspondence program goal.

The CAS function is not meeting its FY 2003 Level of Service program goal

In FY 2003, the CAS function call site was faced with a further increase in telephone call demand. In addition, the call site had 8 percent fewer resources allocated to the telephone program because of the TE/GE Division's flat budget for the year. As a result, the actions that allowed the CAS function to meet the increased telephone call demand in FY 2002 were no longer adequate for FY 2003. At the end of the first half of FY 2003, the CAS function was not meeting its Level of Service program goal. The combination of increased telephone call demand and decrease in resources allowed the CAS function call site to achieve only a 63 percent Level of Service in the first half of FY 2003.

The following table depicts the CAS function call site's performance for the first half of FY 2003.

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Table 2. Comparison of Fiscal Year 2003 Performance to Program Goals

<u>Program Measure</u>	<u>FY 2003 Program Goal</u>	<u>First Half FY 2003 Performance</u>
Level of Service	80.0% Minimum	62.5%
Quality of Responses – Telephone	90.0% Minimum	91.5%
Secondary Abandoned Calls	5.0% Maximum	4.6%
Calls Answered Productivity Norm ⁵	6.6 Calls Minimum	7.4 Calls
Overage Correspondence	20.0% Maximum	20.0%

Sources: TE/GE Division Balanced Measures Goals and Telephone Reports.

Establishment of a business resumption plan

CAS function management determined that a business resumption plan was needed in the event telephone service is disrupted. On July 29, 2002, the TE/GE and SB/SE Divisions entered into a Business Resumption Agreement for extended disruptions of telephone service to the CAS function call site in Cincinnati. If telephone service to the CAS function call site is disrupted for more than 1 week, the SB/SE Division call site will provide the TE/GE Division's CAS function sufficient space and equipment at the SB/SE Division call site in Covington, Kentucky, to meet one-third of the TE/GE Division's operational needs. In the event the disruption in telephone service exceeds 3 weeks, the SB/SE Division will provide the TE/GE Division's CAS function with sufficient space and equipment to meet all its operational needs. The TE/GE Division has not had to use this Business Resumption Agreement because its CAS

⁵ The Calls Answered Productivity Norm is a new Balanced Measures Goal for FY 2003.

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function call site has not yet experienced a disruption in telephone service lasting more than 6 hours.

The Business Resumption Agreement, however, does not include provisions for disruptions at the SB/SE Division's Covington call site. Under these circumstances, the TE/GE Division's CAS function call site will not be able to receive any calls on its toll-free line. TE/GE Division CAS function management evaluated different options, but has been unable to identify a business resumption option that is cost effective because employees at its CAS function call site are the only personnel in the IRS trained to answer questions associated with TE/GE Division programs. In addition, the other IRS call sites do not have access to TE/GE Division information systems, such as the Employee Plans/Exempt Organization Determination System.

If the telephone service to the SB/SE Division's Covington call site is disrupted, the calls (including TE/GE Division calls) can be routed to other IRS call sites. However, the only alternative for handling TE/GE Division calls at those call sites would be to record the question as a written referral and E-Mail it, by means of the IRS Intranet, to the TE/GE Division's CAS function call site to be answered at a later date. The volume of E-Mail referrals does not make this a viable option. As a result, customers calling the CAS function call site during a disruption will receive a message advising them the call site is closed.

We agree with the CAS function management's assessment that options are limited if telephone service to the SB/SE Division's Covington call site is disrupted. TE/GE Division management advised us that discussions have been initiated with other IRS business units to train assistants at other sites on answering some of the TE/GE Division telephone calls. This would assist the TE/GE Division in meeting customer needs in the event of a disruption of service at the SB/SE Division's Covington call site.

We identified three areas where TE/GE Division management should reevaluate their approach to program goals to ensure they are accurately developed and measured. Specifically, TE/GE Division management should:

Additional Improvements Are Needed to More Accurately Develop Program Goals and Measure Performance

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- Accurately project telephone call demand.
- Establish realistic program goals.
- Apply consistent measures to evaluate performance.

Accurately project telephone call demand

TE/GE Division management projected that the call site should receive 521,750 calls in FY 2003. However, this projection was based on the expectation of meeting a performance goal and not on the number of telephone calls they expected to receive. For example, TE/GE Division management originally projected its call site should receive 596,000 telephone calls in FY 2003. However, after they received lower than projected resources for the year, the original projection was reduced to 521,750 telephone calls to be more in line with the reduced resources. As a result, TE/GE Division management underestimated the telephone call demand for FY 2003. The actual telephone call demand of 382,734 calls in the first half of FY 2003 shows that TE/GE Division management's original projection would have provided a far more accurate projection.

Accurate projections of telephone call demand are needed because even small forecasting inaccuracies can cause significant problems in determining the resources needed to answer telephone calls. TE/GE Division management also needs accurate projections to develop an effective strategy for meeting the goals of its CAS function.

Establish realistic program goals

TE/GE Division management established an unrealistic Level of Service program goal of 80 percent for FY 2003. This goal was based on anticipated increases in productivity, in conjunction with a slower growth in telephone call demand. Although the CAS function call site has demonstrated a productivity increase in the first half of FY 2003, the slower growth in telephone call demand has not happened. At the time of our review, TE/GE Division management had not reevaluated this program goal in light of current conditions. As a result, the CAS function call site is not close to achieving its Level of Service program goal through the first half of FY 2003.

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When calculating the FY 2003 Level of Service program goal, TE/GE Division management did not use the number of telephone calls they expected to receive. Instead, they used the number of telephone calls they expected to answer based on the resources they were allocating to the program. Based on the resource allocation, TE/GE Division management determined its CAS function call site could answer a maximum of 417,400 telephone calls in FY 2003. Applying the FY 2002 Level of Service program goal of 80 percent to the 417,400 telephone calls, TE/GE Division management projected they would receive 521,750 telephone calls.

However, prior to making the final projection of 521,750 telephone calls, TE/GE Division management had estimated its CAS function call site should receive 596,000 telephone calls in FY 2003. This estimate was based on the number of telephone calls received in prior years and included adjustments based on operational changes. Basing the FY 2003 Level of Service program goal on the maximum number of telephone calls the CAS function call site could expect to answer (417,400) in relation to the number of telephone calls it expected to receive (596,000) would have resulted in a 70 percent Level of Service program goal.

The establishment of realistic program goals would allow TE/GE Division management to accurately evaluate program performance. Also, when program goals are based on meeting specified conditions, TE/GE Division management must effectively monitor these conditions to ensure that program goals are met.

Apply consistent measures to evaluate performance

TE/GE Division management needs to consistently apply measures to assess yearly program performance. When changing the methodology for calculating a performance measure, TE/GE Division management needs to determine the impact the change has had on prior year performance. For example, in the last quarter of FY 2002, the TE/GE Division changed the methodology for calculating total telephone call demand by eliminating telephone calls that customers had abandoned prior to having their telephone

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call directed to an assistor. This change was made so that the TE/GE Division could report its total telephone call demand in a manner that is consistent with the other IRS call sites. However, this change also enabled the CAS function call site to report an 85.4 percent Level of Service for FY 2002, which was well above the Level of Service program goal. When making this type of change, an adjustment to the Level of Service program goal is needed to accurately evaluate the actual performance of the CAS function call site.

Evaluations of performance that incorporate two different measures hamper the ability of CAS function managers to make adjustments during the year to provide a high level of access and high-quality customer service. Instituting a process of consistently evaluating the performance of the telephone program will enable the TE/GE Division to make better resource allocation decisions and establish accountability for performance of the CAS function.

Recommendations

1. The Commissioner, TE/GE Division, should accurately project telephone call demand based on the expected call volume, independent of resource limitations.

Management's Response: Balanced measure goals for FY 2004 have been formulated. In doing so, telephone call demand was projected independent of resource limitations.

2. The Commissioner, TE/GE Division, should establish program goals based on prior year results, the anticipated mix of allocated resources, the linkage to organizational priorities and initiatives, and an assessment of existing and emerging trends and issues. Also, when program goals are based on meeting certain conditions, TE/GE Division management should closely monitor performance in the event the conditions do not materialize.

Management's Response: Program goals for FY 2004 have been formulated and were based on prior year results, available resources, consideration of productivity

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improvements, and a reasonable increase in toll-free demand.

The strategic plan for FYs 2004 and 2005 addresses the need for additional staffing to raise the Level of Service back to an acceptable level in FY 2005.

3. The Commissioner, TE/GE Division, should adjust the program goals when the methods for calculating performance measures are changed to ensure that evaluations of performance are consistent in relation to meeting program goals.

Management's Response: Program goals for FY 2004 were based on the Joint Operations Center (JOC)⁶ formula; this was the same formula used in FY 2003. In the future, the Level of Service will be calculated consistently from year to year using the JOC formula.

A System Enhancement Has Affected the Customer Account Services Function's Ability to Meet Program Goals and Service Customers

In October 2001, the Aspect telephone system was enhanced to allow the other IRS call sites to transfer telephone calls to the CAS function call site. This enhancement was intended to provide quicker service to TE/GE Division customers because they could be transferred to the correct number on the same telephone call. Prior to the system enhancement, TE/GE Division customers calling the other IRS call sites were provided two options. In the first option, the other IRS call sites provided TE/GE Division customers the toll-free number for the TE/GE Division's CAS function call site. In the second option, the other IRS call sites offered to record the customer's question and send it via E-Mail to the TE/GE Division's CAS function, which would then have up to 4 days to contact the customer.

Implementation of this system enhancement caused a significant decrease in its E-Mail referral closures since TE/GE Division customers could contact the CAS function call site immediately. Also, responding to callers on-line is a much more efficient use of resources because TE/GE Division assistants no longer have to access the E-Mail referral system and make telephone calls back to customers.

⁶ The JOC functions as the enterprise-wide network operations center for all the IRS call sites.

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The table below shows the impact the increased transferred call volume had on the TE/GE Division's E-Mail referral closures.

Table 3. Decreases in E-Mail Referral Closures Caused by the System Enhancement

<u>Fiscal Year</u>	<u>E-Mail Referral Closures</u>	<u>Total Transferred Calls</u>
FY 2001	12,371	0
FY 2002	292	61,626
FY 2003 Projection	88	112,000

Sources: TE/GE CAS E-Mail Referral and Aspect System Reports.

Although implementation of the system enhancement caused the number of E-Mail referrals to significantly drop, the increase in the number of transferred calls was much more dramatic. The CAS function call site received 61,626 transferred telephone calls in FY 2002. This new call volume is 45 percent of the TE/GE Division's increase in FY 2002 telephone call demand.⁷ The traffic of incoming transferred telephone calls has continued to increase in FY 2003. In the first half of FY 2003, other IRS call sites transferred 57,635 telephone calls, which is an increase of 30,732 calls compared to the first half of FY 2002.⁸ This increase in transferred telephone calls is 25 percent of the TE/GE Division's current increase in FY 2003 telephone call demand.⁹

⁷ The increase in FY 2002 telephone call demand is 135,712 calls, which is the difference between the FY 2002 telephone call demand of 545,397 calls and the FY 2001 telephone call demand of 409,685 calls.

⁸ The increase in the first half of FY 2003 transferred telephone calls is the difference between the 57,635 telephone calls transferred by the IRS call sites in the first half of FY 2003 and the 26,903 telephone calls transferred in the same period in FY 2002.

⁹ The increase in the first half of the FY 2003 telephone call demand is 122,284, which is the difference between the telephone call demand of 382,734 in the first half of FY 2003 and the telephone call demand of 260,450 in the same period in FY 2002.

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However, CAS function management advised us that many of the transferred telephone calls involve tax questions that are not within the TE/GE Division's organizational responsibility because the questions relate to either individual income or small business and self-employed tax issues. These transferred telephone calls should have been answered by the other IRS call sites and not transferred to the TE/GE Division call site. TE/GE Division CAS function management determined that most of these misdirected telephone calls resulted from insufficient probing on the part of IRS representatives. When TE/GE Division CAS function call site assistants answer these misdirected telephone calls, they cannot service TE/GE Division customers who call in. The significant number of misdirected telephone calls has affected the TE/GE Division's ability to meet its program goals.

The system enhancement did not provide the CAS function call site with the same capability to transfer telephone calls to the other IRS call sites. As a result, the CAS function call site assistants must inform misdirected callers that they cannot answer their questions and that they must either call the other IRS call site again or use the E-Mail referral process, which means that they may not receive a response for up to 4 days. Both options result in poor service to IRS customers.

TE/GE Division CAS function management has taken measures to reduce the volume of misdirected calls. These measures include:

- Submitting requests to obtain the capability to transfer misdirected calls from the CAS function call site.
- Implementing a script at the CAS function call site to announce the capabilities of its call site so callers know the type of services provided by the call site. The script also provides optional telephone numbers for callers to get service for non-TE/GE questions.
- Requesting assistance from the JOC to identify potential causes for the increase in misdirected calls.

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- Alerting the other IRS call sites of misdirected calls and providing them with information on preventing misdirected calls.
- Changing the telephone number on TE/GE Division notices from the IRS toll-free number to the TE/GE Division toll-free number.

While information concerning misdirected telephone call volume is not specifically tracked by the Aspect telephone system, the TE/GE Division's CAS function call site is in the process of capturing this information and plans to use the results to assess the impact of misdirected calls on its operation.

Recommendation

4. Upon completion of the TE/GE Division's study to determine the volume of misdirected calls coming from the other IRS call sites to the TE/GE Division's CAS function call site, the Director, CAS function, should assess the impact that misdirected calls are having on the CAS function. This assessment should:
 - Compare the cost and benefits of the IRS incorrectly transferring telephone calls to the CAS function call site.
 - Compare the cost and benefits of maintaining the existing capability of not being able to transfer misdirected calls back to the other IRS calls sites or expanding the capability to enable the CAS function to transfer misdirected calls back to other IRS call sites.

If the Director determines the costs of having the other IRS call sites transfer telephone calls to the TE/GE Division's CAS function call site exceed the benefits, then the capability to transfer telephone calls from other IRS call sites should be removed.

Management's Response: After several years of requests and coordination of effort between the TE/GE, Wage and Investment, and Information Systems Divisions, the JOC

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will enable the TE/GE Division's CAS function call site to transfer misdirected calls to the appropriate business line before the end of the calendar year. The JOC Council will monitor the costs and benefits.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to determine whether Tax Exempt and Government Entities (TE/GE) Division management effectively managed the increased telephone call demand so that it did not adversely impact achieving the goals of the TE/GE Division's Customer Account Services (CAS) function. To accomplish our audit objective, we performed the following audit tests:

- I. Determined whether TE/GE Division management had effectively projected telephone call demand and established a strategy that provided first-rate telephone assistance without affecting program goals (e.g., Level of Service).¹
 - A. Identified the process used to forecast, plan, and schedule telephone call demand and evaluated the TE/GE Division's strategy to meet the anticipated telephone call demand without affecting program goals.
 - B. Identified program goals and determined whether the processes used to calculate program goals resulted in an accurate and objective assessment of performance.
 - C. Evaluated the staffing levels needed to meet the projected telephone call demand and determined whether the TE/GE Division's CAS function had sufficient resources to meet its program goals.
 - D. Determined whether the increased telephone call demand resulted in a corresponding decrease in the level of service and the quality of responses and whether any drops in performance measures were mitigated by increases in staffing levels.
- II. Determined whether the increased telephone call demand had impacted other TE/GE Division CAS function programs.
 - A. Determined the actions taken to manage the increased telephone call demand and whether other CAS function programs, such as correspondence, suffered because resources were diverted to meet the telephone call demand.
 - B. Determined whether the increased telephone call demand affected the performance of other CAS function programs.

¹ The Level of Service is a program measure used to determine the percentage of callers who receive assistance. This measure is determined by dividing the total telephone calls answered by assistors by the total telephone call demand.

Substantial Efforts Were Made to Manage the Increased Telephone Call Demand, but Additional Actions Are Needed to Address Continued Increases

- III. Determined whether TE/GE Division management requested any enhancements to the Small Business/Self-Employed (SB/SE) Division's Cincinnati Campus² Aspect system³ that would enable the TE/GE Division's CAS function to better handle the projected telephone call demand.
 - A. Determined the Aspect system's capabilities available to TE/GE Division customers.
 - B. Reviewed the Aspect system's procedures and determined its capabilities.
 - C. Determined whether the current Aspect system's configuration or planned enhancements would enable the TE/GE Division's CAS function to meet its expected telephone call demand.
 - D. Determined if TE/GE Division management had developed alternative plans in the event that the Aspect system's configuration could not meet projected telephone call demand for the TE/GE Division.
- IV. Determined whether the quality review process captured the information needed to effectively measure the accuracy, quality, and timeliness of the responses for the TE/GE Division's CAS function telephone program.
 - A. Determined how the quality of responses was captured, evaluated, and measured.
 - B. Determined whether CAS function telephone assistants were evaluated consistently on the quality of telephone calls answered.
 - C. Determined whether TE/GE Division management had a process to ensure that CAS function telephone assistants were kept apprised of current tax law issues or changes.
- V. Determined the actions taken to assess the need to establish a business resumption plan in the event the telephone operations at the CAS function call site or at the SB/SE Division's Cincinnati Campus call site were disrupted.
 - A. Reviewed actions taken to minimize the effects of a business disruption and assessed whether the actions were appropriate.

² The campuses are the data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the computing centers for analysis and posting to taxpayer accounts.

³ Aspect is the name of the telephone system used by the TE/GE CAS call site and is operated by the Small Business/Self-Employed (SB/SE) Division at the Cincinnati Campus located in Covington, Kentucky. The Aspect system automatically records the number of taxpayers calling the TE/GE Division's CAS function call site. It also tracks the call from the time it comes into the system until the taxpayer hangs up.

Substantial Efforts Were Made to Manage the Increased Telephone Call Demand, but Additional Actions Are Needed to Address Continued Increases

- B. Determined whether plans were adequate to meet the volume of customer calls and provide accurate responses to customer inquiries if the SB/SE Division's Cincinnati Campus call site was not usable.

Substantial Efforts Were Made to Manage the Increased Telephone Call Demand, but Additional Actions Are Needed to Address Continued Increases

Appendix II

Major Contributors to This Report

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Substantial Efforts Were Made to Manage the Increased Telephone Call Demand, but Additional Actions Are Needed to Address Continued Increases

Appendix III

Report Distribution List

Commissioner N:C

Deputy Commissioner for Services and Enforcement N:SE

Deputy Commissioner, Tax Exempt and Government Entities Division SE:T

Director, Customer Account Services, Tax Exempt and Government Entities Division
SE:T:CAS

Chief Counsel CC

National Taxpayer Advocate TA

Director, Office of Legislative Affairs CL:LA

Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O

Office of Management Controls N:CFO:AR:M

Audit Liaison:

Director, Communications and Liaison, Tax Exempt and Government Entities
Division SE:T:CL

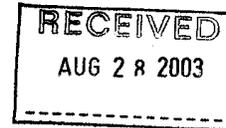
Substantial Efforts Were Made to Manage the Increased Telephone Call Demand, but Additional Actions Are Needed to Address Continued Increases

Appendix IV

Management's Response to the Draft Report



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



AUG 26 2003

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Evelyn A. Petschek 
Commissioner, Tax Exempt and Government Entities

SUBJECT: Response To Draft Audit Report – Substantial Efforts Were Made to Manage the Increased Telephone Call Demand, but Additional Actions Are Needed to Address Continued Increases (Audit No. 200210046)

As I reviewed your draft report, I was pleased to see that your review shows that TE/GE Customer Account Services met its key program goals for the telephone program in FY 2002, while only slightly missing the correspondence goal. Our efforts to date have emphasized the TE/GE Division's mission by providing accurate and timely responses to its customers' telephone and written inquiries. We will continue to stress customer service, along with employee satisfaction and business results, as we make additional improvements to our operation.

TE/GE Division management agrees with your recommendations to project the expected telephone call demand independent of resource limitations, use this projection to establish realistic program goals, and adjust the program goals when the methods for calculating program measures are changed to ensure that evaluations of performance are consistent. We also agree to assess the impact that misdirected calls are having on the call site.

We will implement the following corrective actions in response to your recommendations.

RECOMMENDATION 1

The Commissioner, TE/GE Division, should accurately project telephone call demand based on the expected call volume, independent of resource limitations.

COMMENT

We formulated balanced measure goals for FY 2004. In doing so, we projected telephone call demand independent of resource limitations.

Substantial Efforts Were Made to Manage the Increased Telephone Call Demand, but Additional Actions Are Needed to Address Continued Increases

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CORRECTIVE ACTION

Completed.

IMPLEMENTATION DATE

Not applicable. Corrective action is completed.

RESPONSIBLE OFFICIAL

Not applicable. Corrective action is completed.

CORRECTIVE ACTION MONITORING PLAN

Not applicable. Corrective action is completed.

RECOMMENDATION 2

The Commissioner, TE/GE Division, should establish program goals based on prior year results, the anticipated mix of allocated resources, the linkage to organizational priorities and initiatives, and an assessment of existing and emerging trends and issues. Also, when program goals are based on meeting certain conditions, TE/GE Division management should closely monitor performance in the event the conditions do not materialize.

COMMENT

We based program goals for FY 2004 on prior year results, available resources, consideration of productivity improvements and a reasonable increase in toll-free demand.

The strategic plan for 2004-2005 addresses the need for additional staffing to raise the level of service back to an acceptable level in 2005.

CORRECTIVE ACTION

Completed.

IMPLEMENTATION DATE

Not applicable. Corrective action is completed.

RESPONSIBLE OFFICIAL

Not applicable. Corrective action is completed.

Substantial Efforts Were Made to Manage the Increased Telephone Call Demand, but Additional Actions Are Needed to Address Continued Increases

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CORRECTIVE ACTION MONITORING PLAN

Not applicable. Corrective action is completed.

RECOMMENDATION 3

The Commissioner, TE/GE Division, should adjust the program goals when the methods for calculating performance measures are changed to ensure that evaluations of performance are consistent in relation to meeting program goals.

COMMENT

We based program goals for 2004 on the Joint Operations Center formula; this is the same formula we used in 2003. We intend in future years to calculate the level of service consistently from year to year by using the Joint Operations Center formula. This will fully resolve the concern expressed in Recommendation 3.

CORRECTIVE ACTION

Completed.

IMPLEMENTATION DATE

Not applicable. Corrective action is completed.

RESPONSIBLE OFFICIAL

Not applicable. Corrective action is completed.

CORRECTIVE ACTION MONITORING PLAN

Not applicable. Corrective action is completed.

RECOMMENDATION 4

Upon completion of the TE/GE Division's study to determine the volume of misdirected calls coming from the other IRS call sites to the TE/GE Division's CAS function call site, the Director, CAS function, should assess the impact that misdirected calls are having on the CAS function. This assessment should:

- Compare the cost and benefits of the IRS incorrectly transferring telephone calls to the CAS function call site.
- Compare the costs and benefits of maintaining the existing capability of not being able to transfer misdirected calls back to the other IRS call sites or expanding the capability to enable the CAS function to transfer misdirected calls back to other IRS call sites.

Substantial Efforts Were Made to Manage the Increased Telephone Call Demand, but Additional Actions Are Needed to Address Continued Increases

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If the Director determines the costs of having the other IRS call sites transfer telephone calls to the CAS function call site exceed the benefits, then the capability to transfer telephone calls from other IRS calls sites should be removed.

CORRECTIVE ACTION

After several years of requests and coordination of effort between W&I, TE/GE, and IS, the Joint Operations Center (JOC) will enable the CAS function call site to transfer misdirected calls to the appropriate business line before the end of the calendar year. The JOC Council will monitor the costs and benefits.

IMPLEMENTATION DATE

December 15, 2003

RESPONSIBLE OFFICIAL

Director, TE/GE Customer Account Services

CORRECTIVE ACTION MONITORING PLAN

This transfer capability is a regular agenda item on the monthly JOC Council (JOCC) meetings. The JOCC has given it a high priority.

If you have any questions, please contact John Ricketts, Director, TE/GE Customer Account Services at 513-263-3733.