



*Customer Accuracy at  
Taxpayer Assistance Centers  
Showed Little Improvement  
During the 2005 Filing Season*

**September 2005**

**Reference Number: 2005-40-146**

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



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

September 8, 2005

**MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION**

**FROM:** Pamela J. Gardiner  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Customer Accuracy at Taxpayer Assistance Centers Showed Little Improvement During the 2005 Filing Season (Audit # 200540010)

This report presents the results of our review of the Internal Revenue Service (IRS) Taxpayer Assistance Centers (TAC). The overall objective of this review was to determine whether taxpayers receive quality service, including correct answers to their tax law questions, when visiting the IRS TACs.<sup>1</sup> We also determined whether assistors were professional and courteous and whether the amount of time auditors had to wait for service was appropriate. In addition, we evaluated whether TAC addresses and office hours made available to taxpayers were accurate and all taxpayers were provided an opportunity to participate in the Customer Satisfaction Survey at the TACs.

*Synopsis*

Providing quality customer service is the IRS' first step to achieving taxpayer compliance. The complexity of the tax law has made it even more important that the IRS ensure tax assistance is available to all taxpayers, since mistakes and misinformation can easily contribute to noncompliance. Taxpayers have several options to choose from when they need assistance from the IRS, including face-to-face assistance at the TACs. According to the IRS, the TACs served

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<sup>1</sup> IRS employees, called assistors, work in the TACs helping taxpayers by interpreting tax laws and regulations, preparing certain tax returns, resolving inquiries on taxpayer accounts, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.



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approximately 3.5 million taxpayers during the 2005 Filing Season;<sup>2</sup> approximately 679,000 of these taxpayers visited for assistance with the tax law.

Taxpayers are continuing to receive inaccurate answers to their tax law questions. Assistors correctly answered 66 percent of the 196 tax law questions auditors asked during the 2005 Filing Season. Although this is comparable to our results from the 2004 Filing Season, the IRS continues to experience nominal improvement in decreasing the number of incorrect responses given. In addition, the IRS did not achieve its Fiscal Year 2005 accuracy rate goal of 81 percent.

We believe this happens because assistors are not using the required tools. Other contributing factors include the complexity of the tax law and the number of potential questions assistors have to be prepared to answer. For example, assistors are trained and expected to be knowledgeable in 318 tax law topics with 395 subtopics. They are expected to be able to respond to taxpayer issues for the current and prior tax years.

The Treasury Inspector General for Tax Administration (TIGTA) uses the number of correctly answered questions divided by the total number of questions asked to calculate and report accuracy rates. The IRS continues to disagree with this methodology. When responding to TIGTA reports or reporting its outcome measure, Field Assistance Accuracy of Tax Law Contacts, the IRS modifies TIGTA accuracy rates by excluding in the rate calculation those questions for which assistors did not provide service or referred auditors to toll-free telephone numbers or publications. The IRS does not believe referring taxpayers or failure to provide service is the same as not providing a correct tax law answer. Excluding these questions from the calculations and including only those questions to which the assistors provided answers raises the accuracy rate for the 2005 Filing Season from 66 to 75 percent.

To measure its customer service, beginning in Fiscal Year 2004, the Field Assistance Office began implementation of the Embedded Quality system. We believe this is a positive step in establishing a standardized process to improve accuracy. However, after we applied the Embedded Quality system methodology to calculate our results, the accuracy rate decreased from 66 to 39 percent. When calculating the tax law accuracy rate using the Embedded Quality system, the IRS considers a response "complete and correct" only when the assistor obtains sufficient information to answer the question *and* gives a correct and complete answer.

Although challenges remain to improve accuracy, the IRS continues to improve other aspects of customer service for taxpayers that visit the TACs to ask tax law questions. Assistors provide assistance generally within 30 minutes and treat taxpayers courteously and professionally. In addition, the TACs are easier to locate since the IRS ensures TAC addresses have been accurately posted to the IRS Internet web site (IRS.gov), toll-free telephone numbers, and automated telephone systems. For 39 (78 percent) of the 50 TACs visited, the hours of operation

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<sup>2</sup> The filing season is the period from January through mid-April when most individual income tax returns are filed.



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matched those posted on IRS.gov or provided through the toll-free telephone numbers. This is a 15 percent improvement from the 2004 Filing Season. However, auditors were only offered a Customer Survey Comment Card for 61 percent of the visits. The IRS uses Comment Cards to obtain taxpayers' feedback regarding the quality of customer service they received at the TACs.

### Recommendations

We made recommendations to address these issues in prior reports; as a result, we are making no additional recommendations in this report.

### Response

IRS management is pleased that our report highlights a number of operational improvements. They believe these improvements will eventually yield measurable gains in tax law accuracy. In addition, while differences remain in how the IRS and TIGTA believe tax law accuracy should be calculated, IRS management believes that Contract Recording will bring the IRS closer to determining statistically valid tax law accuracy levels. Lastly, management agrees that if IRS employees continue to answer tax law questions without using the tools provided to them, the IRS will not achieve its accuracy goals. Management's complete response to the draft report is included as Appendix VIII.

Copies of this report are also being sent to the IRS managers affected by the report results. Please contact me at (202) 622-6510 if you have questions or Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 927-0597.

Attachment



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## Customer Accuracy at Taxpayer Assistance Centers Showed Little Improvement During the 2005 Filing Season

### Background

Providing quality customer service is the Internal Revenue Service's (IRS) first step to achieving taxpayer compliance. The IRS estimated it would take individual taxpayers from 3 hours and 46 minutes to prepare the simplest 2004 tax return to almost 27 hours<sup>1</sup> to complete a more complex tax return with schedules. The complexity of the tax law has made it even more important that the IRS ensure tax assistance is available to all taxpayers. Mistakes and misinformation can easily contribute to noncompliance.

Taxpayers have several options to choose from when they need assistance from the IRS, including face-to-face assistance at a Taxpayer Assistance Center (TAC). According to the IRS, the TACs served approximately 3.5 million taxpayers during the 2005 Filing Season.<sup>2</sup> Approximately 679,000 of these taxpayers visited for assistance with the tax law.<sup>3</sup> The Field Assistance Office<sup>4</sup> has overall responsibility for about 400 TACs in 5 geographical areas throughout the United States (U.S.). In May 2005, the IRS announced its plans to close 68 TACs in Fiscal Year 2006.

The Field Assistance Office's mission is to minimize the burden to taxpayers in satisfying their tax obligations by providing the right services at the right location at the right time. To accomplish its mission, the Field Assistance Office provides professional assistance, education, and compliance services to taxpayers that desire face-to-face interaction. IRS employees, called assistors, work in the TACs helping taxpayers by interpreting tax laws and regulations, preparing certain tax returns, resolving inquiries on taxpayer accounts, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations. Operating guidelines require assistors to identify themselves, provide their identification numbers either verbally or visually to all taxpayers, and assist taxpayers in a professional and courteous manner.

The estimated time it takes the average taxpayer to prepare a tax return has risen 45 percent since 1991.



Source: The IRS.

<sup>1</sup> Included in the estimate are the U.S. Individual Income Tax Return (Form 1040), Itemized Deductions (Schedule A), Interest and Ordinary Dividends (Schedule B), Capital Gains and Losses (Schedule D), and Earned Income Credit (Schedule EIC).

<sup>2</sup> The filing season is the period from January through mid-April when most individual income tax returns are filed.

<sup>3</sup> The IRS provided the number of taxpayers that visited the TACs for assistance with the tax laws. We did not verify the accuracy of the number.

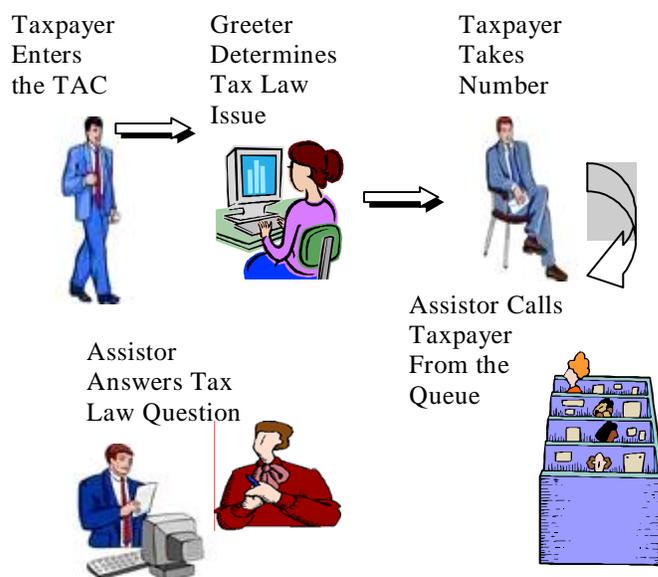
<sup>4</sup> The Field Assistance Office is within the Wage and Investment Division Customer Assistance, Relationships, and Education function.



## Customer Accuracy at Taxpayer Assistance Centers Showed Little Improvement During the 2005 Filing Season

Because of the complexity of the tax law and the need to assist millions of taxpayers with tax law questions, assistors are not trained to answer all types of tax law questions. Instead, they are trained on specific tax topics and are authorized to answer only those questions within this expertise. These are called in-scope questions; they include specific tax law topics related to lines on the Form 1040, such as income, filing status, exemptions, deductions, and credits.

**Figure 1: Taxpayer Asking a Tax Law Question at a TAC**



Source: *The IRS Field Assistance Office*

When a taxpayer walks into a TAC, he or she uses the Q-MATIC<sup>5</sup> system to select the type of assistance desired (e.g., return preparation, tax law question, account inquiry, payment). In some larger TACs, an IRS employee called a screener determines the reason for a taxpayer's visit and makes the Q-MATIC system choice for the taxpayer. Once a choice is made, the taxpayer is issued a number and waits for assistance until that number is called. Figure 1 shows an example of how this works for a taxpayer asking a tax law question.

When assisting taxpayers, assistors must first determine if the tax law questions are in-scope. If the

questions are in-scope, assistors are required to use the Publication Method Guide (Guide) or tax instructions, forms, and publications to provide the answers. The Guide contains over 1,000 pages and covers approximately 77 tax law topics. Assistors are required to use the Guide as a tool to navigate through the complex maze of tax laws and computations. The Guide is available either in paper or electronically. The paper version includes the same information as the electronic version but is maintained in binders. Assistors in smaller TACs are more likely to use the paper version because computers may not be readily available at the counter.

For each in-scope tax law topic, an assistor uses the Guide to ask the taxpayer approximately 9 to 37 conditional questions to determine the correct answer to the tax law question. In addition, the Guide includes excerpts from tax publications assistors can use to "walk" the taxpayer through to provide an answer to the question. The dependency topic in the Guide covers 14 pages and includes 37 conditional questions an assistor must ask to determine if the

<sup>5</sup> The Q-MATIC system is an automated queuing system used to control the flow of taxpayers waiting for assistance.



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taxpayer can claim the dependent exemption. For example, a taxpayer asks whether he or she can claim his or her 19-year-old child as a dependent. The assistor uses the Guide for the following:

- First. To ask if the child has a valid Social Security Number and for the amount of the taxpayer's adjusted gross income<sup>6</sup> because exemptions are phased out if the adjusted gross income exceeds filing status amounts.
- Second. If the child has a valid Social Security Number and the adjusted gross income is within appropriate limits, five more tests must be met for the taxpayer to claim the child as a dependent.
1. Member of Household or Relationship Test. The assistor asks for information concerning the nature of the relationship (son, daughter, niece, etc.) or, if the child is not a qualifying relative, how long the child has lived in the home with the taxpayer.
  2. Citizenship Test. The assistor asks if the child is a U.S. citizen or resident alien.
  3. Joint Return Test. The assistor asks if the child is single or married.
  4. Gross Income Test. The assistor asks for the amount of the child's gross income.
  5. Support Test. The assistor asks for the amount of support the taxpayer provided the child during the tax year.
- Third. If all five tests are met, the assistor advises the taxpayer that he or she may claim the child as a dependent.

When receiving out-of-scope questions, assistors are required to offer to call the appropriate IRS toll-free telephone number on behalf of the taxpayers or to submit the questions in writing to subject-matter experts via the Internet (called R-Mail). Questions submitted via R-mail are assigned to IRS employees and taxpayers are to receive responses within 15 business days.

To measure its customer service, beginning in Fiscal Year 2004, the Field Assistance Office began implementation of the Embedded Quality system, which links employee performance to organizational results related to the quality of customer service. This method was designed to distinguish between "wrong" answers and procedural errors that do not affect the accuracy of the answer.

Currently, the Embedded Quality system requires TAC managers to observe assistors' contacts with taxpayers and measure performance against predetermined standards. To accomplish this, Field Assistance Office managers currently observe a statistical sample of assistors' interactions

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<sup>6</sup> The adjusted gross income is a taxpayer's gross income for the year adjusted for certain exclusions from income provided for in the Internal Revenue Code.



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with taxpayers using approximately 100 attributes to identify specific aspects of the assistor/taxpayer interaction that need to be considered when measuring the quality of customer service. The attributes are divided into five quality measures: Customer Accuracy, Regulatory Accuracy, Procedural Accuracy, Professionalism, and Timeliness. The IRS plans to baseline Embedded Quality system measurements in Fiscal Year 2006. See Appendix VII for a synopsis of the Embedded Quality Business Integration.

The Customer Accuracy, Professionalism, and Timeliness measures are reported to the IRS Commissioner as part of the IRS' balanced measures (employee satisfaction, customer satisfaction, and business results). The IRS uses these three balanced measures to gauge organizational and employee performance. The Regulatory Accuracy and Procedural Accuracy measures are reported internally to IRS management to identify trends and training opportunities. The Customer Accuracy measure is also reported externally to IRS stakeholders (e.g., the Congress and the Government Accountability Office) and as part of the reporting requirement of the Government Performance and Results Act of 1993.<sup>7</sup>

We conducted this audit in the IRS Customer Assistance, Relationships, and Education function in the Wage and Investment Division during the period January through May 2005. Treasury Inspector General for Tax Administration (TIGTA) auditors developed 46 scenarios around specific tax topics designed to require assistors to ask questions, for example, to determine taxpayers' eligibility for deductions and credits. From January through April 2005, using the 46 scenarios, auditors made 104 anonymous visits generally asking 2 questions each at 50 TACs located in 16 states. Since we judgmentally selected the TACs, the results cannot be projected to all TACs. See Appendix V for specific cities and states visited.

The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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<sup>7</sup> Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).



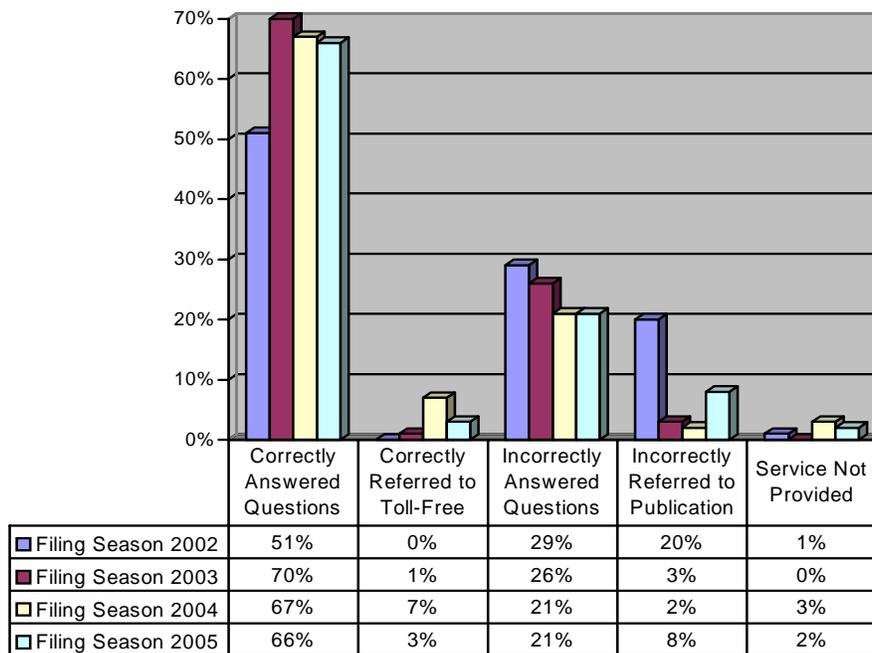
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*Results of Review*

**Taxpayers Continue to Receive Inaccurate Answers to Tax Law Questions**

Sixty-six percent (129 of 196) of the tax law questions asked during the 2005 Filing Season review were answered correctly, compared to 67 percent in the 2004 Filing Season. The IRS’ goal for Field Assistance Accuracy of Tax Law Contacts for Fiscal Year 2005 is 81 percent. Figure 2 shows the detailed results for the 2002 through 2005 Filing Seasons.

**Figure 2: Comparison of Accuracy Rates for the 2002 through 2005 Filing Seasons<sup>8</sup>**



Source: Anonymous visits performed by TIGTA auditors

<sup>8</sup> The accuracy rates in the graph represent percentages that may not add to 100 due to rounding. “Services Not Provided” occurred when the IRS assistant chose not to answer the question because he or she had not received the current tax year Guide or assumed auditors did not have information needed to answer all probing questions.



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To calculate and report accuracy rates, we used the number of correctly answered questions divided by the total number of questions asked. The IRS continues to disagree with this methodology. When responding to TIGTA reports or reporting its outcome measure, Field Assistance Accuracy of Tax Law Contacts, the IRS modifies TIGTA accuracy rates by excluding from the rate calculations those questions for which assistors did not provide service or referred auditors to toll-free telephone numbers or publications. Excluding these questions from the calculations raises the TIGTA accuracy rate for the 2005 Filing Season from 66 to 75 percent. The IRS does not believe referring taxpayers or failure to provide service is the same as not providing a correct tax law answer. The IRS has used TIGTA results with this modification when reporting Field Assistance Accuracy of Tax Law Contacts for Fiscal Years 2003 and 2004.

When calculating the tax law accuracy rate using the Embedded Quality system, the IRS considers a response “complete and correct” only when the assistor obtains sufficient information to answer the question *and* gives a correct and complete answer. The IRS’ definition of accuracy does not take into consideration any additional issues or procedures that do not directly affect the taxpayer. To ensure the response is considered correct and complete, assistors must follow all of the following Embedded Quality system requirements and correctly apply the tax law:

- Use the Guide or obtain the appropriate publication.
- Discuss specific information related to the topic.
- Ask all appropriate questions to obtain facts.
- Respond to the taxpayer’s issue or question.

Using the Embedded Quality system methodology to calculate TIGTA results for this review, the accuracy rate decreases from 66 to 39 percent. This happens because answers are rated incorrect if the assistors did not properly use the tools provided and did not ask sufficient probing questions. In addition, the total number of questions used in the calculation is reduced from 196 to 171 to exclude those questions for which auditors were referred or not provided service.

Figure 3 shows the breakdown of the accuracy rates for this period, first using the TIGTA methodology we used for prior reviews, second using the TIGTA methodology as modified by the IRS, and third using the IRS Embedded Quality system methodology.



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**Figure 3: Responses to 196 Tax Law Questions**

<b>COMPARISON OF TIGTA AND IRS ACCURACY RATES 2005 Filing Season</b>						
	<b>TIGTA METHODOLOGY</b>		<b>IRS MODIFIED METHODOLOGY</b>		<b>IRS EMBEDDED QUALITY SYSTEM METHODOLOGY</b>	
	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
<b>Correctly Answered</b>	129	66%	129	75%	67	39%
<b>Incorrectly Answered</b>	42	21%	42	25%	104	61%
<b>Correctly Referred</b>	5	3%	0	0%	0	0%
<b>Incorrectly Referred to Publication</b>	16	8%	0	0%	0	0%
<b>Service Not Provided</b>	4	2%	0	0%	0	0%
<b>Total Questions, Overall Accuracy Rate</b>	196	66%	171	75%	171	39%

*Source: Anonymous visits performed by TIGTA auditors.*

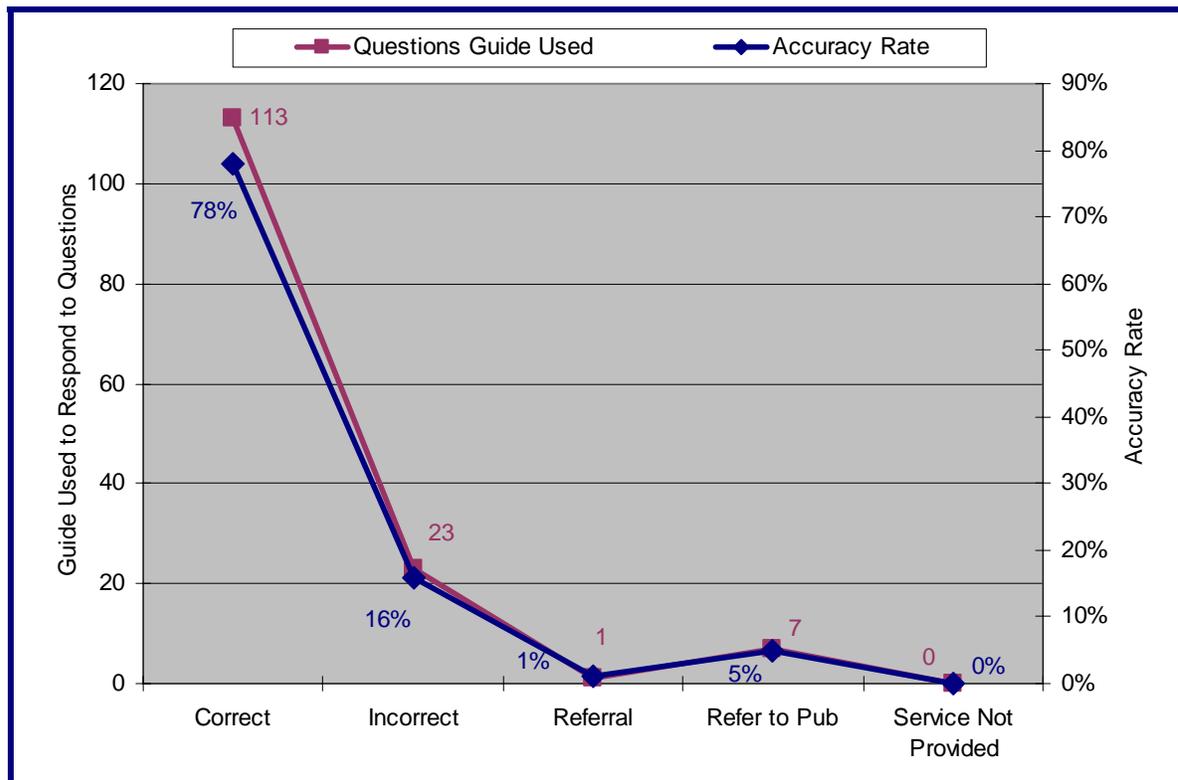
**Accuracy increases when assistors take the time to follow required procedures and ask probing questions**

Assistors continued to respond to tax law questions without taking the time to use the required tools to ask all the probing questions outlined in the Guide. The risk that taxpayers will receive inaccurate answers is increased when assistors do not follow required procedures and take the time to ask probing questions. The accuracy rate was 78 percent when assistors used the required tools; the accuracy rate was 36 percent when assistors did not use the required tools. Figure 4 shows a comparison of tax law questions answered and accuracy rates when assistors use the Guide.



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**Figure 4: Tax Law Accuracy When Using Required Tools**



Source: Anonymous visits performed by TIGTA auditors.

During our visits, auditors generally asked two questions. Assistors were more likely to use the Guide only when answering the first questions. For example, when answering the first questions, assistors used the Guide and/or a publication to answer 80 (80 percent) of the 100 questions. However, when auditors asked their second questions, which were occasionally on different topics, assistors used the Guide to respond to only 64 (67 percent) of the 96 questions.

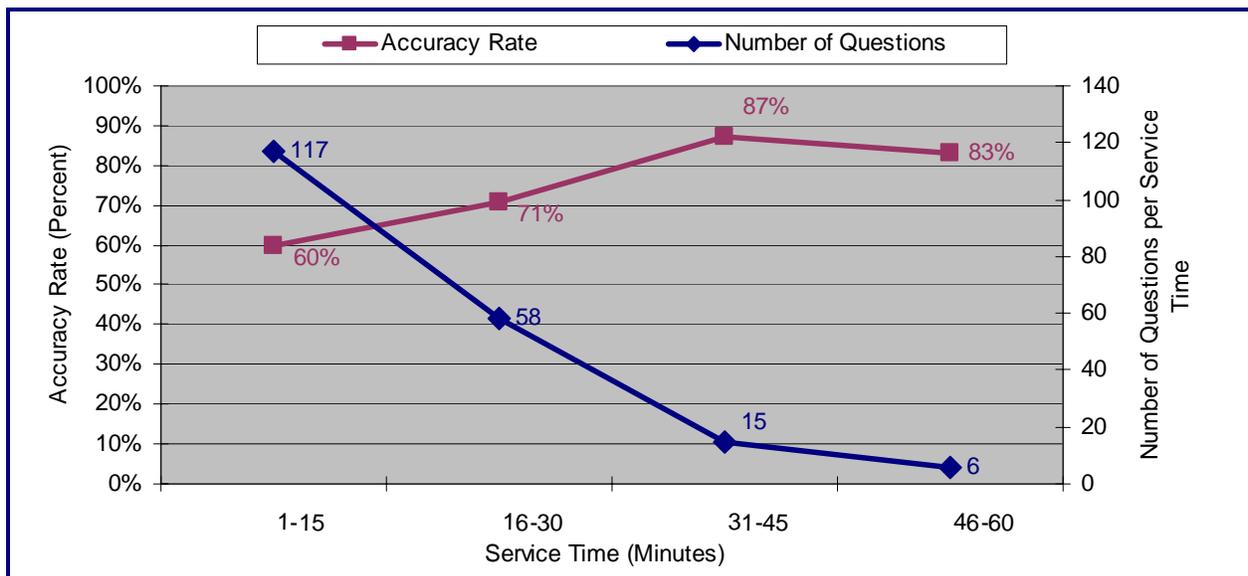
Assistors stated the Guide is too cumbersome and diminished their credibility. However, as we have previously reported, accuracy goals will continue to be a challenge until IRS management is able to change assistors' behavior. While assistors believe the Guide is cumbersome, it is an effective tool for ensuring the accuracy of tax law responses. When developing the scenarios for this review, we followed the steps in the Guide and were able to determine the correct answer for 43 (93 percent) of the 46 scenarios. We identified errors in the Guide for three scenarios relating to two tax law topics and brought this to the attention of the IRS to correct. As of April 2005, assistors were mandated to use the Guide and warned there would be no deviation for failure to comply with this requirement.



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In addition, accuracy was 63 percent when assistors spent fewer than 30 minutes helping auditors (an average of 14 minutes per question). In contrast, when an average of 41 minutes per question was spent, accuracy increased to 86 percent. Figure 5 shows a comparison of the accuracy rates for responses to tax law questions for various service time categories.

**Figure 5: Tax Law Accuracy by Time Spent With the Assistor**



Source: Anonymous visits performed by TIGTA auditors.

We believe this happened because assistors did a better job of listening effectively, conducting research, and using appropriate time to control the amount of dialogue with the taxpayer. All three of these actions are Embedded Quality system attributes used to measure employee performance.

The quality of service provided to taxpayers, as defined by the TIGTA, remains among the major management challenges the IRS faces in Fiscal Year 2005. Taxpayers have several options to choose from when they need assistance from the IRS. These options include walk-in service at the TACs, toll-free telephone assistance, and email assistance on IRS.gov.<sup>9</sup> A March 15, 2005, *The Wall Street Journal*<sup>10</sup> article reported the various levels of service reporters experienced when they anonymously contacted the IRS for assistance with tax law questions. It reported that, when an IRS assistor answered off the top of his or her head, he or she provided incorrect information. Figure 6 is an excerpt from this *The Wall Street Journal* article.

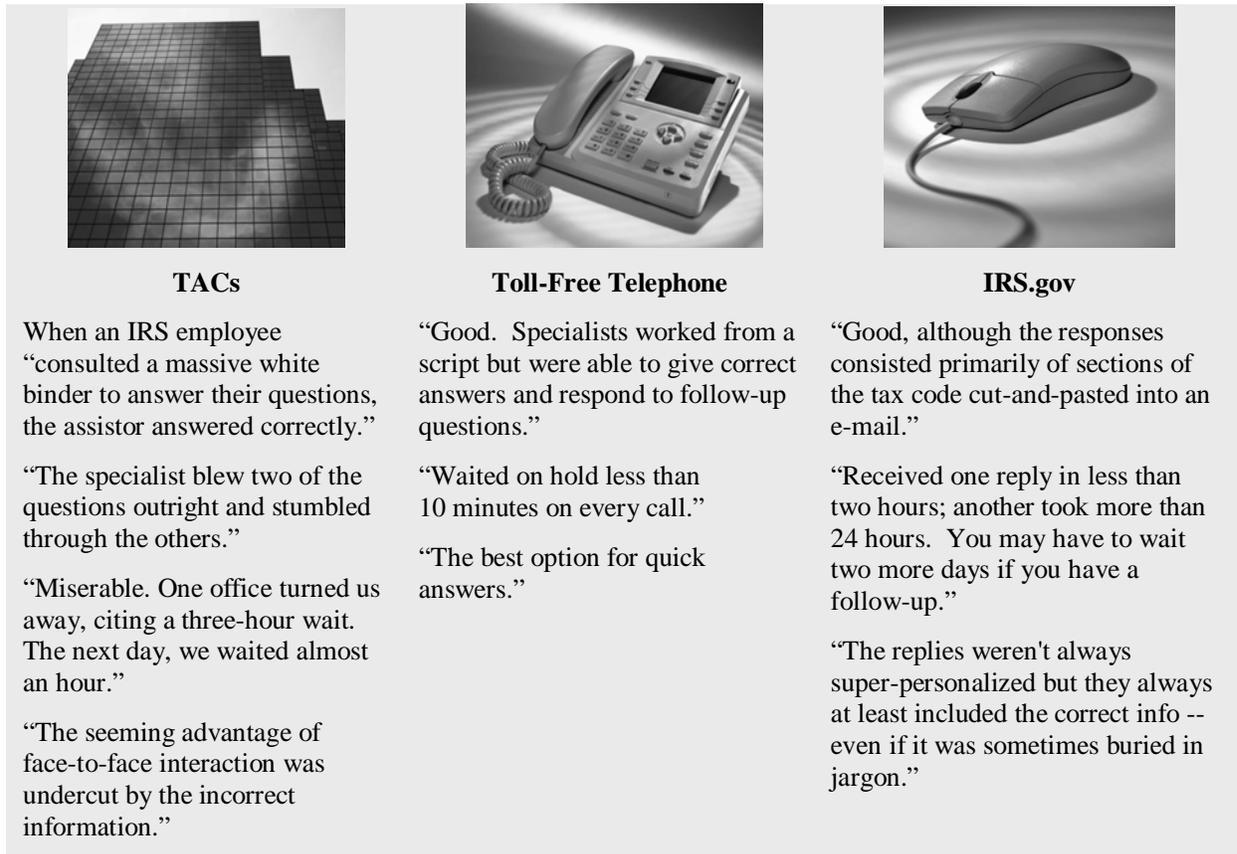
<sup>9</sup> The IRS plans to discontinue email assistance in early Fiscal Year 2006 for customers living in the U.S. It will continue to provide the service for taxpayers living abroad and military personnel.

<sup>10</sup> Reagan, Brad. 2005. "Getting Tax Advice From the Internal Revenue Service." March 15, 2005, *The Wall Street Journal*: D2.



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**Figure 6: Comparison of Results Experienced by  
The Wall Street Journal Reporters When Seeking Assistance From the IRS**



Source: March 15, 2005, *The Wall Street Journal*: D2.

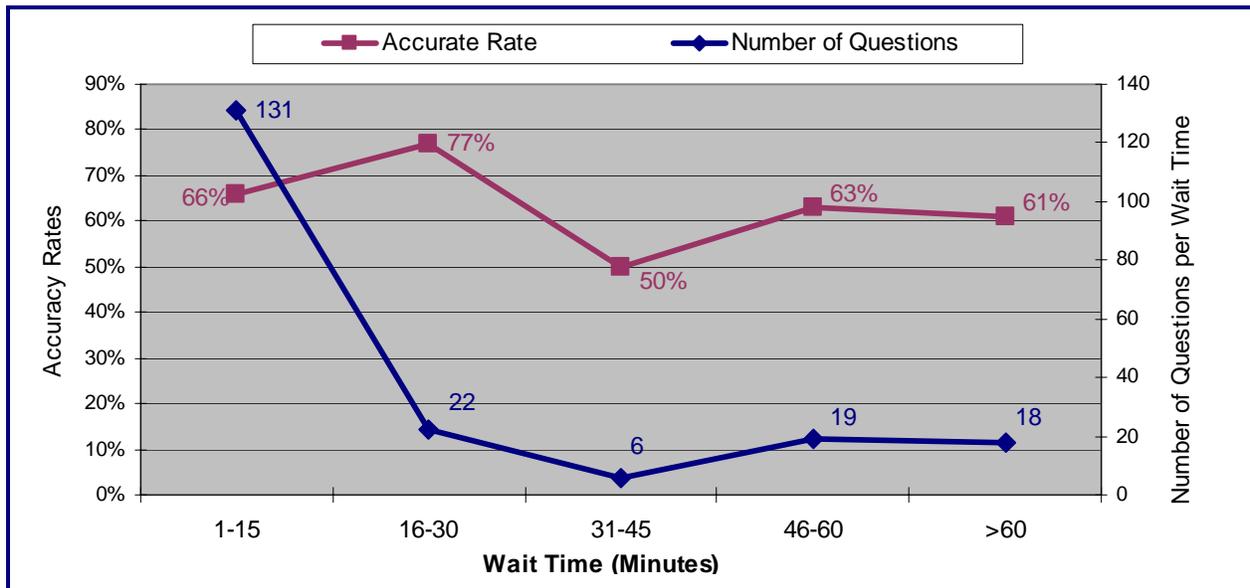
**Accuracy increases when wait time at the TACs is less than 30 minutes**

When wait time was 30 or fewer minutes, the accuracy rate was 67 percent. When auditors waited more than 1 hour, the accuracy rate decreased to 61 percent. The Field Assistance Office does not have a wait-time goal. The IRS believes a wait-time goal contributes to the inefficient use of resources. However, our results show a potential connection between wait time and accuracy. Figure 7 shows a comparison of the accuracy rates of responses to tax law questions for various wait-time categories.



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**Figure 7: Walk-In Accuracy by Wait Time**



Source: Anonymous visits performed by TIGTA auditors.

We believe when assistors see taxpayers sitting in the TACs with long wait times they may shift their focus from providing quality customer service to increasing the number of taxpayers served. Furthermore, the mandated use of the Guide increases the time assistors interact with taxpayers. The increase in service time will subsequently increase the wait time for taxpayers.

**Accuracy decreases when tax law questions relate to certain tax law topics**

Results indicate that the risk of an incorrect answer may be connected to specific tax law topics such as the Earned Income Tax Credit and Alimony. Specifically, assistors incorrectly answered 42 questions; the percentage of inaccurate answers increased for 6 (60 percent) of 10 tax law topics asked in the 2004 and 2005 Filing Season reviews. In addition, since the 2002 Filing Season, the percentage of incorrect answers has ranged between 21 and 29 percent. We believe this happens because of the complexity of the tax law and the number of potential questions assistors have to be prepared to answer.

For example, assistors are trained and expected to be knowledgeable in 318 tax law topics with 395 subtopics. They are expected to be able to respond to taxpayer issues for the current and prior tax years. During this review, auditors that anonymously visited TACs asked IRS employees pre-developed scenario questions related to 27 tax law topics. See Appendix VI for a list of tax law topics.



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## ***Taxpayers Continue to Receive Improved Availability of Service When Visiting the Taxpayer Assistance Centers***

When taxpayers visit the TACs to ask tax law questions, they generally have to wait 30 or fewer minutes before being served. During visits, auditors had similar experiences; wait times were 30 or fewer minutes for 78 percent of the visits. This is slightly lower than the 2004 Filing Season results (83 percent); however, in the 2004 IRS Oversight Board Taxpayer Attitude Survey, 66 percent of taxpayers responded they were willing to wait from 15 minutes to more than an hour to speak with an assistor. We believe taxpayers experienced short wait times because the Field Assistance Office had adequate staff available to handle the filing season walk-in traffic.

Most assistors identified themselves as required and were courteous and professional when responding to taxpayers' questions. In addition, the IRS is also doing a better job ensuring the addresses for the TACs are accurately posted to IRS systems for access by IRS employees and taxpayers. Most addresses for the TACs visited during this review matched the addresses posted on IRS.gov and provided through the toll-free telephone numbers.

### ***Taxpayers visiting the TACs may continue to find offices not open***

Of the 50 TACs visited, only 39 (78 percent) had hours of operation that matched those on IRS.gov and the toll-free telephone numbers. However, this is a 15 percent improvement from the 2004 Filing Season (10 percentage points from 68 to 78 percent). Taxpayers can access IRS.gov and follow links to obtain the addresses and office hours of the TACs located in their States. Taxpayers that do not have access to the Internet may call the IRS toll-free telephone numbers or automated telephone messaging systems at the TACs to obtain this information. Field Assistance Office operating procedures require TAC managers to ensure TAC hours provided to taxpayers via IRS.gov and the toll-free telephone numbers are accurate and timely updated. However, TAC managers did not always follow these procedures.

### ***Taxpayers are still not always given the opportunity to provide customer satisfaction feedback***

In only 61 percent of the TACs visited were auditors offered Customer Survey Comment Cards. This is comparable to the results of the 2004 Filing Season review. The IRS developed Comment Cards to obtain feedback from taxpayers on the quality of service they received at the TACs. Assistors are required to offer a Comment Card to every taxpayer who is provided face-to-face service. However, assistors do not always follow these procedures. This reduces



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the effectiveness of the Customer Satisfaction Survey the IRS uses to measure the quality of service at the TACs.

Obtaining sufficient customer feedback with which to appropriately measure customer satisfaction at the TACs has remained a challenge. Customers are a vital source of feedback on the performance of the organization. We believe the most valuable resource an organization can have is a steady and credible flow of information between itself and its customers.



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## **Appendix I**

### *Detailed Objectives, Scope, and Methodology*

The overall objective of this review was to determine whether taxpayers receive quality service, including correct answers to their tax law questions, when visiting the Internal Revenue Service (IRS) Taxpayer Assistance Centers (TAC).<sup>1</sup> We also determined whether assistors were professional and courteous and whether the amount of time auditors had to wait for service was appropriate. In addition, we evaluated whether TAC addresses and office hours made available to taxpayers were accurate and all taxpayers were provided an opportunity to participate in the Customer Satisfaction Survey at the TACs.

To accomplish our objectives, we:

- I. Determined whether the IRS provided quality service and accurate responses to tax law inquiries at the 50 TACs visited from January through April 2005. Auditors visited 10 TACs in each of the 5 areas.<sup>2</sup> We judgmentally selected large, medium, and small TACs from each of the five areas based on the IRS Embedded Quality system accuracy results, number of taxpayer visits, and geographic proximity to each other to reduce travel time. We asked 196 tax law questions that individual taxpayers<sup>3</sup> might ask. The questions were based upon the scope of services for tax law assistance prescribed in the 2005 Field Assistance Office guidelines.
  - A. Determined the quality of services provided by the assistors.
  - B. Determined whether TAC addresses and office hours provided to taxpayers via the IRS Internet web site (IRS.gov), toll-free telephone numbers, and automated telephone messaging systems matched information posted at the TACs.
  - C. Determined whether the Customer Survey Comment Cards were available at the TACs and offered to taxpayers.
  - D. Made general observations of each TAC, such as the number of taxpayers waiting in line, the number of assistors helping taxpayers, handicap accessibility, the cleanliness/organization of the office, and parking fee requirements.

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<sup>1</sup> IRS employees, called assistors, work in the TACs helping taxpayers by interpreting tax laws and regulations, preparing certain tax returns, resolving inquiries on taxpayer accounts, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.

<sup>2</sup> See Appendix V for specific cities and States visited.

<sup>3</sup> Individual taxpayers are nonbusiness taxpayers that file U.S. Individual Income Tax Returns (Forms 1040, 1040A, or 1040EZ).



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- II. Calculated the accuracy rates of the responses using the Treasury Inspector General for Tax Administration's previous methodology and the IRS' modified and Embedded Quality system methodologies.
- III. Determined whether there are identifiable trends resulting from auditor visits to the TACs.



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**Appendix II**

*Major Contributors to This Report*

Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs)  
Augusta R. Cook, Director  
Paula Johnson, Audit Manager  
Frank Jones, Audit Manager  
Russell Martin, Audit Manager  
Andrea Hayes, Lead Auditor  
Lena Dietles, Senior Auditor  
Deborah Drain, Senior Auditor  
John Kirschner, Senior Auditor  
Jerome Antoine, Auditor  
Robert Baker, Auditor  
Jean Bell, Auditor  
Vacenessia Brown, Auditor  
Jerry Douglas, Auditor  
Roberta Fuller, Auditor  
Kathy Henderson, Auditor  
Sylvia Sloan-Copeland, Auditor



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**Appendix III**

*Report Distribution List*

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



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## **Appendix IV**

### *Outcome Measures*

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

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

- Taxpayer Burden – Potential; 42 incorrect answers to tax law questions (see page 5).

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

If the accuracy results for the 196 tax law questions we asked during the 2005 Filing Season<sup>1</sup> are indicative of the actual responses taxpayers receive when they visit a Taxpayer Assistance Center, we estimate 42 taxpayers could have received incorrect responses to tax law questions.

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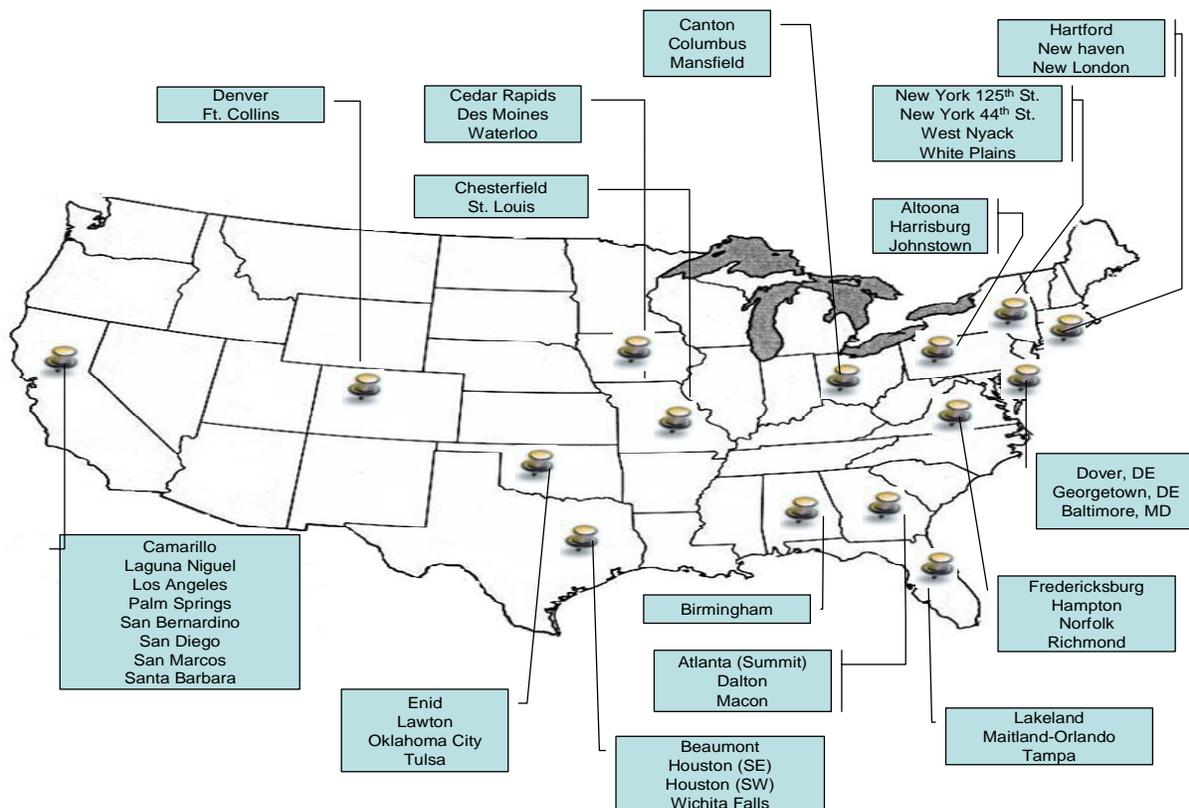
<sup>1</sup> The filing season is the period from January through mid-April when most individual income tax returns are filed.



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**Appendix V**

*Taxpayer Assistance Centers Visited  
During the 2005 Filing Season<sup>1</sup>*



<sup>1</sup> The filing season is the period from January through mid-April when most individual income tax returns are filed.



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**Appendix VI**

*Accuracy Rates by Tax Law Topic  
During the 2005 Filing Season<sup>1</sup>*

<b>Tax Law Topics</b>	<b>Questions Asked</b>	<b>Correctly Answered</b>	<b>Correctly Answered but Incomplete</b>	<b>Correctly Referred</b>	<b>Incorrectly Answered</b>	<b>Incorrectly Referred to Publication</b>	<b>Service<sup>2</sup> Not Provided</b>
Adjustment to Income	2	2 (100%)	---	---	---	---	---
Adoption Credit	2	2 (100%)	---	---	---	---	---
Alimony	6	2 (33%)	---	---	4 (67%)	---	---
Amended Return	9	5 (56%)	---	---	3 (33%)	---	1 (11%)
Archer Medical Savings Account Deduction	3	2 (67%)	---	---	---	---	1 (33%)
Capital Gains/Losses	3	2 (67%)	---	---	---	1 (33%)	---
Child Support	5	3 (60%)	2 (40%)	---	---	---	---
Child Tax Credit	9	7 (78%)	---	---	1 (11%)	1 (11%)	---
Child Care Credit	3	2 (67%)	---	---	1 (33%)	---	---
Dependents	21	17 (81%)	---	---	4 (19%)	---	---
Earned Income Tax Credit	22	16 (73%)	---	1 (5%)	4 (18%)	1 (5%)	---
Education Credit	9	8 (89%)	---	---	1 (11%)	---	---
Elderly Credit	2	1 (50%)	---	---	1 (50%)	---	---
Estimated Tax Penalty	10	4 (40%)	3 (30%)	1 (10%)	1(10%)	1 (10%)	---
Filing Status	13	11 (85%)	2 (15%)	---	---	---	---
Gambling Income/Losses	1	1 (100%)	---	---	---	---	---
Interest Income	5	---	1 (20%)	---	3 (60%)	---	1 (20%)
Itemized Deductions <sup>3</sup>	16	6 (38%)	---	---	8 (50%)	2 (13%)	---
Lump Sum Distribution	6	---	1 (17%)	---	4 (67%)	---	1 (17%)

<sup>1</sup> Percentages do not add to 100 due to rounding. The filing season is the period from January through mid-April when most individual income tax returns are filed.

<sup>2</sup> The Internal Revenue Service assistor chose not to answer the question because he or she had not received the current tax year Publication Method Guide or assumed the auditor did not have information needed to answer all probing questions.

<sup>3</sup> Itemized Deductions include Charitable Contributions, Refinancing Points, and Uniforms.



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<b>Tax Law Topics</b>	<b>Questions Asked</b>	<b>Correctly Answered</b>	<b>Correctly Answered but Incomplete</b>	<b>Correctly Referred</b>	<b>Incorrectly Answered</b>	<b>Incorrectly Referred to Publication</b>	<b>Service<sup>2</sup> Not Provided</b>
Medical Expenses	4	4 (100%)	---	---	---	---	---
Moving Expenses	1	---	---	1(100%)	---	---	---
Retirement	11	5 (45%)	---	1 (9%)	4 (36%)	1 (9%)	---
Sale of Home	5	5 (100%)	---	---	---	---	---
Sales Tax Deduction	4	3 (75%)	---	1 (25%)	---	---	---
Scholarship	6	2 (33%)	---	---	2 (33%)	2 (33%)	---
Social Security Income	13	4 (31%)	1 (8%)	---	1 (8%)	7 (54%)	---
Tax on Qualified Plans	5	5 (100%)	---	---	---	---	---

*Source: Anonymous visits performed by Treasury Inspector General for Tax Administration auditors.*



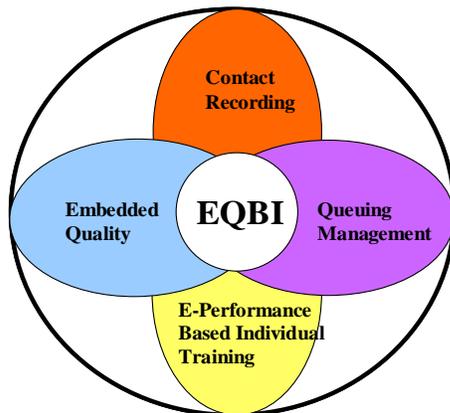
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**Appendix VII**

*Internal Revenue Service  
Embedded Quality Business Integration*

To measure its customer service, the Internal Revenue Service (IRS) uses a quality measurement system called the Embedded Quality system, which links employee performance to

**Figure 1: The EQBI**



*Source: Field Assistance Office.*

organizational results related to the quality of customer service. Beginning in 2005, the Field Assistance Office, the IRS office responsible for overseeing the Taxpayer Assistance Centers (TAC), began implementation of the Embedded Quality Business Integration (EQBI). Briefly described below are the three key components of the EQBI.

**Contact Recording** captures the audio portion of the employee/customer interaction, synchronized with computer screen activity, for replay and quality review. Contact Recording is being piloted in seven TACs and is expected to be rolled out to all TACs in Fiscal Year (FY) 2008.

**Queuing Management** efficiently directs taxpayers to the right employee, based on tax issue. Currently, Queuing Management is available in most TACs and will be available in all by the end of FY 2006.

**Electronic Performance (E-Performance)-Based Individual Training** identifies employee training needs and delivers targeted training. This portion of the EQBI is in its early stages.

In October 2003, the Field Assistance Office began implementing the Embedded Quality system component of the EQBI. It began collecting data in April 2004. The Embedded Quality system requires TAC managers to observe employee contact with taxpayers and measure performance against predetermined standards. To accomplish this, TAC managers are to observe a statistical sample of TAC assistors' interactions with taxpayers and document the results on a Data Collection Instrument. The Data Collection Instrument contains approximately 100 evaluative attributes that identify specific aspects of a contact that need to be considered when measuring the quality of customer service. These attributes are mapped to the employee's Critical Job Elements that are divided into five quality measures:



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- Customer Accuracy – giving the taxpayer the correct answer with the correct resolution.
- Regulatory Accuracy – adhering to statutory/regulatory process requirements when making determinations on taxpayer accounts.
- Procedural Accuracy – adhering to nonstatutory/nonregulatory internal process requirements.
- Professionalism – promoting a positive image of the IRS by using effective communication techniques.
- Timeliness – resolving an issue in the most efficient manner through the use of proper workload management and time utilization techniques.

The information captured on the Data Collection Instrument is then input to an electronic database, the Embedded Quality Review System. The Embedded Quality Review System, designed to provide statistically valid results, enables management to identify trends, track employee performance, and develop training needs. Data from the Embedded Quality Review System are also used to report national quality measures for accuracy, professionalism, and timeliness.

The Customer Accuracy, Professionalism, and Timeliness measures are reported to the IRS Commissioner as part of the IRS' balanced measures (employee satisfaction, customer satisfaction, and business results). The IRS uses the three balanced measures to gauge organizational and employee performance. The Regulatory Accuracy and Procedural Accuracy measures are reported internally to IRS management to identify trends and training opportunities. The Customer Accuracy measure is also reported externally to IRS stakeholders (e.g., the Congress and the Government Accountability Office) and as part of the reporting requirement of the Government Performance and Results Act of 1993.<sup>1</sup>

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<sup>1</sup> Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).



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**Appendix VIII**

*Management's Response to the Draft Report*



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

RECEIVED  
AUG 26 2005

August 25, 2005

MEMORANDUM FOR PAMELA J. GARDINER  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Richard J. Morgante *Richard J. Morgante*  
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Customer Accuracy at Taxpayer  
Assistance Centers Showed Little Improvement During the  
2005 Filing Season (Audit #200540010)

I reviewed the subject draft report on the results of your auditors' anonymous visits to Taxpayer Assistance Centers (TAC), and their efforts to determine whether taxpayers receive quality service, including correct answers to their tax law questions. I appreciate your recognition of the challenges we face in light of the complexity of the tax laws and the finite resources we have to serve taxpayers that visit our TACs. As stated in your report, our employees are expected to respond to tax law issues for current and prior years on 318 tax law topics with 395 subtopics.

I am pleased that your report highlights a number of operational improvements favorably impacting customer service for taxpayers that visit the TACs. For example, you note that TACs are easier to locate. This improvement is directly attributable to a focused effort to ensure TAC addresses are accurately posted on the IRS Internet, toll-free telephone numbers, and automated telephone systems. You also state that taxpayers are provided service within 30 minutes or less. While there are a number of variables that impact wait-time, we believe that improvement in this area is due, in part, to enhancement to our traffic management system (Queuing Management). Lastly, your report mentions that our employees provide courteous and professional assistance. We will continue to make improvements to the rigorous Courtesy and Professionalism training in order to sustain this level of performance.

We agree that providing quality customer service is the first step to achieving taxpayer compliance, and that service provided to approximately 3.5 million taxpayers through April 2005 should be free of mistakes and misinformation. While your report points out taxpayers are continuing to receive inaccurate answers to their tax law questions, we believe it is important to recognize the tangible progress we have made in several areas that will eventually yield measurable gains in tax law accuracy. Specifically, over the



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last few years, we have focused our efforts in designing an Embedded Quality Business Integration (EQBI) system. EQBI incorporates technology and business processes to deliver statistically reliable data and standardized procedures for improving accuracy. There are four components of EQBI: Embedded Quality, Queuing Management, Contact Recording, and Electronic Performance Based Individual Training.

I am pleased to report that we piloted the Contact Recording system during May and June 2005. Contact Recording is a technology-based solution that captures and stores actual employee/taxpayer conversations and selects a statistically valid sample for managerial review. The Contact Recording system synchronizes these recorded conversations with screen shots of employees' computer research. TAC managers are able to review the service transactions without being physically present. Not only does Contact Recording provide a comprehensive and objective review of the contact, it also provides an indisputable voice-data record of the customer experience. This voice-data record enables meaningful, targeted, and focused feedback discussions between the manager and employee.

While differences still remain between IRS and TIGTA regarding the tax law accuracy rate calculation methodology, it is clear that the Contact Recording pilot results are moving us closer to determining statistically valid accuracy levels. We are optimistic that full implementation of Contact Recording will generate significant and sustained improvements in TAC tax law accuracy, just as it has for our toll-free telephone service. We also believe employee acceptance of embedded quality processes is critical, and we are evaluating opportunities to engage them in the development and refinement of our quality programs.

Finally, we agree that if employees continue to answer tax law questions without using the tools provided to them, we will not achieve our accuracy goal. One essential tool discussed in your report is the Publication Method Guide (PMG). You noted that TAC employees are not consistently using the PMG to navigate complex tax laws and computations when providing tax law assistance. To address this issue, we are completely revamping our PMG training course materials to include role plays for practicing job expectations. Front-line managers will also reinforce use of the PMG during employee performance discussions.

I also reviewed the measurable benefit and agree based on observations contained in the report. If you have any questions, please call me at (404) 338-7060, or members of your staff may contact Ellen M. Cimaglia, Director, Field Assistance, Customer Assistance, Relationships and Education, at (404) 338-7141.