Management Advisory Report: Progress Has Been Made to Consolidate the Automated Collection System Workload, but Achieving Employee Skill Specialization Remains an Uncertainty

September 2002

Reference Number: 2002-30-166

INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 13, 2002

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED DIVISION
COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: Pamela J. Gardiner
Acting Inspector General

SUBJECT: Final Management Advisory Report - Progress Has Been Made to Consolidate the Automated Collection System Workload, but Achieving Employee Skill Specialization Remains an Uncertainty (Audit # 200130046)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) has effectively evaluated and addressed the major business risks in implementing the Customer Contact Center Optimization (CCCO) recommendations as they relate to the modernization of the Automated Collection System (ACS).[1] The Commissioner launched the CCCO Project in July 2000 to improve the quality of non-face-to-face communications between the IRS and its customers through the specialization of the workload. We performed this review because modernizing the ACS is critical for the IRS due to the effect it has on economically addressing taxpayer compliance issues. During Fiscal Year (FY) 2001,[2] the ACS received 3.85 million Taxpayer Delinquent Accounts (TDA)[3] totaling more than $19 billion, received 1.18 million Taxpayer Delinquent Investigations (TDI),[4] and collected over $1.27 billion.

In summary, we found that the IRS had made progress in designing and implementing ACS changes that were part of the CCCO initiative. The CCCO recommendations

[1] The ACS is a computerized inventory system that maintains certain balance due accounts and return delinquency investigations.
[2] The FY 2001 ACS data include both the Small Business/Self-Employed and the Wage and Investment Divisions.
[3] A TDA involves an account with a balance due.
[4] A TDI involves an unfiled tax return.

involving consolidating the ACS sites, testing the expansion of the predictive dialer,[5] and sharing Submission Processing resources with the ACS have been completed or are on schedule. However, the planned account-based call routing technology, called Data Directed Routing (DDR), has not been realized due to infrastructure and funding issues. Correspondingly, ACS employee group skill specialization is not on target because it is dependent upon the DDR to fully realize the anticipated improvements to the quality of customer service, resource use, and productivity. While Enhanced Call Routing (ECR) has been put into operation in place of the DDR, it does not permit the account-based routing of complex or routine calls from business taxpayers. In addition, the ECR does not reroute calls received on the ACS telephone lines that were intended for the customer service lines. One IRS study estimated that these calls represent 20 percent of the incoming calls to the ACS and could substantially reduce revenue collections on ACS accounts. Also, the improved program efficiency anticipated from the implementation of the CCCO recommendations may be diminished if the IRS continues to operate one ACS call site at below the optimum staffing level.

We recommended that the Directors of the Compliance functions of the Small Business/Self-Employed (SB/SE) and Wage and Investment (W&I) Divisions evaluate how they plan to fully achieve ACS specialization without the DDR, ensure that the efficiency gains achieved through the ECR are carefully compared to the potential cost/benefits of implementing the DDR, and reevaluate the business practice of not rerouting Toll-Free calls received by the ACS given the potential adverse impact on revenue collections. We also recommended that the Director, Compliance, SB/SE Division, determine how one small call site should be upgraded to achieve the program efficiencies envisioned under the new ACS footprint.

<u>Management's Response</u>: The Commissioner, W&I Division, concurred with our recommendations. The IRS is assessing the feasibility of using the ECR to route incoming calls by employee skill level, estimating the efficiency gains through the ECR relative to what was estimated through the DDR, and ensuring that the ECR routes calls from business taxpayers to the appropriate call sites. The IRS has reevaluated its business practice of not rerouting non-ACS calls received by the ACS and, at this time, is satisfied that the current practice is appropriate. The ECR has significantly reduced the problem of misrouted calls to the point that the opportunity cost in business results is minimal relative to the impact on customer satisfaction. Finally, the IRS intends to make the one small ACS call site a fully operational site, increase it to the size necessary to achieve program efficiencies, add staffing in FY 2003, and continue the build-up through FY 2005. 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

[5] A predictive dialer automatically makes outgoing calls on a predetermined inventory. When contact is made, the call is transferred to a Customer Service Representative (CSR) who handles the call as a normal incoming call. The predictive dialer is designed to increase CSR talk time per hour by eliminating the need to dial telephone numbers and wait for taxpayers to answer.

or Gordon C. Milbourn III, Assistant Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-3837.

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Management Advisory Report: Progress Has Been Made to Consolidate the Automated Collection System Workload, but Achieving Employee Skill Specialization Remains an Uncertainty

Background

Creating a modernized Internal Revenue Service (IRS) has been a top priority of the Commissioner, as well as a principal focus of Congressional oversight. The IRS Restructuring and Reform Act of 1998 (RRA 98)[1] legislated the modernization of the IRS and also mandated that the IRS do a better job of meeting the needs of taxpayers. One of the IRS' first steps to implement the RRA 98 was to create a flatter organizational structure with four Business Operating Divisions (BOD) that are distinctly aligned by customer segment.[2]

The Commissioner launched the Customer Contact Center Optimization (CCCO) Project in July 2000 with a mission to improve the quality of non-face-to-face communication between the IRS and its customers through an increased focus on workload specialization. The CCCO Project covered both the Automated Collection System (ACS)[3] and the IRS' Toll-Free telephone operations.[4]

The ACS is the IRS' computerized inventory system that maintains certain balance due accounts and return delinquency investigations. The ACS generally receives the accounts and investigations after taxpayers have failed to comply with several IRS notices for past due taxes or unfiled tax returns. Customer Service Representatives (CSR) assigned to the ACS initiate and respond to telephone and correspondence contacts with these taxpayers in an attempt to collect the unpaid taxes and secure the unfiled tax returns. The ACS contacts occur prior to any actions being taken by the IRS' Field Collection program that relies on face-to-face contacts with taxpayers. Personnel assigned to the ACS and Field Collection perform many of the same

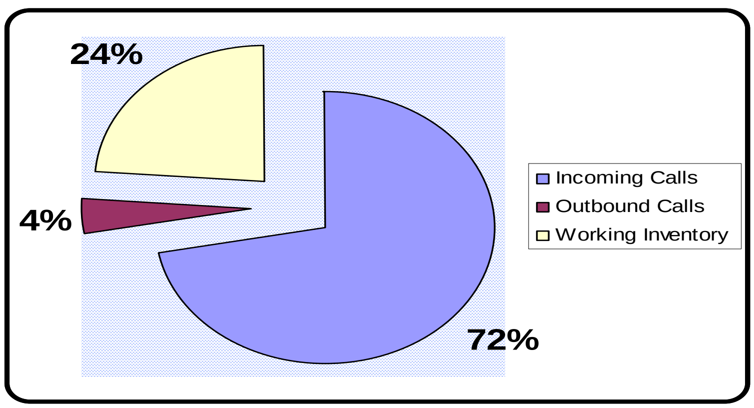
[1] Pub. L. No. 105-206, 112 Stat. 685 (1998).
[2] The IRS' four new operating divisions are the Large and Mid-Size Business Division, the Small Business/Self-Employed (SB/SE) Division, the Tax Exempt and Government Entities Division, and the Wage and Investment (W&I) Division.
[3] Under the new organizational structure, the SB/SE and W&I Divisions share responsibility for the management and operation of the ACS.
[4] The IRS' Toll-Free telephone operations include the toll-free lines for tax law questions (800-829-1040), refund inquiries (800-808-4262), and account issues (800-829-8815).

processes, such as analyzing financial statement information, researching assets, entering into installment agreements, making currently not collectible determinations, and taking lien and/or levy enforcement actions.

Modernizing the ACS is critical to the IRS because of the effect it has on economically addressing taxpayer compliance issues. The ACS was originally intended to serve as an aggressive outbound call program targeted at making early attempts to contact taxpayers with accounts needing resolution. Over the years, however, the ACS operation has evolved into primarily taking incoming calls from taxpayers.

During Fiscal Year (FY) 2001, taxpayers attempted almost 3.3 million telephone calls to the ACS. Figure 1 shows that 72 percent of the 2,634 Full Time Equivalents (FTEs)[5] assigned to the ACS in FY 2001 were allocated to answering incoming telephone calls.

Figure 1. Allocation of ACS Resources – FY 2001



Source: CCCO Analysis of ACS Workplan, FY 2001.

During FY 2001,[6] the ACS received 3.85 million Taxpayer Delinquent Accounts (TDA),[7] totaling more than

[5] An FTE is a measure of human labor hours. One FTE is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. For FY 2001, 1 FTE equaled 2,080 staff hours.
[6] The FY 2001 ACS data include both the SB/SE and W&I Divisions.
[7] A TDA involves an account with a balance due.

$19 billion, and 1.18 million Taxpayer Delinquency Investigations (TDI).[8] During the same fiscal year, the ACS disposed of 2.88 million TDAs and nearly 103,000 TDIs and collected over $1.27 billion. At the end of the fiscal year, the ACS had an inventory of 2.87 million TDAs, totaling $7.83 billion, and nearly 900,000 TDIs.

In this review, we determined the status of the major ACS recommendations that resulted from the CCCO Project[9] and determined whether the IRS has effectively addressed the business risks associated with the implementation of these recommendations. The review was performed at IRS offices in Washington, D.C., New Carrollton, Maryland, and Dallas, Texas, from November 2001 to April 2002. The review was performed in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*. Detailed information on our review objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

The Implementation of Some Customer Contact Center Optimization Recommendations Is on Target

The IRS has completed two phases of the three-phase CCCO Project. Phase I, completed in December 2000, involved developing the program vision and the footprint design for the new ACS operating model. Phase II, completed in June 2001, involved a detailed blueprinting of the new operating model and resulted in several recommendations that were designed to increase the quality of customer service, reduce customer wait times, improve program efficiencies, and improve employee job performance, while reducing attrition.

After an IRS executive committee approved the Phase II recommendations, the implementation of these deliverables became the responsibility of the BODs. Within each BOD, Program Management Offices were given the responsibility

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[8] A TDI involves an unfiled tax return.

[9] A separate Treasury Inspector General for Tax Administration review addressed the implementation of the CCCO Toll-Free recommendations [*Management Advisory Report: Progress Is Being Made Toward Providing Specialized Toll-Free Telephone Services to Small Businesses and Self-Employed Taxpayers, but Some Challenges Still Remain* (Reference Number 2002-30-119, dated July 2002)].

to drive the implementation, with support from site implementation teams and a central integration team. Site-specific plans were developed to further facilitate the CCCO implementation.

The SB/SE and W&I Divisions both established organizational components to deal with problems and issues as the ACS implementation progressed. These offices have controls in place to record and work issues as they are identified. Other controls that monitor the progress of the CCCO implementation include BOD site operational reviews, biweekly conference calls with headquarters and site managers, and oversight by an executive-sponsored work group.

The Phase III site-level implementation of the CCCO recommendations was underway at the time we completed our review in April 2002. During Phase III, the IRS has completed or is on schedule for putting into operation the following CCCO recommendations that significantly affected ACS operations:

- **Site Consolidation –** The CCCO team recommended reducing the number of call sites that performed both ACS and Toll-Free work. Four sites have been identified that will be converted to Toll-Free only sites. At the time we completed our review, the implementation of this recommendation was on target. Consolidation had been completed at two sites and is in progress at the other two sites.
- **Resource Sharing –** The CCCO team recommended using permanent Submission Processing employees to perform ACS functions during the off-peak season. A pilot test was conducted at two sites from October 2001 to January 2002. At the time we completed our review, IRS management was assessing the test results.
- **Predictive Dialer –** The CCCO team recommended expanding the use of the predictive dialer in making outbound ACS calls. A predictive dialer

automatically makes outgoing calls on a predetermined inventory. When contact is made, the call is transferred to a CSR who handles the call as a normal incoming call. The predictive dialer is designed to increase CSR talk time per hour by automating outbound calls (i.e., removing the need to dial telephone numbers) and allowing CSRs to spend less time waiting for taxpayers to answer. Currently, the IRS uses a predictive dialer at 1 ACS call site to work 11 specific campaigns that target specific groups of cases needing resolution. However, it is outdated and not used to its full capacity. At the time we completed our review, the implementation of the recommendation was on target and a 6-week pilot test was scheduled to begin.

Call Routing Issues Must Be Overcome to Fully Realize the Anticipated Benefits of Automated Collection System Specialization

While meaningful actions have been taken toward accomplishing several of the CCCO recommendations, the implementation of the planned account-based call routing technology, called Data Directed Routing (DDR), was uncertain at the time we completed our review in April 2002 because of infrastructure and funding issues. In addition, ACS specialization was not on target because it is dependent upon the DDR for complete implementation. Without the successful resolution of these two issues, the enhancements to customer service, workforce utilization, and other program efficiencies envisioned by the CCCO initiative may not be completely realized.

The new call routing technology may not be implemented as originally planned

In a call center environment, technology, workforce management, and cell structure design need to be aligned to achieve efficiency. To help align these elements, the IRS tasked the Modernization Program contractor[10] to develop an account-based call routing capability to route calls to the new specialized cells developed by the CCCO Project. The

[10] Computer Sciences Corporation is the private sector contractor selected by IRS to manage the modernization program.

account-based routing and the infrastructure to support it were referred to as the DDR.

The DDR was designed to improve the routing of telephone calls to the appropriate ACS or Toll-Free CSRs that can best handle them. Under the planned DDR technology enhancement, callers would be asked to enter their Taxpayer Identification Numbers (TIN)[11] on the telephone keypad. The TIN would be used to search the IRS' database and automatically route the call, according to the caller's account information, to a CSR with the skills to effectively handle the call.

The deployment of the DDR was originally planned for December 1, 2001, as part of the Customer Communications Project FY 2002 (CC02) Release. However, it was subsequently determined that implementing the original DDR design would require significant development costs of more than $17 million because major changes would be needed to the current infrastructure.

The IRS employed the Enhanced Call Routing (ECR) in January 2002 as a short-term alternative to the DDR. Although the ECR is designed to provide much of the call routing functionality envisioned with the DDR through incremental changes to existing systems, there are some limitations – particularly for business taxpayers – for routing some calls.

When an individual taxpayer enters an SSN on a telephone keypad, the ECR performs a data search and the call is routed to the appropriate resource based on the taxpayer's account information. However, the ECR does not perform a data search when a business taxpayer or a self-employed taxpayer enters an EIN on a telephone keypad. Instead of routing these calls based on the caller's account information, the ECR routes the calls based on the BOD, the telephone number dialed by the caller, and the caller's responses to

[11] A Social Security Number (SSN) or Employer Identification Number (EIN) would be required for self-employed taxpayers, and an EIN would be required for partnerships and corporations.

script[12] questions. Although the ECR routes the call to the most appropriate target based on the caller's input, it does not route the call to a specialized (i.e., complex or routine) CSR skill group. This increases the chances for less effective call routing and less efficient call handling.

In addition, the ECR does not have the capability to identify business taxpayers whose accounts are assigned to the ACS. As a result, business taxpayers with delinquent tax or delinquent return issues that call the Toll-Free line will not automatically be routed to CSRs at one of the designated ACS sites. Conversely, callers to an ACS telephone number with a non-ACS account condition will be routed to an ACS CSR. The IRS' business practice is to allow the CSRs in the ACS to handle these calls rather than transfer them to the Toll-Free lines.

A local study[13] completed by the IRS in October 2000 showed that non-ACS calls (e.g., account calls that should have been placed to the Toll-Free line) represented up to 20 percent of the calls received by the ACS and that the ACS might even receive a greater percentage of non-ACS calls during the peak filing season.[14] This means there were callers who could not gain access to the Toll-Free lines and who may have been using the ACS lines as an alternative. Access to the Toll-Free system is the number one problem that taxpayers have with the IRS.[15] Therefore, the limitations with the ECR will not help resolve one of the most significant problems the IRS faces.

The IRS study also estimated that, since ACS resources were not working on the ACS workload about 20 percent of the time, $100 million in revenue collections on ACS accounts could be lost per year. However, IRS management

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[12] Scripts are prerecorded statements that require callers to make certain selections before speaking with a CSR.
[13] The study was conducted by the IRS' ACS site located in Fresno, California.
[14] The filing season is the period from January through mid-April of each year during which most individual taxpayers file their tax returns.
[15] Source: *Taxpayer Advocate FY 2001 Annual Report to the Congress* (December 2001).

advised us that they believe the actual revenue impact of handling non-ACS calls is less than $100 million because the study did not take into consideration that some of the non-ACS calls involve balance due notices that likely resulted in some collections. In addition, management provided us with the results of an analysis of calls from individual taxpayers that were identified by CSRs at 1 site[16] as having been transferred or erroneously routed to the ACS during a 2-week period in April 2002. The analysis showed that only 23 (5.8 percent) of 396 calls had no valid reason to be transferred or routed to the ACS. A similar analysis of calls from business taxpayers had not been performed.

In November 2001, a Customer Communications Engineering Study Team completed a tactical comparison of the functionality of the ECR and the DDR. The study team concluded that the ECR is in alignment with the CCCO and provides nearly all of the call routing functionality expected in the DDR. The study team also concluded that the limitations with the ECR approach would be better addressed in the context of an overall Next Generation Customer Contact Architecture. The gaps between the ECR and the DDR will be addressed over time as computer systems are reengineered or replaced. At the time we completed our review, IRS management had not made a final decision on the eventual implementation of the full DDR design.

Realizing ACS employee skill specialization is dependent on the DDR

The CCCO objectives were to improve the quality of customer service, maximize resource use, and increase productivity and employee satisfaction through workload consolidation and specialization. For the ACS, specialization was to occur by BOD (i.e., the W&I and SB/SE Divisions), by ACS program areas,[17] and by

[16] These calls had been received at the IRS' ACS site located in Seattle, Washington.
[17] Two specialized ACS programs are the Federal Employee/Retiree Delinquency Initiative and Defaulted Installment Agreements.

employee skill level within each ACS call site. Employee skill specialization involves routing an incoming telephone call to either a new or experienced CSR based on the complexity of the caller's account. The support for achieving employee group skill specialization was based on the CCCO team's finding that ACS CSRs were overwhelmed by the enormous variety of incoming calls and often were unable to address all of the customer issues.

In January 2002, specialization by the BOD and by the ACS program area was achieved with the ECR. At the time we completed our review in April 2002, however, it was still uncertain when ACS employee group skill specialization would be realized.

The full implementation of the ACS employee group skill specialization recommendation is dependent on the DDR. In March 2002, the W&I Division took steps to minimize the delay in implementing the DDR by requesting enhancements to the ECR that will allow some of the capabilities envisioned for ACS employee group skill specialization. At the time we completed our review, it was not clear when these requested enhancements would be implemented and whether the SB/SE Division will request and make similar changes.

Aligning the call routing technology with the cell design structure is critical for efficient call handling. The CCCO design was predicated on these two elements operating in tandem.

Recommendations

The Directors of the Compliance functions of the SB/SE and W&I Divisions need to:

1. Evaluate how they plan to fully achieve ACS employee group skill specialization if the DDR deliverable is not scheduled for implementation within a reasonable period of time.

2. Ensure that the efficiency gains achieved through the ECR solution are carefully compared to the potential cost/benefits of implementing the DDR, particularly since there are some limitations with the ECR in routing calls received from business taxpayers.
3. Reevaluate the business practice of not rerouting non-ACS calls received by the ACS, given their potential adverse effect on revenue collections.

Management's Response: The Commissioner, W&I Division, concurred with each recommendation. The IRS is currently evaluating the use of the ECR to achieve employee group skill specialization. The Compliance Staff will work with the Joint Operations Center to assess the feasibility of using the ECR to route incoming calls by employee skill level.

The IRS will estimate efficiency gains through the ECR relative to what was estimated through the DDR. The IRS will also ensure that the ECR routes the calls from business taxpayers to the appropriate call sites.

The IRS has reevaluated its business practice of not rerouting non-ACS calls received by the ACS and, at this time, is satisfied that the current practice is appropriate. There continue to be exceptions where the ACS receives calls that should properly be handled in the Accounts Management function, but the ECR has significantly reduced the problem of misrouted calls to the point that the opportunity cost in business results is minimal relative to the impact on customer satisfaction. The IRS will continue to evaluate this area and may recommend changing this practice in the future, if warranted.

Continuing the Operation of a Small Call Site May Diminish Organizational Efficiency

Improved program efficiency, gained in the areas of management, training, and support, was one of the key benefits that the CCCO team envisioned would be realized through consolidation and specialization. The Phase II design proposed that all ACS call sites needed to be increased in size to reach a minimum annual allocation of 150 FTEs to achieve the desired organizational efficiencies.

However, 1 SB/SE Division ACS call site, which has been designated as a non-continuing site by the IRS since 1992, was allocated only 54.4 FTEs in FY 2002. This represents only slightly more than one-third of the 150 FTE minimum recommended by the CCCO team. By comparison, the next smallest SB/SE Division ACS call site was allocated 147.8 FTEs in FY 2002.

This potential organizational inefficiency exists because the degree of consolidation was limited by business requirements and constraints that were developed during the CCCO Phase II design phase. These included maintaining the same number of call sites within the agreed BOD split.

Recommendation

4. The Director, Compliance, SB/SE Division, needs to determine how the small call site should be upgraded to achieve program efficiencies envisioned under the new ACS footprint.

Management's Response: The Commissioner, W&I Division, responded that the IRS concurs with this recommendation and has completed it. In May 2002, the Commissioner, SB/SE Division, designated Detroit as a continuing ACS site. The SB/SE Division intends to make Detroit a fully operational site and increase it to the size necessary to achieve program efficiencies. A project manager has been designated, and a plan to develop and implement the changes is underway. Due to funding constraints in FY 2002, the IRS plans to add staffing beginning in FY 2003 and continue the build-up through FY 2005.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of the review was to determine whether the Internal Revenue Service (IRS) has effectively evaluated and addressed the major business risks in implementing the Customer Contact Center Optimization (CCCO) recommendations as they relate to the modernization of the Automated Collection System (ACS).[1] To accomplish this objective, we:

I. Assessed the process the IRS used to evaluate the business risks for the ACS within the CCCO initiative.

  A. Determined whether CCCO management had analyzed whether its products and services were being delivered in ways that best meet customer and stakeholder needs.

  B. Determined whether CCCO management used performance measures consistent with the requirements of the Government Performance and Results Act of 1993 (GPRA)[2] to determine how well it was meeting desired outcomes and to identify and assess any performance problems.

  C. Determined what indicators (i.e., quality, cost, time, etc.) were used to measure each core process and deliverable.

  D. Determined whether CCCO management had developed a model of the existing ACS process that included a map of the workflow to the activity or task level, performance data for the activities within the ACS process, and validation of the mapping by employees who do the ACS work and the process owner.

  E. Determined whether CCCO management had developed proposed ACS process alternatives that included the new workflow with all interfaces and dependencies noted, the new information flow, the impact and changes on the IRS' information and system architectures, changes to the organizational structures, management systems, job descriptions and skill requirements, reward systems, human resources policies, and facilities.

  F. Determined whether CCCO management had identified the new tasks, roles, responsibilities, reporting relationships, and training needs required by the new ACS process.

[1] The ACS is a computerized inventory system that maintains certain balance due accounts and return delinquency investigations.

[2] Pub. L. No. 103-62, 107 Stat. 285.

II. Appraised the process the IRS used to develop specific deliverables for the ACS that were designed to address the stated business risks within the CCCO initiative.

A. Obtained from IRS CCCO management the specific deliverables that were designed to address the listed business risks within the CCCO initiative.

B. Determined whether CCCO management had stated its goals in measurable terms, such as cost, quality, and timeliness, and whether customers and stakeholders value these goals.

C. Determined whether CCCO management had established a sound performance measurement system that produces measures at each organizational level that demonstrates results, are limited to the vital few, respond to multiple priorities, and link to responsible programs.

D. Determined whether CCCO management had a formal plan for the CCCO ACS deliverables that included clear and measurable goals and objectives, explicitly stated assumptions, all tasks, responsibilities and deliverables, clearly stated schedules and deadlines, and identified skills and resources.

E. Determined whether CCCO management had identified potential barriers to implementing the ACS process alternatives, ranked the barriers based on their potential impact, and identified ways to overcome the identified barriers.

F. Determined whether CCCO management had identified risk factors associated with implementing each proposed ACS alternative, prepared a cost/benefit analysis for each alternative, and assessed how well each alternative meets the goals of the project.

Appendix II

Major Contributors to This Report

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Appendix III

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Appendix IV

Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

COMMISSIONER
WAGE AND INVESTMENT DIVISION

August 27, 2002

RECEIVED
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MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: John M. Dalrymple
Commissioner, Wage and Investment Division

SUBJECT: Management Advisory Report: Progress Has Been Made to Consolidate the Automated Collection System (ACS) Workload, but Achieving Employee Skill Specialization Remains an Uncertainty (Audit # 200130046)

Thank you for acknowledging the progress we have made in designing and implementing ACS system changes, including consolidating the ACS sites, testing the expansion of the predictive dialer, and sharing Submission Processing resources with ACS. We agree additional work is necessary to fully achieve ACS specialization, and are pursuing more efficient call routing in the absence of Data Directed Routing (DDR). We are exploring the routing of calls to employee skill groups through Enhanced Call Routing (ECR), and are optimistic that this technology will enable us to improve business quantity and quality results, customer satisfaction, and employee satisfaction.

RECOMMENDATION 1

The Directors of the Compliance functions of the Small Business/Self-Employed (SB/SE) and Wage and Investment (W&I) Divisions need to evaluate how they plan to fully achieve ACS employee group skill specialization if the DDR deliverable is not scheduled for implementation within a reasonable period of time.

ASSESSMENT OF CAUSE

At the time of the Customer Contact Center Optimization (CCCO) project, a concurrent initiative, the Customer Communications Project (CCP) planned to implement new technology known as DDR by mid-2002. The CCCO recommendation to achieve ACS employee group skill specialization was contingent on DDR to route calls based on case indicators correlated with skill level. Subsequent to the CCCO recommendation, IRS management and the PRIME Alliance, a consortium of contractors working to modernize agency communication systems, jointly concluded that DDR delivery was not cost-feasible.

CORRECTIVE ACTION

We concur with the recommendation, and are currently evaluating the use of ECR, an alternative technology, to achieve employee group skill specialization.

IMPLEMENTATION DATE

November 30, 2002

RESPONSIBLE OFFICIAL

Director, Filing and Payment Compliance, Small Business/Self-Employed Division
Director, Filing and Payment Compliance, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

Compliance staff will work with the Joint Operations Center to assess the feasibility of using ECR to route incoming calls by skill level, and apprise the Directors, Filing and Payment Compliance in the event of delay.

RECOMMENDATION 2

The Directors of the Compliance functions of the SB/SE and W&I Divisions need to ensure that the efficiency gains achieved through the ECR solution are carefully compared to the potential cost/benefits of implementing the DDR, particularly since there are some limitations with the ECR in routing calls received from business taxpayers.

ASSESSMENT OF CAUSE

The CCCO project team computed a rough estimate of potential revenue increases through DDR implementation, but did not conduct a precise cost/benefit analysis, since revenue is a function of numerous variables beyond the utility of call routing algorithms. After determining DDR would not be realized, we pursued the use of ECR as a substitute that could redirect non-ACS calls to the proper operating unit, and that could eventually route ACS calls to employee skill groups. In February 2002 (amended in May 2002), we submitted a Request for Information Services (RIS number WCS-2-0053-P02) to improve the routing of calls in both operating divisions through ECR; if approved, the W&I Division will pilot the routing of calls to employee skill groups.

CORRECTIVE ACTION

We concur with the recommendation and will estimate efficiency gains through ECR relative to what was estimated through DDR. We will also ensure that ECR routes calls from business taxpayers to the appropriate call sites.

IMPLEMENTATION DATE

November 30, 2002

RESPONSIBLE OFFICIALS

Director, Filing and Payment Compliance, Small Business/Self-Employed Division
Director, Filing and Payment Compliance, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

Compliance staff will complete the assessment noted above, work with the Joint Operations Center to ensure business calls are routed appropriately, and apprise the Directors, Filing and Payment Compliance in the event of delay.

RECOMMENDATION 3

The Directors of the Compliance functions of the SB/SE and W&I Divisions need to reevaluate the business practice of not rerouting non-ACS calls received by ACS, given their potential adverse effect on revenue collections.

ASSESSMENT OF CAUSE

The business practice in ACS is to have collection representatives assist taxpayers, including those not assigned to ACS, in keeping with the IRS strategic goal of providing service to each taxpayer. In the past, the volume of non-ACS calls handled by ACS was substantial, approximately 20 percent as noted in the report. This practice, while improving customer satisfaction, diverted ACS from its core mission of collecting delinquent accounts and securing delinquent returns. To address this issue, we implemented ECR in early 2002; ECR evaluates incoming calls and routes calls based on case status and other indicators.

CORRECTIVE ACTION

We concur with this recommendation and have completed the reevaluation. At this time, we are satisfied that the current practice is appropriate. There continue to be exceptions where ACS receives calls that should properly be handled in the Accounts

Management function, but ECR has significantly reduced the problem of misrouted calls to the point that the opportunity cost in business results is minimal relative to the impact on customer satisfaction. We will continue to evaluate this area and may recommend changing this practice in the future, if warranted.

IMPLEMENTATION DATE

Completed

RESPONSIBLE OFFICIAL

Director, Filing and Payment Compliance, Small Business/Self-Employed Division
Director, Filing and Payment Compliance, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

NA

RECOMMENDATION 4

The Director, Compliance, SB/SE Division, needs to determine how the small call site should be upgraded to achieve program efficiencies envisioned under the new ACS footprint.

ASSESSMENT OF CAUSE

Several years ago, the IRS reorganized the ACS sites and designated the Detroit site as non-continuing. Consequently, the site continued to operate but staffing gradually declined through attrition.

CORRECTIVE ACTION

We concur with this recommendation and have completed it. In May 2002, the Commissioner, SB/SE Division, designated Detroit as a continuing ACS site. The SB/SE Division intends to make Detroit a fully operational site, and grow it to the size necessary to achieve program efficiencies. A project manager has been designated, and a plan to develop and implement the changes is underway. Due to funding constraints in FY 2002, we plan to add staffing beginning in FY 2003 and continue the build-up through FY 2005.

IMPLEMENTATION DATE

NA

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RESPONSIBLE OFFICIAL

Director, Filing and Payment Compliance, Small Business/Self-Employed Division

CORRECTIVE ACTION MONITORING PLAN

NA

Please call Martin Berdan, Director, Filing and Payment Compliance (W&I) at (404) 338-8686 or Joseph R. Brimacombe, Director, Compliance Policy, (SB/SE) at (202) 283-2150 if you have any questions.