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

October 30, 2000

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MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

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

SUBJECT: Draft Audit Report – Strategic Planning for Toll-Free Telephone Operations Has Made Significant Progress, But Further Improvements Are Needed (Audit No. 200030013)

Thank you for the opportunity to respond to your management advisory report, "Strategic Planning for Toll-Free Telephone Operations Has Made Significant Progress, But Further Improvements Are Needed." We appreciate your recognition of the Customer Service organization regarding strategic planning for the toll-free telephone program.

We agree we need to better understand our customers and their needs. We already have a great deal of information captured from our toll-free telephone system. Although it is not perfect, it is complete enough to conduct analyses and draw conclusions. For example, we know customers call because they are preparing returns and have tax law questions. We also know they have received a balance due notice but already made a payment or have filed a return but did not receive the amount of refund expected. We also have reports from the Research Division about refunds indicating customers' desires to know quickly that IRS has received their tax returns. In addition, we receive quarterly customer satisfaction data based on daily customer surveys. We will continue gathering information and analyzing it using internal and external resources and expertise.

We agree with your recommendations we need to develop tracking systems that set specific management accountability, clearly define timetables, track costs and tie to the measurement process, and develop more detailed multi-year plans. The new strategic planning and business performance review process in place for FY 2001 addresses these recommendations as outlined in your report. The multi-year planning process will incorporate the operational priorities that meet our customer needs.

Our comments on your specific recommendations follow:

IDENTITY OF RECOMMENDATION 1
The Chief, Customer Service Field Operations, should conduct a thorough analysis of toll-free telephone customer needs by utilizing resources available at CSOC and by partnering and/or contracting with other groups. These might include those inside the IRS (such as the Compliance Research offices of Statistics of Income and National Office Research and Analysis) and outside of the IRS (such as AT&T).

ASSESSMENT OF CAUSE
The IRS captures data from AT&T about customers' calls, for example, unique numbers, first attempts, and total attempts for specific periods of time during the day and week. In addition, information about the nature of customers' calls is captured from the enterprise telephone system, for example, tax law/procedural, account services, and refund. Additional information is gathered to identify the topic of the inquiry. For example, information about a tax law inquiry can be further refined to determine the question concerning pensions and annuities or earned income credit. We have accumulated a lot of data, but we have not thoroughly analyzed it.

CORRECTIVE ACTIONS
Over the past year, the IRS used resources within the Customer Service Operations Center (CSOC) to analyze customer behavior and determine why customers use toll-free telephone services. For example, in one study we found that refund inquiries increase as e-filing volumes increase. Even though e-file returns are processed quickly and refunds are rapidly generated, the refunds are not nearly as fast as customers expect. We plan to continue these analyses as the CSOC transitions to the Joint Operations Center (JOC). In addition, we will use the services of internal research groups and assistance from the public and private sector to enhance our analysis.

IMPLEMENTATION DATE
PROPOSED: October 1, 2000

RESPONSIBLE OFFICIAL(S)
John R. Watson
Director, Customer Account Services, Wage & Investment Division

CORRECTIVE ACTION(S) MONITORING PLAN
Customer Account Services management will ensure the proposed actions are effectively implemented.

IDENTITY OF RECOMMENDATION 2
To effectively manage their annual plans to help achieve strategic goals, the W&I and SB/SE Divisions and the JOC need to develop tracking systems that set specific management accountability and clearly defined timetables, have the ability to track

costs, and tie into a quality measurement process. Such a system will enable management to more quickly respond to problem areas as well as to more effectively plan for future years.

ASSESSMENT OF CAUSE
Customer Service developed annual operations plans at the corporate and local levels during FY 2000. They included actions to address priorities identified by the Chief Operations Officer and supported the IRS' three strategic goals and balanced measures.

CORRECTIVE ACTIONS
The IRS has instituted a new strategic planning process for FY 2001, which includes a system for business performance reviews. Within that system, we are developing an annual business plan which specifies: operational priorities and improvement projects and identifies actions, milestones, responsible organizational components, and measures. Since we are in transition, the FY 2001 process will be a somewhat modified version of our future processes. Nonetheless, we anticipate it will help us monitor the effectiveness of our planning and develop our long-range strategies.

IMPLEMENTATION DATE
PROPOSED: November 1, 2000

RESPONSIBLE OFFICIAL(S)
John A. Ressler
Director, Customer Account Services, Small Business/Self-Employed Division
John R. Watson
Director, Customer Account Services, Wage & Investment Division

CORRECTIVE ACTION(S) MONITORING PLAN
The Commissioner will conduct bimonthly business performance reviews with each operating division commissioner.

IDENTITY OF RECOMMENDATION 3
The W&I and SB/SE Divisions and the JOC need to develop more detailed multi-year plans, as well as annual plans, that identify the specific impact that planned actions are expected to have on the stated strategic plan goals.

ASSESSMENT OF CAUSE
As stated above, in FY 2000 the Assistant Commissioner (Customer Service); Chief, Customer Service Field Operations; and Customer Service Center Directors developed

and executed annual operations based on priorities established by the Chief Operations Officer.

CORRECTIVE ACTIONS
The strategic planning process and its related components referenced above are multi-year efforts.

IMPLEMENTATION DATE
PROPOSED: November 1, 2000

RESPONSIBLE OFFICIAL(S)
John A. Ressler
Director, Customer Account Services, Small Business/Self-Employed Division
John R. Watson
Director, Customer Account Services, Wage & Investment Division

CORRECTIVE ACTION(S) MONITORING PLAN
The Commissioner will conduct bimonthly business performance reviews with each operating division commissioner.

If you have any questions about this response, please have a member of your staff contact Betsy Kinter, Chief Operations, Joint Operations Center at (678) 530-5000.