



*The Indian Tribal Governments Office  
Has Developed an Effective Customer  
Satisfaction Survey Process*

**August 24 2007**

**Reference Number: 2007-10-135**

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.

---

*Phone Number | 202-927-7037*

*Email Address | [Bonnie.Heald@tigta.treas.gov](mailto:Bonnie.Heald@tigta.treas.gov)*

*Web Site | <http://www.tigta.gov>*



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

August 24, 2007

**MEMORANDUM FOR** COMMISSIONER, TAX EXEMPT AND GOVERNMENT ENTITIES  
DIVISION

**FROM:** *Michael R. Phillips*  
Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – The Indian Tribal Governments Office Has  
Developed an Effective Customer Satisfaction Survey Process  
(Audit # 200610051)

This report presents the results of our review of the Indian Tribal Governments (ITG) office customer satisfaction survey process. The overall objectives of this review were to determine whether the ITG office's customer satisfaction survey process produced valid and useful results to measure customer satisfaction and whether office management used the data effectively to respond to customer concerns. The Director, Government Entities, requested that the Treasury Inspector General for Tax Administration review the ITG office customer satisfaction measurement and improvement process to determine whether management had developed an effective survey process. This audit was conducted as part of the Treasury Inspector General for Tax Administration Office of Audit Fiscal Year 2007 Annual Audit Plan.

*Impact on the Taxpayer*

Customer satisfaction is an integral part of the Internal Revenue Service's (IRS) mission of providing American taxpayers with top-quality service. ITG office management accurately captured, analyzed, and interpreted customer feedback and took appropriate actions to improve customer service in response to the survey responses. More importantly, based on the responses to the customer satisfaction survey, ITG office customers have indicated an overall increase in satisfaction with the products and services provided by the office.



## *The Indian Tribal Governments Office Has Developed an Effective Customer Satisfaction Survey Process*

---

### Synopsis

The ITG office administers Federal tax laws for the 562 Federally recognized Indian tribes and their approximately 2,500 related entities. In Fiscal Year 2001, it began developing a customer satisfaction process as part of the IRS' Balanced Measurement System.<sup>1</sup> The first customer satisfaction survey was performed in Fiscal Year 2003, and the ITG office has conducted surveys each fiscal year thereafter.

The ITG office's customer satisfaction survey process is consistent with applicable guidelines. For example, the IRS must obtain approval from the Office of Management and Budget before soliciting customer satisfaction information from taxpayers. The ITG office submits its customer satisfaction survey implementation plans to the Office of Management and Budget, which has granted approval every year since Fiscal Year 2003.

In addition, customer satisfaction survey results are valid and useful. For example, survey questions are consistent with the services provided by the ITG office, and survey results are accurately transcribed by the office. In addition, management responds to customer satisfaction feedback data. They rank the customer satisfaction survey results to prioritize customer concerns and to identify actions needed to address these concerns. Examples of actions taken to address customer satisfaction concerns include redesigning the ITG office Internet site and developing publications. As a result, customer satisfaction scores are rising as office management collects and acts upon valuable survey information.

### Response

We made no recommendations in this report. However, key IRS management officials reviewed it prior to issuance and agreed with the facts and conclusions presented.

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

---

<sup>1</sup> This System is used to measure the performance of each IRS organization. Customer satisfaction is one of the three components of the System; it is intended to ensure customer satisfaction issues and needs are considered and addressed in organizational planning, budgeting, and review activities.



*The Indian Tribal Governments Office Has Developed an  
Effective Customer Satisfaction Survey Process*

---

---

*Table of Contents*

**Background** .....Page 1

**Results of Review** .....Page 3

    Customer Satisfaction Scores Are Rising As Management Collects and  
    Acts Upon Valuable Customer Satisfaction Survey Information .....Page 3

**Appendices**

    Appendix I – Detailed Objectives, Scope, and Methodology.....Page 8

    Appendix II – Major Contributors to This Report .....Page 10

    Appendix III – Report Distribution List .....Page 11



*The Indian Tribal Governments Office Has Developed an  
Effective Customer Satisfaction Survey Process*

---

---

## *Abbreviations*

IRS	Internal Revenue Service
ITG	Indian Tribal Governments



---

*The Indian Tribal Governments Office Has Developed an Effective Customer Satisfaction Survey Process*

---

## *Background*

The Office of Indian Tribal Governments (ITG) was established as part of the Internal Revenue Service (IRS) Tax Exempt and Government Entities Division in Fiscal Year 2000. The ITG office administers Federal tax laws for the 562 Federally recognized Indian tribes and their approximately 2,500 related entities. Its mission is to provide customers with top-quality services by helping them understand and comply with applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to all. In addition, the ITG office must ensure the IRS complies with the treaty provisions that establish rights of tribal governments (tribes) and Executive Order 13175 (dated November 6, 2000),<sup>1</sup> which outlines Government-to-Government relationships.

The ITG office began developing a customer satisfaction process in Fiscal Year 2001 as part of the IRS' Balanced Measurement System, which is used to measure the performance of each IRS organization. Customer satisfaction is one of the three components of this System; it is intended to ensure customer satisfaction issues and needs are considered and addressed in organizational planning, budgeting, and review activities. IRS organizations should include specific strategies and initiatives aimed at improving customer satisfaction in their strategic and operational plans. While other offices within the IRS use an outside vendor, the ITG office uses office employees to administer and interpret the results of its customer satisfaction survey. These employees have the necessary skills to administer the survey, and the Tax Exempt and Government Entities Division office did not have the funding to hire an outside vendor.<sup>2</sup> The ITG office performed the first customer satisfaction survey in Fiscal Year 2003 and has conducted surveys each fiscal year thereafter. The Director, Government Entities, requested that we review the ITG office customer satisfaction measurement and improvement process to determine whether office employees had developed an effective survey process.

***Customer satisfaction is an integral part of the IRS' mission of providing American taxpayers with top-quality service.***

Survey questions are based on the following five components the ITG office uses to measure customer satisfaction:

---

<sup>1</sup> Consultation and Coordination With Indian Tribal Governments, Exec. Order No. 13175, 3 C.F.R. Section 304 (2001), reprinted in 25 U.S.C. Section 450 (2001).

<sup>2</sup> The annual cost to administer the survey process ranges from \$7,800 to \$8,500 compared with the initial estimate of \$55,000 for an outside vendor.



*The Indian Tribal Governments Office Has Developed an Effective Customer Satisfaction Survey Process*

---

---

- **Taxpayer Burden and Delivery of Information** assesses the office's actions to help its customers understand and comply with applicable laws. This component was identified as the primary concern of tribal governments.
- **Collaboration** assesses the office's actions aimed at preventing noncompliance by tribes.
- **Recognition** assesses the office's actions to build mutually respectful relationships and cooperation between the office and the tribes.
- **Equitable Treatment and Protocol** provides feedback about the office's behavior toward tribal culture and customs.
- **Accuracy, Timeliness, and Honesty** assesses the office's responses to the tribes' questions about Federal tax issues.

This review was performed at the office of the Director, ITG, in Denver, Colorado, and the Compliance and Program Management office in Buffalo, New York, during the period November 2006 through May 2007. 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.



*The Indian Tribal Governments Office Has Developed an Effective Customer Satisfaction Survey Process*

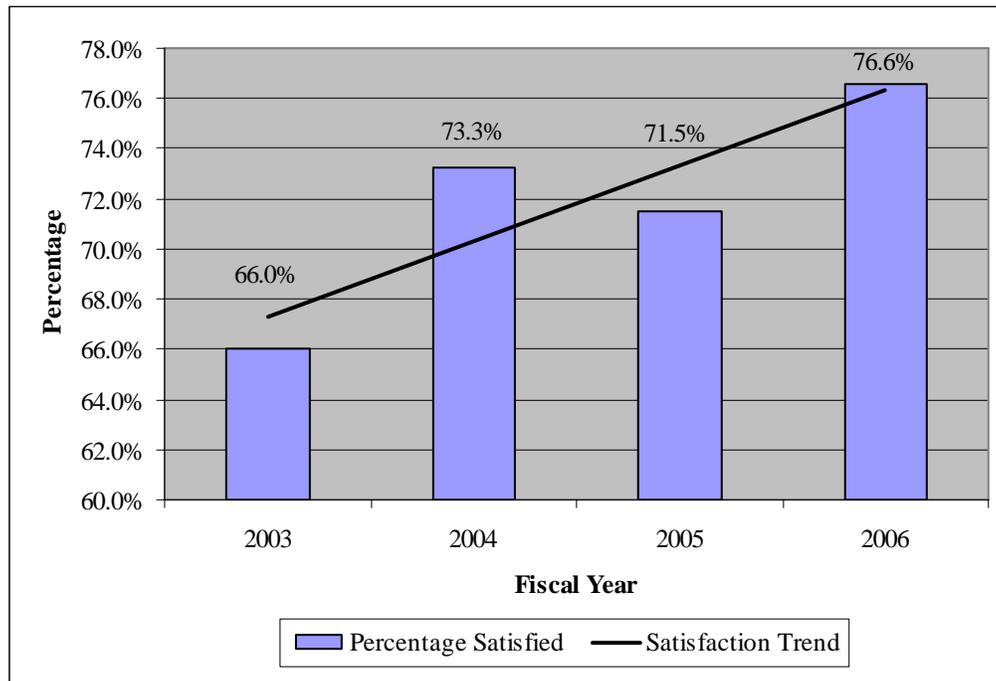
*Results of Review*

**Customer Satisfaction Scores Are Rising As Management Collects and Acts Upon Valuable Customer Satisfaction Survey Information**

ITG office management designs and distributes customer satisfaction surveys to their customers and accurately captures, analyzes, and interprets customers' response data. The methodology for measuring and interpreting customer satisfaction survey results is consistent with industry standards. In addition, ITG office management takes appropriate actions in response to customer satisfaction survey results and incorporates customer satisfaction survey data to help improve strategic and operational plans.

More importantly, based on the responses to the customer satisfaction survey, ITG office customers have indicated an overall increase in satisfaction with the products and services provided by the office. Figure 1 shows the overall satisfaction for Fiscal Years 2003 through 2006.

**Figure 1: Percentage of Customers Indicating Overall Satisfaction (Fiscal Years 2003 Through 2006)**



Source: Analysis of customer satisfaction survey of ITG office reports.



---

*The Indian Tribal Governments Office Has Developed an Effective Customer Satisfaction Survey Process*

---

**The customer satisfaction survey process is consistent with guidelines**

IRS guidelines require each office to use a customer satisfaction survey to capture and measure customer satisfaction feedback. The survey should be sent to a statistically valid sample of customers served by each office; feedback data must be included in strategic and organizational plans and made available to the respective customers. In Fiscal Year 2003, ITG office management began mailing a paper survey to their entire customer base and preparing an annual customer satisfaction survey report. This report is attached to strategic and organizational plans on the ITG office Internet site. Office management also includes customer satisfaction survey results in the quarterly newsletters provided to customers.

Each year, the IRS must also obtain approval from the Office of Management and Budget before soliciting customer satisfaction information from taxpayers. The ITG office submits its customer satisfaction survey implementation plans to the Office of Management and Budget, which has granted approval every year since Fiscal Year 2003. The implementation plans include the customer satisfaction survey questions, methodology, and cost to administer the survey.

**Customer satisfaction survey results are valid and useful**

The ITG office customer satisfaction survey process produces valid and useful<sup>3</sup> results to measure customer satisfaction. Survey questions are consistent with the services provided by the ITG office, and survey results are accurately transcribed by the office. Our judgmental sample of 30 (5 percent) of 553 survey documents showed a 97 percent accuracy rate by the ITG office in recording customer responses. To highlight different customer service trends, office management provides different analyses in the annual Customer Satisfaction Survey Report. Information in these analyses can be traced to either actual customer responses to survey questions or to the number of customers who participated in the survey.

The survey questions remained basically the same over the past several fiscal years. In the 4 fiscal years that the ITG office conducted the survey, only 3 (11 percent) of the 28 questions have changed. For instance, in the Fiscal Year 2006 survey, one question changed to “ITG has specific tax publications that meet tribal information needs” from “Tax materials like Forms and Publications are easy to understand.” ITG office management changes survey questions to focus on the specific services and products provided by the office. Because the questions have primarily stayed the same, ITG office management is able to rank the results for the survey questions and compare them each fiscal year.

The number of customers participating in the ITG office customer satisfaction survey and the number of responses to each question are sufficient for management to form conclusions about customer satisfaction. The ITG office also took, or plans to take, actions to increase customer participation in the survey process. For example, prior to mailing the actual customer

---

<sup>3</sup> The term “valid” is defined as the accuracy of transcribing survey responses by the ITG office. The term “useful” is defined as sufficient or adequate for analysis to identify trends in customer satisfaction.



*The Indian Tribal Governments Office Has Developed an Effective Customer Satisfaction Survey Process*

satisfaction survey, the Director, ITG, sends a letter requesting customer participation and indicates the importance of the survey process. In addition, during regular customer contacts made outside of the customer satisfaction survey process, office employees inquire whether customers received the survey.

**Management responds to customer satisfaction feedback data**

ITG office management ranks the customer satisfaction survey results to prioritize customer concerns and to identify actions needed to address these concerns. Actions are taken based on the feasibility of the corrective action and the resources needed to address the concern. To keep the tribes informed about survey results and actions taken, management includes the prior fiscal year customer satisfaction survey results in the ITG office newsletter and sends a letter to tribal governments.

While some customer concerns are similar from year to year and some actions take multiple years to complete, management has taken action or plans to take additional action to address the primary concerns identified by their customers. Figure 2 shows the areas of concern identified by the customer satisfaction survey for Fiscal Years 2003 through 2006, examples of actions the ITG office has taken to address the concerns, and the current status of the concerns.

**Figure 2: Examples of Actions Taken to Address Customer Satisfaction Concerns (Fiscal Years 2003 Through 2006)**

Concerns Identified by Indian Tribes	Actions Taken by ITG Office Management to Address Concerns	Status
The IRS Internet site was not user friendly.	Management responded by redesigning the ITG office Internet site.	The customer satisfaction rating has improved.
The ITG office was not providing specific publications to meet tribal information needs.	Management responded by developing publications such as <i>Gaming Tax Law and Bank Secrecy Act Issues for Indian Tribal Governments</i> (Publication 3908), <i>Indian Tribal Governments</i> (Publication 3747), and <i>Employment Tax Desk Guide for Indian Tribal Governments</i> (Publication 4268). These Publications have been added to the ITG office Internet site.	The customer satisfaction rating has improved.



*The Indian Tribal Governments Office Has Developed an Effective Customer Satisfaction Survey Process*

<b>Concerns Identified by Indian Tribes</b>	<b>Actions Taken by ITG Office Management to Address Concerns</b>	<b>Status</b>
The ITG office was not providing sufficient assistance in helping tribes to avoid penalties.	Management responded by developing the <i>Helpful Hints to Avoid Penalties</i> document and including it on the ITG office Internet site.	The customer satisfaction rating has improved.
The ITG office did not explain filing requirements to tribal members.	Management developed a tax guide for individual tribal member issues and plans to include it on the ITG office Internet site.	Management plans additional actions to improve customer satisfaction.
The ITG office did not explain how tax law changes would affect tribes and clarify tax issues that are unique to tribes.	Management created a Recent Developments page on the ITG office Internet site that will include current information that may affect tax issues for tribes.	Management is awaiting future customer satisfaction ratings to determine if actions taken have led to improved satisfaction.



*The Indian Tribal Governments Office Has Developed an Effective Customer Satisfaction Survey Process*

<b>Concerns Identified by Indian Tribes</b>	<b>Actions Taken by ITG Office Management to Address Concerns</b>	<b>Status</b>
ITG office specialists were difficult to contact.	Management has included contact information for the ITG office specialist and manager assigned to the respective tribal government on the office Internet site. If the specialist and the manager are not available, the Internet site provides the ITG Headquarters office number and advises that someone will call back within 24 hours. In addition, a pager was given to one ITG office specialist to provide a toll-free way for Alaskan tribes to contact the specialist.	Management is awaiting future customer satisfaction ratings to determine if actions taken have led to improved satisfaction.
The ITG office did not respect the sovereignty <sup>4</sup> of tribal governments and keep tribes informed about actions taken to resolve issues.	Management plans to provide a statement about its tribal sovereignty policy and additional training to its employees.	After the statement is issued and training is completed, management intends to determine if the customer satisfaction ratings improved.

*Source: Analysis of customer satisfaction survey reports and actions taken to address Indian tribe concerns.*

<sup>4</sup> Sovereignty refers to Indian tribes' rights to exercise complete political power over tribes.



---

*The Indian Tribal Governments Office Has Developed an  
Effective Customer Satisfaction Survey Process*

---

## **Appendix I**

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

Our overall objectives were to determine whether the ITG office's customer satisfaction survey process produced valid and useful results to measure customer satisfaction and whether office management used the survey data effectively to respond to customer concerns. To accomplish our objectives, we:

- I. Determined whether the ITG office customer satisfaction survey process was consistent with established guidelines.
  - A. Obtained and reviewed IRS guidelines for developing and using the customer satisfaction survey process.
  - B. Obtained and reviewed ITG office guidelines for developing and using the customer survey satisfaction process.
  - C. Compared the methodology the office used to create the customer satisfaction survey to established guidelines.
- II. Determined whether the customer satisfaction survey process developed by the ITG office produced valid results to measure customer satisfaction.
  - A. Determined whether survey questions were consistent with services provided by the office.
  - B. Evaluated the accuracy of customer satisfaction survey results recorded by the office by selecting a judgmental sample of 30 source documents from a total of 553 survey documents received in Fiscal Years 2004 through 2006. Ten documents were randomly selected from each Fiscal Year's population. We used judgmental sampling because we were not going to project the results to the entire population.
- III. Determined whether the customer satisfaction survey process developed by the ITG office produced useful results to measure customer satisfaction.
  - A. Interviewed office management and reviewed relevant documentation to determine how customer satisfaction survey results were measured and interpreted.
  - B. Determined whether customer participation was sufficient to form conclusions about customer satisfaction.



*The Indian Tribal Governments Office Has Developed an Effective Customer Satisfaction Survey Process*

---

- IV. Determined whether ITG office management used customer satisfaction survey data effectively to respond to customer concerns.
- A. Interviewed office management and reviewed relevant documentation to determine how customer satisfaction survey results were used.
  - B. Analyzed customer satisfaction survey results from Fiscal Years 2003 through 2006 to determine whether the responses to similar survey questions had changed or remained the same.

**Internal Controls Methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. The following internal controls were relevant to our audit objectives: the ITG office's policies, procedures, and practices for planning and implementing its customer satisfaction survey process. We reviewed these controls by interviewing office management, analyzing applicable project documentation, and analyzing survey data and did not identify any significant material weaknesses.



*The Indian Tribal Governments Office Has Developed an  
Effective Customer Satisfaction Survey Process*

---

---

**Appendix II**

*Major Contributors to This Report*

Nancy A. Nakamura, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)  
Troy D. Paterson, Director  
Gerald T. Hawkins, Acting Director  
Julia M. Collins, Acting Audit Manager  
Deadra M. English, Lead Auditor  
Stephanie K. Foster, Senior Auditor  
Donald J. Martineau, Auditor



*The Indian Tribal Governments Office Has Developed an  
Effective Customer Satisfaction Survey Process*

---

---

**Appendix III**

*Report Distribution List*

Acting Commissioner C  
Office of the Commissioner – Attn: Acting Chief of Staff C  
Deputy Commissioner for Services and Enforcement SE  
Deputy Commissioner, Tax Exempt and Government Entities Division SE:T  
Director, Government Entities, Tax Exempt and Government Entities Division SE:T:GE  
Director, Indian Tribal Governments, Tax Exempt and Government Entities Division  
SE:T:GE:ITG  
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 Internal Control OS:CFO:CPIC:IC  
Audit Liaison: Director, Communications and Liaison, Tax Exempt and Government Entities  
Division SE:T:CL