
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



***More Management Information Is Needed to
Improve Oversight of Automated Collection
System Outbound Calls***

April 28, 2010

Reference Number: 2010-30-046

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 | 202-622-6500
Email Address | inquiries@tigta.treas.gov
Web Site | <http://www.tigta.gov>



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 28, 2010

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

Michael R. Phillips

FROM: Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – More Management Information Is Needed to
Improve Oversight of Automated Collection System Outbound Calls
(Audit # 200930009)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) is effectively using the outbound call feature¹ on Automated Collection System (ACS) function cases. This audit was conducted as part of our Fiscal Year 2009 Annual Audit Plan and addresses the major management challenge of Tax Compliance Initiatives.

Impact on the Taxpayer

The predictive dialers (hereafter referred to as PD or Dialer) are automated calling technology in which the ACS places outgoing calls without an attending employee on the originating telephone line. Our review showed that 1) there is insufficient management information available about whether the PDs are effective in contacting taxpayers to resolve delinquent accounts, and 2) new receipt calling campaigns are run without prioritizing the cases within the new receipts. This may cause the IRS to not collect from taxpayer cases that have greater potential for increased revenue collection and may cause unfair burden on other taxpayers who pay their taxes.

¹ See Appendix IV for a glossary of the terms.



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

Synopsis

At two ACS call sites, the IRS uses the PDs to make outgoing calls to taxpayers and third parties regarding balance due accounts and return delinquency investigations. The PDs retrieve the number to be dialed from ACS files that are downloaded to the call site's PD calling database. The Dialer then places the call to the taxpayer.

Our review showed that various issues may contribute to the PDs not currently being used to their most effective and efficient capacity. Internal and external factors affect how many calls and how often calls are generated to taxpayers using the PD technology. The internal factors include balancing the ACS function workload and meeting set goals within the ACS function. The external factors, beyond the IRS' control, include unforeseen legislative changes to tax laws that result in an increased number of taxpayers calling into the ACS.

ACS function management places a priority on answering incoming calls to meet their objective in providing a high level of customer service to those taxpayers who call the ACS. As a result, ACS function management attempts to balance the use of the PDs and other activities while providing an adequate level of service to taxpayers who call in regarding compliance issues. This has resulted in shutting down the Dialers at times and taking resources from outbound calls and other activities to answer the increases in incoming calls.

The Dialers themselves can be counterproductive to ACS function level of service goals during times of heavy call volumes. If incoming call volumes are already high, running the PDs has the potential to increase them because if the Dialers leave an automated message for the taxpayer to return the IRS' call, there likely will be an increase in inbound calls from taxpayers returning Dialer messages. Conversely, if the number of outbound calls is reduced, there will be fewer inbound calls, which increase the ACS function's ability to meet its level of service goals. If the PDs make fewer contacts with taxpayers, there is the possibility of reduced collections and case resolutions. However, there is a need for more information about the PDs' effectiveness and consequences on other program goals and responsibilities before making changes to existing policies and procedures.

Although some information is captured about the number of outbound calls and the contacts made, ACS function management does not collect sufficient data about the results of outbound calls to determine whether the campaigns were successful. For example, ACS function management does not regularly measure inbound calls that are a result of outbound calls or compare campaign results. As a result, ACS function management is unable to analyze the complete results of the PDs campaigns, thereby reducing management's ability to manage and evaluate outbound calls which could cause inefficient use of limited resources.

In addition, the ACS does not use pre-established risk scores and priority categories when first selecting cases for the PDs to call during new receipt campaigns. Experience among collection agencies and within the IRS is that new receipt cases have a greater likelihood to have more



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

current contact information and, therefore, could be more productive. However, when ACS function management establishes the new receipt campaigns, they rely solely on the age of the case without regard to risk scores or priority categories. Our review of ACS outbound calls data from October 2006 through May 2009 showed that new receipt cases made up approximately 62 percent of the outbound calls.² As a result, some high-risk, high-priority cases with a greater potential for increased revenue collection may be omitted while other low-risk, low-priority cases with lesser collection potential may be worked first in new receipt campaigns.

Recommendations

We recommended that the Director, Campus Compliance Services, Small Business/Self-Employed Division, and the Director, Compliance, Wage and Investment Division, collect additional management information about outbound calls, including the identification of PD-related incoming calls when taxpayers are responding to Left Call Back Messages, and compare the results from the various campaigns. This management information should be collected on a continuous basis and be similar for both operating divisions. In addition, the Director, Campus Compliance Services, Small Business/Self-Employed Division, and the Director, Compliance, Wage and Investment Division, should revise the case selection criteria/process so that within the new receipts campaigns, those new cases having the highest risk scores and highest priority categories are the first taxpayers selected for PD calls.

Response

IRS management agreed with our recommendations. Management in the Small Business/Self-Employed and Wage and Investment Divisions will work together to collect additional information about outbound calls and compare results from the various campaigns. In January 2006, the IRS began the Consolidated Decision Analytics project to improve the case selection criteria/process within the Inventory Delivery System. The initial selection models were implemented in January 2009. Working with a contractor, the two impacted business divisions, the Small Business/Self-Employed Division and the Wage and Investment Division, began deliberations midyear in 2009 to maximize Consolidated Decision Analytics capabilities to enhance ACS operations, including the PD Tool. Once the Consolidated Decision Analytics is completed, a more advanced scoring engine will evaluate cases based on a comprehensive compilation of internal and external data and route them to the most appropriate treatment stream, including the PD, in priority order. The IRS is continuing its efforts to design related business and technology improvements to ensure the expansion of Consolidated Decision Analytics to ACS operations delivers the intended results. Management's complete response to the draft report is included as Appendix V.

² This is an average for both the Small Business/Self-Employed and Wage and Investment Divisions.



***More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls***

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations), at (202) 622-8510.



***More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls***

Table of Contents

Background Page 1

Results of Review Page 3

 Automated Collection System Activities Operate in a
 Shared Resource Environment..... Page 3

 Better Management Information Is Needed to Measure the
 Success of Outbound Calls Page 5

Recommendation 1:..... Page 7

 Risk and Priority Are Not Considered During New Receipt
 Calling Campaigns..... Page 7

Recommendation 2:..... Page 8

Appendices

 Appendix I – Detailed Objective, Scope, and Methodology Page 10

 Appendix II – Major Contributors to This Report..... Page 12

 Appendix III – Report Distribution List Page 13

 Appendix IV – Glossary of Terms..... Page 14

 Appendix V – Management’s Response to the Draft Report Page 16



***More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls***

Abbreviations

ACS	Automated Collection System
FY	Fiscal Year
IRS	Internal Revenue Service
PD	Predictive Dialer
SB/SE	Small Business/Self-Employed
W&I	Wage and Investment



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

Background

The Automated Collection System (ACS)¹ is a computerized system that maintains balance due accounts and return delinquency investigations. ACS function employees use this system when contacting delinquent taxpayers by telephone to collect unpaid taxes and secure tax returns. When cases are issued to the ACS, the system analyzes the cases for addresses, telephone numbers, and other characteristics. The system prints letters for mailing and assigns cases to the proper team. Each team's inventory is assigned one of four responsibilities: investigation, contact, research, or support. Contact responsibilities include making outgoing calls to taxpayers and third parties regarding balance due and return delinquency accounts and answering calls from taxpayers.

The effectiveness and efficiency of the ACS function are critical for the Internal Revenue Service's (IRS) overall filing and payment results, as well as taxpayer attitudes toward tax compliance, because of the large number of taxpayer accounts that it addresses each year. For example, during Fiscal Year (FY) 2009, the ACS received approximately 4.6 million balance due accounts, totaling almost \$32 billion, and approximately 1.2 million return delinquency investigations. During that same fiscal year, the ACS collected about \$2.7 billion.

To make outgoing calls to taxpayers and third parties regarding balance due accounts and return delinquency investigations, the Small Business/Self-Employed (SB/SE) and Wage and Investment (W&I) Divisions' Collection functions currently use predictive dialers (hereafter referred to as PD or Dialer) to call taxpayers. This outbound calling technology places calls without an attending ACS function employee on the originating telephone line. ACS function management decides which taxpayers to call by using set guidelines and priorities organized into campaigns. The system retrieves the number to be dialed from ACS files that are downloaded to the call sites' PDs calling databases. The Dialers then place the call to the taxpayer or third party. Figure 1 shows what happens when the PD makes a call.

¹ See Appendix IV for a glossary of the terms.



**More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls**

Figure 1: Possible Results of PD Calls

If the taxpayer answers:	<ul style="list-style-type: none"> • The ACS sends taxpayer information to an employee’s screen. • ACS function employee works the case on the ACS. • The PD marks the account so it will not call the taxpayer again during the campaign.
If there is no answer, a busy signal, or the taxpayer hangs up:	<ul style="list-style-type: none"> • The PD tracks the information and schedules a followup call. • The PD sends the data to the ACS and the account is systemically moved to the next appropriate function.
If there is an answering machine:	<ul style="list-style-type: none"> • The PD leaves a message to call back. • The Dialer sends data to the ACS and the account is systemically moved to the next appropriate function.

Source: IRS PD procedures.

There are two ACS call sites that make outbound calls. During FY 2008, the IRS used the Dialers to attempt contacts with 846,293 individual taxpayers and 603,416 business taxpayers. These attempts resulted in contacts (including leaving messages to call back) being made with 433,292 individual taxpayers and 327,898 business taxpayers. From October 2006 through May 2009, approximately 90 percent of the contacts made consisted of leaving messages for taxpayers to call back.

This review was performed at the SB/SE Division Headquarters in New Carrollton, Maryland, and the Brookhaven Campus in Holtsville, New York, during the period April through November 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

Results of Review

Automated Collection System Activities Operate in a Shared Resource Environment

As an important IRS point of contact for taxpayers who call in to resolve compliance issues, the ACS function must manage its resources to ensure that telephone calls are answered timely and appropriately. The employees who are trained to answer taxpayer calls have other responsibilities including working correspondence inventory, performing research on accounts, and making outbound calls. Figure 2 shows the amount of time ACS function employees worked on various activities during FYs 2007, 2008, and 2009.²

Figure 2: Direct Time Spent by ACS Function Employees by Activity

Activity	SB/SE Division	W&I Division
Answering incoming calls	62 percent	74 percent
Working correspondence inventory and research on accounts	35 percent	24 percent
Making outbound calls	3 percent	2 percent
Total	100 percent	100 percent

Source: ACS function management call data reports for the period October 2006 through May 2009.

ACS function management needs to balance having a fixed number of employees to accomplish these activities while providing an adequate level of service to taxpayers who call in to resolve compliance issues. Level of service is a statistic that measures the rate of attempted telephone calls from taxpayers that are answered by the IRS. Since the level of service measures success in answering incoming calls, ACS function management makes it a priority and emphasizes inbound, as opposed to outbound, calls. Inbound calls are the priority because customers are generally calling the ACS to help resolve their existing delinquent accounts. Since October 2006, IRS management has set the level of service goal at approximately 80 percent.

Employees who make outbound calls must also answer inbound calls from taxpayers

² FY 2009 data are from October 2008 through May 2009. These are the FY 2009 data available at the time of our review.



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

There are various factors, both internal and external, that affect how often and how many resources management dedicates to the operation of the PDs. The internal factors include balancing ACS function workload to meet established goals within the ACS function. The external factors, beyond the IRS' control, include changes to tax laws that cause an increase in the number of telephone calls by taxpayers with questions about the changes. In turn, this affects how often the Dialers can be used. For example, the W&I Division's Dialer was shut down from March until August 2008, and the SB/SE Division's Dialer was shut down from May until August 2008 to address the unusually high volume of incoming calls and questions generated by Congress passing many tax-related laws regarding the economic downturn, including the economic stimulus checks sent to millions of taxpayers. ACS function management needed to assign more resources to answering the incoming calls instead of making outbound calls or performing other responsibilities. These issues may contribute to the Dialers not being used to their most effective and efficient capacity.

The number of inbound calls may be influenced by events beyond the control of the IRS.

The PDs have a maximum system capacity based on the number of site licenses. The SB/SE Division PD call site has 75 software licenses, and the W&I Division PD call site has 76 software licenses. Combined, as many as 151 ACS function employees may be logged on the Dialers at any one time to make outbound calls. Our review examined whether the software licenses for the PDs were being fully used. We compared the number of employees logged into the PDs during a campaign to the total licenses available. Figure 3 shows these utilization rates for the SB/SE Division for FYs 2007, 2008, and 2009.³ During that time period, we did not identify any campaign in which all 75 SB/SE Division software licenses were fully used.

Figure 3: Utilization Rates for the SB/SE Division PD

	Daytime Utilization Rates	Nighttime Utilization Rates
FY 2007	34 percent	24 percent
FY 2008	18 percent	10 percent
FY 2009⁴	25 percent	17 percent

Source: Our analysis of SB/SE Division PD utilization rates for the period October 2006 through May 2009.

³ The data shown are only when the PD was turned on and are not a percentage of total resources. The W&I Division does not track these data; therefore, we only reported the SB/SE Division data.

⁴ FY 2009 data are from October 2008 through May 2009. These are the FY 2009 data available at the time of our review.



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

Compounding the limited use of the PDs because of shared resources, the Dialers themselves can be counterproductive to ACS function customer service goals during times of heavy call volumes. If incoming call volumes are already high, running the Dialers has the potential to increase the incoming calls because when the Dialers leave an automated message to return the call, there will likely be an increase in inbound calls from taxpayers returning Dialer messages. Conversely, if the number of outbound calls is reduced, there will likely be fewer inbound calls, which increases the ACS function's ability to meet its level of service goals.

The success of the PDs making outbound calls appears at odds with the ACS function's level of service goal. ACS function management considers a successful telephone contact as either talking to the taxpayer directly, known as a Right Party Contact, or leaving a voicemail requesting the taxpayer call back, known as a Left Call Back Message. When outbound calls are more successful at contacting taxpayers, including leaving messages for the taxpayer to call back, it may result in fewer employees being available to make additional outbound calls because those same employees may be needed to answer the resulting inbound calls from the successful contacts. When outbound calls are less successful at contacting taxpayers (or calls are not made), it may result in more employees available to answer fewer inbound calls, which helps improve the level of service.

Reducing the number of outbound calls can improve level of service results.

One of the major benefits of the PDs is the ability to contact many taxpayers in a reduced amount of time. If the PDs are operating at a greater capacity, more delinquent and noncompliant taxpayers will be contacted. If the PDs make fewer contacts with taxpayers, there is the possibility of reduced collections and case resolutions. However, there is a need for more information about the PDs' effectiveness and consequences on other program goals and responsibilities before making changes to existing policies and procedures. Therefore, we are not making a recommendation at this time.

Better Management Information Is Needed to Measure the Success of Outbound Calls

Although some information is captured regarding the number of outbound calls and the contacts made, ACS function management does not conduct sufficient analysis on the results of outbound calls to determine whether the campaigns were successful. Specifically, management does not identify inbound calls that were received as a result of outbound calls, and the various campaigns are not compared to identify efficiencies and highest success rates for variables such as the best times to call and types of taxpayers to contact. Sound management practices dictate that sufficient management information needs to be obtained to evaluate the effectiveness of a program and allocate resources effectively.



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

ACS function management relies primarily on the call site reports to provide information related to the PDs. These reports include information such as:

- Average talk time.
- Abandon rates.
- Cases assigned to the campaign.
- Calls attempted.
- Calls where there was no contact made.
- Calls where contact was made.
- Call back messages left during the call.
- Calls handled.

Figure 4 shows that from October 2006 through May 2009, the combined contact rates (contacts per attempts) for the SB/SE and W&I Divisions ranged from 44 percent to 55 percent for all outbound calls.

Figure 4: Contact Rates for Outbound Calls

	SB/SE Division Contact Rates	W&I Division Contact Rates
FY 2007	44 percent	50 percent
FY 2008	54 percent	51 percent
FY 2009⁵	55 percent	52 percent

Source: ACS function management call data reports for the period October 2006 through May 2009.

The overwhelming majority (approximately 90 percent) of contacts shown in Figure 4 were in the form of Left Call Back Messages for both Divisions. However, when a taxpayer calls into the ACS in response to a Left Call Back Message generated by a PD outbound call, the incoming call is not identified as a PD-related call. As a result, the entire population of PD-related calls is not being captured, making it difficult for ACS function management to analyze the complete results of their Dialer campaigns. Management has limited information about PD-related call backs, based on just two ad hoc analyses that they performed.

⁵ FY 2009 data are from October 2008 through May 2009. These are the FY 2009 data available at the time of our review.



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

Call data are moved from the PDs to the ACS daily. Once the campaign is over, the data are purged and no longer kept on the Dialers. However, there is no thorough analysis to:

- Compare PD campaigns.
- Determine the best times to call specific types of taxpayers (e.g., during the day/night, day of the week, week of the month, month/season of the year).
- Identify contact success rates by types of campaigns.
- Determine overall productivity.

Without sufficient management information, ACS function management's ability to manage and evaluate outbound calls is weakened. This could cause inefficient use of limited resources and the possibility of missed opportunities to increase collections.

Recommendation

Recommendation 1: The Director, Campus Compliance Services, SB/SE Division, and the Director, Compliance, W&I Division, should collect additional management information about outbound calls, including the identification of PD-related incoming calls when taxpayers are responding to Left Call Back Messages, and compare the results from the various campaigns. This management information should be collected on a continuous basis and be similar for both operating divisions.

Management's Response: IRS management agreed with this recommendation. Management in the Small Business/Self-Employed and Wage and Investment Divisions will work together to collect additional information about outbound calls and compare results from the various campaigns.

Risk and Priority Are Not Considered During New Receipt Calling Campaigns

Experience among collection agencies and within the IRS is that new receipt cases have a greater likelihood to have more current contact information and, therefore, could be more productive. In July 2000, the IRS Commissioner directed ACS function management to run all new receipt cases through the PD if a certain letter⁶ had been issued to the taxpayer and a current telephone number was present. As a result, both the SB/SE and W&I Divisions use the PDs to call taxpayers with new ACS case receipts first.

The ACS classifies new receipts as cases in inventory during the current cycle. ACS function management attempts to select new receipt cases as they come into the system regardless of the

⁶ Letter 11, ACS Final Notice – Notice of Intent to Levy and Your Notice of a Right to a Hearing.



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

type of case or dollar amount owed. Our review of ACS outbound call data from October 2006 through May 2009 showed that new receipt cases made up approximately 62 percent of all outbound calls.⁷ ACS function management informed us that neither Division selects all of their new receipt cases for PD calls. For example, the SB/SE Division's FY 2009 goal for new receipt cases processed through the Dialer was 50 percent. ACS function management considers inventory and resource factors in determining how many new receipt cases will be processed through the Dialers and then runs other campaigns focusing on the different types of case inventories.

Collection function inventory, including ACS function inventory, is generally managed by the Inventory Delivery System to select and deliver workload. The Inventory Delivery System assigns a risk and priority code to all cases that are assigned to the ACS. These priority codes are based on information including, but not limited to, the dollar amount owed, number of tax periods, and age of the case. Risk scores of High, Medium, or Low are also given to each case. According to the Internal Revenue Manual, high-risk and high-priority categories are considered to be more productive. However, when ACS function management establishes their new receipt cases PD campaigns, they rely solely on the age of the case without regard to risk scores or priority categories.

As discussed previously in this report, ACS function management does not collect sufficient information about the PD campaigns that would allow them to determine the relative productivity for the different types of campaigns. Although new receipt cases may be productive, some high-risk, high-priority cases with a greater potential for increased revenue collection may be omitted while other low-risk, low-priority cases with lesser collection potential may be worked if new receipt campaign cases are not prioritized. Not identifying and working all high-risk, high-priority cases first may have the effect of reducing overall collection potential. Because of the limited resources available in the ACS function, selecting and working these cases first is especially important.

Recommendation

Recommendation 2: The Director, Campus Compliance Services, SB/SE Division, and the Director, Compliance, W&I Division, should revise the case selection criteria/process so that within the new receipt campaign cases, those new cases having the highest risk scores and highest priority categories are the first taxpayers selected for PD calls.

Management's Response: IRS management agreed with this recommendation. In January 2006, the IRS began the Consolidated Decision Analytics project to improve the case selection criteria/process within the Inventory Delivery System. The initial selection models were implemented in January 2009. Working with a contractor, the two impacted business

⁷ This is an average for both the SB/SE and W&I Divisions.



***More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls***

divisions, the W&I and SB/SE Divisions, began deliberations midyear in 2009 to maximize Consolidated Decision Analytics capabilities to enhance ACS operations, including the PD Tool. Once the Consolidated Decision Analytics is completed, a more advanced scoring engine will evaluate cases based on a comprehensive compilation of internal and external data and route them to the most appropriate treatment stream, including the PD, in priority order. The IRS is continuing its efforts to design related business and technology improvements to ensure the expansion of Consolidated Decision Analytics to ACS operations delivers the intended results.



***More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls***

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether the IRS is effectively using the outbound call feature on ACS¹ function cases. To accomplish this objective, we:

- I. Determined whether the outbound call feature is being effectively maximized.
 - A. Analyzed the call trends to determine if the number of incoming versus outbound calls was appropriate.
 1. Determined ACS function's priorities and goals for Fiscal Years 2008 and 2009 and whether they were met.
 2. Determined the breakdown of incoming versus outbound calls for various time periods. We relied on statistical data provided by the IRS for this test. At the time of our fieldwork, the data were available for October 2006 through May 2009.
 3. Determined whether there were uncontrollable events, such as customer service priorities and legislative changes, that affected how the system was used and how the resources were allocated.
 4. Identified issues and concerns about the ACS function's level of service.
 - B. Identified if ACS function management tracked and measured what constitutes a successful outbound call.
 1. Determined how ACS function management measures successful calls.
 2. Determined if inbound calls, as a result of outbound PD calls, can be measured.
 - C. Identified how and when campaign criteria were established and the process for implementing the campaigns.
 - D. Determined if recent campaign objectives/criteria were achieved.
 - E. Determined whether there are potential changes to call site locations and resources that could affect the ACS outbound calls such as adding a call site and hiring new employees.
 - F. Performed research and interviewed IRS personnel to identify industry best practices.

¹ See Appendix IV for a glossary of the terms.



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

- II. Determined how IRS management uses the PD technology to increase the effectiveness and efficiency of ACS function compliance programs.
 - A. Reviewed current program plans, policies, procedures, and controls for use of the PD technology within the ACS function.
 - B. Determined how specific program goals and objectives from Step. I. were implemented within the PD technology and how the technology helps achieve those goals.
 - C. Determined if sufficient resources were allocated to achieve outbound calls and PD goals and objectives. We considered analytics such as the maximum number of employees the PDs are able to route outbound calls to at one time, at what rate these resources are being fully utilized, and the times resources are available. We relied on statistical data provided by the IRS for this test. At the time of our review, the data were available for October 2006 through May 2009.
- III. Assessed whether the IRS management information system provides reliable measurement and feedback to ensure that program results or business goals were achieved as intended. We relied on statistical data provided by the IRS for this test. At the time of our fieldwork, the data were available for October 2006 through May 2009.
 - A. Determined if the IRS has an effective management information system to properly monitor and track PD outbound calls. We obtained management reports and other measurement results (e.g., PD calls answered) to identify the PDs' effectiveness.
 - B. Identified variables that were being tracked as well as performance measures and business results measurements or other outcomes that indicate successful operations. For example, were there reports that relate taxpayer contacts to subsequent case actions leading to case resolutions, and was there any reporting mechanism that compared the productivity of the Dialers and other ACS function efforts to resolve cases?

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. We determined the following internal controls were relevant to our audit objective: the policies, procedures, measures, and management information used to manage the ACS function. We evaluated these controls by discussing with ACS function management the goals for outbound and inbound calls and for the use of the PDs, and reviewing and analyzing various management reports and measures.



***More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls***

Appendix II

Major Contributors to This Report

Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations)
Carl Aley, Director
Lynn Wofchuck, Audit Manager
Julian O'Neal, Lead Auditor
Lynn Rudolph, Senior Auditor
Janis Zuika, Senior Auditor
Frank O'Connor, Audit Evaluator



***More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls***

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, Small Business/Self-Employed Division SE:S
Deputy Commissioner, Wage and Investment Division SE:W
Director, Campus Compliance Services, Small Business/Self-Employed Division SE:S:CCS
Director, Compliance, Wage and Investment Division SE:W:CP
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 Liaisons:
 Commissioner, Small Business/Self-Employed Division SE:S
 Commissioner, Wage and Investment Division SE:W



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

Appendix IV

Glossary of Terms

Term	Definition
Abandon Rates	The number of taxpayers who voluntarily hang up before their calls are answered by the IRS.
Automated Collection System	A computerized system that maintains balance due accounts and return delinquency investigations of taxpayers who have not complied with previous notices.
Average Talk Time	The time spent actually talking to the taxpayer over the telephone.
Calls Handled	The number of telephone calls handled actually talking to the taxpayer.
Campaign	A small, more manageable workload group used to help prioritize work to be completed that ACS function management has set guidelines for which taxpayers to call. For example, campaign types can be determined by dollar values, age of case, type of tax, etc.
Campus	The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.
Contact Rate	The number of Right Party Contacts and Left Call Back Messages as a percentage of total Dialer attempts.
Cycle	One week.
Internal Revenue Manual	A manual containing the procedures and controls for IRS employees to follow.



***More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls***

Term	Definition
Inventory Delivery System	An IRS Enterprise system that houses business rules used to analyze, assign, and deliver inventory to various Collection functions.
Left Call Back Message	Message left on an answering machine by the PD or Collection function representative directing the taxpayer or power of attorney to return the IRS' call.
Outbound Call Feature	The ACS Dialer that makes outbound calls to taxpayers' telephone numbers.
Predictive Dialer	The system of outbound calling technology in which calls are placed without an attending agent on the originating telephone line.
Return Delinquency Investigation	An investigation the IRS opens when a taxpayer does not file a return.
Right Party Contact	Actual contact with a taxpayer or power of attorney for the taxpayer.
Software License	The IRS purchased a certain number of PD software licenses which limits the number of ACS function employees who can use the PD software simultaneously.



**More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls**

Appendix V

Management's Response to the Draft Report



COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

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

April 7, 2010

RECEIVED
APR 14 2010
BY: *DAS*

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Christopher Wagner
Commissioner, Small Business/Self-Employed Division

SUBJECT: TIGTA Draft Report – More Management Information Is Needed
to Improve Oversight of Automated Collection System Outbound
Calls (Audit # 200930009)

Thank you for the opportunity to review your draft report titled: "More Management Information is Needed to Improve Oversight of Automated Collection System Outbound Calls."

The Predictive Dialer (PD) is an important tool used in implementing the IRS strategy for collecting delinquent taxes. We appreciate your acknowledgment that dialer capacity is limited and that external factors beyond our control sometimes hinder our efforts to maximize its use, such as the increased incoming call volume resulting from recent legislation.

The IRS initiated the Consolidated Decision Analytics (CDA) project in January 2006 to optimize case selection and assignment of inventory across various collection treatment streams. We began using the first set of models to score inventory in January 2009. Later that year, IRS expanded the Automated Collection System (ACS) CDA project to leverage the potential benefits of full implementation of CDA models. The project team is nearing completion of new business process redesigns that address your concerns by optimizing workload resources and prioritizing case selection based on CDA models in all treatment streams including the PD campaigns.

We have also scheduled a PD Summit with major stakeholders to begin the development of a PD Strategy that will address integration of the PD tool into the current suite of case processing options such as systemic levies, locator research, letter issuances, and employee-initiated outcalls. Preliminary discussions to formulate PD case selection business rules for inclusion in the CDA project are planned.



***More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls***

2

We agree with the findings and recommendations contained in your report. A detailed response outlining our corrective actions is attached.

If you have any questions, please call me, or a member of your staff may contact Cheryl Sherwood, Director, Campus Compliance Services, Small Business/Self-Employed Division, at (202) 283-2518.

Attachment



More Management Information Is Needed to Improve Oversight of Automated Collection System Outbound Calls

Attachment

RECOMMENDATION 1:

The Director, Campus Compliance Services, SB/SE Division, and the Director, Compliance, W&I Division, should collect additional management information about outbound calls, including the identification of PD-related incoming calls when taxpayers are responding to Left Call Back Messages, and compare the results from the various campaigns. The management information should be collected on a continuous basis and be similar for both operating divisions.

CORRECTIVE ACTION:

We agree with this recommendation. We will work together to collect additional information about outbound calls and compare results from the various campaigns.

IMPLEMENTATION DATE:

January 15, 2011

RESPONSIBLE OFFICIAL:

Director, Campus Compliance Services, SB/SE Division
Director, Compliance, W&I Division

CORRECTIVE ACTION MONITORING PLAN:

IRS will monitor this corrective action as part of our internal management system of controls.

RECOMMENDATION 2:

The Director, Campus Compliance Services, Small Business/Self-Employed Division, and the Director, Compliance, Wage and Investment Division, should revise the case selection criteria/process so that within the new receipts campaigns, case priorities are considered and the highest priority cases are the first taxpayers selected for PD calls.

CORRECTIVE ACTION:

In January 2006, we began the Consolidated Decision Analytics (CDA) project to improve the case selection criteria/process within the Inventory Delivery System (IDS). The initial selection models were implemented in January 2009. Working with a contractor, the two impacted business divisions, W&I and SB/SE, began deliberations midyear in 2009 to maximize CDA capabilities to enhance ACS operations including the Predictive Dialer Tool. Once the CDA is completed, a more advanced scoring engine will evaluate cases based on a comprehensive compilation of internal and external data and route them to the most appropriate treatment stream, including the PD, in priority order. We are continuing our efforts to design related business and technology improvements to ensure the expansion of CDA to ACS operations delivers the intended results.



***More Management Information Is Needed to Improve Oversight
of Automated Collection System Outbound Calls***

2

IMPLEMENTATION DATE:

December 15, 2011

RESPONSIBLE OFFICIAL:

Director, Campus Compliance Services, SB/SE Division
Director, Compliance, W&I Division

CORRECTIVE ACTION MONITORING PLAN:

IRS will monitor this corrective action as part of our internal management system of controls.