



*Contact Analytics Has Been Used to Improve
Taxpayer Service, but Not All Front-Line
Employees Are Aware of the Process to
Submit Customer Service Issues*

August 26, 2016

Reference Number: 2016-40-076

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.

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HIGHLIGHTS

CONTACT ANALYTICS HAS BEEN USED TO IMPROVE TAXPAYER SERVICE, BUT NOT ALL FRONT-LINE EMPLOYEES ARE AWARE OF THE PROCESS TO SUBMIT CUSTOMER SERVICE ISSUES

Highlights

Final Report issued on August 26, 2016

Highlights of Reference Number: 2016-40-076 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

In October 2009, the IRS began using a software tool called Contact Analytics to analyze recorded telephone calls from taxpayers to identify opportunities to improve customer service as well as reduce the costs of providing taxpayer service. The use of Contact Analytics can result in the IRS sending an alert to its customer service employees or providing information to taxpayers via its public website.

WHY TIGTA DID THE AUDIT

From October 2011 through December 2014, the IRS rolled out its Hear Me Process to front-line employees. The Hear Me Process allows front-line employees to identify emerging taxpayer service issues. Contact Analytics can then be used to research the issue to improve the taxpayer experience by providing alternative and more cost-effective services. This audit was initiated to determine whether Contact Analytics is used to improve taxpayer service and provide services more efficiently.

WHAT TIGTA FOUND

Our review identified that the use of Contact Analytics is assisting the IRS in identifying customer service issues and concerns. In turn, the results from the research performed by the Contact Analytics Center of Excellence (CACoE) are being used to improve services to taxpayers. However, not all front-line employees are aware of the Hear Me Process or how to use it. Our interviews with 24 customer service representatives identified that 17 (71 percent)

did not have sufficient knowledge of the Hear Me Process, including how to submit a taxpayer service issue.

In addition, processes to request, receive, and retain assessments of the value of Contact Analytic research results need to be improved. Our review of 74 completed research requests of the 103 the CACoE received during Fiscal Year 2015 identified 30 (41 percent) for which the CACoE could not provide documentation to show that a response was in fact requested from the functional area submitting the research request or that a follow-up request was made by the CACoE when a response was not received.

Also, our review of 32 judgmentally selected requests from the 103 research requests the CACoE received during Fiscal Year 2015 identified that 17 (53 percent) were not assigned the required identification number. Finally, TIGTA reviewed all 10 research requests that IRS executives directly submitted to the CACoE and identified that five (50 percent) did not have the required title or description of the search request, both of which are needed for identification and tracking.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) ensure that all front-line employees are aware of the Hear Me Process and receive training on how to use the process; 2) require business functional areas to provide an assessment of research results, including the usefulness of data provided, and actions taken based on data provided as a means to continue to measure and improve the effectiveness of Contact Analytics; 3) revise CACoE procedures to require analysts to upload and associate assessments of research results with the initial request for future reference on the CACoE SharePoint site; and 4) ensure that the CACoE follows requirements to assign search request identification numbers, titles, and descriptions for Customer Early Warning System and executive search requests.

The IRS agreed with all of our recommendations. The IRS plans to develop training and revise procedures related to obtaining and maintaining feedback on the value of Contact Analytics research.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 26, 2016

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM:

Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Contact Analytics Has Been Used to Improve Taxpayer Service, but Not All Front-Line Employees Are Aware of the Process to Submit Customer Service Issues (Audit # 201540011)

This report presents the results of our review to determine whether Contact Analytics is used to improve taxpayer service and provide services more efficiently. This audit is included in our Fiscal Year 2016 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

Management's complete response to the draft report is included in Appendix IV.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. If you have any questions, please contact me or Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services).



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Contact Analytics Has Been Used to Improve Taxpayer Service, but Not All Front-Line Employees Are Aware of the Process to Submit Customer Service Issues

Abbreviations

AUR	Automated Underreporter
CACoE	Contact Analytics Center of Excellence
CSR	Customer Service Representative
FY	Fiscal Year
IRS	Internal Revenue Service
SERP	Service-Wide Electronic Research Program



Contact Analytics Has Been Used to Improve Taxpayer Service, but Not All Front-Line Employees Are Aware of the Process to Submit Customer Service Issues

Background

In October 2009, in an effort to improve taxpayer service, the Internal Revenue Service (IRS) began using a software tool called Contact Analytics. Contact Analytics is a business intelligence and performance management software tool that uses speech analytics technology. This tool enables the IRS to analyze recorded telephone calls from taxpayers to identify opportunities to improve the customer experience as well as reduce the costs of providing taxpayer service. For example, the IRS could send an alert to its customer service employees or provide information to the taxpaying public via its website.

The IRS Wage and Investment Division's Contact Analytics Center of Excellence (CACoE) oversees the use of the Contact Analytics tool. CACoE program analysts receive research requests from various IRS business units as well as IRS executives. In response to these requests, the analysts use the Contact Analytics tool to analyze hundreds of hours of recorded telephone calls. For example, the CACoE initiated research shortly after the enactment of the Defense of Marriage Act¹ to identify and categorize the types of questions taxpayers and practitioners were asking. The focus was to identify emerging taxpayer service issues (*i.e.*, why taxpayers were contacting the IRS relating to this Act). Use of the Contact Analytics tool identified the following questions the IRS was receiving:

- When will the ruling take effect?
- When can taxpayers file an amended return?
- When can taxpayers file a protective claim?
- Can Form W-4, *Employee's Withholding Allowance Certificate*, withholding be changed?

In response to the analysis performed, the IRS developed a Frequently Asked Questions section and also provided videos on its public website (www.irs.gov).

The CACoE has established a SharePoint site to track the receipt, status, and results of the various research requests. Figure 1 shows the number of research requests received by the CACoE during Fiscal Years (FY) 2011 through 2015.

¹ Pub. L. 104-199, 110 Stat. 2419.



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Figure 1: Research Requests – FYs 2011 Through 2015

Fiscal Year	Research Requests
2011	94
2012	129
2013	134
2014	117
2015	103

Source: The CACoE.

The benefits cited by the IRS from use of the Contact Analytics tool include the ability to convert audio files into text files and to analyze large segments of recorded taxpayer calls using specific criteria. In addition, the following are key capabilities of the Contact Analytics tool:

- Search Functionality – Provides a search-and-retrieval interface that allows a program analyst to search for specific words and phrases used during calls.
- Establishment of Predefined Categories – Provides the capability to program and use predefined categories. The use of predefined categories provides standard search terms and phrases that allow a program analyst to adapt the terms and phrases for a specific search. For example, a predefined category is “Excessive Wait,” which can be used to identify the number of taxpayers who stated that their wait time was extremely long. To date, the IRS has developed 60 predefined categories.
- Creation of Reports – Provides the capability to generate standard reports that allow program analysts to gather, analyze, and summarize information.

It is important to note that maximum benefit from using the Contact Analytics tool is dependent upon the recording of telephone conversations between employees and taxpayers. The tool can analyze calls received in the IRS’s 26 call centers² as well as calls received by the various telephone application numbers that are recorded. The IRS purchased the capacity to capture 26,000 hours of calls each day. Figure 2 provides the percentage of contact recording calls captured for all call centers in FYs 2013 through 2015.

² Call centers are located in Fresno, California; Oakland, California; Denver, Colorado; Jacksonville, Florida; Atlanta, Georgia; Indianapolis, Indiana; Baltimore, Maryland; Andover, Massachusetts; Lowell, Massachusetts; Kansas City, Missouri; St. Louis, Missouri; Brookhaven, New York; Buffalo, New York; Cincinnati, Ohio; Cleveland, Ohio; Portland, Oregon; Philadelphia, Pennsylvania; Pittsburgh, Pennsylvania; San Juan, Puerto Rico; Memphis, Tennessee; Nashville, Tennessee; Austin, Texas; Dallas, Texas; Ogden, Utah; Richmond Virginia; and Seattle, Washington.



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Figure 2: Analysis of Calls Recorded to Calls Answered – FYs 2013 Through 2015

Fiscal Year	Calls Answered	Calls Recorded	Percentage of Calls Recorded to Answered
2013	52 million	42 million	81%
2014	37 million	32 million	87%
2015	28 million	26 million	93%

Source: CACoE FY 2014 and FY 2015 End-of-Year Summary.

The Hear Me Process was established to identify trends in customer calls

The IRS first piloted the Hear Me Process in Calendar Year 2011 in the Ogden, Utah, and Seattle, Washington, call centers. By January 2015, employees in all 26 IRS call centers nationwide were participating in the Hear Me Process. The Hear Me Process identifies emerging issues that can improve the taxpayer experience by providing alternative and more cost-effective services. The Hear Me Process allows the IRS’s more than 13,000 customer service representatives (CSR) to identify emerging taxpayer service issues. The CSRs register on the Service-Wide Electronic Research Program (SERP)³ internal website, where a link is provided to allow the CSR access to the Hear Me Process site. This site allows CSRs to submit narratives of issues from taxpayer calls. Once a Hear Me Process request is submitted by a CSR, the information is sent to program analysts in the IRS’s Accounts Management function for review.

Accounts Management program analysts are required to control and track each submission. For example, each request is assigned a control number for tracking purposes. For FY 2015, the IRS indicated that a total of 493 Hear Me Process requests were received.⁴ Internal guidelines require an analyst to review the issue and determine whether the issue is being addressed within the Accounts Management function or if the issue should be referred to another functional area within the IRS. For those requests that are not being worked or are not referred to another functional area, the request is forwarded to the Customer Account Services function – Customer Early Warning System.

The Customer Early Warning System was established to identify taxpayer service issues and trends

The Customer Early Warning System was established in Calendar Year 2011. The Wage and Investment Division’s Customer Account Services function director hosts the Customer Early Warning System meetings. These meetings include representatives from IRS functional areas

³ The SERP is a portal designed to provide employees from all IRS functions intranet access to Internal Revenue Manuals and other reference materials. Front-line employees use a button on the SERP screen to access “Hear Me.”

⁴ In addition to the CSRs, Field Assistance analysts also identify concerns to elevate via the Customer Early Warning System.



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that include Field Assistance; Electronic Products and Services Support; Stakeholder Partnerships, Education, and Communication; Submission Processing; and other IRS functions. The meetings are held daily during the filing season⁵ and three times a week thereafter. The purpose of these meetings is to discuss taxpayer service issues and trends to determine the Service-wide extent of each issue and the possible use of Contact Analytics for further analysis.

In addition to the above meetings, representatives from the Customer Account Services function conduct a Customer Early Warning System weekly executive telephone call during the filing season and every other week outside the filing season. Various IRS functions participate with the purpose of identifying new taxpayer service issues as well as discussing the status of previously raised issues that are awaiting resolution. CACoE officials participate in the Customer Early Warning System meetings as well as the executive telephone calls. CACoE participation is important because the CACoE may be addressing an issue or could easily adapt existing research to address a new issue raised in one of these meetings.

The IRS indicated that about 100 taxpayer service issues were identified and evaluated by the Customer Early Warning System during FYs 2014 and 2015. Once issues are evaluated, representatives elevate the issues to business unit executives who then determine the appropriate manner to address the issue. In some cases, the issues are addressed within the business unit and other issues are forwarded to the CACoE for further analysis. Examples of customer service issues evaluated by the Customer Early Warning System include:

- Problems with refund statuses on the “Where’s My Refund” application.
- Incorrect identity theft notices mailed to taxpayers.
- Social Security Administration benefit reduction notices mailed due to tax-related identity theft.

This review was performed at the Atlanta, Georgia, Customer Service Center in the CACoE during the period August 2015 through March 2016. 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.

⁵ The period from January to mid-April when most individual income tax returns are filed.



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Results of Review

Our review identified that the use of Contact Analytics is assisting the IRS in identifying customer service issues and concerns with the results from the research performed by the CACoE used to improve services to taxpayers. Examples include:

- The Small Business/Self-Employed Division's Automated Underreporter (AUR) function received taxpayer complaints about an AUR function employee's unprofessional conduct. Management requested that the CACoE analyze calls between AUR function employees and taxpayers. The CACoE analyzed telephone conversations between taxpayers and AUR employees from September 22 to December 31, 2014. In response to the CACoE analysis results, the AUR function developed training for its employees on communication and telephone techniques. AUR function management indicated that customer satisfaction has improved, with fewer complaints being received from taxpayers.
- The IRS needed information to address taxpayer inquiries regarding the Foreign Account Tax Compliance Act.⁶ Based on a CACoE analysis of calls, it was determined that taxpayers commonly inquired about four specific Foreign Account Tax Compliance Act issues:
 - Whether real estate was considered a foreign financial asset.
 - Whether currency was considered a foreign financial asset.
 - Whether a pension or a foreign social security equivalent was considered a foreign financial asset.
 - Whether foreign stocks owned as part of a domestic retirement plan or mutual fund are considered a foreign financial asset.

In response to the research performed by the CACoE, the IRS updated the Frequently Asked Questions section on its public website to address these most frequent inquiries to its toll-free telephone assistants. The research and update of the Frequently Asked Questions enabled the IRS to reduce the number of telephone calls to its busy telephone lines and reduce taxpayers' burden.

In addition to improving taxpayer services, the CACoE SharePoint site provides designated employees with access to a number of useful Contact Analytics resource materials. For example, the site provides training materials, job aids, and guidance for CACoE analysts as well as

⁶ Pub. L. No. 111-147, Subtitle A, 124 Stat. 97 (2010) (codified in scattered sections of 26 U.S.C.).



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examples of taxpayer service improvements that resulted from the use of Contact Analytics. The CACoE also includes information relating to the various business unit requests on its SharePoint site. For each request, the CACoE documents the methodology used to fulfill the search request and provides the requestor with the results of the research.

Increased Front-Line Employee Awareness of the Hear Me Process Is Needed

Our interviews with 24 CSRs⁷ identified that 17 (71 percent) did not have sufficient knowledge of the Hear Me Process, including how to submit a taxpayer service issue. We attempted to identify the number of CSRs who were actually registered on the SERP to use this process. However, the IRS could not provide this information, noting that the SERP data do not provide specific details as to those employees who use the Hear Me Process, nor does the data identify the specific position (*i.e.*, a CSR) of the employee registered in the SERP. Figure 3 provides a summary of CSR responses to our questions regarding their knowledge and use of the Hear Me Process.

Figure 3: CSR Responses to Questions Regarding Knowledge and Use of the Hear Me Process

Question	CSR Responses
Are you aware of the Hear Me Process?	Yes: 7 (29%) No: 17 (71%)
Have you received guidelines or instructions on how to use the Hear Me Process?	Yes: 6 (25%) No: 18 (75%)
Do you know how to report an issue using the Hear Me Process?	Yes: 4 (17%) No: 20 (83%)
Did you report an issue in FY 2015 using the Hear Me Process?	Yes: 2 (8%) No: 22 (92%)

Source: Treasury Inspector General for Tax Administration analysis of CSR responses.

In addition, four (24 percent) of the 17 CSRs who were unaware of the Hear Me Process told us of a customer service issue that they would like to report. Two examples of these issues included:

⁷ We interviewed a judgmental sample of CSRs in the Atlanta (4), Austin (4), Cincinnati (4), Fresno (4), Kansas City (4), and Ogden (4) Campuses and affiliated call centers. We interviewed only the CSRs who have been working at the IRS for one year or longer. A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.



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- Taxpayers reporting difficulty obtaining information about their Identity Protection Personal Identification Number⁸ from the IRS public website or not receiving it in the mail.
- Taxpayers reporting problems with IRS notices they received, such as the notice not clearly indicating a taxpayer address change or the notice not explaining why taxes are owed.

Although employee use of the Hear Me Process is voluntary, success using Contact Analytics to identify taxpayer service improvements relies heavily on participation of front-line employees⁹ submitting search requests and suggestions for analysis. Front-line employees interact with taxpayers daily and are in a position to identify customer service issues and concerns. If these employees do not elevate customer service issues and concerns, the IRS's ability to improve customer service is reduced.

Actions have been taken in an effort to increase employee awareness of the Hear Me Process

The Accounts Management function implemented the Hear Me Process October 2011 through December 2014. As the Hear Me Process was rolled out to each new functional area, management held meetings to introduce front-line managers to the process and provide a communication package. The communication package included instructions, a PowerPoint presentation, managers' talking points, and a Hear Me Process decision flowchart. The communication package was provided so managers could share the information with their staffs in team meetings.

In addition, the Accounts Management function director issued an e-mail to all Accounts Management function employees on January 23, 2015, reminding them of the importance of using the Hear Me Process to report taxpayer trends or urgent issues. Finally, the Communications and Liaison function posted an article about the Hear Me Process in the Wage and Investment Division's internal newsletter in August 2014. Nonetheless, only six (25 percent) of 24 CSRs that we interviewed stated they learned about the Hear Me Process from an e-mail or a CSR team meeting.

⁸ A six-digit number assigned to eligible taxpayers that allows their tax returns/refunds to be processed without delay and helps prevent the misuse of their Social Security Number on fraudulent Federal income tax returns.

⁹ Front-line employees include CSRs, contact representatives in the Wage and Investment Division's Field Assistance function, and volunteers in the Volunteer Income Tax Assistance program through a Stakeholder, Partnerships, Education, and Communication function employee.



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Growth in requests may necessitate developing prioritization processes and procedures

The CACoE has not developed processes or procedures to prioritize business unit requests to ensure that those relating to the IRS's most critical taxpayer service issues are expeditiously addressed. The director of the CACoE stated that occasionally there is a need to set aside ongoing projects when other research requests are received that are deemed more significant. However, there has not been a need to establish a formal process to rank and fulfill research requests. In addition, the CACoE, to date, has been able to accommodate all search requests.

As participation and awareness of the Hear Me Process increases, the number of research requests could increase. This increase may necessitate developing prioritization processes and procedures to ensure that requests with the most significant impact and emerging critical issues for overall tax compliance are timely addressed. This will allow the CACoE to apply proper resources to such projects when the demand for Contact Analytics services exceeds available resources.

Recommendation

Recommendation 1: The Commissioner, Wage and Investment Division, should ensure that all front-line employees are aware of the Hear Me Process and receive training on how to use the process.

Management's Response: The IRS agreed with this recommendation. A training module is being developed and will be added to the FY 2017 new hire curriculum. Additionally, as part of filing season readiness, managers will certify that staff has been briefed on the Hear Me Process.

Processes to Request, Receive, and Retain Assessments of the Usefulness of Contact Analytics Research Results Need to Be Improved

Our review of all 74 completed research requests out of the 103 that the CACoE received in FY 2015 identified 30 (41 percent) for which the CACoE could not provide documentation of feedback received from the requesting function regarding the value of the research. For example, the IRS could not provide documentation to show that a feedback request was in fact sent to the functional area submitting the research request or that a follow-up request was made by the CACoE when a request was sent but a response was not received. In addition, we found that for the 44 responses the CACoE did receive, 10 (23 percent) were not uploaded to the CACoE SharePoint site for future reference.

Business results and feedback are an essential element in documenting the value of Contact Analytics and measuring the effectiveness of the CACoE. CACoE internal guidelines require the



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analyst to send an e-mail to the requestor asking for feedback within 10 days after the final Contact Analytics search result report is available. The CACoE is to ask the requestor:

- Were the data useful?
- What actions were taken (if any) based on the CACoE data analysis?
- What business measures were affected by this issue?

CACoE analysts are required to follow-up after 10 days if the business unit has not responded to their request for feedback. It should be noted that the CACoE does not have the authority to require a response, nor do internal guidelines require the uploading of the received responses for association with the request on the CACoE SharePoint site.

Better adherence to CACoE procedures are needed to ensure that search identification request numbers are assigned as required

Our review of 32 judgmentally selected¹⁰ requests from the 103 research requests the CACoE received during FY 2015 identified that 17 (53 percent) were not assigned the required identification number. In addition, our review of all 10 research requests that IRS executives directly submitted to the CACoE identified five (50 percent) that did not have the required title or description of the search request, both of which are needed for identification and tracking purposes.

CACoE's guidelines require analysts to assign a search request identification number, title, and descriptions for Customer Early Warning System and executive search requests to allow proper identification, tracking, and monitoring of the search requests. When we discussed our results with management, they indicated some descriptive information had not been entered on the Business Request Form as required due to an oversight. Without this information, the ability of the CACoE to adequately account for, track, and monitor the status of search requests is reduced.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 2: Require functional areas to provide an assessment of research results, including the usefulness of data provided, and actions taken based on data provided as a means to continue to measure and improve the effectiveness of Contact Analytics.

Management's Response: The IRS agreed with this recommendation. Internal guidelines require CACoE analysts to send a Business Results Feedback Request form to the requestor asking for feedback within 10 days after the final Contact Analytics search report is issued. If the customer fails to respond to the first request, the IRS will send a

¹⁰ We selected search requests that address significant issues facing the IRS.



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follow-up e-mail requesting a reply within five business days. In conjunction with the CACoE's Process Improvement Initiative and Wage and Investment Division executive guidelines for FY 2017, the CACoE will institute an additional follow-up step. For all Wage and Investment Division nonresponse cases, an elevated request for feedback will be forwarded to the requestor's management chain 10 days after the failure to respond to the CACoE's second request.

Recommendation 3: Revise CACoE procedures to require analysts to upload and associate assessments of research results with the initial request for future reference on the CACoE SharePoint site.

Management's Response: The IRS agreed with this recommendation. Effective October 1, 2016, the CACoE will require analysts to upload and associate assessments of research results with the initial request to the CACoE SharePoint site.

Recommendation 4: Ensure that the CACoE follows requirements to assign search request identification numbers, titles, and descriptions for Customer Early Warning System and executive search requests.

Management's Response: The IRS agreed with this recommendation. The CACoE Branch Chief instituted an annual Process Improvement Initiative in FY 2014. Each year, a formal review is conducted and process revisions and/or implementations are selected for the upcoming fiscal year. As part of this undertaking in FY 2016, assigning a search request identification number, title, and description was mandated for all Contact Analytics search requests. The CACoE Branch Chief ensures staff adherence to this mandate by conducting formal midyear and end-of-year quality reviews. The CACoE Branch Chief addresses discrepancies noted and the assigned analysts are responsible for corrective actions.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether Contact Analytics is used to improve taxpayer service and provide services more efficiently. To accomplish our objective, we:

- I. Determined whether the Hear Me Process, Customer Early Warning System, and other processes are effective to identify service issues and trends and forward them to the CACoE or the appropriate business unit for analysis.
 - A. Analyzed the CACoE SharePoint site to identify all 10 requests received from IRS executives in FY 2015.
 - B. Because we did not plan to project our results, we interviewed four judgmentally sampled¹ CSRs who answer the telephones at each of the Fresno, California; Atlanta, Georgia; Kansas City, Missouri; Cincinnati, Ohio; and Ogden, Utah campuses and affiliated call sites to determine if each CSR is sufficiently aware of the Hear Me Process.
 - C. Reviewed documentation of Customer Early Warning System meetings to determine whether they were conducted daily during the 2015 Filing Season and every other day thereafter to identify taxpayer service trends and issues. We also attended a Customer Early Warning System meeting by phone and reviewed meeting minutes and other documentation to determine whether the required representatives attended the meetings.
- II. Evaluated IRS actions to address taxpayers' service needs that are identified by the CACoE.
 - A. Analyzed the Contact Analytics SharePoint documentation for sufficiency and completeness by reviewing all 74 completed search requests out of the 103 requests received by the CACoE for FY 2015, including all 10 requests received from IRS executives. We determined whether the CACoE documented all uses of Contact Analytics in FY 2015, including results of analysis, IRS corrective actions, and business unit customer feedback. Because we did not plan to project our results, we also selected a judgmental sample of 32 requests from the 103 research requests the CACoE received during FY 2015 to determine if the requests included identification numbers, titles, and descriptions.

¹ A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.



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- B. Because we did not plan to project our results, we selected a judgmental sample of 10 significant issues from the CACoE's list of New Search Reports/Requests for FY 2015 to determine whether the actions taken by the IRS to resolve the issue were complete and documented. We also determined whether the requestors were satisfied with the results and the IRS took sufficient action to address each issue. We selected issues were related to IRS emphasis areas and major management challenges.
 - C. Evaluated the processes CACoE analysts use to conduct searches with the Contact Analytics tool.
- III. Determined whether the CACoE has controls to prioritize business function requests to address the most critical issues for improving taxpayer service and the feasibility of developing such a system.

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 that the following internal controls were relevant to our audit objective: 1) documentation and adequate consideration of issues from the Hear Me meetings, 2) documentation of IRS actions to address issues for which the CACoE provides analysis, and 3) documentation in the CACoE SharePoint of business unit and IRS executive requests, including search results and business unit feedback. We evaluated these controls by reviewing and analyzing the documentation for each process.



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Appendix II

Major Contributors to This Report

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Appendix III

Report Distribution List

Commissioner
Office of the Commissioner – Attn: Chief of Staff
Deputy Commissioner for Services and Enforcement
Director, Customer Account Services
Director, Accounts Management
Director, Joint Operations Center
Chief, Contact Analytics Center of Excellence
National Taxpayer Advocate
Director, Office of Audit Coordination



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Appendix IV

Management's Response to the Draft Report



COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

AUG 11 2016

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Debra Holland *Debra S. Holland*
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Contact Analytics Has Been Used to Improve Taxpayer Service, but Not All Front-Line Employees Are Aware of the Process to Submit Customer Service Issues (Audit # 201540011)

Thank you for the opportunity to review the subject draft report and provide comments. Contact Analytics is a business intelligence and performance management tool using speech analytics technology. It is used to evaluate recorded audio for the purpose of identifying opportunities for improving the customer experience and for potential cost savings and efficiency gains. Contact Analytics helps identify trends and emerging issues that enable us to take early action through employee alerts, web updates, etc. For example, during the 2016 filing season, IRS assistors reported receiving reports from taxpayers that some financial institutions would not cash their tax refund check. During February 2016, our Contact Analytics staff performed an analysis on this issue and determined that some check-cashing locations were unable to validate paper refund checks. Because of our analysis, solutions were implemented to help our Customer Service Representatives (CSR) provide accurate and consistent information when assisting taxpayers with this problem while we resolved the validation issue with the Bureau of the Fiscal Service.

When the Customer Early Warning System (CEWS) program was conceived in 2011, the Accounts Management (AM) function launched the Hear Me CSR feedback channel as a vehicle for AM employees to share emerging trends and issues that were identified through their interaction with customers. From the beginning, employees have been supportive of the program. Hear Me was rolled out incrementally throughout the AM organization beginning in 2012 and, by January 2015, was available to all AM employees. We promoted it broadly through the Director's newsletter, Hear Me flyers, and communication packages, which were shared through conferenced department meetings with all managers for dissemination to all employees. Since the program's inception, more than 1,500 reports have been submitted through the Hear Me process.



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February 2016 was our most active month ever, with an average of four Hear Me issues submitted each day.

In 2016, CSRs used the Hear Me process to make management aware of systemic issues, which we were able to quickly address and correct, as well as common errors present on filed tax returns, for which we were able to issue prompt guidance to the employees resolving the errors and communicating with taxpayers. By using Contact Analytics, we were able to identify apparent root causes and share that information with the appropriate responsible areas. We also shared information with our partners in the CEWS program to ensure other functions were alerted to the issues and to determine if they had made similar observations. Because of this and other feedback through Hear Me, we have been able to update guidance, correct problems, and ensure our CSRs were better prepared to provide high-quality service in assisting our customers.

Effective October 1, 2015, we mandated the use of search request identification numbers, titles, and descriptions for all search requests. The Contact Analytics staff tracks, secures, and maintains the results of research requests from business functions, as well as ensures identification numbers are assigned to the CEWS requests and executive research requests. We agree that these actions add value and we will continue to monitor our internal operations for adherence.

Attached are our comments to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Ivy McChesney, Director, Customer Account Services, Wage and Investment Division, at (470) 639-3486.

Attachment



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Attachment

Recommendation

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1

Ensure that all front-line employees are aware of the Hear Me Process and receive training on how to use the process.

CORRECTIVE ACTION

We agree with this recommendation. A training module is being developed and will be added to the Fiscal Year (FY) 2017 new hire curriculum. Additionally, as part of filing season readiness, managers will certify that staff has been briefed on the Hear Me process.

IMPLEMENTATION DATE

January 15, 2017

RESPONSIBLE OFFICIAL

Director, Accounts Management, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

Recommendations

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 2

Require functional areas to provide an assessment of research results, including the usefulness of data provided, and actions taken based on data provided as a means to continue to measure and improve the effectiveness of Contact Analytics.

CORRECTIVE ACTION

We agree with this recommendation. Internal guidelines require Contact Analytics Center of Excellence (CACoE) analysts to send a Business Results Feedback Request Form to the requestor asking for feedback within ten days after the final Contact Analytics search report is issued. If the customer fails to respond to our first request, we send a follow up email requesting a reply within five business days.

In conjunction with the CACoE's Process Improvement Initiative and Wage and Investment (W&I) Division Executive guidelines for FY 2017, the CACoE will institute an additional follow up step. For all W&I Division non-response cases an elevated request



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for feedback will be forwarded to the requestor's management chain ten days after the failure to respond to the CACoE's second request.

IMPLEMENTATION DATE

Implemented

RESPONSIBLE OFFICIAL

Director, Joint Operations Center, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 3

Revise CACoE procedures to require analysts to upload and associate assessments of research results with the initial request for future reference on the CACoE SharePoint site.

CORRECTIVE ACTION

We agree with this recommendation. Effective October 1, 2016, the CACoE will require analysts to upload and associate assessments of research results with the initial request to the CACoE SharePoint site.

IMPLEMENTATION DATE

October 15, 2016

RESPONSIBLE OFFICIAL

Director, Joint Operations Center, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 4

Ensure that the CACoE follows requirements to assign search request identification numbers, titles, and descriptions for Customer Early Warning System and executive search requests.

CORRECTIVE ACTION

We agree with this recommendation. The CACoE Branch Chief instituted an annual Process Improvement Initiative in FY 2014. Each year, a formal review is conducted and process revisions and/or implementations are selected for the upcoming Fiscal Year. As part of this undertaking in FY 2016, assigning a search request identification



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number, title, and description was mandated for all Contact Analytics search requests. The CACoE Branch Chief ensures staff adherence to this mandate by conducting formal midyear and end of year quality reviews. The CACoE Branch Chief addresses discrepancies noted and the assigned analysts are responsible for corrective actions.

IMPLEMENTATION DATE

Implemented

RESPONSIBLE OFFICIAL

Director, Joint Operations Center, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.