TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

More Should Be Done to Increase Use and Availability of the IRS's Taxpayer Digital Communication Tools

November 14, 2022

Report Number: 2023-30-003

HIGHLIGHTS: More Should Be Done to Expand and Increase Use and
Availability of the IRS's Taxpayer Digital Communication Tools

Final Audit Report issued on November 14, 2022   Report Number 2023-30-003

Why TIGTA Did This Audit

This audit was initiated to assess the IRS's efforts to implement a digital communication program that meets taxpayers' and the Government's needs.

Impact on Tax Administration

The Taxpayer Digital Communication (TDC) program is intended to enable taxpayers and tax professionals to interact with the IRS electronically. The TDC program is intended to facilitate quick and secure sharing of files and documents online by IRS employees and taxpayers, instead of waiting for physical mail, traveling to pick up documents, or requiring in-person interactions. Accordingly, the use of digital communications should allow IRS employees to resolve taxpayer issues more efficiently.

Although not all taxpayers may have a need to interact with the IRS using digital communications, there is the potential for savings by increasing digital communications with taxpayers.

With millions of backlogged paper tax returns, amended tax returns, and other return related transactions needing processing as of the end of Calendar Year 2021, digital communications also has the potential to allow the IRS to more efficiently and effectively communicate with taxpayers.

What TIGTA Found

When digital communication tools are easy to find, understand, and use, they can help meet the taxpayer's right to quality service through clear and easily understandable communications. However, the IRS could do more to plan and implement a taxpayer digital communication program that meets taxpayers' needs. For example, the IRS did not proactively identify IRS functions or operations for which digital communication may have provided sizable benefits for both taxpayers and IRS employees. Rather, any IRS program, function, or business unit wishing to explore a digital communication installation was allowed to express interest.

TIGTA determined that there are no performance measures in place for the TDC program office. In addition, none of the offices or programs involved in the TDC installations were required to provide any cost-benefit analyses and more thorough attempts should have been made to identify and consider input from both external and internal stakeholders to identify the areas of improvement for which consensus was strongest.

IRS management expressed concern that established TDC installations may not be receiving sufficient support as a result of the transition of the TDC program to the IRS's Information Technology function and that the TDC program office was not always aware of developments that may impact their work on future and established TDC installations on the platform. There is a need for the IRS to establish an office that can more readily provide oversight and coordination between the business units involved in the implementation and operation of the TDC installations and the Information Technology function.

What TIGTA Recommended

TIGTA made five recommendations that include: 1) leveraging lessons learned to expand digital communication to all taxpayers; 2) reevaluating the level of assurance necessary for TDC installations; 3) developing and implementing an evaluation plan to assess the TDC program and its management of TDC installations; 4) developing a method by which information is obtained from all stakeholders to determine why users may not be interested in TDC installations, what barriers to adoption exist, and how IRS employees can support taxpayer adoption; and 5) establishing an office that would be responsible to coordinate and manage the expansion and use of digital communication across stakeholders.

IRS management agreed with one recommendation and partially agreed with four recommendations. For the four partially agreed recommendations, IRS management responded that these recommendations have been implemented. However, IRS management's description of the corrective actions are not entirely responsive to the four partially agreed recommendations.

U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20024

**TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION**

November 14, 2022

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Heather M. Hill
                      Deputy Inspector General for Audit

SUBJECT: Final Audit Report – More Should Be Done to Expand and Increase Use
                      and Availability of the IRS's Taxpayer Digital Communication Tools
                      (Audit # 202130015)

This report presents the results of our review to determine whether the Internal Revenue Service implemented a Taxpayer Digital Communication program that meets taxpayers' and the Government's needs. This review was part of our Fiscal Year 2022 Annual Audit Plan and addresses the major management and performance challenges of *Improving Tax Reporting and Payment Compliance to Reduce the Tax Gap* and *Improving Customer Service and the Taxpayer Experience*.

Management's complete response to the draft report is included as Appendix III.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. If you have any questions, please contact me or Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

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Background

In July 2011, the Internal Revenue Service (IRS) created the Office of Online Services (OLS) to develop products that would enable taxpayer interactions through a secure electronic channel, migrate taxpayer interactions to a self-service channel, streamline the filing and processing of tax forms, increase the efficiency and effectiveness of notice delivery, and streamline compliance interactions with taxpayers. In 2013, the OLS started an initiative to partner with IRS business operations to implement products that would transform processes for digital communication. This initiative would later be called the Taxpayer Digital Communication (TDC) program and would not be officially established within the OLS until December 2020.

The first secure messaging pilot was launched in December 2016 in the Small Business/ Self-Employed (SB/SE) Division's Correspondence Examination function. This was followed by the first live text chat installation within the SB/SE Division's Automated Collection System (ACS) in November 2017.[1]

IRS management refers to the various products offered to facilitate expanded digital communication abilities as TDC "installations." TDC installations use commercial off-the-shelf systems to enable taxpayers and the IRS to communicate and exchange information securely.[2] The IRS uses the eGain Solve (hereafter referred to as eGain) platform to facilitate secure digital communication in TDC program installations.[3] The eGain platform is a core technology for Taxpayer Engagement and is the current solution for secure messaging.

TDC installations are intended to facilitate secure communication between taxpayers and the IRS. It also has the added benefit of allowing IRS employees to quickly and securely share files with taxpayers and their representatives, instead of waiting for physical mail, traveling to pick up documents, or requiring in-person interactions. The IRS's secure messaging includes the ability to send and receive attachments (with a size limit of 1 gigabyte). The TDC program also sought to allow the IRS to address and correct taxpayer issues more quickly than by communicating through other means.

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[1] While the ACS Chat installation was developed by the TDC program, administrative control has since been passed to the IRS's User & Network Services Contact Center Support Division within the Information Technology (IT) organization. User & Network Services oversees a portfolio of technology and services that enables and enhances IRS's communication, collaboration, and business capabilities. It also serves as the single point of contact for the Contact Center Environment and provides end-user support to all in accordance with negotiated Service Level Agreements. Additionally, it provides strategic direction, forecasting, and planning and oversight of IT function business needs.

[2] For the Treasury Inspector General for Tax Administration's (TIGTA) assessment of the security and access controls over the TDC platform, see Report No. 2022-20-051, *Taxpayer Digital Communications Platform Security and Access Controls Need to Be Strengthened* (Sept. 2022).

[3] User & Network Services is the IT function platform owner and the OLS is the business program owner.

As of June 2021, the IRS has implemented the following 11 business operation TDC installations as part of its customer service strategy:[4]

1. SB/SE Division's Correspondence Examination Secure Messaging.

2. Large Business and International (LB&I) Division Affordable Care Act's (ACA) Branded Prescription Drug Feepayers Secure Messaging.[5]

3. Taxpayer Advocate Services (TAS) Secure Messaging.[6]

4. SB/SE Division's ACS Chat.

5. SB/SE Division's Tax Compliance Officers (TCO) Secure Messaging.

6. LB&I Division's Secure File Sharing-Secure Messaging.

7. LB&I Division's Advance Pricing and Mutual Agreement (APMA) Secure Messaging.

8. Tax Exempt and Government Entities (TE/GE) Division Tax Exempt Bonds (TEB) Secure Messaging.

9. Independent Office of Appeals Secure Messaging.

10. SB/SE Division's Automated Underreporter (AUR) Secure Messaging.

11. Wage and Investment (W&I) Division Taxpayer First Act (TFA) Section (§) 2302 Form Submission.[7]

These 11 installations were established to improve processes and programs within particular functions or organizations. However, one of the Most Serious Problems included in the National Taxpayer Advocate's 2021 Annual Report to Congress was *Digital Communication Tools Are Too Limited, Making Communication With the IRS Unnecessarily Difficult*.[8] The report noted that the IRS was taking steps to expand digital communication with taxpayers and their representatives before the pandemic, but that available digital communications options, such as secure e-mail and TDC, were limited to a small population of taxpayers.

The IRS's previous strategic plan, covering Fiscal Years (FY) 2018-2022, stated that TDC will enable taxpayers and tax professionals to interact with the IRS electronically, enabling the

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[4] TIGTA Report No. 2022-20-051 included 12 approved installations that were in production as of June 27, 2022. That report included: the Wage and Investment Division's refund status chatbot, the Tax Exempt and Government Entities Division's Government-wide secure messaging, the SB/SE Division's Collection chatbot, and the Privacy, Governmental Liaison, and Disclosure's secure access installation, which were not included in our review. The installations included in this review are those that the IRS advised were implemented as of June 2021. Installations included in this report that are not included in TIGTA Report No. 2022-20-051 are: the Tax Exempt and Government Entities Division's Tax Exempt Bonds secure messaging, the Taxpayer Advocate Service's secure messaging, and the SB/SE Division's Tax Compliance Officers secure messaging installation.

[5] ACA Branded Prescription Drugs Feepayer is still listed as an active TDC installation, although IRS officials stated that the Insurance Provider Fee feature was not implemented under the LB&I ACA installation.

[6] The TAS secure messaging installation pilot was abandoned due to a lack of participation by taxpayers.

[7] Pub. L. No. 116-25, 133 Stat. 981 (2019)(codified in scattered sections of 26 U.S.C.). This installation enables taxpayers and authorized tax practitioners such as attorneys, enrolled agents, and Certified Public Accountants to digitally submit Form 2848, *Power of Attorney and Declaration of Representative*, and Form 8821, *Tax Information Authorization*.

[8] National Taxpayer Advocate, *Annual Report to Congress 2021* (Dec. 2021).

immediate exchange of information in place of more time-intensive postal correspondence. Specifically, of chatbot, the plan states that:

> *This modern, digital communication channel will enable IRS employees to resolve taxpayer issues more efficiently – lowering communication costs, providing more transparency and certainty, reducing operational tasks, and increasing taxpayer satisfaction.*[9]

As shown in Figure 1, the IRS also reported in its strategic plan that taxpayers had 384 million digital interactions with the IRS in FY 2016 and that these interactions had a much lower per transaction cost than traditional methods of communication.[10] Although the IRS estimates for the cost of digital interactions includes self-service technology such as web pages and is not directly associated with the TDC effort, this comparison does provide some indication of the potential savings that could be achieved in addressing the costs associated with more traditional methods of communication.
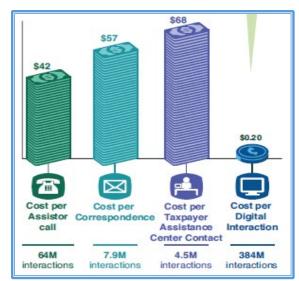
Figure 1: IRS FY 2016 Digital Interaction Savings[11]

Source: IRS Strategic Plan for FYs 2018-2022.

In addition to the cost per interaction, digital interactions could also reduce the time that taxpayers spend interacting with the IRS and the time associated with mailed correspondence. Specifically addressing the IRS's Accounts Management function, the Treasury Inspector General for Tax Administration (TIGTA) recently reported that developing electronic correspondence tools could provide taxpayers with instant confirmation that the IRS has received their documents and reduce the time it takes for the correspondence to reach Accounts Management.[12] TIGTA also recently reported that millions of backlogged paper tax returns,

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[9] IRS Publication 3744, *Internal Revenue Service Strategic Plan – FY 2018 – 2022*, (Rev. Apr. 2018).

[10] Digital interactions with the IRS include using digital tools such as Where's My Refund, Get Transcript, Direct Pay, Online Account, Interactive Tax Assistant, and IRS2Go.

[11] The IRS's most recent strategic plan for FYs 2022-2026, updated July 2022, also included a summary on projected savings and digital communications.

[12] TIGTA, Report No. 2022-46-027, *Program and Organizational Changes Are Needed to Address the Continued Inadequate Tax Account Assistance Provided to Taxpayers* (Mar. 2022).

amended tax returns, and other return related transactions remained in the IRS inventory to be processed as of the end of Calendar Year 2021.[13]

The TFA required the IRS to submit a comprehensive customer service strategy to Congress by July 1, 2020. Pursuant to the TFA, the IRS was required to design a customer service strategy that included a plan to assist taxpayers that was secure, designed to meet reasonable taxpayer expectations, and adopted appropriate best practices of customer service provided in the private sector (such as online services, telephone call-back services, and training of employees who provide customer services). This new strategy included six significant ideas for enhancing taxpayer experience, one of which was expanding digital services.

Results of Review

This report presents the results of our evaluation of the development, implementation, and results of the IRS's TDC program. The scope of our review included those functions or programs with a TDC installation, the majority of which are associated with the IRS's compliance activities. In addition, the IRS should ensure that the needs of stakeholders are considered and given priority; this includes not only taxpayers and their representatives but also employees. Taxpayer participation in the programs currently offered by the IRS indicates that there is a genuine need to continue to

> **Taxpayer participation in the programs currently offered by the IRS indicates that there is a genuine need to continue to develop and expand additional digital communication tools.**

develop and expand additional digital communication tools in order to provide the level of customer service promised in its *2021 Taxpayer First Act Report to Congress*, as well as in its *FY 2018-2022 Strategic Plan*. An essential element of providing America's taxpayers with top-quality service in this area is to provide user support to all who want to use digital communication tools. When digital communication tools are easy to find, understand, and use, they can help meet the taxpayer's right to quality service through clear and easily understandable communications.

The TDC program office within the OLS developed the digital communication tools, which were provided to various functions or programs across the IRS. OLS management officials stressed that the various IRS organizations that were provided the installations were responsible for expanding and increasing taxpayer use of the tools. Our results below refer to actions taken by both the TDC program and the functions to which the installations were provided. As the IRS continues to offer and expand digital communication methods, we believe those efforts should include an oversight body that can address the competing priorities that may occur between internal organizations and reflect the priorities of a singular IRS.

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[13] TIGTA, Report No. 2022-40-035, *Interim Results of the 2022 Filing Season* pp. 5-6 (May 2022).

More Needs to Be Done to Plan and Implement a Taxpayer Digital Communication Program That Meets Taxpayers' Needs

The IRS's management of the TDC program was more focused on completing the installations than maximizing the IRS's ability to communicate digitally with taxpayers. While efforts to integrate secure messaging are an integral part of the IRS's efforts to improve communication and modernize digital communication, few taxpayers have benefitted. As shown in Figure 2, several installations were developed and initiated for a relatively small number of expected users.[14] Five installations (LB&I Division's APMA, Examination, ACA, Appeals, and the TE/GE Division's TEB) were approved and developed despite the expectation of having 1,000 or fewer expected users, and two installations (TAS and SB/SE AUR) did not estimate their expected user volume within their risk assessment documents.

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[14] Our assessment of the installations shown in Figure 2 is based on comparison of the user volume objective for each installation documented in the Digital Identity Acceptance Statement during each installation's Digital Identity Risk Assessment (DIRA) process, to the number of taxpayer signups as of September 30, 2021.

**Figure 2: Comparison of Installations Expected User Volume and
TDC Dashboard Metrics From Inception Through September 30, 2021**

Installation	Launch Date	Name of Digital Identity Risk Assessment (DIRA)/ e-Authentication Risk Assessment[15]	Expected User Volume (Assessment Result)	Taxpayer Signups/Authenticated Chats as of 9/30/2021[16]
Signups/Authenticated Chats **GREATER THAN** Expected User Volume				
SB/SE Correspondence Examination	12/2016	TDC - Secure Messaging - eAuth Level of Assurance (LOA) 3	10,000	28,008
LB&I ACA	1/2017	TDC - ACA Secure Messaging	69	93[17]
LB&I Examination	4/2020	TDC - Secure Messaging	405	3,177
Signups/Authenticated Chats **LESS THAN** Expected User Volume				
SB/SE ACS	11/2017	TDC - Authenticated Chat	200 per week/10,400 (total for 52 weeks)[18]	Average of: 84 per week for FY 2019 158 per week for FY 2020 169 per week for FY 2021 (21,373 total for FYs 2019 to 2021)[19]
TE/GE TEB	6/2018	TDC – TEB	375	53
SB/SE TCO	8/2018	TDC - Secure Messaging - eAuth LOA3	200,000	20
LB&I APMA	4/2020	TDC - Secure Messaging - LB&I (Consent Form)	50	14
Appeals	10/2020	TDC - Secure Messaging - eAuth LOA3	1,000	433
W&I TFA § 2302	1/2021	TDC - F2848 & 8821 Intake (TFA § 2302 First Iteration)	1,000,000	27,171
No Expected User Volume Estimate Provided				
TAS	4/2017	e-RA TAS	No estimate provided	19[20]
SB/SE AUR	10/2020	TDC - Secure Messaging - eAuth LOA3	No estimate provided	1,246

Source: TIGTA's analysis of TDC program dashboard and installation DIRAs. eAuth = Authentication

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[15] The e-RA was the original process used to determine the e-Authentication Level of Assurance for the TDC. This was the predecessor to the DIRA.

[16] The total number of authenticated chats serviced by an assistor within the reporting time period.

[17] Results as of September 30, 2020.

[18] The total number of chats serviced by an assistor within the reporting time period.

[19] The 21,373 represents the total number of authenticated chats for FY 2019 through FY 2021. The yearly totals do not meet the expected user volume of 10,400 authenticated chats (total for 52 weeks).

[20] TAS taxpayer signups from April 2017 to November 2018.

Because the TDC program did not establish performance goals or objectives, we compared the expected user volume to the number of taxpayers who signed up for each installation as a way to measure program success. Officials with the TDC program noted that these expected user volumes do not represent the total potential reach of the installations as designed. The IRS is currently tracking other metrics including the number of inbound and outbound messages, invitations sent, and the number of taxpayers who successfully authenticated (*e.g.*, established a secure messaging account). However, we have concerns that these types of volume based metrics (number of messages, number of accounts) provide little information on whether taxpayers received quality service or issues were resolved more efficiently. From a compliance perspective, the metrics tracked by the IRS do not quantify in any meaningful way whether TDC installations have assisted in completing compliance contacts or bringing cases to closure.

The expected user volume and reported taxpayer signups, as well as the order in which the installations were established, indicates the IRS did not proactively identify IRS functions or major operations for which digital communication may have provided sizable benefits for both taxpayers and IRS employees. Rather, any IRS program, function, or business unit wanting to explore a digital communication installation was allowed to express interest to the TDC program. When IRS functions or organizations expressed interest, the TDC program analyzed their requests and provided those potential installations to the IRS Deputy Commissioner for Services and Enforcement, who was responsible for the final selection of installations to develop and prioritize. As a result of leaving requests for TDC installations up to individual functions and organizations, the TDC program has not developed installations for the IRS functions or operations that are generally responsible for interactions with the most taxpayers.

According to the IRS, while use cases developed during the pilot phase were limited in scope, both as a risk mitigation measure and because they were reliant on business units volunteering to adopt new technology and processes, installations developed in the post-pilot phase will be designed to service large populations of taxpayers needing to communicate with the IRS.

While not all taxpayers may have a need to communicate with the IRS using TDC installations, the IRS processed over 265 million tax returns and other forms filed by taxpayers or their representatives in FY 2021.[21] According to IRS data, the W&I and SB/SE Divisions would have responsibility for 257.9 million returns; TE/GE Division for 5.1 million returns; and the LB&I Division for 1.9 million returns. The size of the taxpayer segments served by these major operating divisions are much larger than the volume of taxpayers envisioned for the TDC program installations in Figure 2.

Taxpayer assistance by telephone is generally performed by the W&I Division.[22] As of June 18, 2022, the IRS reported that 22.4 million calls during the FY 2022 Filing Season were answered with automation, while telephone assistors answered more than 6.4 million calls and

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[21] FY 2021 IRS Data Book, Tables 2 and 32. The IRS noted that they had issues with reporting and now show a higher volume than the 261 million returns reported in the FY 2021 Data Book.

[22] The SB/SE Division also has ACS call sites with employees who interact with taxpayers by phone to resolve collection-related issues. TIGTA, Report No. 2014-30-080, *Declining Resources Have Contributed to Unfavorable Trends in Several Key Automated Collection System Business Results* (Sept. 2014).

provided a 14.9 percent Customer Service Representative Level of Service.[23] Although taxpayer contact with the telephone assistance function is different than contact from the IRS's compliance functions (for which the majority of the TDC installations were prioritized and developed), the Taxpayer Bill of Rights establishes a taxpayer's Right to Quality Service.[24] Providing additional options to taxpayers, such as secure digital communication, within the functions or operations that interact with the majority of taxpayers should have been considered. Without commitment by IRS leadership to significantly expand the TDC program into IRS functions and operations that work directly with taxpayers, the IRS may be unable to meet the stated rights, goals, and objectives of the Taxpayer Bill of Rights, the IRS Strategic Plan, and the Taxpayer Experience Strategy.

The ability of each TDC installation to evolve into a widely used method of communication between IRS functions and their respective taxpayer segments is dependent on the TDC program's installation within each function and their respective business units, as well as the ability of taxpayers to e-authenticate and take advantage of the option.[25] For example, the TDC program is responsible for initial work on each installation, but user volume may be significantly impacted by decisions made by each installation owner, such as the number of invitations or notices sent to taxpayers offering digital communication as an alternative, the IRS personnel available to use secure messaging or chat, and if the use was limited to employees that volunteered to participate in the program. In addition, all of the installations were hindered by the issue of taxpayer authentication, which many taxpayers had difficulty navigating. For example, when we discussed e-authentication with the TDC team, they verified that the success rate for taxpayers attempting to e-authenticate in order to access Secure Messaging or Authenticated Chat continued to be less than 50 percent.

Many IRS employees, as well as taxpayers, worked and operated remotely during the COVID-19 pandemic, increasing the need for alternative methods of communication, such as e-mail and an electronic means to upload documentation. This exposed inadequacies with the digital communication tools developed by the TDC program, such as the number of taxpayers able to e-authenticate and the limited number of areas in which taxpayers were able to use the tools. The IRS worked around these limitations by issuing temporary guidance memorandums authorizing policy "deviations." The policy deviations permitted employees to accept images of signatures and electronic signatures on documents related to the determination or collection of a tax liability.[26] In addition, IRS employees were allowed to accept and transmit documents via e-mail from taxpayers and their representatives using SecureZIP or other established secured

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[23] The primary measure of service to taxpayers. It is the relative success rate of taxpayers who call for live assistance on the IRS's toll-free telephone lines. IRS officials commented that secure messaging is best viewed in comparison to mailed correspondence for which there is a need for direct reciprocal communication and exchange of information from an IRS employee, rather than telephone calls. Our intention here is to show the operations responsible for the bulk of communication with taxpayers, for which there may have been more value in offering digital communication.

[24] Taxpayer Bill of Rights 3 (TBOR 3), Pub. L. No. 105-206, 112 Stat. 726 (1998) (codified as amended in scattered sections of 26 U.S.C.).

[25] E-authentication is the process employed by TDC installations to provide identity verification and sign-in services for taxpayers.

[26] Memorandum for All Services and Enforcement Employees, (1) Approval to Accept Images of Signatures and Digital Signatures (2) Approval to Receive Documents by E-mail and Transmit Documents to Taxpayers using SecureZip, by IRS Deputy Commissioner for Services and Enforcement (March 27, 2020).

messaging systems.[27] Although we were unable to determine the extent to which this deviation was used because usage of the e-mail deviation was not tracked by the IRS, the IRS has extended the policy deviation four times, with the most recent extension expiring on October 31, 2023.

In response to the recommendation in the National Taxpayer Advocate's *2020 Annual Report to Congress* to make this temporary policy deviation permanent, the IRS only agreed in part, stating that "not all temporary changes may be made permanent due to National Institute of Standards and Technology (NIST) requirements."[28] The IRS also stated that it would continue to work toward "identifying permanent signature solutions that allow for electronic submission of forms and digital transactions in a secure manner that meets NIST requirements."

Previously, nine of 11 TDC installations were assigned a NIST Level of Assurance (LOA) 3 designation, one of the highest levels of security for access.[29] However, on June 22, 2017, NIST published Revision 3 (NIST SP 800-63-3), which supersedes its previous publication, Revision 2 (NIST SP 800-63-2). The new guidelines separate the previous version's LOA into Identity Assurance Levels, Authenticator Assurance Levels, and Federation Assurance Levels, which give agencies flexibility to better meet their mission and constituents' needs.[30]

IRS officials stated that they had to offer a technical solution to comply with the new NIST standards. As part of the IRS's risk assessment process, stakeholders and executives from across the IRS agreed that Identity Assurance Level 2 and Authenticator Assurance Level 2 were the appropriate identity and authenticator assurance levels for the TDC Secure Messaging installations. It is unclear why these assessments were necessary for the TDC installations when the electronic signature and e-mail policy deviations previously discussed did not have similar security requirements. TIGTA is currently performing its own review of the security and access controls of the TDC platform, which will assess the external user identification and manual authentication controls over the TDC application.[31]

We discussed the e-mail policy deviation with management officials in the office of the Deputy Commissioner for Services and Enforcement who were involved in the issuance of the initial deviation and its extensions. Generally, they did not view the deviations as a replacement for the eGain platform and the IRS's TDC installations. They noted that TDC Secure Messaging is the long-term solution, while the deviations are a short-term solution intended to provide practitioners with continued communication during COVID-19. While IRS officials stated that they did not want the deviation to be construed as something that would be permanent, these

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[27] SecureZIP is an application replacing the WinZip software on all IRS workstations. SecureZIP provides file compression as well as data encryption that is compliant with current Federal encryption standards.

[28] NIST, *Digital Identity Guidelines*, Special Publication 800-63 (June 2017). NIST Digital Identity Guidelines apply to Federal agencies implementing Digital Identity services. NIST SP 800-63 guidance outlines requirements for risk assessments, identity proofing, authentication, and federation. NIST guidelines provide guidance for agencies to address authentication and identity risks. Agencies must perform risk assessments, select individual assurance levels for identity proofing, authentication, and federation (if applicable), determine which processes and technologies they will employ to meet each assurance level, and document these decisions in a "Digital Identity Acceptance Statement", in accordance with SP 800-55, IA-1.

[29] SB/SE Division Chat and TAS both were given an LOA 2 designation. Higher levels of assurance provide a high degree of confidence that an individual is who they say they are.

[30] These new LOAs are collectively referred to as "xALs." Per NIST, the new xALs better reflect digital identity best practices and provide greater security and privacy benefits. There is no standard mapping between LOAs and xALs.

[31] TIGTA Audit No. 202220014, *Taxpayer Digital Communication Platform*.

individuals also stated that they looked at the business units' experience using the flexibilities and received useful feedback from both taxpayers and representatives about having these flexibilities in place. The IRS has also received a positive response from the American Institute of Certified Public Accountants in support of continuing the use of the flexibilities afforded by the policy deviation.

It is evident from both the IRS's own actions to further extend the e-mail deviation, as well as commentary from outside stakeholders, that there is a long-standing need to develop a digital communication method that allows taxpayers to contact the IRS in an efficient and effective manner.

The Deputy Commissioner for Services and Enforcement should:

Recommendation 1: In collaboration with leaders from IRS business operating divisions, identify those areas for which more efficient and effective methods of communication are needed. The lessons learned and tools developed as part of the TDC program should be leveraged to expand digital communication to taxpayers.

> **Management's Response:** IRS management indicated that the recommendation had been implemented. IRS management stated that they hold monthly meetings and executive roundtables to identify program updates and strategic topics, and that the OLS operates in close coordination with the IRS business units to deliver more transparent, accessible, and efficient services. They also stated that the TDC program leverages a prioritization process to establish the needs for new digital communication solutions identified by the businesses. Finally, IRS management indicated that the OLS uses a process flow based on a use case assessment rubric, with multiple parameters, to assess the value and validity of the proposal.

> > **Office of Audit Comment:** IRS management's description of their corrective action is not entirely responsive to our recommendation. As we acknowledged in our report, the ability of each TDC installation to become more widely used depends on the desire to e-authenticate and use the installation by both the respective business unit and taxpayers. However, the IRS's efforts did not proactively identify IRS functions or major operations for which digital communication may provide significant benefits for both taxpayers and IRS employees.

> > IRS management indicates that they always intended to expand availability of digital communication to more taxpayers. However, TAS employees found their TDC installation burdensome and TAS abandoned it due to a lack of participation by taxpayers. In addition, the order in which the installations were established, as well as expected user volume and reported taxpayer signups, indicates that the IRS did not proactively identify functions or major operations for which digital communication may have provided sizable benefits for both taxpayers and IRS employees.

> > The IRS also stated on page 1 of its response that it was disappointed that it could not resolve many issues with the audit team, such as TIGTA's statement that secure messaging was intended to increase taxpayer self-sufficiency and decrease reliance on IRS employees, which the IRS suggested was incorrect.

However, improving efficiency is clearly part of the rationale behind IRS TDC initiatives, and this language came from IRS source documents, including its own Strategic Plan, 2018 – 2022.

Recommendation 2: Consider reevaluating the level of assurance necessary for TDC installations intended for digital communication with taxpayers, which allows them to respond to the IRS's requests for additional documentation, given that policy deviations for using standard e-mail and SecureZIP files have been used for several years.

Management's Response: IRS management agreed with this recommendation and stated that they will reevaluate the level of assurance necessary for TDC installations.

Planning and Implementation of the Taxpayer Digital Communication Program Should Follow Best Practices to Improve Results

A method to assess the implementation of a new process of interacting with taxpayers is to consider industry best practices. The Government Accountability Office (GAO) developed a best practice framework in its *Business Process Reengineering Assessment Guide* that includes 20 steps based on input from private industry and other Federal agencies.[32] The guide states that an agency should assess if a new process is achieving desired results by: 1) measuring the performance of the new process; 2) determining if the new process is achieving the desired results; and 3) using performance measurement as a feedback loop for continuously improving the new process. The framework is designed to help ensure that potential obstacles are considered, problems are pinpointed and addressed, costs and benefits are analyzed, and results are accurately evaluated.

As shown in Figure 3, we used the GAO's 20-step best practice framework to assess the development and implementation of the TDC program by the IRS. We considered how closely IRS personnel considered the recommended steps in planning, implementing, and evaluating the TDC program's efforts. According to the GAO, a degree of discretion is involved in making judgments about each of the steps, and some steps are not appropriate for every project. As a result, there were certain best practices that we determined to be not applicable (N/A) to the TDC program's role in planning, implementing, and evaluating the installations. These are not included in Figure 3 but shown in Appendix II, the summary of the GAO's 20-step best practices framework. There were also certain elements that we determined should be worked by both the TDC program and the installation owners (business units). Based on the evidence and documentation obtained during our fieldwork, the TDC program successfully met seven of the 15 applicable steps and partially met six of the 15 steps during planning, implementing, and evaluating the installations.[33] In two instances, the best practices were partially met by the business units, but not the TDC program (indicated in Figure 3).

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[32] GAO, GAO/AIMD-10.1.15, *Business Process Reengineering Assessment Guide* (May 1997).

[33] During the closing conference, management officials with the TDC program office stated that they had completed work associated with the following best practice areas: identify productivity baseline, include complexity and quality in productivity measures, identify causes of weak performance, assess resource needs and availability, and develop plans to monitor and evaluate the new process. Since the audit was complete when these items were received, we did not validate these claims.

Figure 3: Assessment of the TDC Program Using GAO Best Practices

Best Practices Advocated by the GAO[34]	Comments or Explanation
Best Practices Included - YES ✅	
Map current process.	The TDC program described different aspects of their operating model, including: initiate, design, build, test, and operate.
Adjust target process based on pilot results.	The TDC program provided evidence of changes to the process based on initial pilot results.
Obtain executive support.	The TDC program provided evidence of executive support from the risk assessment process through current installations and future use cases.
Assess barriers to implementing changed process.	Barriers, such as e-authentication, were assessed.
Conduct pilot tests.	TDC installations were piloted.
Define roles and responsibilities.	The TDC program described the responsibilities of roles, including but not limited to managers, users, analysts, etc.
Develop workforce training plans.	Training courses were developed.
Best Practices Included - PARTIAL ◑	
Identify productivity baselines.	The TDC worked with the business units to identify estimated user volume as part of its Risk Assessment process and Use Case Intake form; however, no specific productivity baselines were identified for the program.
Compare current productivity to internal and external benchmarks.	Current metrics include number of authentications, taxpayer signups, and number of text chat messages. No external benchmarks were established.
Design new process to close productivity gap.	This would require that quantitative data were collected by the TDC program showing a need for a change to a new process. Some data were collected as part of the Risk Assessment process.
Assess resource needs and availability.	No cost-benefit analysis was completed within the TDC program. However, there was an assessment of resource needs, such as the number of employees that would be involved.
Identify causes of weak performance. Both the TDC program and the installation owner (*e.g.*, business unit) would be responsible for this step.	No evidence of analysis of performance by the TDC program. While this could be considered the responsibility of the installation owner, there should be collaboration between the owners and the TDC program to monitor performance results.
Measure gap between current and desired productivity. Both the TDC program and the installation owner (*e.g.*, business unit) would be responsible for this step.	No evidence of analysis of performance by the TDC program, although evidence of measures were provided by installation owners. While this could be considered the responsibility of the installation owner, there should be collaboration between the owners and the TDC program to monitor performance results.
Best Practices Included – NO ❌	
Include complexity and quality in productivity measures.	No productivity measures were established for the TDC program.
Develop plans to monitor and evaluate new process.	In addition to lacking an evaluation plan, there were no predefined criteria to determine what would constitute a success.

Source: TIGTA's evaluation of the TDC program using the GAO's 20-step framework and data provided by the IRS.

As noted previously, the success or failure in the implementation of this new process cannot be wholly attributed to either the TDC program or the functions in which the installations were stood-up. At least two of the elements from the best practices framework are the responsibility of both the TDC program and the various functions or their higher-level business units. At a

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[34] See Appendix II for a summary of the GAO's 20-step best practices framework.

minimum, identifying causes of weak performance and measuring the gap between current and desired productivity are both collaborative elements.

For example, as the entities responsible for identifying and selecting the installations to develop, both the TDC program and the OLS had a vested interest in ensuring that causes of weak performance (*e.g.*, low user volumes, non-adoption) were identified and mitigated to the extent possible to make the best use of funds used to develop these processes. The lack of measurable goals or objectives to associate with available metrics make it difficult for the TDC program to define desired productivity and any improvement in taxpayer adoption.

Consistently updating measurable goals and objectives may provide a method by which the TDC program office and the impacted functions can evaluate their success and evolution

In addition to assessing measurable data and the impact the TDC program is having on operations, the TDC program office should also assess its own performance. We determined that there are no performance measures in place for the TDC program office. Examples of performance measures generally include a mix of outcome, output, and efficiency measures.[35] We reviewed past OLS Business Performance Reviews and determined that no consistent quantitative or qualitative results were reported regularly for the TDC program office. In addition, there were no goals provided as part of a data package of metrics and measures provided for the installations. However, evidence was provided of a limited number of goals developed for each individual installation during our closing conference. Unless meaningful goals and objectives are in place, and regularly assessed and updated, the TDC program has no way to determine if the installations have produced the desired results.

Nine of the 11 TDC installations gathered some form of stakeholder feedback. Seven installations collected taxpayer feedback (SB/SE ACS Chat, AUR, TCO, and Correspondence Examination; and LB&I ACA and Examination, and TAS), while seven installations are tracking or have tracked internal user feedback (Appeals; LB&I APMA, ACA, and Examination; SB/SE AUR and Correspondence Examination; and TAS).[36] Of the seven installations collecting internal user feedback, six were using informal methods of gathering feedback and the feedback was not quantified.

Of the 11 TDC installations, only five are tracking participation rates (LB&I ACA; SB/SE AUR, Correspondence Examination, and TCO; and TAS). The six installations not tracking participation rates indicated that either formal invitations or mailed notice invitations are not used, that they were unsuccessful in developing a reasonable method to capture this metric, or that they did not use participation rates as a service level metric.[37]

The GAO's *Standards for Internal Control in the Federal Government* states that in evaluating the entity's performance, management should determine if the performance measures are

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[35] Outcome measures assess whether the process has actually achieved the intended results. Output measures examine the products or services produced by the process, such as the number of claims processed. Efficiency measures evaluate such things as the cost of the process and the time it takes to deliver the output of the process (a product or service) to the customer.

[36] TAS collected both internal and external feedback. However, it is no longer participating in the TDC program.

[37] ACS Chat tracks the number of connected chats, as well as some service level metrics.

appropriately aligned with qualitative objectives while meeting the milestones.[38] Management is responsible for determining whether performance measures for the defined objectives are appropriate for evaluating the entity's performance in achieving those objectives.

The common explanation provided by the IRS for not tracking metrics was that certain metrics or measures were not applicable to particular installation(s) or the installation and the TDC program did not have quantifiable results. For example, seven of the 11 TDC installations are not or did not actively track the number of taxpayers authenticated.[39] For several installations, this is not tracked separately because the installations have the same landing page on IRS.gov and the IRS cannot differentiate the installation.[40] However, taxpayers are unable to use the secure messaging tool *unless* they are authenticated. This makes successful authentication an important measure of whether the taxpayer was able to use the secure messaging features.

According to the IRS, although some installations designed and deployed during the program's pilot phase (2016-2019) were limited in scope, post-pilot installations such as Appeals and LB&I Exam are designed for broad use by the business functions. Given these plans to expand installations to a larger audience, it is critical that IRS implement meaningful performance metrics in order to evaluate results.

Performance measures provide a way to determine what has been accomplished and whether or not an organization is meeting its stated goals and objectives. Establishing goals and standardizing the evaluation of the use of installations could provide a means to direct IRS resources towards taxpayer segments or IRS functions for which secure messaging may have a better rate of adoption. Given the IRS's limited resources, it is important that the TDC program develop performance measures associated with established goals or objectives to assess whether improvements should be made.

Analysis of the costs and benefits of the TDC installations should have been conducted

We requested evidence of any cost-benefit analyses conducted during the IRS's processes for planning, developing, and implementing the TDC program and its installations. We determined that neither the OLS, the TDC program, nor the business units requesting installations were required to provide any cost-benefit analyses as part of a business or use case evaluation process. Cost estimates are necessary to support decisions about funding one program over another, to develop annual budget requests, to evaluate resource requirements at key decision points, and to develop performance measurement baselines.[41]

Although tracking the costs associated with a project is important, OLS management stated that they do not track the costs of their projects. We estimated the costs of the TDC effort to be $34.7 million from FY 2015 through May 30, 2022, based on data from both the OLS and the IRS Information Technology (IT) function, which included labor costs, contractor costs, and software and hardware costs.

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[38] GAO, GAO-14-704G, *Standards for Internal Control in the Federal Government* (Sept. 2014).

[39] Appeals, LB&I ACA, LB&I APMA, LB&I Examination, SB/SE AUR, SB/SE TCO and TE/GE TEB.

[40] Appeals, SB/SE AUR, SB/SE Correspondence Examination, and SB/SE TCO.

[41] GAO, GAO-20-195G, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Program Costs* (Mar. 2020).

The largest driver of costs for the OLS were contractor labor costs that totaled more than $8.7 million from October 2015 through September 2021. Responsibility for the contract for the eGain platform, which was used to build the TDC installations, was transferred from the OLS to the IT function in October 2020. See Figure 4 for total costs associated with TDC installations from FY 2015 to May 30, 2022.

**Figure 4: Summary of Overall Costs of TDC Efforts
FY 2015 to May 30, 2022**

Cost-Type	Dollar Amount
Third-party contractor labor (OLS)	$8,743,205
OLS labor costs	$2,813,569
First eGain contract (IT)	$15,125,519
Second eGain contract (IT)	$8,095,236
Total	$34,777,529

Source: Cost breakout provided by the IRS.

Office of Management and Budget Circular A-94 describes a cost-benefit analysis as a systematic quantitative method of assessing the desirability of Government projects or policies when it is important to take a long view of future effects and a broad view of possible side-effects.[42] Two important questions the *GAO Business Process Reengineering Assessment Guide* recommends considering are:

- How did the agency make a preliminary determination of the potential costs, benefits, and risks of reengineering the target process?

- Does the initial business case present a credible outline of the potential cost savings and other benefits to be derived from reengineering the target process?

In addition, Office of Management and Budget Circular A-94 recommends that agencies conduct a sound cost-benefit analysis before initiating any project that extends three or more years into the future. The circular's guidelines promote efficient resource allocation through well-informed decision-making by the Federal Government. It provides general guidance for conducting cost-benefit and cost-effectiveness analyses. It also serves as a checklist for whether an agency has considered and properly dealt with all the elements for sound cost-benefit and cost-effectiveness analyses, including a detailed plan to verify results.

Recommendation 3: The Deputy Commissioner for Services and Enforcement should ensure that an evaluation plan is developed and implemented to thoroughly assess the TDC program and its management of the TDC installations. At a minimum, the evaluation plan should include clearly stated objectives that measure success against well-defined standards and detailed steps for verifying that sufficient benefits are being realized in relation to the costs being incurred.

> **Management's Response:** IRS management indicated that the recommendation had been implemented. IRS management stated that the TDC program monitors the

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[42] Office of Management and Budget, Circular A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (Nov. 2015 update).

technical solution and implementation of digital communication solutions evaluations plans and that they assist IRS business units with conducting assessments of operations that use secure messaging. In addition, due to the significant difference between projects, the OLS assesses the technical performance of TDC projects using project–by–project measures to identify individual program success. IRS management also stated that they have conducted several cost-benefit analysis of the secure messaging platform in comparison to similar commercial off-the-shelf products.

> **Office of Audit Comment:** IRS management's description of their corrective action is not entirely responsive to our recommendation. In response to Recommendation 5, IRS management stated that the TDC program office serves as the single point of coordination within the IRS for programmatic decisions, including managing the expansion and use of digital communication across the business units and stakeholders. As such, the TDC program should do more to assess its own performance, as well as that of the installations, through clear objectives and well-defined standards. Establishing goals and standardizing the evaluation of installations could provide a means to direct IRS resources where they are most needed.
>
> IRS management states that they conducted a cost-benefit analysis of the secure messaging platform. However, we determined that neither the OLS, the TDC program, nor the business units requesting installations were required to provide any cost-benefit analyses as part of the business or use case evaluation process for the installations. Having expended in excess of $34 million for TDC efforts since FY 2015, some of which was used to implement installations with fewer than 500 expected users, we continue to believe that the IRS can improve upon their ability to ensure that sufficient benefits are realized in relation to the costs incurred.
>
> Finally, IRS management states in its response to our report that the potential savings opportunity afforded by TDC installations is misleading. However, our information on the digital savings came directly from the IRS's own Strategic Plan 2018 – 2022, and the IRS offered no other information, further indicating a lack of cost-benefit analysis on the IRS's part.

The IRS Did Not Fully Consider the Digital Communication Needs of Stakeholders

Taxpayers interact with the IRS for a variety of reasons and their needs differ based on why they are coming to the IRS. For example, the needs of the SB/SE Division taxpayer segment may vary significantly compared to the needs of the taxpayer segments served by the LB&I and the TE/GE Divisions. The GAO's *Business Processing Reengineering Assessment Guide* notes that before an agency embarks on a reengineering effort it should have a comprehensive understanding of its current and future customers, including their needs and expectations. This information should be used as key input for improving the type, cost, quality, and timeliness of the products and services provided. The guide also states that redesigning the way work is done should start "with a high-level assessment of the organization's mission, strategic goals, and customer

needs." Otherwise, an organization may find that it is operating on questionable assumptions, particularly in terms of the wants and needs of its customers.

Post-implementation surveys of stakeholders are limited and have mixed results

The IRS did not substantially survey taxpayers and employees until after TDC pilot installations were established. The IRS stated that it conferred with taxpayer and employee stakeholder groups and determined that taxpayers wanted the same type of tools that were available from financial institutions, such as banks, credit unions, credit card companies, *etc*. However, no evidence was provided that these user preferences were considered during the planning phase of TDC installations. The TDC installations that conducted surveys did so only after their installation was implemented.[43]

The 21st Century Integrated Digital Experience Act, signed in December 2018, sought to improve the digital experience for Government customers.[44] Among its requirements were to design digital services around user needs, with data-driven analysis influencing management and development decisions, using qualitative and quantitative data to determine user goals, needs, and behaviors, and continually test the website, web-based forms, web-based applications, or digital services to ensure that user needs are addressed.

The IRS intended secure messaging and digital communication to be a tool for taxpayers to increase self-sufficiency and decrease reliance on IRS employees to complete simpler tasks. The TDC program is working to support and expand modernized digital services and facilitate process change towards a seamless digital communications experience for the spectrum of their taxpayer customers, while also focusing on providing value to business operating division partners. However, surveying taxpayers and employees may have helped with the development of TDC installations and mitigate concerns prior to further development of the TDC installations.

Post-implementation surveys of stakeholders have also been limited. Four of the 11 installations did not conduct any internal/external surveys (LB&I APMA, SB/SE TCO, TE/GE TEB, and W&I TFA § 2302). Four of the seven installations that did conduct surveys asked six or less questions about general experiences, which may not have been enough to understand current performance and identify areas of improvements.

We requested access to any surveys sent out to taxpayers who used the SB/SE Division's ACS Text Chat installation. The only surveys that were conducted were brief customer experience surveys requested from the taxpayers after their chat session was complete. The surveys asked the taxpayer to rate the overall chat experience, if the issue was resolved to the taxpayer's satisfaction, as well as to rate the level of satisfaction for the quality of answers, speed, professionalism, one thing to improve, and other topics they would like to see supported.

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[43] After our fieldwork was complete, the IRS provided a *Taxpayer Digital Communications, Market Research Summary* (June 2015), a *TDC Measure Phase Survey Debrief* (January 2015), and *IRS Online Services; 2-Way Digital Communication Solution, Overall Story* (August – September 2012), all of which were labeled as Draft/Pre-Decisional. They also provided Compliance TDC Conjoint survey results, *W&I Research and Analysis, Compliance TDC Conjoint Findings and Recommendations* (September 2014), a survey to prioritize and design digital communication projects for compliance related tasks. They also provided *TDC Market Research*, which included a comparison of vendor profiles and requirements, but was undated.

[44] Pub. L. No. 115-336, 132 Stat. 5025 (2018).

Our analysis of the survey data found there were a total of 68,031 survey responses from January 1, 2021, through September 23, 2021, reflecting approximately 11 percent of the taxpayers who used the chat feature. Of the 68,031 responses to the question, "Was your issue resolved to your satisfaction?" 33,610 (49 percent) responded "No." Of those responding "No," 27,302 (81 percent) stated that they would need to call the IRS for additional help.

LB&I Division employees were surveyed internally about its TDC installations. The employee surveys were conducted from January 23, 2021, through February 5, 2021, and sent directly to the 1,015 LB&I Division employees who were trained and had the ability to use the TDC installations. With 611 employees responding to the survey (a 60 percent response rate), results showed that 247 (40 percent) employees answered that they were not using the TDC system. Of the 247 that did not use the system, the majority (143 employees) responded that they were not using the system because it was "Not needed yet/No Opportunity" or they responded that the "Taxpayer is not using the system."

In order to obtain perspective from internal stakeholders, we interviewed 50 employees and managers across the TDC installations. Of the 50 staff we interviewed, seven (14 percent) stated that that they were trained in the TDC platform, but had not used it often. Of the 50 interviewees, 26 (52 percent) found that using the secure messaging platform was cumbersome. For example, employees noted that it is difficult to navigate within the platform, which may have deterred employees from using it. Employees also felt the sign-up process for taxpayers asked for too much information, which may have dissuaded taxpayers from adopting the use of secure messaging. Finally, some employees expected an "e-mail platform" that looked more like Microsoft Outlook, which they use daily.

Several of the interviewees who had used the system noted the number of cases it was used for was very small. For example, some provided estimates of less than 10 percent of cases were worked using secure messaging, while the remaining 90 percent of cases were worked using other methods.

Twelve (24 percent) of the 50 interviewees believed that the platform had the potential to be a conduit for inadvertent and unauthorized release of a taxpayer's or their representative's personal information. During interviews, employees and managers provided examples of how information from one taxpayer could be inadvertently attached to another taxpayer's correspondence when using secure messaging, creating a risk of disclosing a taxpayer's Personally Identifiable Information. When discussing this risk with the interviewees, they stated that there was a procedure in place to terminate the link to the attached file.

We also discussed the reasons why TAS abandoned its attempt to use a TDC installation for secure messaging with the former National Taxpayer Advocate. TAS intended to use secure messaging for communicating with taxpayers about Earned Income Tax Credit issues and levy releases. However, only about 30 taxpayers were interested in using the installation out of the thousands of taxpayers it was offered to. Both taxpayers and TAS employees found the installation burdensome to use because an account had to be created to use the product and a separate sign-in was required to receive and send secure e-mail. Because of these burdens and the low usage, TAS abandoned its TDC installation in November 2018.

The Government Performance and Results Modernization Act of 2010 states that agencies should have measures in place to track quality.[45] Quality measures could include the customers' satisfaction with the products and services provided. Further research into what taxpayers wanted would have been helpful for the installations and would have provided a basis from which to determine whether stakeholders' needs had been met.

Taxpayer input should have been included as an element of TDC program's identification and prioritization process for new online services. We found that taxpayer input was not considered in prioritizing requests for installations or as part of the TDC program's use-case intake form.[46] Instead, the TDC program developed a prioritization framework to "better select use cases with higher potential success rates." The framework focused on balancing the benefit to taxpayers and IRS programs against the complexity to implement. However, the TDC program determined what the taxpayer benefit would be in discussions with the functions and business units requesting the installation, rather than with taxpayers themselves. According to its operating model, the TDC program analyzes and conducts assessment activities and uses a data-driven framework to assess potential installations based on benefit and complexity using specific success criteria and key performance indicators. This assessment process does not include any weighting of taxpayer needs or requests.

Some surveys for taxpayer feedback are conducted by the business units where the installations were created, but it is unclear how these are being used to improve the program. Stakeholders can have a significant impact on any improvement effort. While it is not always practical to satisfy the needs of all stakeholders, more thorough attempts should be made to identify and consider input from both external and internal stakeholders to identify the areas of improvement for which consensus is strongest.

Management Action: According to the IRS, it is in the process of changing the provider of its external-facing survey tools. Upon adoption of the new tool, the IRS will be able to offer a standardized survey to all taxpayers using secure messaging. However, surveys of individual business users are the purview of the respective businesses to drive adoption of secure messaging.

Recommendation 4: The Deputy Commissioner for Services and Enforcement should develop a method by which detailed information is obtained from stakeholders, both taxpayers and IRS employees, to determine why users may not be interested in TDC installations, what barriers to adoption may exist within the IRS, and how IRS employees may be able to support taxpayer adoption.

> **Management's Response:** IRS management indicated that the recommendation had been implemented, stating that they employ multiple data-gathering tools, as well as survey tools to gain insight into taxpayer needs and preferences. IRS management also stated that they are expanding the OLS with the addition of a User Experience Services Division and the creation of the Taxpayer Experience Office in response to the TFA.

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[45] Pub. L. No. 111–352, 124 Stat. 3866 (2011).

[46] The use case intake form is intended to help business partners ideate and scope potential digital communication use cases. Using the form, use case partners will be able to identify general use case details, the potential benefits of the use case, and high-level technical considerations.

> **Office of Audit Comment:** Although IRS management states that the recommendation has been implemented, IRS surveys of stakeholders have been limited, given that four of the 11 installations did not conduct internal/external surveys. In addition, of the approximately 68,000 survey responses received from January 1, 2021, through September 23, 2021, more than 33,000 respondents indicated that the issue was not resolved to their satisfaction. Approximately 27,000 respondents indicated that they would need to call the IRS for additional help. More robust interaction with both taxpayers and IRS employees is necessary to improve the IRS's digital communication efforts.

More Coordination Is Needed As Use of Taxpayer Digital Communication Expands

The responsibility for the contract for the eGain platform (on which the TDC installations operate) transitioned from the OLS to the IT function in October 2020. With this transfer, the TDC program's roles and responsibilities in managing the eGain platform and supporting established installations changed and more could be done to ensure that these installations receive seamless service and support.

As a result of this transition, in addition to management of the contract, the IRS's IT function is responsible for receiving service and support requests through the IRS Knowledge Incident Problem Service Asset Management system.[47] However, OLS management expressed concern that established TDC installations may not be receiving sufficient support, so that emerging issues may not be timely communicated to the OLS.

We spoke to six of the business unit points of contact responsible for 10 of the implemented TDC installations. Two of the points of contact stated that they had experienced delays in receiving support from the IT function, but were able to mitigate the delays by contacting the TDC program who could provide assistance.

The GAO's *Standards for Internal Control in the Federal Government* states that one role in an entity's internal control system would be an oversight body. The oversight body is responsible for overseeing the strategic direction and accountability of the entity. This includes overseeing management's design, implementation, and operation of an internal control system. For some entities, an oversight body might be one or a few members of senior management. For other entities, multiple parties may be members of the entity's oversight body.

Based on discussions with OLS and TDC management, as well as discussions with installation program managers, there is a need for the IRS to establish an oversight body that can more readily provide oversight and coordination between the business units involved in the implementation and operation of the TDC installations and the IT function that is attempting to leverage the eGain platform for other efforts. Although we were informed that OLS management and IT functions meet monthly, there is a need for the TDC program and the IT function to share information on a more detailed level. The oversight body could act as the

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[47] The Knowledge Incident Problem Service Asset Management system maintains the complete inventory of information technology and non-information technology assets and computer hardware and software. It is also the reporting tool for problem management with all IRS developed applications.

liaison between the OLS and IT function management officials, as well as the IRS Taxpayer Experience Office, to resolve policy issues, overcome internal roadblocks, promote adequate support for established installations, and keep additional projects on track.[48] For example, the TDC program should be made aware of issues and provide its expertise on TDC installation issues to stakeholders more promptly. OLS management, TDC program staff, and relevant staff within the IT function should be sharing information on future uses and developments associated with the eGain platform, so that issues can be mitigated quickly and all organizations can provide their expertise in this evolving area.

Recommendation 5: The Deputy Commissioner for Services and Enforcement and the Deputy Commissioner for Operations Support should work together to establish an office that would be responsible to coordinate and manage the expansion and use of digital communication across the business units, the OLS, the IT function, and any other stakeholders.

> **Management's Response:** IRS management indicated that the recommendation had been implemented, stating that although the OLS has coordinated and overseen the TDC program since its early stages, the TDC program office was created in November 2020 to formalize the program structure and expansion across the IRS. IRS management indicated that the TDC program office serves as the single point of coordination within the IRS for programmatic decisions, including managing the expansion and use of digital communication across the business units and stakeholders.

> > **Office of Audit Comment:** IRS management's description of their corrective action is not entirely responsive to our recommendation. As we state in our report, OLS management expressed concern that established TDC installations may not be receiving sufficient support. Given that the TDC program encompasses several business operating divisions, and based on our discussions with OLS management, TDC program management, and installation program managers, we believe that there is a need for an oversight body to more readily coordinate between all the parties involved.

> > The IRS also objected in its response to the statement in our report that the COVID-19 pandemic exposed some inadequacies with the digital communication tools. However, the IRS has "temporarily" allowed some IRS employees to use e-mail to communicate with taxpayers enabling IRS employees to bypass the TDC installations, and these temporary e-mail policies have been extended four times.

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[48] The Taxpayer Experience Office is responsible for leading a strategic effort to improve customer service.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the IRS implemented a TDC program that meets taxpayers' and the Government's needs. To accomplish our objective, we:

- Identified and evaluated the policies, procedures, statutes, and other guidance related to the implementation and management of the TDC program and its installations. This included reviewing applicable portions of the Internal Revenue Manual, TDC specific guidance, NIST standards, DIRA documents, prioritization documentation, relevant legislation, the IRS strategic plan, and standards for internal control, as well as interviewing IRS officials.

- Determined whether the IRS fully considered stakeholders' needs and concerns associated with digital communications through interviews with key TDC program management and personnel. We assessed whether the TDC effort was successful, and where it was not successful, we determined the reasons for the lack of success. We also assessed documentation related to stakeholder surveys and feedback.

- Determined if specific metrics and measures are in place to ensure that TDC efforts are an efficient use of resources and that the program has a method by which it can measure and determine its success or failure. We determined what process the TDC program used to calculate a cost-benefit analysis of the installations.

- Applied the metrics and measures to determine the effectiveness of the TDC program on IRS operations.

- Evaluated available data on the TDC and other digital communication flexibilities and determined the impact these flexibilities may be having on the adoption of the TDC and whether IRS management believes these flexibilities support its future digital communication efforts.

Performance of This Review

This review was performed with information obtained from the OLS, the Independent Office of Appeals, TAS, and the LB&I Division, located in Washington, D.C., the TE/GE Division, located in Cincinnati, Ohio, as well as the SB/SE and W&I Divisions, located in Lanham, Maryland; and Atlanta, Georgia, respectively, during the period September 2020 through May 2022. 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.

Major contributors to the report were Matthew Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations); Linna Hung, Director; Robert Jenness, Director; Curtis Kirschner, Audit Manager; Nancy Van Houten, Lead Auditor; and Charles Gambino, Auditor.

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: the process for planning, organizing, directing, and controlling TDC program operations. We evaluated these controls by reviewing evidence and documentation associated with installation risk assessment, development, and prioritization, and documentation associated with procedures, metrics, and measures, as well as interviewing IRS management and employees.

Appendix II

Recommended Approach for Business Process Changes

The three figures in this appendix present summary information on the criteria the GAO developed for use when considering, planning, and implementing new business processes or improving existing business processes. The GAO developed the approach based on its *Business Process Reengineering Assessment Guide* and discussions with top-level managers in private industry as well as in other Federal agencies.

**Figure 1: Recommended Steps in
Considering a Potential Process Change**

Steps	Description
Map current process	Similar to flowcharting, process mapping is a graphical representation of the various activities, procedures, roles, and responsibilities within one or more business processes. Its purpose is to help present a clear picture of the current processes to help identify the root causes for under performance and achieve the desired level of improvement.
Identify productivity baselines	Baseline data are needed to provide measures from the current processes to use in comparing the level of improvement achieved by the new process.
Identify causes of weak performance	This step involves identifying the factors or combination of factors that are causing the poor performance in the current process. Examples could include a lack of resources and/or regulatory requirements.
Include complexity and quality in productivity measures	Productivity measures the efficiency with which a process uses resources to produce a product or service, such as the number of audits an IRS examiner completes in a month. To be accurate, a combination of measures is generally needed and consideration is given to the level of difficulty involved.
Measure gap between current and desired productivity	Ideally, the level of performance improvement desired should be achievable and based on empirical data that define where a particular performance level is and where the level of improvement is sought.
Compare current productivity to internal and external benchmarks	Benchmarks are measures from which performance improvement can be quantified. They provide reference points that can be used to help identify and close performance gaps between processes used in other organizations and/or in different functions within the same organization.

Source: *TIGTA's summary of the GAO's 20 steps for process improvement.*

Figure 2: Recommended Steps for Planning a Process

Steps	Description
Understand the best practices of others	Identifying and using best practices is a form of benchmarking that involves adapting practices of others to reach new improvement levels. It is especially recommended that government agencies use business organizations in private industry for this purpose.
Design new process to close productivity gap	Quantitative data are needed to support changing to a new process that shows the change will narrow the gap between current performance and the desired level of performance. To add credibility and avoid any perception of bias in making the change, the desired level of performance sought should be specified.
Analyze alternatives	Alternative process changes that may produce the same level of improvement should be explored in terms of their relative costs and benefits. Such exploration can be done through limited testing and may identify a more cost-effective approach to achieving the same or similar results.
Obtain executive support	Executive support and oversight throughout a process change is important for a number of reasons that include ensuring resources are available, securing support from internal and external stakeholders, and approving proposed recommendations for implementation.
Assess barriers to implementing changed process	Identifying and assessing the costs of overcoming potential barriers to implementing a change is important because it may ultimately prove to be too great a burden. Examples of barriers could include laws, regulations, employee union agreements, lack of resources, current political environment, and/or lack of executive support.
Assess resource needs and availability	Before initiating a process improvement project, it is important to ensure the resources are available to design, plan, and implement the change. Otherwise, there is a risk the new change will be only partially implemented.

Source: TIGTA's summary of the GAO's 20 steps for process improvement.

Figure 3: Recommended Steps for Implementing a Process Change

Steps	Description
Conduct pilot tests	In short, pilot testing is designed to show intended benefits from a change that can in fact be realized. It involves evaluating how well the process change works in practice, pinpointing and correcting problems, and refining performance measures. Importantly, it can also strengthen executive and other stakeholder support for moving from testing to full-scale operation.
Adjust target process based on pilot results	This step is designed to incorporate and test needed changes to the new process based upon lessons learned in earlier pilot testing.
Define roles and responsibilities	To ensure accountability, it is vital to designate the specific personnel who will be responsible for making the process improvement.
Establish employee expectations for new process	Developing and issuing new performance expectations needs to be considered and developed if the new process causes traditional roles, responsibilities, and expectations to change for employees.
Develop plans to monitor and evaluate the new process	An evaluation plan is one of the first steps needed for evaluating the success of process change and needs to include a combination of performance measures for weighing the costs of the new process against expected benefits, determining whether the process is achieving desired results, and assessing if further improvements are needed. To enhance credibility and avoid potential bias, the criteria about what would constitute a success needs to be defined.
Establish a change management strategy	Change management is a structured approach for how best to address the transitional issues associated with moving to a new process. These issues, among others, include addressing resistance to a new way of conducting business that may be encountered within an organization or work unit. The approach should be designed to build support and positive attitudes for the change.
Establish a transition team	Typically, a transition team is responsible for managing the implementation of a new process. As such, the team should develop a plan that communicates the various aspects of the new process, its goals, and how it will be implemented.
Develop workforce training plans	In general, employee training plans need to be considered and developed if the change is going to significantly alter traditional roles and responsibilities. For example, employees may need training to learn new technical or communication skill sets if they are going to successfully take on new responsibilities or be expected to work more independently under the new process.

Source: TIGTA's summary of the GAO's 20 steps for process improvement.

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Appendix III

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Management's Response to the Draft Report

MEMORANDUM FOR HEATHER M. HILL
　　　　　　　　　　　 DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:　　　　　　　 KAREN S. HOWARD　　　*Karen S. Howard*　 Digitally signed by Karen S. Howard
　　　　　　　　　　　 DIRECTOR, OFFICE OF ONLINE SERVICES　　　 Date: 2022.09.09 13:20:24 -04'00'

SUBJECT:　　　　　　Draft Report - More Should Be Done to Expand and Increase
　　　　　　　　　　　 Use and Availability of the IRS's Taxpayer Digital
　　　　　　　　　　　 Communication Tools (Audit # 202130015)

Thank you for the opportunity to respond to the above referenced report. Providing
taxpayers the ability to communicate with us digitally is a strategic priority for the IRS.
The current Taxpayer Digital Communications (TDC) solution was developed to
facilitate secure digital communication between IRS personnel, taxpayers, and their
representatives. This customer-centric solution was developed as a pilot program to
better understand the technical needs of the IRS's business units regarding secure
digital communications. With the decision to implement TDC as a program and eGain
as its supporting technical platform, the IRS is demonstrating its commitment to
improving the taxpayer experience by providing a virtual service communication
capability that preserves the security of our systems and taxpayer information. The
IRS's process for determining appropriate use cases for new TDC installations is
shaped by stakeholder input and entailed the careful evaluation of technical
requirements as well as the early development of installations (i.e., use cases) and
program measures, and focusing on training to use these new capabilities.

This management response clarifies aspects of TIGTA's report where TIGTA's analysis
and findings do not reflect the full extent of the discussions with IRS during this audit.
We are disappointed that we were unable to resolve many of these issues with the audit
team during the draft review process. For example, the underlying objective of the TDC
solution is to facilitate and provide secure two-way communication (clerical mail
routing). The TDC solution was not intended to decrease our reliance on IRS
employees to complete simpler tasks, and TIGTA's assertion that "The IRS intended
secure messaging and digital communication to be a tool for taxpayers to increase self-
sufficiency and decrease reliance on IRS employees to complete simpler tasks"
misrepresents the goal of secure messaging. (See report page 6) Self-sufficiency and
decreased reliance are not and never were the goals of secure messaging.

Similarly, TIGTA's findings underestimate the complexity of launching new installations
in different program areas. The IRS employs careful planning and consideration for
how the new form of communication will interact with the legacy systems and the
controls we have in place for managing correspondence and case work. The initial TDC
installations were designed to offer service channels to a diverse customer base
(including individuals, businesses, and tax pros); while the number of customers

projected to be served by an installation was considered, testing out ways to reach our diverse customer base remains a driving factor when selecting new installations. While increasing the number of customers is one goal, we also need to ensure we do so without compromising our existing systems, processes, and workforce. This requires a balanced approach when prioritizing installations for development and deployment.

The report notes that the "TDC program did not establish performance goals or objectives," yet each installation had goals and objectives established prior to initiating its development. (See report page 7.) Our process of establishing goals and objectives and our development of performance goals, which included measuring taxpayer interest, were provided to TIGTA and we continue to collect this information as part of our continuous improvement efforts. To measure performance, the IRS conducted post-pilot installation reports to measure how the pilot performed against pre-determined measurements. As part of the assessment process for new use cases, the IRS employs an evaluation methodology that considers expected and/or desired measures and objectives. These considerations are factored in the prioritization of use cases. The materials used in the assessment process, including the Business Readiness Checklist, contain the developed productivity measures for every TDC installation. This information is reviewed by IRS executives to approve and prioritize prior to the deployment of any new installations.

Further, we are concerned that the draft report references the cost of certain digital transactions that are not pertinent to understanding the potential impact of TDC on IRS costs to service the taxpayer. The costs referred to in the report reflect the cost per transaction for self-service or informational tools such as irs.gov. Self-service, however, is a very different use case from the use of TDC for direct taxpayer to employee interaction; attempting to use these costs to suggest the potential savings opportunity afforded by TDC is misleading. While TDC may accelerate the timeliness of taxpayer interactions with IRS, it does not significantly affect the operational costs of programs that continue to depend on employees to evaluate submissions and respond to taxpayers.

Moreover, it is unfair to suggest that digital interactions could drastically reduce the year-end inventory of work as there is very little correlation between increasing utilization of digital interactions and reduction of the paper processing inventory for two distinct reasons. The majority of items in inventory do not require further interaction with taxpayers, such as processing of paper tax returns or resolving error conditions in Accounts Management. Second, inventories for actions that do require direct interaction, like amended returns or error resolution in Submissions Processing, are primarily driven by the level of staffing available, not communication delays.

The report further states that the IRS was "more focused on completing the installations than maximizing the IRS's ability to communicate digitally with taxpayers." (See report page 5.) This characterization lacks context and does not reflect the evolving nature of the TDC program. For example, TIGTA states that installations were developed despite the "expectation of having 1,000 or fewer expected users." (See report page 5.) This

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misrepresents the source information; the users counts in the Digital Identity Risk Assessments (DIRAs) that TIGTA references are a reflection of businesses' initial scaling projections and do not reflect the capacity for the installations nor the businesses' long-term expansion plans. In other cases, availability to taxpayers is limited not by TDC installations but by other constraints such as staffing. For example, the SB/SE Correspondence Exam installation is designed so that secure messaging can be offered to all relevant taxpayers and their representatives. However, SBSE does not currently offer the service to all taxpayers because of staffing limitations. Finally, in the few cases where installations were designed for small populations, TIGTA neglects to mention that the installations were designed during TDC's pilot phase where installations were limited in size and scope to limit risk to the IRS.

The report further suggests that the demand for alternative means of communication during the Covid-19 pandemic "exposed inadequacies with the digital communication tools developed by the TDC program." (See report page 8.) As examples, it notes challenges with authentication and limited availability of these tools. Certainly, IRS would have desired to have more extensive solutions in place to support remote operations, but the pandemic was an unprecedented and unexpected challenge. The IRS is aware of the challenges many taxpayers face authenticating with us and has been making investments to improve authentication success rates (as with the move from e-Authentication to the Secure Access Digital Identity system). Note, however, that these authentication standards are established outside IRS and are critical to protecting the integrity of taxpayer data, so they will likely always pose a challenge for some taxpayers. To the second point, IRS has always intended to expand the availability of our digital communication to more taxpayers; ideally, more installations would have already been available to more taxpayers to address the potential need for remote communications, but nobody could have anticipated the timing of the pandemic.

In the end, these issues do not reflect "inadequacies with the digital communication tools" themselves so much as the result of years of inadequate resources to enhance and expand the tools we have. (See report page 8.) In the absence of these past investments, IRS *temporarily* accepted additional risk in specific circumstances to meet the unprecedented demands of maintaining operations during the pandemic. This policy deviation allowed the use of email and encrypted attachments during compliance interactions in which an IRS employee has already completed identity validation checks to establish an ongoing relationship with a taxpayer. This deviation, however, is temporary only and does not alter the underlying security requirements (including complying with NIST standards and completing the DIRA process) for a permanent secure messaging solution using TDC.

Finally, the report notes, "The IRS Did Not Fully Consider the Digital Communication Needs of Stakeholders." (See report page 16.) In fact, the IRS's approach to implementation was designed to address both taxpayer preferred preferences and IRS needs. Prior to launching the TDC program, an IRS Online Services Study, the Two-Way Digital Communication Approach, was conducted to outline taxpayer and IRS expectations of digital communications. Second, the IRS's approach included an

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analysis of the types of digital communications that would be most beneficial, a staged roadmap including Proof of Concept/Pilot period, and technical solution options. A full cost and benefit analysis was prepared prior to the procurement stage including a proposed implementation timeline to inform decision making. Finally, to facilitate change management, the IRS utilized Six Sigma's "Define, Measure, Analyze, Design, and Verify" (DMADV) process, which greatly assisted the IRS in migrating each BOD use case from a paper/phone/fax-based process to a full end-to-end digital process.

These clarifications are intended to bring further context to the findings of the TIGTA report to ensure a full understanding of the IRS's efforts around the TDC program. As the TDC capability adds more installations and grows, we expect more taxpayers will choose this virtual channel, creating an improved customer experience. We are excited about the progress made to date within the TDC program, but we recognize that much more needs to be accomplished to achieve the success we all desire in helping service the American taxpayers. While its still very early the process, we anticipate that some of the service transformation work made possible by the passage of the Inflation Reduction Act of 2022 will include further TDC expansion.

Attached is a detailed response outlining our corrective actions to address TIGTA's recommendations. If you have additional questions, you or a member of your staff may contact me, José Vejarano, Acting Director, Online Services Product Management Division at (770) 595-2742 or David Lunsford, Acting Chief, TDC Program Office at (240) 613-6104.

Attachment

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Attachment

Recommendation 1: The Deputy Commissioner, Services and Enforcement, should, in collaboration with leaders from IRS business operating divisions, identify those areas for which more efficient and effective methods of communication are needed. The lessons learned and tools developed as part of the TDC program should be leveraged to expand digital communication to taxpayers.

Planned Corrective Action:
The IRS currently holds monthly Core Meetings and Quarterly Executive Roundtables to strengthen engagement and planning with key business partners stakeholders and executives by working with TDC leadership to identify and message program updates and strategic topics. Engagements across business operating divisions identify opportunities to engage taxpayers through secure messaging, and apply lessons learned to future secure messaging installation planning. OLS operates in close coordination with the IRS business units to deliver more transparent, accessible, and efficient services.

The TDC program leverages a prioritization process to establish the needs for new digital communications solutions through the TDC program based on lessons learned and new requirements identified by the businesses with the goal of expanding the reach of secure messaging to taxpayers. OLS uses a process flow based on a use case assessment rubric that includes parameters such as the number of eligible taxpayers, communication volumes, expected taxpayer adoption, cost and other potential efficiencies. OLS' TDC program and its business and IT partners use this case analysis to assess the value and validity of the proposal.

Implementation Date:
Implemented

Responsible Official:
Director, Online Services Product Management Division

Corrective Action Monitoring Plan:
N/A

Recommendation 2:
The Deputy Commissioner, Services and Enforcement, should consider reevaluating the level of assurance necessary for TDC installations intended for digital communication with taxpayers, which allows them to respond to the IRS's requests for additional documentation, given that policy deviations for using standard e-mail and SecureZIP files have been used for several years.

Planned Corrective Action:

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The IRS will re-evaluate the level of assurance necessary for TDC installations intended for digital communication with taxpayers.

Implementation Date:
02/15/2023

Responsible Official:
Associate Chief Information Officer, Cybersecurity

Corrective Action Monitoring Plan:
IRS will monitor this corrective action as part of our internal management system of controls

Recommendation 3:
The Deputy Commissioner, Services and Enforcement, should ensure that an evaluation plan is developed and implemented to thoroughly assess the TDC program and its management of the TDC installations. At a minimum, the evaluation plan should include clearly stated objectives that measure success against well-defined standards and detailed steps for verifying that sufficient benefits are being realized in relation to the costs being incurred.

Planned Corrective Action:
The TDC program monitors the technical solution and the implementation of digital communication solutions evaluation plans. The TDC program assists IRS business units with conducting assessments of operations that use secure messaging as a digital communications channel using the established charters as guidance. Due to the significant differences between projects, OLS assesses the TDC projects technically using project-by-project measures to identify individual program success.

The IRS has also conducted several cost/benefit analyses of the secure messaging platform in comparison to similar Commercial-Off-the-Shelf (COTS) products, most recently in 2019, to ensure that the IRS has access to the required digital communications capabilities at a competitive cost.

Implementation Date:
Implemented

Responsible Official:
Director, Online Services Product Management Division

Corrective Action Monitoring Plan:
N/A

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Recommendation 4:
The Deputy Commissioner, Services and Enforcement, should develop a method by which detailed information is obtained from stakeholders, both taxpayers and IRS employees, to determine why users may not be interested in TDC installations, what barriers to adoption may exist within the IRS, and how IRS employees may be able to support taxpayer adoption.

Planned Corrective Action:
The IRS employs an established method with multiple data-gathering tools including platform and external analytics, as well as survey tools, to gain insight into taxpayer needs and preferences regarding communication with the IRS. In addition, we are expanding OLS with the addition of a User Experience Services Division and the creation of the Taxpayer Experience Office as part of the IRS's response to the Taxpayer First Act.

The TDC Program uses an external survey tool that, in addition to a standard set of questions, solicits feedback from the taxpayer about their experience and their preferences, and provides them the opportunity to rate their experience with the installation. This collective data helps the IRS understand issues and opportunities and plan future improvements and expansions of secure messaging service. The measurement of taxpayer interest is a component of the performance goals maintained by the business units. For example, we have gotten outstanding customer satisfaction scores and feedback for our installations in SBSE Corr Exam and AUR, which demonstrate most taxpayers see TDC as an exceptionally good improvement in service offerings.

Internally, TDC provides each business operating division with access to data about its employee users and offers assistance interpreting the data if needed. IRS business partners can use this data to understand how employees are using secure messaging and if issues impeding use are discovered. IRS business partners work with the TDC office to determine if the issues can be resolved either technically by the TDC office or programmatically by the business itself.

Implementation Date:
Implemented

Responsible Official:
Director, Online Services Product Management Division

Corrective Action Monitoring Plan:
N/A

Recommendation 5:
The Deputy Commissioner, Services and Enforcement, and the Deputy Commissioner, Operations Support, should work together to establish an office that would be

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responsible to coordinate and manage the expansion and use of digital communication across the business units, the OLS, the IT function, and any other stakeholders.

Planned Corrective Action:
While the Office of Online Services has coordinated and overseen the TDC program from its early stages of research to the launch of the first installation pilots, the DCSE office identified the need to establish a formal TDC Program Office to formalize the program structure and expansion across the IRS. To this end, on November 2020, the IRS created the TDC Program Office in the Office of Online Services. The TDC Program Office now serves as the single point of coordination within the IRS for programmatic decisions including managing the expansion and use of digital communication across the business units and stakeholders. OLS is a direct report to DCSE and reports quarterly on the activities, challenges and risks faced by the program as well as periodic reviews of the backlog for prioritization and evaluation of BOD requests.

Implementation Date:
Implemented

Responsible Official:
Director, Online Services Product Management Division

Corrective Action Monitoring Plan:
N/A

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Appendix IV

Abbreviations

ACA	Affordable Care Act
ACS	Automated Collection System
APMA	Advance Pricing and Mutual Agreement
AUR	Automated Underreporter
DIRA	Digital Identity Risk Assessment
FY	Fiscal Year
GAO	Government Accountability Office
IRS	Internal Revenue Service
IT	Information Technology
LB&I	Large Business and International
LOA	Level of Assurance
NIST	National Institute of Standards and Technology
OLS	Office of Online Services
SB/SE	Small Business/Self-Employed
TAS	Taxpayer Advocate Service
TCO	Tax Compliance Officer
TDC	Taxpayer Digital Communication
TEB	Tax Exempt Bonds
TE/GE	Tax Exempt and Government Entities
TFA	Taxpayer First Act
TIGTA	Treasury Inspector General for Tax Administration
W&I	Wage and Investment

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